Tata Chemicals Europe Holdings Limited

Consolidated annual report and financial statements

Registered number 07462734

For the year ended 31 March 2018

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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 acts as an intermediate holding company and provider of finance to its group of trading subsidiaries. The Group's principal activities are the manufacture and sale of sodium carbonate (soda ash), sodium bicarbonate and related products together with the generation and sale of steam and electricity. Prior to 9 March 2018 the Group also engaged in the manufacture and sale of salt products and the development of salt cavities for the purpose of natural gas storage.

Group turnover for the year was £130,058,000 (*2017: £142,507,000*) with the reduction due to lower sales of low margin imported soda ash. Demand in the UK for own-manufactured soda ash was strong throughout the year, despite the increased availability of imports from Europe. Sodium Bicarbonate production and sales continued to grow, especially in higher value export markets where the weakness of Sterling vs Euro and US Dollar provided opportunities.

A fire at the Group's Lostock site in May affected operations for a number of weeks. In January, one of the gas turbines in the Group's combined heat and power plant at Winnington failed in operation and suffered significant damage, resulting in an asset impairment charge of £625,000 and a loss of revenue from electricity sales to the national grid. These incidents are the subject of ongoing insurance claims but the results for the year do not reflect any potential recovery of insured losses.

Despite these incidents, EBITDA for the year from continuing operations increased to £13,126,000 (*2017: £11,330,000*), reflecting continuing growth in the sodium bicarbonate business, strong UK demand for soda ash and a higher average spark spread for the year. Group EBITDA for the year has been calculated as Operating Profit before charges for depreciation of £6,825,000 (2017: £6,641,000), impairment losses of £625,000 (2017: £nil) and amortisation of £213,000 (2017: £232,000), plus add back of amortisation on government grants of £122,000 (2017: £122,000).

On 9 March 2018, the Group restructured its operations. The Salt business, comprising Cheshire Salt Holdings Limited and its subsidiaries, was sold to the Group's immediate parent company, Homefield 2 UK Limited. The profit on disposal for the Group was £10,245,000.

Prior to the disposal, the Group's share of the UK salt market was consistent with recent years but sales were boosted by significant growth in exports to Europe, partly as a result of the weakening of Sterling vs Euro. There was no income from gas storage in the period (*2017: £5,000,000*) and this was the main cause of the reduction in profit on ordinary activities before taxation from discontinued operations to £7,748,000 (*2017: 11,613,000*).

The loss on ordinary activities before taxation from continuing operations was £1,939,000 *(2017: £360,000*). The loss for the financial year from continuing operations of £26,778,000 *(2017: £3,103,000)* reflects a non-cash deferred tax charge of £24,849,000 *(2017: £2,768,000).*

Future outlook

As part of the March 2018 restructuring process, the Group also refinanced its continuing operations in order to access additional long-term funds for capital investment projects focused on reducing the variable cost per tonne of manufacturing and enhancing both the safety and efficiency of operational delivery. The refinancing also enabled the company to reduce its cost of borrowing.

The directors expect these changes to provide the Group with opportunities to support and strengthen its presence in its key UK markets as well as providing the base for further growth in export sales of sodium bicarbonate.

Strategic report *(continued)*

Principal risk and uncertainties

The main risk to the business continues to be the medium to long-term cost of energy in the UK. This includes not just the market price of natural gas but also the impact of UK electricity market reforms, EU-ETS Phase IV and similar carbon pricing measures. This risk has increased following the UK decision to leave the EU. The Group will focus on these matters over the coming year by continuing to hedge against the cost of natural gas and through active engagement with national and international decision-making bodies. The supply of soda ash and sodium bicarbonate into Continental Western Europe is likely to increase significantly in the coming year as new production facilities are brought into operation. Whilst this development is likely to put pressure on market prices, the company remains the sole UK manufacturer of both products and is therefore well placed to deal with the competitive threat.

Financial risk management

The Group's operations expose it to a variety of financial risks that include foreign currency risk, commodity price risk, liquidity risk and credit risk. The Group has in place a risk management programme which seeks to limit the adverse effects on its financial performance where appropriate.

The Group seeks to mitigate commodity price risk through forward purchasing strategies to hedge against exposure to fluctuating gas prices.

