Tata Chemicals Europe Limited

Annual report and financial statements

Registered number 02607081

For the year ended 31 March 2023

Contents

Strategic report

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Principal activities and business review

The Company's principal activities are the manufacture and sale of sodium carbonate (soda ash), sodium bicarbonate and related products.

The price of natural gas in the UK was high and very volatile throughout the year and the Company was also exposed to significant increases in the cost of other raw materials, packaging and transport. Turnover for the year increased to £147,437,000 (2022: £99,342,000) as world market prices for soda ash and sodium bicarbonate reacted to changes in input costs. Sales pricing included surcharge mechanisms for changes in gas and carbon prices and this enabled the Company to restore and then retain margins which had been lost in the previous year. The Company also benefited from increased volumes of higher margin products and improved returns from export markets due to the weakness of Sterling.

As noted in last year's report, the Company is a key, long-term participant in an Energy from Waste project at its Lostock site. The Company will benefit from improved site facilities as well as providing other services to the third party owner of the facility. During the year the Company recognised £1,340,000 of lease income related to the project (2022: £1,340,000) and received the final instalments of property, plant and equipment valued at £433,000 (2022: £30,108,000) by way of advance lease payments.

EBITDA for the year was a profit of £21,554,000 (2022: loss of £437,000), calculated as:

	2023	2022
	£000	£000
Operating profit/(loss)	**11,254**	(9,467)
Depreciation	**10,104**	8,834
Amortisation	**196**	196
	21,554	(437)

The profit on ordinary activities before taxation was £5,941,000 (2022: loss of £12,887,000).

The Company is a member of the bank group "Group" headed by Natrium Holdings Limited and the Group refinanced its main external facilities during the year, shortly before the maturity date. These changes have provided the Group with increased liquidity as the existing Term Loan of £80,000,000 has been reduced to £70,000,000 and the £20,000,000 Revolving Credit Facility has been replaced by a £40,000,000 Working Capital Facility.

Future outlook

As described in last year's strategic report, the Group is continuing to deliver a restructuring programme involving a series of projects focused on reducing the total cost per tonne of manufacturing and enhancing both the safety and efficiency of operational delivery.

The ground-breaking carbon capture and use plant at the Group's combined heat and power facility at Winnington operated successfully throughout the year, reducing the Group's carbon emissions and the cost to the Company of externally supplied carbon dioxide as a raw material for sodium bicarbonate manufacture. These savings are providing vital support to the Company's ambitious plans to become a net zero producer of soda ash and expand its sodium bicarbonate business.

Strategic report (continued)

The directors expect these projects and the protection against fluctuating energy prices from selling price surcharge mechanisms will enable the Company to consolidate and strengthen its performance in its key UK markets as well as providing the base for further growth in export sales to Europe and Asia.

Principal risks and uncertainties

The main risk to the business is the cost of energy in the UK. This includes not only the market price of natural gas but also the cost of carbon emissions under the UK Emissions Trading Scheme. During the year, input costs increased significantly but the Company was largely able to pass through the costs to end customers. An extended period of very high energy prices in both the UK and wider world economies could test the resilience of markets in which the Company's customers operate and lead to potential demand destruction. The Company will maintain its close focus on these matters over the coming year by engaging proactively with customers, suppliers and national decision-making bodies.

Financial risk management

The Company's operations expose it to a variety of financial risks that include interest rate risk, foreign currency risk, commodity price risk, liquidity risk, credit risk and capital risk. The Company has in place a risk management programme which seeks to limit the adverse effects on its financial performance where appropriate. Further information is given in Note 26 to the financial statements. Financial risk is managed at Group level.

Key performance indicators ("KPIs")

The Company's main financial KPI is EBITDA, which for the year ended 31 March 2023 was £21,544,000 (2022: loss of £437,000). The Company also closely monitors fixed cost performance against budget and the previous year. The Company uses a number of other, non-financial KPIs using a 'balanced scorecard' approach. At the start of each financial year the Company sets targets relating to a number of strategic themes, including safety performance, reduction in carbon footprint and operational excellence. For each measure, the actual performance of the business is compared to the target on a regular basis and these reviews help to identify where further action is required.

Section 172(1) Statement

The directors act in good faith to promote the success of the Company taking, inter alia, the following into account:

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

These factors influenced the strategies followed and decisions made at Group level during the year. Details of the Group's key stakeholders and how we engage with them are set out below:

Strategic report (continued)

Shareholders

The Group is a wholly-owned sub-group of TCE Group Limited and ultimately Tata Chemicals Limited, a company incorporated in India and quoted on the Bombay Stock Exchange. Board and Audit Committee Meetings are held quarterly at the TCE Group Limited level and these meetings provide shareholders with the opportunity to review the actual and forecast financial performance, strategy, risk management, governance, sustainability and ethical standards of the business. These formal meetings are supplemented by regular discussions and updates on a wide range of topics.

Colleagues

The measures taken by the Company to establish and improve employee engagement and the directors' regard for the interests of employees are described in the Directors' Report.

Customers

The Company aims to provide the highest possible level of customer service by delivering high quality products on time and in full and resolving any customer complaints both promptly and fairly. The Company undertakes an annual customer satisfaction survey and uses the feedback from this process to improve the services offered.

Suppliers

The Company develops strategic relationships with key suppliers in order to build mutually beneficial and lasting partnerships. Engagement with suppliers is primarily through regular contract reviews which take into account not only the supply of products and services but also compliance with the governance requirements of the UK Bribery Act and the Modern Slavery Act.

Communities

The Company's approach to corporate social responsibility has four main drivers: the engagement of our colleagues, the engagement of local communities in order to maintain positive public relations, the support of STEM in local educational establishments and the support of wider Tata Group CSR initiatives. We focus our efforts in three main areas: volunteering, fundraising for our corporate charity, St Luke's Hospice, and initiatives with local schools.

External regulators and other stakeholders

The measures taken by the Company to ensure adherence to our environmental responsibilities, energy usage and carbon emissions are described in the Directors' Report. We engage with the government and government regulators through a range of industry consultations and meetings, together with our membership of the Chemical Industries Association.

The Company operates a defined benefit pension scheme which is legally separated from the Company and responsibility for its governance lies with the independent board of trustees. The Company maintains regular contact with the trustees to ensure that interests of the fund members are safeguarded and the requirements of the Pensions Regulator are met.

Strategic report (continued)

By order of the board

J L Abbotts
Director
19 May 2023
Natrium House, Winnington Lane, Northwich, Cheshire, CW8 4GW

Directors' report

The directors present their annual report on the affairs of the Company, together with the audited financial statements for the year ended 31 March 2023.

Directors

The directors who served during the year, and thereafter were:

M J Ashcroft
J L Abbotts
D P W Davies
A J Vause
K L Lounds
J Graham (appointed 24 November 2022)
A N Runciman (resigned 4 July 2022)

Employees and employee engagement, including the company's statement under S172(1)

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The Company has a continued commitment to communication through the use of newsletters, regular financial information and consultation meetings for workplace representatives. The Company will continue to enhance all communication channels to everyone in the Company.

The directors have taken a number of measures in order to establish and improve employee engagement. We value the individual contributions made towards the success of the company by all of our colleagues. We encourage our people to express opinions on how we run our organisation and how we can improve the employee experience and we acknowledge this feedback. We run an annual employee engagement survey and this gives us valuable insight into what our employees value and where we need to put in place action plans to ensure delivery of improvements. Other ways in which we engage with our employees include the use of Yammer, company-wide e-mails, communication meetings, notice boards, newsletters and employee forums, including those that involve our recognised trade unions. We are proud of our on-line training portals and our wellbeing offering, including an employee hotline which can be used to raise concerns anonymously.

Political contributions

No donations were made to any political party during the year (2022: £nil).

Directors' report (continued)

Environment

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements systems to minimise adverse effects that might be caused by its activities. The Company operates in accordance with its publicly available environmental policy, which does not form part of this report. It adheres to the conditions detailed in all relevant environmental licences and permits and any other relevant legislation or regulations covering its activities or environmental impacts. Initiatives designed and implemented to manage and reduce the Company's environmental footprint include investigating further reductions in emissions to air and water, reducing the amount of solid waste that is sent to landfill and improving energy use and efficiency.