The Group manages its credit exposures with a set of policies for ongoing credit checks on potential and current customers or counterparties. The Group takes out forward foreign exchange contracts where appropriate. The Group also hedges against its interest rate exposure using interest rate swaps when it is considered beneficial to do so.

Key performance indicators ("KPI's")

Group performance is measured using a 'balanced scorecard' approach. At the start of each financial year the Group sets targets relating to a number of strategic themes, including safety and environmental performance, growing existing businesses, developing new businesses, delivering better value to customers, operational excellence and engaging a highly performing workforce. 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. The directors believe that these measures represent the Group's KPIs.

By order of the board

J L Abbotts
Director
Date: 15 June 2018
Mond House, Winnington Lane, Northwich, Cheshire, CW8 4DT

Directors' report

The directors present their annual report on the affairs of the Group, together with the audited financial statements for the year ended 31 March 2018.

Directors

The directors who held office during the year, and thereafter, were as follows:

M J Ashcroft
J Mulhall (resigned 30 April 2018)
Z N Langrana (resigned 30 April 2018)
N Munjee (resigned 30 April 2018)
M Ramakrishnan (resigned 30 April 2018)
J L Abbotts (appointed 30 April 2018)
DPW Davies (appointed 30 April 2018)

Employees

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 Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

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

Going concern

The directors have concluded that the Group 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 2.3).

Political contributions

No donations were made to any political party during the year *(2017: £nil)*.

Environment

The Group 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 Group 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 Group'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.

Dividends

The directors do not recommend the payment of a dividend *(2017: £nil)*.

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 Group's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Group'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

KPMG LLP were appointed as auditor in the year. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

J L Abbotts
Director
Date: 15 June 2018
Mond House, Winnington Lane, Northwich, Cheshire, CW8 4DT

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 International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) 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 Group and of the loss of the Group 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 IFRSs as adopted by the EU;
- 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 the Group and to prevent and detect fraud and other irregularities.

KPMG LLP
8 Princes Parade
Liverpool
L3 1QH
United Kingdom

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

Opinion

We have audited the financial statements of Tata Chemicals Europe Holdings Limited ("the Group") for the year ended 31 March 2018 which comprise the Consolidated statement of profit and loss account, Consolidated statement of other comprehensive income, Consolidated balance sheet, Consolidated statement of changes in equity, Consolidated cash flow statement, Company balance sheet, Company statement of cash flows, Company statement of changes in equity and related notes.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2018 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 Group 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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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.

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

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; 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; or

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 Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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.

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.

Will Baker (Senior Statutory Auditor)
for and on behalf of KPMG, LLP, Statutory Auditor
Chartered Accountants
8 Princes Parade
Liverpool
L3 1QH
Date: 15 June 2018

Consolidated statement of profit and loss account

For the year ended 31 March 2018

	Note	**2018**	Restated after discontinued operations 2017
		£000	£000
Group revenue	*5*	**130,058**	142,507
Cost of sales		**(108,461)**	(121,486)
Gross profit		**21,597**	21,021
Selling and distribution expenses		**(10,235)**	(10,749)
Administrative expenses		**(5,829)**	(5,745)
Other operating income	*6*	**52**	52
		(16,012)	(16,442)
Group operating profit	*7*	**5,585**	4,579
Finance income	*10*	**314**	2,493
Finance costs	*11*	**(7,838)**	(7,432)
		(7,524)	(4,939)
Group loss on ordinary activities before taxation from continuing operations		**(1,939)**	(360)
Taxation on profit on ordinary activities	*13*	**(24,839)**	(2,743)
Group loss for the financial year from continuing operations		**(26,778)**	(3,103)
Discontinued operations			
Profit for the financial year from discontinued operations	*14*	**17,842**	12,175
Group (loss)/profit for the financial year		**(8,936)**	9,072

The Notes on page 14 to 54 form an integral part of these financial statements.