UK Energy use and carbon emissions

This information has been provided on a consolidated group basis in the Director's Report of Natrium Holdings Limited. Accordingly, the directors have taken advantage of the exemption not to disclose the information in the Director's Report of the Company.

Going concern

The directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements (Note 3.2).

Dividends

The directors do not recommend the payment of a dividend (2022: £nil).

Qualifying Third Party Indemnity Provisions

During the year, and at the date of signing this report, the Company maintained liability insurance and third party indemnification provisions for its directors, under which the Company has agreed to indemnify the directors to the extent permitted by law in respect of all liabilities to third parties arising out of, or in connection with, the execution of their powers, duties and responsibilities as directors of the Company and any of its associated companies.

Financial Instruments

The Company's risk management objectives and policies in relation to the use of financial instruments can be found in Note 26.

Matters covered in the strategic report

Future developments and business relationships are covered in the strategic report.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Directors' report (continued)

Statement of disclosure to the auditor

Each person who is a director at the date of approval of this report confirms that:

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

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

Auditor

The auditor, KPMG LLP, will be deemed to be reappointed in accordance with Section 487 of the Companies Act 2006.

By order of the board

JLAbbotts

J L Abbotts
Director
19 May 2023
Natrium House, Winnington Lane, Northwich, Cheshire, CW8 4GW

Statement of directors' responsibilities in respect of the annual report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK-adopted international accounting standards 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

kpmg

KPMG LLP
8 Princes Parade
Liverpool
L3 1QH
United Kingdom

Independent auditor's report to the members of Tata Chemicals Europe Limited

Opinion

We have audited the financial statements of Tata Chemicals Europe Limited ("the Company") for the year ended 31 March 2023 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cashflows, and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

• give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its profit for the year then ended;

• have been properly prepared in accordance with UK-adopted international accounting standards; and

• have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

• we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;

• we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

Independent auditor's report to the members of Tata Chemicals Europe Limited (continued)

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

• Enquiring of directors, internal audit and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.

• Reading Board and TCE Group Limited audit committee minutes.

• Considering remuneration incentive schemes and performance targets for management and directors.

• Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, our overall knowledge of the control environment and the impact of gas and other energy cost increases on profitability in the year, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

• the risk that Group and component management may be in a position to make inappropriate accounting entries to overstate revenue.

We did not identify any additional fraud risks.

We performed procedures including:

• Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those that appeared to be posted on behalf of senior finance management, duplicate journal entries that may have been posted, postings to seldom used accounts, postings containing key words and phrases (such as bribe, fraud, litigation, arbitration, gift, personal, CFO, Director, political, liaison and entertainment) and those posted to unusual offset accounts when posted to revenue and those posted to unusual offset accounts when posted to cash and borrowing accounts.

Independent auditor's report to the members of Tata Chemicals Europe Limited (continued)

• Performing additional substantive audit testing on sales to customers where there have been significant increases in revenue and £/tonne.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and UK ETS legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's licence to operate. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery and employment law. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Independent auditor's report to the members of Tata Chemicals Europe Limited (continued)

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

• we have not identified material misstatements in the strategic report and the directors' report;

• in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

• in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

• adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

• the financial statements are not in agreement with the accounting records and returns; or

• certain disclosures of directors' remuneration specified by law are not made; or

• we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent auditor's report to the members of Tata Chemicals Europe Limited (continued)

The purpose of our audit work and to whom we owe our responsibilities

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.

W. Meredith

William Meredith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
8 Princes Parade
Liverpool
L3 1QH
19 May 2023

Profit and loss account
For the years ended 31 March

	Note	2023 £000	2022 £000
Revenue	5	**147,437**	99,342
Cost of sales		**(116,511)**	(93,438)
Gross profit		**30,926**	5,904
Sales and distribution costs		**(14,058)**	(12,031)
Administrative expenses		**(7,189)**	(6,147)
Other operating income		**1,575**	2,807
Operating profit/(loss)		**11,254**	(9,467)
Finance income	9	**22**	-
Finance costs	10	**(5,335)**	(3,420)
Net finance costs		**(5,313)**	(3,420)
Profit/(Loss) before tax	6	**5,941**	(12,887)
Taxation	12	**-**	-
Profit/(Loss) for the year		**5,941**	(12,887)

All of the results shown above relate to continuing operations.

The Notes on pages 20 to 54 are an integral part of these financial statements.

Statement of comprehensive income

For the years ended 31 March

	Note	**2023 £000**	2023 £000
Profit/(Loss) after tax		**5,941**	(12,887)
Items that will not be reclassified to profit or loss			
Remeasurement (losses)/gains on defined benefit pension schemes	23	**(11,564)**	22,559
Items that may be reclassified subsequently to profit or loss			
Cash flow hedge losses	11	**(210)**	(657)
Other comprehensive income		**(11,774)**	21,902
Total comprehensive income		**(5,833)**	9,015

The Notes on pages 20 to 54 form an integral part of these financial statements.

Balance sheet
At 31 March

	Note	2023 £000	2022 £000
Assets			
Property, plant and equipment	14	**93,037**	95,268
Intangible assets	13	**20,973**	16,286
Non-current assets		**114,010**	111,554
Inventories	17	**9,757**	8,168
Trade and other receivables	18	**32,290**	23,958
Prepayments		**926**	2,778
Other current financial assets	22	**53**	149
Cash and short term deposits	15	**805**	8,976
Current assets		**43,831**	44,029
Total assets		**157,841**	155,583
Liabilities			
Interest-bearing loans and borrowings	22	**(3,740)**	(4,304)
Retirement benefit obligations	23	**(63,063)**	(54,969)
Other payables	19	**(29,162)**	(30,069)
Provisions	21	**(2,607)**	(2,819)
Non-current liabilities		**(98,572)**	(92,161)
Trade and other payables	19	**(109,318)**	(114,560)
Interest-bearing loans and borrowings	22	**(11,368)**	(16,869)
Other current financial liabilities	22	**(264)**	(150)
Deferred revenue	20	**(6,051)**	(5,932)
Provisions	21	**(11,553)**	(8,549)
Current liabilities		**(138,554)**	(146,060)
Total liabilities		**(237,126)**	(238,221)
Net liabilities		**(79,285)**	(82,638)
Equity			
Share capital	24	**46,225**	37,039
Retained losses	25	**(125,175)**	(119,552)
Cash flow hedge reserve	25	**(335)**	(125)
Total equity		**(79,285)**	(82,638)

Balance sheet (continued)

The Notes on pages 20 to 54 are an integral part of these financial statements.

These financial statements were approved by the board of directors on 18 May 2023 and were signed on its behalf on 19 May 2023 by:

J L Abbotts
Director

Statement of changes in equity

For the years ended 31 March

	Share capital	Retained losses	Cash flow hedging reserve	Total deficit
	(Note 24)	(Note 25)	(Note 25)	
	£000	£000	£000	£000
Balance at 1 April 2022	37,039	(129,224)	532	(91,653)
Loss for the year	-	(12,887)	-	(12,887)
Other comprehensive income	-	22,559	(657)	21,902
Total comprehensive income	-	9,672	(657)	9,015
Balance at 31 March 2022	**37,039**	**(119,552)**	**(125)**	**(82,638)**
Profit for the year	-	5,941	-	5,941
Other comprehensive income	-	(11,564)	(210)	(11,774)
Total comprehensive income	-	(5,623)	(210)	(5,833)
Issue of ordinary shares	9,186	-	-	9,186
Balance at 31 March 2023	**46,225**	**(125,175)**	**(335)**	**(79,285)**

The Notes on pages 20 to 54 form an integral part of these financial statements.

Statement of cash flows

For the years ended 31 March

	Note	2023	2022
		£000	£000
Profit/(loss) for the year		**5,941**	(12,887)
Finance income	9	**(22)**	-
Finance costs	10	**5,335**	3,420
Depreciation of property, plant and equipment	14	**10,104**	8,834
Amortisation of intangible assets	13	**196**	196
Foreign exchange gains		**(52)**	(548)
Other non-cash item: UKETS		**1,624**	8,013
		23,126	7,028
(Increase)/Decrease in inventories		**(1,631)**	2,198
Increase in trade and other receivables and prepayments		**(6,688)**	(6,080)
(Decrease)/Increase in trade and other payables		**(3,496)**	21,425
(Decrease)/Increase in provisions and employee benefits		**(4,953)**	71
		6,358	24,642
Purchase of UKETS allowances	13	**(5,285)**	(8,142)
Net cash from operating activities		**1,073**	16,500
Net cash used in investing activities			
Purchase of property, plant and equipment		**(6,329)**	(5,668)
Cash flows from financing activities			
Repayment of borrowings		**(1,000)**	(3,000)
Payment of lease liabilities		**(1,738)**	(1,656)
Interest paid		**(467)**	(551)
Net cash from financing activities		**(3,205)**	(5,207)
Net increase in cash and cash equivalents		**(8,461)**	5,625
Effect of exchange rate fluctuations on cash held		**290**	668
Cash and cash equivalents at 1 April	15	**8,976**	2,683
Cash and cash equivalents at 31 March	15	**805**	8,976

The Notes on pages 20 to 54 form an integral part of these financial statements.

Notes
(forming part of the financial statements)

1 General information

Tata Chemicals Europe Limited (the 'Company') is a private company incorporated in England, United Kingdom, under the Companies Act. The address of the Company's registered office is Natrium House, Winnington Lane, Northwich, Cheshire, CW8 4GW.

The financial statements are presented in pounds sterling, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise stated.

2 Changes in significant accounting policies

A number of new standards are effective from 1 April 2022 but they do not have a material effect on the Company's financial statements.

New and revised IFRS standards in issue but not yet effective.

Revisions to the following standards have been issued but are not yet effective:

a) Classification of liabilities as Current or Non-current (IAS 1)
b) Non – current Liabilities with Covenants (IAS 1)
c) Lease liability in a sale and leaseback (IFRS 16)

None are expected to have a material impact on the Company's financial statements in the period of initial application.

3 Significant accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

3.1 Basis of accounting

The financial statements of the Company have been prepared and approved by the directors in line with UK-adopted International Accounting Standards as applied in accordance with the provisions of the Companies Act 2006. They have been prepared on a historical cost basis, except for the revaluation of financial instruments and Emissions Trading Allowances, as explained in the accounting policies below.

Group financial statements have not been prepared as permitted by section 400 of the Companies Act 2006 as the Company itself is a wholly owned subsidiary of Natrium Holdings Limited, a body incorporated in the United Kingdom which prepares consolidated financial statements.

3.2 Going concern

As at 31 March 2023 the Company had net liabilities of £79,285,000. Notwithstanding these net liabilities, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Company is a subsidiary of Natrium Holdings Limited.

Natrium Holdings Limited and its subsidiaries (together "the Group") manage their operations on a Group-wide basis. In particular, the Group's financing and cash requirements are managed on a pooled basis with funds being allocated between companies to meet individual short and medium term requirements. Consequently, the assessment of Company's ability to continue as a going concern has been based on a review of the Group as a whole.

Notes (continued)

3 Significant accounting policies (continued)

3.2 Going concern (continued)

The Group refinanced its bank facilities in February 2023. As at 31 March 2023 the Group was funded by a fully drawn down £70,000,000 term loan and £10,000,000 drawn down from a £40,000,000 uncommitted working capital facility, both provided by Bank of America and secured by fixed and floating charges over the assets of the Group and for which Tata Chemicals Limited ("Ultimate Parent") is guarantor. The term loan is repayable in February 2028 and is subject to financial covenants which are tested at the level of the Tata Chemicals Limited group ("the Ultimate Parent Group") and in the event any are breached would result in such amounts owed becoming repayable on demand.

The Group also has access to a trade receivables financing facility of £13,000,000 with Standard Chartered Bank of which £nil was utilised at 31 March 2023 and a reverse forfaiting facility of up to £40,000,000 with Credit Agricole Corporate and Investment Bank of which £36,283,000 was utilised at 31 March 2023. Access to new drawdowns under these facilities may be withdrawn at a month's notice.

The Group meets its day-to-day funding requirements by utilising directly drawn amounts from the facilities described above.

The Ultimate Parent has indicated its intention to provide such support as may be necessary to allow the Group to continue as a going concern for the foreseeable future. In particular, the Ultimate Parent does not intend to seek or cause the repayment of amounts due from the Group to other members of the Ultimate Parent Group.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements (the "Forecasts"). These Forecasts take into consideration the expected continuing impact of very high European energy prices and assume that the uncommitted working capital facility will continue to be available throughout. The directors have also prepared a detailed assessment of a severe but plausible downside scenario arising as a result of further increases in energy prices and other input costs and have considered the impact this would have on the Forecasts. The Forecasts indicate that, taking account of reasonably possible downsides, the Group will have sufficient funds, by utilising the bank facilities described above, to meet its liabilities as they fall due for that period. In the severe but plausible downside scenario, taking account of the scenario where the working capital facility does not continue to be available, the directors consider that the Group will have sufficient funds, by utilising both the other bank facilities and the Ultimate Parent support, to meet its liabilities as they fall due for that period.

The Group is reliant on the support of the Ultimate Parent, as described above. Following discussions with the directors of the Ultimate Parent, the directors of the Group are satisfied that the Ultimate Parent will be able to provide the support which has been indicated and that bank covenants measured at the Ultimate Parent Group level will continue to be met. As is the case for any entity placing reliance on other related entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the Company and Group will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Notes (continued)

3 Significant accounting policies (continued)

3.3 Intangible assets

Emissions Trading Allowances

The Company participates in UK Emissions Trading Scheme (UKETS). For each calendar year the Company receives an allocation of free allowances which are initially recorded at fair value as an intangible asset with a corresponding deferred income balance that is released over the compliance period. Additional purchased allowances are valued at cost. At each period-end the Company estimates its outstanding obligation to surrender allowances. Where the obligation is already matched by allowances either held or purchased forward by the Company, the provision is calculated using the same cost as the allowances. To the extent that the Company has an obligation to surrender allowances in excess of allowances held or purchased forward, the provision is based on market prices at the balance sheet date.

Other intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives.

The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

The estimated useful lives for current and comparative periods are as follows:

Software	2 to 8 years

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

Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

3.4 Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services or for administrative purposes, are stated in the balance sheet at cost, less accumulated depreciation and impairment losses.

Plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of replacing component parts of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit and loss account as incurred.

Notes (continued)

3 Significant accounting policies (continued)

3.4 Property, plant and equipment (continued)

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and assets under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Freehold buildings	25 to 50 years
Plant and equipment	2 to 25 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.

3.5 Investments

Investments in subsidiaries are shown at cost less provision for impairment.

3.6 Financial instruments

3.6.1 Financial assets

The Company's financial assets include cash, trade and other receivables and derivative financial assets.

Classification

The Company classifies its financial assets as either:
- those subsequently measured at fair value (either through OCI, or through profit or loss); or
- those measured at amortised cost.

The classification depends on the Company's methodology for managing the financial assets and the contractual terms of the cash flows. Financial assets are not reclassified subsequent to their initial recognition. Trade receivables are stated net of amounts settled under a no recourse receivables financing facility with Standard Chartered Bank.

Measurement

At initial recognition, the Company measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. For all other financial assets, transaction costs that are directly attributable to the acquisition of the financial assets are added to the fair value measured on initial recognition.

Subsequent measurement of the asset depends on the Company's methodology for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its financial assets:

a) Amortised cost

Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Any gains or losses are recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate ('EIR') method.

Notes (continued)

3 Significant accounting policies (continued)

3.6.1 Financial assets (continued)

b) Fair value through other comprehensive income ('FVTOCI')

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the asset's cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are recorded in OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in finance income using the EIR.

c) Fair value through profit or loss ("FVTPL")

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. Any gains or losses are recognised net in profit or loss in the period in which it arises. Interest income from these financial assets is included in finance income.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the profit and loss account.