Consolidated statement of other comprehensive income

For the year ended 31 March 2018

	Note	2018 £000	Restated after discontinued operations 2017 £000
Group (loss)/profit for the financial year		**(8,936)**	9,072
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) on pension schemes	*28*	**13,130**	(19,787)
Deferred tax effect of actuarial gains/(losses) on pension schemes	*13*	**(1,132)**	2,795
Items that may be reclassified subsequently to profit or loss			
Cash flow hedge gains during the period	*12*	**1,831**	6,716
Deferred tax effect of cash flow hedge gains	*13*	**423**	(1,569)
Other comprehensive profit/(loss) for the year net of tax from continuing operations		**14,252**	(11,845)
Discontinued operations			
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) on pension schemes	*28*	**-**	(1,406)
Deferred tax effect of actuarial gains/(losses) on pension schemes	*13*	**239**	239
Total comprehensive profit/(loss) for the year		**5,555**	(3,940)

The Notes on page 14 to 54 form an integral part of these financial statements.

Consolidated balance sheet

At 31 March 2018

Assets	*Note*	**2018 £000**	2017 £000
Non-current assets			
Goodwill	16	-	19,807
Intangible assets	17	**2,494**	13,935
Property, plant and equipment	18	**62,867**	104,954
Investment in joint venture	19	-	275
Other non-current receivables	28	-	4,324
Other non-current financial assets	27	**226**	35
Deferred tax assets	13	-	25,498
Total non-current assets		**65,587**	168,828
Current assets			
Inventories	20	**8,563**	10,742
Trade and other receivables	22	**62,666**	24,165
Prepayments		**777**	749
Other current financial assets	27	**3,075**	1,178
Cash and short term deposits	21	**1,504**	232
Total current assets		**76,585**	37,066
Total assets		**142,172**	205,894
Equity and liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	27	**(87,646)**	(144,783)
Other non-current financial liabilities	27	**(419)**	(63)
Provisions	26	**(1,895)**	(2,186)
Government grants	24	**(2,028)**	(2,150)
Retirement benefit obligations	28	**(80,379)**	(93,756)
Total non-current liabilities		**(172,367)**	(242,938)
Current liabilities			
Trade and other payables	23	**(31,137)**	(37,058)
Interest-bearing loans and borrowings	27	**(4,500)**	(6,900)
Other current financial liabilities	27	**(12)**	(335)
Government grants	24	**(122)**	(122)
Deferred revenue	25	**(1,084)**	(1,539)
Provisions	26	**(2,616)**	(3,140)
Total current liabilities		**(39,471)**	(49,094)
Net current assets/(liabilities)		**37,114**	(12,028)
Total liabilities		**(211,838)**	(292,032)
Net liabilities		**(69,666)**	(86,138)

Continued on page 11

Consolidated balance sheet *(continued)*

At 31 March 2018

	Note	**2018 £000**	2017 £000
Equity			
Share capital	*29*	**(10,000)**	(10,000)
Preference share capital	*29*	**(10,917)**	-
Other reserve	*30*	**103,418**	103,418
Cash flow hedging reserve	*30*	**(2,743)**	(489)
Retained loss	*30*	**(10,092)**	(6,791)
Deficit attributable to owners of the Group		**69,666**	86,138
Total equity and liabilities		**(142,172)**	(205,894)

The Notes on pages 14 to 54 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 15 June 2018 and were signed on its behalf by:

J L Abbotts
Director

Consolidated statement of changes in equity
At 31 March 2018

	Share Capital (Note 29) £000	Preference share capital (Note 29) £000	Other reserve (Note 30) £000	Cash flow hedging reserve (Note 30) £000	Retained losses (Note 30) £000	Total deficit £000
Balance at 1 April 2016	(10,000)	-	103,418	4,658	(15,878)	82,198
Profit for the year	-	-	-	-	(9,072)	(9,072)
Other comprehensive (income)/expense for the year	-	-	-	(5,147)	18,159	13,012
Total comprehensive loss for the year	-	-	-	(5,147)	9,087	3,940
Balance at 31 March 2017	(10,000)	-	103,418	(489)	(6,791)	86,138
Balance at 1 April 2017	(10,000)	-	103,418	(489)	(6,791)	86,138
Loss for the year	-	-	-	-	8,936	8,936
Reclassification of preference shares	-	(10,917)	-	-	-	(10,917)
Other comprehensive income for the year	-	-	-	(2,254)	(12,237)	(14,491)
Total comprehensive loss for the year	-	(10,917)	-	(2,254)	(3,301)	(16,472)
Balance at 31 March 2018	**(10,000)**	**(10,917)**	**103,418**	**(2,743)**	**(10,092)**	**69,666**

The Notes on pages 14 to 54 form an integral part of these financial statements.

Consolidated cash flow statement

For the year ended 31 March 2018

	Note	**2018 £000**	2017 £000
Net cash flows from operating activities in continuing operations	*31*	**(37,623)**	12,183
Investing activities			
Purchase of property, plant and equipment		**(8,662)**	(6,736)
Government grants paid		**-**	(48)
Interest received		**10**	20
Disposal of subsidiary undertakings		**101,127**	820
Net cash flows arising from/(used in) investing activities		**92,475**	(5,944)
Financing activities			
Interest paid		**(3,571)**	(3,945)
Proceeds from borrowings		**89,000**	-
Repayment of borrowings		**(137,600)**	(2,400)
Debt issue costs		**(1,445)**	(29)
Taxation - group relief received		**36**	25
Net cash flows used in financing activities		**(53,580)**	(6,349)
Net increase/(decrease) in cash and cash equivalents		**1,272**	(110)
Cash and cash equivalents at 1 April 2017	*21*	**232**	342
Cash and cash equivalents at 31 March 2018	*21*	**1,504**	232

The Notes on page 14 to 54 form an integrated part of these financial statements.

Notes

(forming part of the financial statements)

1 General information

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

The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

2 Significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and Emissions Trading Allowances that have been measured at fair value on issue. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2018.

Subsidiaries

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Interest in a joint venture

The Group has an interest in a joint venture which is a jointly controlled entity whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The agreement requires unanimous agreement for financial and operating decisions among the venturers. The Group recognises its interest in the joint venture using the equity method. Under the equity method, on initial recognition the investment in the joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of the joint venture after the date of acquisition.

2.3 Going concern

As at 31 March 2018 the Group was funded by a fully drawn down £80,000,000 Term Loan and £9,000,000 drawn down from a £20,000,000 Revolving Credit facility, both provided by Bank of America Merrill Lynch and secured by fixed and floating charges over the assets of the Group. The facilities are repayable in March 2023.

The directors have prepared forecasts of the Group's profitability and cash generation for the 12 months from the date of the Auditor's Report (the "forecasts"), taking into account the sensitivity of business performance to reasonably possible changes in market conditions and as a result of the current economic climate. These forecasts indicate that the Group's facilities should be sufficient during the period.

Notes *(continued)*

2 Significant accounting policies *(continued)*

2.3 Going concern *(continued)*

In making their assessment the directors have also considered the net liability position of the Group. The deficit arose in part due to the pension liability associated with one of the Group's defined benefit schemes. There is a deficit recovery funding plan in place for the pension scheme and the expected cash flows have been factored into the forecasts.

After reviewing the forecasts, considering reasonably possible uncertainties, the directors have formed a judgment, at the time of approving the financial statements, that there is a reasonable expectation that the company and Group have adequate resources to continue in operational existence for the foreseeable future. The ultimate parent company, Tata Chemicals Limited, has guaranteed the Group's bank loan facilities and this has provided further assurance. For these reasons, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.4 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is calculated as the aggregate of the consideration transferred measured at acquisition date fair value.

Acquisition costs incurred are expensed and included in administrative expenses.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, is recognised in accordance with IAS 39 either in the profit and loss account or as a change to other comprehensive income.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the profit and loss account.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

On disposal of a CGU the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.5 Intangible assets

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised. Goodwill is not amortised, a provision is made for any impairment.

Emissions Trading Allowances

The Group participates in the European Union Emissions Trading Scheme ("EU ETS") administered in the UK by the Environment Agency. Each year the Group receives an allocation of 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 allowances purchased are valued at cost.

Notes *(continued)*

2 Significant accounting policies *(continued)*

2.5 Intangible assets (continued)

At each period end the Group estimates the number of allowances which will have to be surrendered back to the Environment Agency in respect of that period. A provision based on the market value of the allowances is charged to the profit and loss account as deferred income.

The useful economic life of the Emissions Trading Allowances is approximately one year after they are granted as this is when they must be surrendered.

Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. 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.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period.
Identifiable intangible assets are amortised on a straight-line basis over their expected useful lives, as follows

Software	2 to 8 years
Mineral rights	140 years

2.6 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such 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 Group 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.