3.6.2 Debt and equity instruments

Debt and equity instruments are classified as either equity or as financial liabilities in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised when the proceeds are received, net of direct issue costs.

Financial liabilities

The Company's financial liabilities comprise borrowings, trade payables and other liabilities. These are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the EIR method. The EIR is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period at the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Changes to the carrying amount of a financial liability as a result of renegotiation or modification of terms that do not result in derecognition of the financial liability, are recognised in profit or loss.

The Company derecognises financial liabilities when, and only when, its obligations are discharged, cancelled or they expire.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Notes (continued)

3 Significant accounting policies (continued)

3.6.2 Debt and equity instruments (continued)

Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

3.6.3 Derivatives and hedging activities

In the ordinary course of business, the Company uses certain derivative financial instruments to reduce its exposure to foreign exchange on net cash transactions and commodity price fluctuations (cash flow hedges). When the Company opts to undertake hedge accounting, the Company documents, at the inception of the hedging transaction, the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows or fair values of hedged items. The Company documents its risk management objective, its strategy for undertaking various hedge transactions at the inception of each hedge relationship and how the entity will assess the effectiveness of the hedge. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the profit and loss account, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and accumulated in the hedging reserve.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the profit and loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

3.6.4 Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other group companies, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

3.6.5 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Notes (continued)

3 Significant accounting policies (continued)

3.6.6 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis or other valuation models.

3.6.7 Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including the time value of money where appropriate.

3.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the weighted average method. Net realisable value is based on estimated selling price, less estimated costs of completion and the estimated costs necessary to make the sale. Provision is made for obsolete, slow-moving or defective items where appropriate.

3.8 Revenue

Sale of goods

Operating revenue is derived from the sale of sodium carbonate (soda ash), sodium bicarbonate and related products. In accordance with IFRS 15, revenue from the sale of goods is recognised only when the performance obligation is met, when control of goods are transferred and when collectability is reasonably assured and at an amount to which the Company expects to be entitled. Any amounts received where the performance obligation has not been met are held as deferred income. However, when an uncertainty arises about the collectability of an amount already included in revenue, the uncollectible amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an expense, rather than as an adjustment to the amount of revenue originally recognised.

Interest income

Interest income is recognised when it is probable that the future economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is recognised using the effective interest method, with the effective interest rate being the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to that asset's net carrying amount on initial recognition.

Notes (continued)

3 Significant accounting policies (continued)

3.8 Revenue (continued)

Other operating income

In accordance with IFRS 15, other operating is recognised only when the performance obligation is met, when control of goods are transferred and when collectability is reasonably assured and at an amount to which the Company expects to be entitled. Any amounts received where the performance obligation has not been met are held as deferred income.

3.9 Operating profit

Operating profit is stated before investment income, interest income, finance costs and income tax.

3.10 Tax

The tax expense or credit represents the sum of the net amount arising in respect of current and deferred tax.

Current tax

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the tax authorities. Taxable profit differs from net profit as reported in profit or loss 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 tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current tax relating to items recognised directly in equity is recognised in equity and not in the profit and loss account. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax arises in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

Deferred tax assets are recognised for unutilised tax losses, unutilised tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised.

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

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Notes (continued)

3 Significant accounting policies (continued)

3.10 Tax (continued)

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

3.11 Pensions

The Company operates a defined benefit scheme, which is funded with the assets of the scheme held separately from those of the Company, in a separate trustee administered fund. The scheme closed to further accrual of benefits on 31 May 2016.

The cost of providing benefits under the defined benefit plan is determined by a qualified actuary using the projected unit credit method.

Actuarial gains and losses for the defined benefit plan are recognised in full, in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognised in other comprehensive income and are not reclassified to profit or loss in subsequent periods. The past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested. If the benefits have already vested, immediately following the introduction of, or changes to, a pension plan, past service costs are recognised immediately.

The defined benefit asset or liability comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less past service costs and less the fair value of plan assets out of which the obligation is to be settled. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value is based on market price information. The value of any defined benefit asset recognised is restricted to the sum of any past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

The Company also operates a defined contribution scheme under which costs are charged to profit and loss on the basis of the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

3.12 Foreign currency

Transactions in foreign currencies are translated into the functional currency of the Company at the exchange rate prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are subsequently retranslated at the spot rate prevailing at that date. All differences are taken to the profit and loss account.

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. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference. Translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively.

Notes (continued)

3 Significant accounting policies (continued)

3.13 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Emissions Trading Allowances

At each period-end the Company estimates its outstanding obligation to surrender allowances under UKETS. Where this obligation is already matched by free or purchased allowances, the provision is calculated using the same cost or deemed cost as the allowances. To the extent that the Company has an obligation to surrender allowances in excess of free and purchased allowances, the residual shortfall is based on market prices at the balance sheet date.

3.14 Leases

Company as lessee

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the rate implicit in the lease or, where this is not readily determined, by the incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Notes (continued)

3 Significant accounting policies (continued)

3.14 Leases (continued)

Right-of-use assets are depreciated over the shorter of lease term or useful life of the underlying asset. IAS 36 is applied to determine whether a right-of-use asset is impaired and how to account for this.

Company as lessor

The Company recognises lease payments receivable under operating leases as income on a straight-line basis over the lease term as part of 'other operating income'.

3.15 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount, which is assessed on the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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.

The Company bases its impairment calculations on detailed budgets and forecasts which are prepared separately for each of the cash generating units ("CGUs") to which the Company's individual assets are allocated. These budgets and forecasts generally cover a period of five years. For subsequent periods, a long term growth rate is calculated and applied to projected future cash flows.

3.16 Deferred Income

Emissions Trading Allowances

Under UKETS, for each calendar year the Company receives an allocation of free allowances which are initially recorded at fair value as intangible assets with a corresponding deferred income balance that is released on a straight line basis over the calendar year.

4 Significant accounting judgments, estimates and assumptions

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Notes (continued)

4 **Significant accounting judgments, estimates and assumptions** (continued)

Impairment of non-financial assets

Impairment arises when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the Company's forecast for the next five years and do not include restructuring activities to which the Company is not yet committed or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rates, EBITDA and capital expenditure. Further details about the assumptions used are given in Note 14.

Pension benefits

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Volatility in the UK gilt and bond markets, the value of Sterling and RPI and CPI inflation have impacted the investment asset allocation, hedging strategy and funding levels.

The Company has early adopted the CMI 2022 projections of future improvements in mortality by increasing the weighting factors applied to the mortality base tables. This has resulted in a small decrease in the defined benefit obligation.

Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details about the assumptions used are given in Note 23.

Taxes

Deferred tax assets are recognised for unutilised tax losses, unutilised tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Complex contracts

Revenue from complex contracts is only recognised on the transfer of control of goods or services to a customer at an amount to which the Company expects to be entitled. Significant management judgement may be required for the Company to determine when to recognise the revenue, and at what amount. In order to do this the company follows the IFRS 15 five-step model.

(i) Identify the contract
(ii) Identify the performance obligations in the contract
(iii) Determine the transaction price
(iv) Allocate the transaction price to performance obligations in the contract.
(v) Recognise revenue as and when a performance obligation is satisfied.

Notes (continued)

5 Revenue

An analysis of revenue by geographical market is set out below:

	2023	2022
	£000	£000
United Kingdom	**103,424**	69,099
Europe	**31,559**	20,762
Rest of World	**12,454**	9,481
	147,437	99,342

The Company has just one segment under IFRS 8, and therefore no further detailed segmental information has been presented.

6 Profit/(loss) before tax

Profit/(loss) before tax is stated after (charging)/crediting:

	Note	**2023**	2022
		£000	£000
Staff costs	8	**(17,261)**	(14,763)
Amortisation of intangibles	13	**(196)**	(196)
Depreciation of property, plant and equipment	14	**(10,104)**	(8,834)
Cost of stock recognised as an expense		**(64,506)**	(50,046)
Net foreign exchange gain		**52**	548
Lease income		**1,340**	1,340
Business interruption insurance receipt		**222**	-

7 Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2023	2022
	£000	£000
Fees payable to the Company's auditor for the audit of the Company's financial statements	**(210)**	(198)

No remuneration has been paid in relation to non-audit services (2022: £nil).