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 their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is depreciated on a straight-line basis over its expected useful life, as follows:

Freehold buildings	25 to 50 years
Leasehold improvements	over term of lease
Plant and equipment	2 to 35 years

Assets under construction and freehold land are not depreciated.

Notes *(continued)*

2 Significant accounting policies *(continued)*

2.7 Investments

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

2.8 Financial instruments and hedge accounting

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

a) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, or as derivatives designed as hedging instruments in an affective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value.

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designed upon initial recognition at fair value through profit or loss. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with changes in fair value recognised in finance income or finance costs in the profit and loss account.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment (if any). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit and loss account. The losses arising from impairment are recognised in the profit and loss account in finance costs.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measureable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset to another entity. On derecognition, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that has been recognised in other comprehensive income and accumulated in equity is recognised in the profit and loss account.

Notes *(continued)*

2 Significant accounting policies *(continued)*

2.8 Financial instruments and hedge accounting *(continued)*

b) Financial liabilities and equity

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

Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an affective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments.

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 Group are recognised when the proceeds are received, net of direct issue costs.

c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position 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.

d) 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.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contracts, interest rate swaps and contracts for difference to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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.

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 to a highly probable forecast transaction.

Notes *(continued)*

2 Significant accounting policies *(continued)*

2.8 Financial instruments and hedge accounting

d) Fair value of financial instruments(continued)
Initial recognition and subsequent measurement (continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. 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.

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.

e) 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.

2.9 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.

2.10 Revenue

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery or collection of the goods.

Sale of steam and electricity

Revenue from the sale of steam and electricity is recognised at the point of metered supply.

Notes *(continued)*

2 Significant accounting policies *(continued)*

2.10 Revenue (continued)

Property income

Property income is recognised on a straight line basis and is included in operating income in the profit and loss account due to its operating nature.

Interest revenue

Interest income is recognised when it is probable that the future economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset, to that asset's net carrying amount on initial recognition.

2.11 Operating profit

Operating profit is stated after the share of results of associates but before investment income and finance costs.

2.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income 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 is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unutilised tax credits and unutilised tax losses, to the extent that it is probable, in the foreseeable future, that taxable profit will be available against which the deductible temporary differences and the carry forward of unutilised tax credits and unutilised tax losses 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 assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been 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.

Deferred tax assets and deferred tax 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 taxation authority.

Notes *(continued)*

2 Significant accounting policies *(continued)*

2.12 Taxation (continued)

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during .the measurement period or in profit or loss.

Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of VAT, except:

- Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.13 Pensions

The Group operates a defined benefit scheme, which is funded with the assets of the scheme held separately from those of the Group, 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 using the projected unit credit method.

The cost of providing benefits under the defined benefit plans is determined 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 retained earnings 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 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 obligations are to be settled. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. 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 Group also operates a defined contribution scheme under which costs are charged to the 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.

Notes *(continued)*

2 Significant accounting policies *(continued)*

2.14 Foreign currency

Transactions in foreign currencies are initially recorded by the Group at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting 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.

2.15 Provisions

General

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

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss account net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Restructuring

Restructuring provisions are only recognised when general recognition criteria for provisions are fulfilled. Additionally, the Group needs to have in place a detailed formal plan about the business or part of the business concerned, the location and a valid expectation that the restructuring is being carried out or the implementation has been initiated already.

2.16 Leases

Group as lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as finance costs in the profit and loss account.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the profit and loss account on a straight line basis over the lease term.

Notes *(continued)*

2 Significant accounting policies *(continued)*

2.17 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that the value of an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount, which is assessed as 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 Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash generating units ("CGUs") to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For subsequent periods, a long term growth rate is calculated and applied to projected future cash flows.

Impairment losses of continuing operations, including impairment of inventories, are recognised in the profit and loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets or CGUs recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

2.18 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Notes *(continued)*

3 Significant accounting judgements, estimates and assumptions (continued)

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 Group based its assumptions and estimates on parameters available when the consolidated 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 Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial costs

Impairment exists when the carrying value of an asset or cash generating unit 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 budget for the next five years and do not include restructuring activities that the Group is not yet committed to 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 rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Taxes

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses 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.

Notes *(continued)*

3 Significant accounting judgements, estimates and assumptions *(continued)*

Pension benefits

The cost of the defined benefit pension plan benefits 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.