Notes (continued)

8 Staff numbers and costs

The average number of employees (including executive directors) was:

	2023 Number	2022 Number
Production and operations	**174**	201
Distribution and sales	**27**	26
Administration	**62**	62
	263	289

The aggregate remuneration comprised:

	2023 £000	2022 £000
Wages and salaries	**(15,252)**	(13,776)
Social security costs	**(1,679)**	(1,355)
Other pension costs	**(989)**	(1,108)
Less: capitalised as additions to fixed assets	**659**	1,476
	(17,261)	(14,763)

Directors' remuneration comprised:

	2023 £000	2022 £000
Directors' emoluments	**(1,372)**	(1,464)
Amounts receivable under long-term incentive schemes	**(59)**	(49)
Company contributions to money purchase pension schemes	**(84)**	(73)
	(1,515)	(1,586)

	Number	Number
The number of directors who are members of a defined benefit contribution scheme	**1**	3

Notes (continued)

8 **Staff numbers and costs** (continued)

Remuneration of the highest paid director	**2023**	2022
	£000	£000
Aggregate emoluments	**(375)**	(363)
Amounts receivable under long-term incentive schemes	**(27)**	(12)
Company contributions to money purchase pension schemes	**(12)**	(12)
	(414)	(387)
Accrued pension at the end of the year	**49**	47

9 **Finance income**

	2023	2022
	£000	£000
Bank interest receivable	**22**	-

10 **Finance costs**

		2023	2022
	Note	**£000**	£000
Interest on borrowings		**(310)**	(131)
Interest payable to fellow group undertakings	29	**(3,288)**	(1,418)
Total interest expense		**(3,598)**	(1,549)
Interest income on pension scheme assets	23	**6,475**	4,813
Interest cost on pension scheme defined benefit obligation	23	**(7,957)**	(6,407)
Other finance costs		**(157)**	(159)
Finance lease interest		**(98)**	(118)
Total finance costs		**(5,335)**	(3,420)

Notes (continued)

11 Components of other comprehensive income

	2023 £000	2022 £000
Cash flow hedges:		
Losses arising on currency forward contracts	**(282)**	(1,205)
Reclassification adjustments for losses included in profit or loss	**72**	548
	(210)	(657)

12 Tax

The charge for the year can be reconciled to the loss before tax as follows:

	2023 £000	2022 £000
Profit/(loss) before tax	**5,941**	(12,887)
Tax on loss on ordinary activities at the average UK corporation tax rate for the year 19% (2022: 19%)	**(1,129)**	2,448
Tax effects of:		
Income not taxable for tax purposes	**171**	(1,304)
Expenses super deductible for tax purposes	**148**	-
Group relief given at nil charge	**(1,472)**	(1,875)
Movement on previously unrecognised deferred tax asset	**2,282**	731
Total tax charge for the year	**-**	-

The standard rate of corporation tax applied to reported profit is 19% (2022: 19%) following the substantive enactment of the Finance Act 2017. The UK government latest legislation sets the headline rate of UK corporation tax at 19%. An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021.

A potential deferred tax asset of £43,413,000 (2022: £41,630,000) for tax losses, decelerated capital allowances, lease income not taxable and non-cash elements of pension and other provisions has not been recognised because it is not considered probable that the asset will crystallise in the foreseeable future.

Notes (continued)

13 Intangible assets

	UKETS Allowances £000	Software £000	Total £000
Deemed cost			
At 1 April 2022	16,052	2,076	18,128
Granted during the year	22,655	-	22,655
Gifted to fellow group company	(14,508)	-	(14,508)
Purchased during the year	5,285	-	5,285
Surrendered during year	(8,549)	-	(8,549)
At 31 March 2023	**20,935**	**2,076**	**23,011**
Amortisation			
At 1 April 2022	-	(1,842)	(1,842)
Charge for the year	-	(196)	(196)
At 31 March 2023	**-**	**(2,038)**	**(2,038)**
Net book value			
At 31 March 2023	**20,935**	**38**	**20,973**
At 31 March 2022	16,052	234	16,286

The free allowances granted to the Company under UKETS include allowances for carbon emissions relating to the generation of steam and electricity consumed by the Company. The liability for these emissions largely rests with a fellow group company, Winnington CHP Limited, as under the UKETS scheme, free allowances are issued to the user of steam and electricity rather than the generator. In order to address this structural imbalance, the Company gifts free allowances to Winnington CHP Limited each year. The methodology is reviewed annually, taking into account relevant changes in the ETS regime and the scope of business operations.

Notes (continued)

14 Property, plant and equipment

	Freehold land and buildings £000	Plant and equipment £000	Assets under construction £000	Total £000
Cost				
At 1 April 2022	28,512	152,158	9,068	189,738
Additions	786	2,877	4,210	7,873
Disposals	(248)	(14,439)	-	(14,687)
Transfers	-	2,504	(2,504)	-
At 31 March 2023	**29,050**	**143,100**	**10,774**	**182,924**
Depreciation				
At 1 April 2022	(10,094)	(84,376)	-	(94,470)
Charge for the year	(1,635)	(8,469)	-	(10,104)
Reassessment of right-of-use	-	-	-	-
Eliminated on disposal	248	14,439	-	14,687
At 31 March 2023	**(11,481)**	**(78,406)**	-	**(89,887)**
Net book value				
At 31 March 2023	**17,569**	**64,694**	**10,774**	**93,037**
At 31 March 2022	18,418	67,782	9,068	95,268

Property, plant and equipment includes right-of-use assets with carrying amounts as follows:

Right-of-use	Land and buildings £000	Plant and equipment £000	Total £000
At 1 April 2022	4,685	256	4,941
Additions to right-of-use assets	786	355	1,141
Depreciation charge for the year	(1,388)	(332)	(1,720)
Reassessment in the year	-	9	9
At 31 March 2023	**4,083**	**288**	**4,371**

Freehold land amounting to £7,999,000 (2022: £7,999,000) has not been depreciated.

The Group tests property, plant and equipment annually for impairment, or more frequently if there are indications that assets might be impaired. For impairment testing purposes, the CGU comprises the whole of the Natrium Group Limited group due to the close inter-dependencies between the group's operations. The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, EBITDA and capital expenditure. The discount rate used is based on the weighted average cost of capital for forecast purposes and is a post tax discount rate. The rate used to discount the forecast cash flows is 7.5% (2022: 6.0%). EBITDA was projected taking into account actual recent performance and estimated growth for the next five years.

Notes (continued)

14 **Property, plant and equipment** (continued)

Residual growth was set at 2.0%. Annual capital expenditure is based on experience of management and planned sustenance capital expenditure. Sensitivity analysis on the key assumptions has been performed and the Company does not expect a reasonably possible change in the key assumptions to have a material impact on the impairment review. In the unlikely event that there is both no growth in EBITDA from historic levels in the next five years and sustenance capital expenditure is significantly higher than forecast throughout the period, the recoverable amount of the CGU could reduce to a level which is close to its carrying value.

All property, plant and equipment is subject to fixed charges as described in Note 22(b).

At 31 March 2023 the Company had commitments of £2,005,000 (2022: £1,647,000) relating to the purchase of property, plant and equipment.

15 **Cash and short-term deposits**

	2023 **£000**	2022 £000
Cash at bank and in hand	**805**	8,976

16 **Investments**

The Company has a £1 shareholding in its subsidiary undertaking, Winnington CHP Limited (2022: same). Winnington CHP Limited is wholly owned by the Company and is incorporated in the United Kingdom. Its principal activity is the generation and sale of steam and electricity and sale of carbon dioxide. Copies of the Company's financial statements may be obtained from the registered office, Natrium House, Winnington Lane, Northwich, Cheshire CW8 4GW.

17 **Inventories**

	2023 **£000**	2022 £000
Raw materials and consumables	**4,942**	4,257
Work in progress	**28**	29
Finished goods and goods for resale	**4,787**	3,882
	9,757	8,168

There is no material difference between the balance sheet value of inventories and their replacement cost. All inventory is subject to a floating charge to secure borrowings of the Company as described in Note 22(b).

Notes (continued)

18 Trade and other receivables

	Note	2023 £000	2022 £000
Amounts receivable for the sale of goods		**31,322**	20,681
Allowance for doubtful debts		**(8)**	(264)
Amounts owed by group undertakings and related parties	29	**322**	1,479
Other receivables		**654**	2,062
		32,290	23,958

Trade receivables are stated net of £nil (2022: £1,750,000) which had been received by the Company under a no recourse receivables financing facility with Standard Chartered Bank.

Trade receivables are non-interest bearing and are generally on 30-90 day terms. All customers are credit checked before acceptance. As at 31 March 2023, trade receivables with an invoice value of £8,000 (2022: £264,000) were impaired and fully provided for.

The Company writes off a trade receivable when there is information indicating that there is no realistic prospect of recovery from the debtor.

The ageing analysis of trade receivables was as follows:

	Total £000	Current £000	<30 days £000	31-60 days £000	61-90 days £000	91-120 days £000	>120 days £000
31 March 2023	**31,322**	**28,809**	**2,599**	**(236)**	**(2)**	**5**	**147**
31 March 2022	20,681	19,123	1,356	172	16	(18)	32

The ageing analysis of impaired trade receivables was as follows:

	Total £000	Current £000	<30 days £000	31-60 days £000	61-90 days £000	91-120 days £000	>120 days £000
31 March 2023	**(8)**	**-**	**-**	**-**	**-**	**-**	**(8)**
31 March 2022	(264)	-	(264)	-	-	-	-

Movement in allowance for doubtful debts	**£000**
Balance at 1 April 2022	(264)
Decrease in allowance for doubtful debts	256
Balance at 31 March 2023	**(8)**

Notes (continued)

19 Trade and other payables

	Note	2023 £000	2022 £000
Trade payables		**(6,343)**	(8,396)
Tax and social security		**(1,111)**	(514)
Other creditors		**(30,754)**	(31,901)
Amounts owed to group undertakings and related parties	29	**(88,616)**	(98,137)
Accruals		**(11,656)**	(5,681)
		(138,480)	(144,629)
Current		**(109,318)**	(114,560)
Non-current		**(29,162)**	(30,069)

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. Trade payables are non-interest bearing and are typically settled 63 days following the end of the month of supply. The terms and conditions relating to related parties are described in Note 29. The directors consider that the carrying value of trade and other payables is approximately equal to the fair value.

20 Deferred revenue

UKETS allowances	**£000**
At 1 April 2022	(5,932)
Received during the year	(8,067)
Credited to profit or loss	7,948
At 31 March 2023	**(6,051)**

21 Provisions

	Carbon emissions £000
At 1 April 2022	
Non-current	(2,819)
Current	(8,549)
	(11,368)
Charged to profit and loss	(11,342)
Utilised during the year	8,550
At 31 March 2023	**(14,160)**
Current	**(11,553)**
Non-current	**(2,607)**

Notes (continued)

21 Provisions (continued)

At 31 March 2023 the carbon emissions provision recognises the obligation to surrender allowances to the Environment Agency under the UK Emissions Trading Scheme in respect of the 2022 calendar year and the first three months of the 2023 calendar year. The surrender in respect of the 2021 calendar year took place in April 2022. The deadlines for surrendering allowances in respect of the 2022 and 2023 calendar years are 30 April 2023 and 30 April 2024 respectively.

22 Other current and non-current financial assets and liabilities

a) Other financial assets

	2023	2022
Financial instruments at fair value through profit or loss	**£000**	£000
Cash flow hedges:		
Foreign exchange forward contract derivative assets - External	**53**	149
Total other current financial assets	**53**	149

b) Other financial liabilities

	2023	2022
Financial instruments at fair value through profit or loss	**£000**	£000
Cash flow hedges:		
Foreign exchange forward contract derivative liabilities - External	**(264)**	(150)
Total other current financial liabilities	**(264)**	(150)

Notes (continued)

22 Other current and non-current financial assets and liabilities (continued)

b) Other financial liabilities (continued)

Interest-bearing loans and borrowings (including lease liabilities)

	Interest rate %	Maturity	2023 £000	2022 £000
Falling due within one year				
Lease liabilities	Various	0 – 16 years	**(1,368)**	(1,369)
Loan from related party (Note 29)	6	On demand	-	(4,500)
Revolving credit facility	SONIA + 1.15	March 2023	-	(11,000)
Working capital facility	SONIA + 1.15	Uncommitted	**(10,000)**	-
Total current interest-bearing loans and borrowings			**(11,368)**	(16,869)
Falling due after one year				
Lease liabilities	Various	0 – 16 years	**(3,740)**	(4,304)
Total non-current interest-bearing loans and borrowings			**(3,740)**	(4,304)

During the year the Company was provided with a £40,000,000 uncommitted working capital facility by Bank of America. In February 2023 the Group refinanced its existing term loan and revolving credit facilities with Bank of America.

Interest payable is normally settled monthly throughout the financial year. The Company intends to hold these liabilities to maturity.

The Company has applied IFRS16. Contracts entered into by the Company on certain property, motor vehicles and items of machinery contain leases and the Company has recognised these as lease liabilities, with a corresponding right of use asset. There are no restrictions placed upon the Company by entering into these leases.

Collateral

Bank of America, as Security Trustee, holds a debenture with the group of companies headed by Natrium Holdings Limited and including the Company. The particulars of this charge are:

i) Legal mortgage over all freehold land with the exception of approximately 147 acres of disused land at the Company's Winnington site, security over which has been granted to the trustees of the Company's defined benefit pension fund as part of the December 2020 triennial actuarial review which was completed in October 2021; and

ii) Fixed and floating charges over all present and future business, undertaking and assets which are not effectively mortgaged.

Notes (continued)

22 Other current and non-current financial assets and liabilities (continued)

c) Hedging activities and derivatives

Cash flow hedges

At 31 March 2023, the Company held foreign currency forward contracts, designated as hedges of expected Euro and USD net cash receipts for which the Company has highly probable forecast transactions. The terms of the foreign currency forward contracts match the terms of the hedged items. The hedged Euro and USD net cash inflows are expected to occur within one year. There were no highly probable transactions for which hedge accounting has been claimed that have not occurred and no significant element of hedge ineffectiveness requiring recognition in the profit and loss account. The carrying value as at 31 March 2023 was an asset of £53,000 (2022: £149,000) and a liability of £264,000 (2022: £150,000).

The following table details the forward currency contracts outstanding at the year end:

	Average rate		Notional value	
	2023	2022	**2023**	2022
			£000	£000
Sell Euros	**1.1751**	1.1192	**5,106**	3,217
Sell US Dollars	**1.2432**	1.4375	**3,865**	1,670

d) Fair value measurement

The fair value of cash flow hedge derivatives is calculated using the discounted cash flow model. The cash flow hedges are level 2 financial instruments, based on the valuation technique used to determine fair value. Inputs include observable quoted prices sourced from exchanges or traded reference indices in active markets for identical assets or liabilities. Prices are adjusted by a discount rate which captures the time value of money and counterparty credit considerations, as required.

e) Sensitivity analysis

Foreign exchange forward contracts

No sensitivity analysis is prepared as the Company does not expect a 10% increase or decrease in exchange rates to have a material impact on the financial statements.

23 Retirement benefit schemes

a) Defined contribution scheme

The Company operates a defined contribution scheme for all qualifying employees, under which costs are charged to the profit and loss account on the basis of contributions payable. The assets of the scheme are held separately from those of the Company in funds under the control of trustees. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The contributions for the year amounted to:

	2023	2022
	£000	£000
Employer contributions	**955**	1,036

As at 31 March 2023, contributions of £78,000 (2022: £82,000) were due in respect of the current reporting period but not yet paid over to the schemes.

Notes (continued)

23 Retirement benefit schemes (continued)

b) Defined benefit scheme

The Company operates a defined benefit scheme for qualifying employees, the Brunner Mond Pension Fund (BMPF). The scheme closed to new members on 30 June 2003 and closed to future accrual of benefits from 31 May 2016.

The defined benefit scheme provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided is defined by the Trust Deed and Rules and depends on members' length of service and their salary. Pensions in payment are generally updated in line with the retail and consumer price indices, subject to caps defined by the rules. Assets are held in trusts and governed by local regulations, as is the composition of the trustee board and nature of its relationship with the Company.

The defined benefit scheme is administered by a fund that is legally separated from the Company. Responsibility for governance of the scheme lies with the board of trustees. The board of trustees must be composed of representatives of the Company and scheme participants in accordance with the scheme rules and every three years the board of trustees reviews the level of funding for the scheme as required by legislation. Such a review includes the asset-liability matching strategy and investment risk management policy and is used to determine the schedule of contributions payable by and agreed with the Company.

The UK pensions market is regulated by the Pensions Regulator whose statutory objectives and regulatory powers are described on its website, www.thepensionregulator.gov.uk.

Risks

Through its defined benefit pension scheme the Company is exposed to a number of risks. The most significant risks are as follows:

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit.
Interest rate risk	A decrease in the bond interest rate will increase the plan liability but this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

These risks are mitigated by:

- Taking advice from independent qualified actuaries and other professional advisers
- Monitoring of changes in the funding position, with reparatory action where appropriate
- Investment policies which include a high degree of hedging against changes in liabilities

Notes (continued)

23 Retirement benefit schemes (continued)

The amounts recognised in profit or loss are as follows:

	2023 £000	2022 £000
Net interest costs:		
Interest cost on defined benefit obligation	**(7,957)**	(6,407)
Interest income on plan assets	**6,475**	4,813
Administrative expenses	**(373)**	(371)
	(1,855)	(1,965)

The amounts recognised in other comprehensive income are as follows:

	2023 £000	2022 £000
Actuarial gain/(loss) from:		
Changes in demographic assumptions	**2,685**	1,950
Changes in financial assumptions	**79,853**	19,270
Experience adjustments	**(10,701)**	(5,425)
Return on plan assets (excluding net interest income)	**(83,401)**	6,764
	(11,564)	22,559

Movements in the fair value of plan assets are as follows:

	2023 £000	2022 £000
At 1 April	**234,891**	235,047
Interest income	**6,475**	4,813
Employer contributions	**5,325**	300
Benefits paid	**(11,358)**	(11,662)
Administrative expenses paid from plan assets	**(373)**	(371)
Remeasurements gain:		
Return on plan assets (excluding interest income)	**(83,401)**	6,764
At 31 March	**151,559**	234,891

Notes (continued)

23 Retirement benefit schemes (continued)

b) Defined benefit scheme (continued)

Movements in the defined benefit obligation are as follows:

	2023	2022
	£000	£000
At 1 April	**(289,860)**	(310,910)
Interest cost	**(7,957)**	(6,407)
Benefits paid	**11,358**	11,662
Remeasurements gains/(losses) arising from:		
Changes in demographic assumptions	**2,685**	1,950
Changes in financial assumptions	**79,853**	19,270
Experience adjustments	**(10,701)**	(5,425)
At 31 March	**(214,622)**	(289,860)

The details of plan assets and liabilities are as follows:

	2023	2022
	£000	£000
Cash and cash equivalents	**2,244**	1,029
Equity instruments	**13,545**	27,698
Debt instruments (excluding LDI)	**86,982**	145,666
LDI instruments*	**48,788**	60,498
Total fair value of assets	**151,559**	234,891
Defined benefit obligation	**(214,622)**	(289,860)
Net pension liability recognised in the balance sheet	**(63,063)**	(54,969)

*Liability Driven Investment - assets chosen to match changes in the value of the scheme's liabilities.

Scheme assets either have a quoted market price in an active market or are stale priced funds.

	2023	2022
	£000	£000
Actual return on plan assets	**(76,926)**	11,577

The trustees ensure that the investment position is managed within a framework that considers the scheme's liability profile, funding position, expected return of the various asset classes and the need for diversification. Within this framework, the trustees' objective is to ensure that sufficiently liquid assets are available to meet benefit payments and the scheme's assets achieve a return that is consistent with the assumptions made by the trustees in determining the funding of the scheme. The trustees and Company regularly monitor the performance of the scheme's investment strategies.

On a triennial basis the funding position of the scheme is reviewed and a schedule of contributions is agreed.

Notes (continued)

23 Retirement benefit schemes (continued)

b) Defined benefit scheme (continued)

The triennial actuarial valuation of the Company's defined benefit pension scheme, as at 31 December 2020, was completed in October 2021 and was updated for the purposes of these financial statements to 31 March 2023 by a qualified independent actuary. As part of the deficit recovery plan, the Company granted the pension fund trustees security over approximately 147 acres of land at the Company's Winnington site, which has been largely disused since the cessation of soda ash and calcium chloride production in January 2014. The intention is to redevelop this land and use the proceeds to reduce the deficit in the pension fund over an expected 10 year period.

Funding requirements and deficit contributions are formally set out in the Statement of Funding Principles, Schedule of Contributions and Recovery Plan agreed between the trustees and the Company. The Company expect to pay £5.1million contributions over the year to 31 March 2024, which is in line with the agreed schedule of Contribution.

The weighted average duration of the defined benefit obligation of the scheme at 31 March 2023 and expected benefit payments in future years are as follows:

Weighted average duration (in years)	**13**

	2023
Expected total benefit payments:	**£000**
Year 1	**11,560**
Year 2	**11,838**
Year 3	**12,122**
Year 4	**12,413**
Year 5	**12,711**
Next 5 years	**68,279**

The actuarial report used for these financial statements was prepared as at 31 March 2023 by a qualified independent actuary. The significant weighted-average assumptions to determine defined benefit obligation were as follows:

	2023	2022
Discount rate	**4.90%**	2.80%
Rate of price inflation (RPI)	**3.20%**	3.75%
Rate of price inflation (CPI)	**2.80%**	3.40%
Rate of pension increases (RPI 5%)	**3.00%**	3.35%

Assumed life expectancy on retirement at age 65:

	2023	2022
	Years	Years
Member retiring today (age 65)		
Male	**21.6**	21.9
Female	**23.9**	24.2
Member retiring in 25 years (age 40)		
Male	**23.3**	23.6
Female	**25.8**	26.1

Notes (continued)

23 Retirement benefit schemes (continued)

b) Defined benefit scheme (continued)

Sensitivity analysis

The sensitivity analysis below assumes changes in individual assumptions while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the balance sheet.

Present value of defined benefit obligations

	2023 £000	2022 £000
Discount rate -50 basis points	**(227,994)**	(312,302)
Discount rate +50 basis points	**(202,506)**	(268,611)
Price inflation rate -50 basis points	**(207,043)**	(278,669)
Price inflation rate +50 basis points	**(222,139)**	(304,057)
Post-retirement life expectancy -1 year	**(221,166)**	(312,831)

24 Called-up share capital

The Company has one class of ordinary share with no right to a fixed income.

	2023 £000	2022 £000
Authorised, issued and fully paid		
46,225,205 (2022: 37,038,995) shares of £1 each	**46,225**	37,039

On 13 March 2023 the Company issued 9,186,210 ordinary shares of £1 each at cost to the Company's immediate parent undertaking Brunner Mond Group Limited.

25 Reserves

The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss only when the hedged transaction impacts the profit or loss.

Retained losses represent cumulative profits or losses net of dividends paid and other adjustments.

Notes (continued)

26 Financial risk management and policies

The Company's principal financial liabilities comprise loans and borrowings, trade and other payables. The Company has trade and other receivables and cash that derive directly from its operations.

The Company is exposed to interest rate risk, foreign currency risk, commodity price risk, liquidity risk, credit risk and capital risk.

The Company's senior management oversees the management of these risks, supported by an audit committee framework which extends up to the level of the ultimate parent company and advises on financial risks and the appropriate financial risk governance framework for the Company. The audit committee provides assurance to the Company's senior management that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company policies and Company risk appetite. The Company's overall strategy remains unchanged from 2022.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market rates relates primarily to the group's long-term debt obligations with floating interest rates. The short-term borrowings of the Company do not have a significant fair value or cash flow interest rate risk due to their short tenure.

During the year, the Company did not enter into any interest rate hedges, however this type of risk mitigation could be considered in the future if required. No sensitivity analysis is prepared as the Company does not expect changes in the sterling SONIA rate to have a material impact on the financial statements.

Foreign currency risk

Foreign currency risk 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 Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency).

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Euro		**United States Dollar**	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Assets	**4,166**	4,704	**1,738**	2,474
Liabilities	**(620)**	(2,365)	**-**	-

Where appropriate, the Company manages its foreign currency risk by hedging forecast cash flows using forward contracts as described in Note 22(c).

Notes (continued)

26 Financial risk management and policies (continued)

Commodity price risk

Commodity price risk is the risk that the purchase price of commodities will fluctuate. The Company's exposure relates largely to the purchase of coke. Where appropriate, the Company manages its commodity risk by entering into long term contractual agreements with suppliers.

Liquidity risk

The Company is a member of a bank group and the group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, a working capital facility and receivables financing where appropriate. Bank loan agreements were renewed in February 2023 and have a term of 5 years.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The trade receivables of the Company are typically unsecured and derived from sales made to a large number of independent customers. Credit reference agencies are used to gain ratings and provide credit recommendations. If there is no credit rating of the customers available, the Company reviews the creditworthiness of its customers based on their financial position, past experience and other factors. The credit period provided by the Company to its customers generally ranges from 0-90 days.

The credit risk related to trade receivables is mitigated by taking out credit insurance and requiring counterparty bank guarantees or letters of credit when considered necessary; by setting appropriate payment terms; and by setting and monitoring internal limits on exposure to individual customers. Since no single customer accounts for more than 10% of the revenue of the Company, there is no substantial concentration of credit risk.

Capital risk

The capital structure of the Company consists of net debt (borrowings less bank balances) and equity (issued share capital, reserves and retained earnings). Borrowings comprise mainly secured bank debt and facilities. The Company is not subject to any externally imposed capital requirements.

The Company manages its borrowings in order to ensure that it is able to continue operating as a going concern, whilst minimising the overall cost and risk to the wider bank group.

27 Contingent liabilities

The Company, together with certain of its fellow group undertakings, has guaranteed the amounts borrowed under the banking facilities as described in Note 22(b). At 31 March 2023 the amount guaranteed was £70,000,000 (2022: £91,000,000).

The Company is subject to certain claims from customers/vendors for potential non-compliance with contractual matters and ongoing litigations. In the opinion of management, after taking appropriate legal advice, the amounts are presently not determinable and any liability is not expected to have a material effect and has not been included within the financial statements at this stage.

Notes (continued)

28 Leases – Company as lessee

Right-of-use assets are presented as part of property, plant and equipment (Note 14).

Amounts recognised in the profit or loss

	2023	2022
	£000	£000
Leases under IFRS 16:		
- Interest expense on lease liabilities	**(98)**	(118)

Amounts recognised in the statement of cashflow

	2023	2022
	£000	£000
Leases under IFRS 16:		
- Total cash outflows for leases	**(1,738)**	(1,656)

Leases – Company as lessor

Operating leases

During the year £1,340,000 (2022 : £1,340,000) was recognised as rental income by the Company.

The following table sets out a maturity analysis of lease consideration to be recognised, showing the undiscounted lease consideration to be recognised after the reporting date:

	2023	2022
	£000	£000
Less than one year	**1,321**	1,321
Between one and two years	**1,321**	1,321
Between two and three years	**1,321**	1,321
Between three and four years	**1,321**	1,321
Between four and five years	**1,321**	1,321
More than five years	**41,998**	43,319
	48,603	49,924

Notes (continued)

29 Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year and outstanding balances at the reporting date:

Trading transactions		**Sales to related parties £000**	**Purchases from related parties £000**	**Amounts owed by related parties £000**	**Amounts owed to related parties £000**
Companies which were part of the Natrium Holdings Limited subgroup:					
Winnington CHP Limited	**2023**	**-**	**(46,762)**	**-**	**-**
	2022	-	(28,552)	-	-
Companies which were part of the wider Tata Chemicals Limited group:					
Tata Chemicals North America Inc	**2023**	**700**	**-**	**214**	**-**
	2022	591	(8)	251	-
Tata Chemicals International Pte Limited	**2023**	**-**	**-**	**-**	**-**
	2022	35	-	19	-
Gusiute Holdings (UK) Limited	**2023**	**-**	**-**	**-**	**-**
	2022	-	-	-	(2,000)
British Salt Limited	**2023**	**1,707**	**-**	**-**	**-**
	2022	1,262	-	133	-

Loans from related parties		**Interest charged by related parties £000**	**Accrued interest owed to related parties £000**	**Amounts owed to related parties £000**
Companies which were part of the Natrium Holdings Limited subgroup:				
Natrium Holdings Limited	**2023**	**(1,464)**	**-**	**(35,914)**
	2022	(629)	-	(48,204)
Winnington CHP Limited	**2023**	**(1,568)**	**-**	**(52,077)**
	2022	(341)	-	(45,250)
Companies which were part of the wider Tata Chemicals Limited group:				
Gusiute Holdings (UK) Limited	**2023**	**(256)**	**-**	**-**
	2022	(270)	(2,430)	(4,500)
Tata Chemicals International Pte Limited	**2023**	**-**	**-**	**-**
	2022	(178)	-	-

Notes (continued)

29 Related party transactions (continued)

Expenses and recharges		Recharges to related parties £000	Recharges from related parties £000	Amounts owed by related parties £000	Amounts owed to related parties £000
Companies which were part of the Natrium Holdings Limited subgroup:					
Winnington CHP Limited	**2023**	**5,566**	**(16,614)**	**35**	**-**
- Operating costs and Group VAT pooling	2022	8,741	(10,128)	1,076	-
Winnington CHP Limited	**2023**	**-**	**-**	**-**	**-**
- Intercompany derivatives	2022	-	(2,884)	-	-
Winnington CHP Limited	**2023**	**13,463**	**-**	**-**	**-**
- UKETS allowances	2022	3,545	-	-	-
Companies which were part of the wider Tata Chemicals Limited group:					
British Salt Limited	**2023**	**10,503**	**(3,154)**	**73**	**(458)**
- Operating costs and Group VAT pooling	2022	9,597	(2,780)	-	(7)
British Salt Limited	**2023**	**-**	**(18,746)**	**-**	**-**
- UKETS allowances	2022	-	(11,688)	-	-
Tata Chemicals Limited	**2023**		**(401)**	**-**	**(167)**
	2022	-	(311)	-	(239)
Homefield Pvt UK Limited	**2023**	**-**	**(9)**	**-**	**-**
	2022	15	-	-	(7)

The Brunner Mond Pension Fund is also considered to be a related party. Further information in respect of transactions during the year are shown in Note 23.

Terms and conditions of transactions with related parties

Outstanding trading balances at the year end are unsecured and will be settled in cash. Interest on loans is generally charged at a rate that matches the rate paid on external loans by the loan provider. Interest was charged monthly on the loan owed to Gusiute Holdings (UK) Limited at 6% per annum. This was charged until March 2023 when the loan was settled. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2023, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2022: £nil). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Transactions with key management personnel

There were no transactions with key management personnel in the year. Directors' remuneration is disclosed in Note 8.

Notes (continued)

30 Ultimate controlling party

The Company's immediate parent undertaking is Brunner Mond Group Limited, a company incorporated in England.

The smallest group in which the results of the Company are consolidated is that of Natrium Holdings Limited, a company incorporated in England. Copies of the accounts are available from the registrar of Companies, Crown Way, Cardiff.

The ultimate parent company in the year to 31 March 2023 was Tata Chemicals Limited, a company incorporated in India. The largest group in which the results of the Company are consolidated is that of Tata Chemicals Limited. Copies of the accounts are available from the Company Secretary, Tata Chemicals Limited, Bombay House, Mumbai, India.