The mortality rate is based on publicly available mortality tables for the specific country. 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 28.

4 Standards issued but not yet effective

The Group has adopted the amendments to IFRSs included in the Annual Improvements to IFRSs 2012-2014 Cycle.

The adoption of this amendment has had no effect on the company financial statements.

At the date of authorisation of these financial statements the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial instruments (replacing IAS 39 Financial Instruments: Recognition and Measurement). Endorsed 22 November 2016, applying to the Group for year commencing April 2018.
IFRS 15	Revenue from Contracts with Customers (replacing IAS 18 Revenue and IFRIC 13). Endorsed 22 September 2016, applying to the Group for year commencing April 2018.
IFRS 16	Leases (replacing IAS 17 Leases). Issued January 2016, applying to the Group for year commencing April 2019.

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

- During the year, a review of IFRS 9 was conducted to ensure that the impact of the new standards is fully understood in advance of the effective date. It is expected that the main Group financial statement captions to be affected by this new standard are investments and trade receivables. Under the new standard, investments will be classified under the new standard at fair value through other comprehensive income, with any resultant unrealised and realised gains or losses going through other comprehensive income. The new single expected credit loss impairment model will be applied in calculating the provision for doubtful debts. The cumulative impact on adoption of this standard is not expected to be significant.

- During the year, a systematic review of IFRS 15 was conducted to ensure that the impact of the new standard is fully understood in advance of the effective date. This involved a portfolio-based contract review to assess the impact of IFRS 15. From this review, no changes to current revenue recognition methods are foreseen.

- In preparation for the adoption of IFRS 16, in the financial statements for the year ending 31 March 2020, management are in the process of assessing the potential impact. A preliminary review of the impact of the changes to IFRS 16 is in progress. The standard is expected to have an impact, with the main impact being on the company's land and buildings and plant and equipment operating leases being recognised on balance sheet. A systematic review will be completed next year to quantify the impact of this new standard.

Notes *(continued)*

5 Revenue – Group

An analysis of the Group's revenue, all as a result of continuing operations, by class of business is set out below:

	2018	2017
	£000	£000
Soda ash and related products	**109,538**	96,162
Steam and electricity	**20,520**	46,345
	130,058	142,507

An analysis of the Group's revenue by geographical market is set out below:

	2018	2017
	£000	£000
United Kingdom	**99,387**	112,150
Europe	**25,747**	24,406
Rest of World	**4,924**	5,951
	130,058	142,507

Notes *(continued)*

6 Other operating income from continuing operations – Group

	2018	2017
	£000	£000
Other income	**52**	52
	52	52

7 Profit on ordinary activities from continuing operations before taxation - Group

	2018	2017
	£000	£000
Profit on ordinary activities from continuing operations before taxation is stated after (charging)/crediting:		
Staff costs (see Note 9)	**(14,179)**	(13,367)
(Loss)/gain on disposal of property, plant and equipment	**-**	(15)
Amortisation of intangibles (Note 17)	**(213)**	(232)
Amortisation of government grants (Note 24)	**122**	122
Depreciation of property, plant and equipment (Note 18)	**(6,825)**	(6,641)
Impairment of property, plant and equipment (Note 18)	**(625)**	-
Cost of stock recognised as an expense	**(69,212)**	(79,378)
Net foreign exchange gain/(loss)	**37**	(2,472)
Operating lease rentals	**(593)**	(594

8 Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2018	2017
	£000	£000
Fees payable to the Group's auditor for the audit of the Group and company's financial statements, including its subsidiaries	**(51)**	(53)

KPMG LLP was appointed as auditor during the year. Non audit services, including those performed by Deloittes LLP, previously appointed as auditor, are as follows:

	2018	2017
	£000	£000
Fees payable to the Group auditor for non-audit services	**(3)**	-
Fees payable to the Group's previous auditor for non-audit services	**(9)**	(13)

Notes *(continued)*

9 Staff numbers and costs for continuing operations – Group

	2018 Number	2017 Number
Production and operations	**200**	201
Distribution and sales	**26**	23
Administration	**57**	62
	283	286

The aggregate remuneration comprised:

	2018 £000	2017 £000
Wages and salaries	**(12,597)**	(11,748)
Social security costs	**(1,173)**	(1,101)
Other pension costs	**(1,549)**	(1,418)
Less: capitalised as additions to fixed assets	**1,140**	900
	(14,179)	(13,367)

Directors remuneration comprised:

	2018 £000	2017 £000
Directors' emoluments	**(1,184)**	(1,060)
Amounts receivable under long-term incentive schemes	**(463)**	(335)
Company contributions to money purchase pension schemes	**(70)**	(65)
Non-executive directors' fees	**(13)**	(21)
	(1,730)	(1,481)

	Number	Number
Number of directors who have retirement benefits accruing under a defined benefit scheme	**3**	3

9 Staff numbers and costs for continuing operations – Group (continued)

Remuneration of the highest paid director

	2018 £000	2017 £000
Aggregate emoluments	**(309)**	(275)
Amounts receivable under long-term incentive schemes	**(117)**	(84)
Company contributions to money purchase pension schemes	**(9)**	(7)
	(435)	(366)
Accrued pension at the end of the year	**42**	40

It is not possible to disclose the amounts paid for qualifying services by entity within the Group.

10 Finance income – Group – continuing operations

	2018 £000	2017 £000
Interest receivable and similar income		
Bank interest receivable	**10**	20
Interest receivable from related parties	**63**	-
Net gain on financial assets/liabilities at fair value through profit or loss	**225**	2,473
Other finance credits	**16**	-
	314	2,493

Notes *(continued)*

11 Finance costs – Group – continuing operations

	2018	2017
	£000	£000
Interest payable and similar charges:		
Interest on borrowings	**(3,140)**	(3,304)
Interest payable to related parties	**(388)**	(566)
Amortisation of deferred finance costs	**(1,424)**	(397)
Other interest payable	**(331)**	(380)
	(5,283)	(4,647)
Other finance costs:		
Interest income on pension scheme assets (Note 28)	**5,748**	6,641
Interest cost on pension scheme defined benefit obligations (Note 28)	**(8,060)**	(9,175)
Other finance costs	**(243)**	(251)
	(2,555)	(2,785)
Total finance costs	**(7,838)**	(7,432)

12 Components of other comprehensive income – Group – continuing operations

	2018	2017
	£000	£000
Cash flow hedges:		
Gains/(losses) arising during the year		
Currency forward contracts	**1**	(218)
Commodity forward contracts	**490**	1,852
Reclassification adjustments for gains included in profit or loss	**1,340**	5,082
	1,831	6,716

Notes *(continued)*

13 Taxation – Group

The components of tax income/(expense) for the years ended 31 March 2018 and 2017 are:

Consolidated profit and loss account

Continuing operations	**2018** **£000**	2017 £000
Current tax		
Group loss relief	**10**	25
Deferred tax		
Relating to origination and reversal of temporary differences	**(24,849)**	(2,768)
Tax (expense)/income reported in the profit and loss account – continuing operations	**(24,839)**	(2,743)

Discontinued operations		
Current tax		
Group loss relief	**26**	-
Deferred tax		
Relating to origination and reversal of temporary differences	**(178)**	562
Tax (expense)/income reported in the profit and loss account	**(152)**	562

Consolidated statement of other comprehensive income

	2018 **£000**	2017 £000
Continuing operations		
Items that will be reclassified subsequently to the profit and loss account:		
Tax effect of net (gains)/losses on cash flow hedges	**423**	(1,569)
Items that will not be reclassified subsequently to the profit and loss account:		
Tax effect of actuarial gains and losses on pension scheme	**(1,132)**	2,795
Tax income/(expense) reported in other comprehensive income – continuing operations	**(709)**	1,226

Discontinued operations		
Items that will not be reclassified subsequently to the profit and loss account:		
Tax effect of actuarial gains and losses on pension scheme	**239**	239
Tax income/(expense) reported in other comprehensive income	**239**	239

Notes *(continued)*

13 Taxation – Group *(continued)*

The differences between the total tax credit and the amount calculated by applying the average rate of UK corporation tax for the year are as follows:

	2018 **£000**	2017 £000
Loss before tax on continuing operations	**(1,939)**	(360)
Tax on profit on ordinary activities at the average UK corporation tax rate for the period at 19% *(2017: 20%)*	**368**	72
Tax effects of:		
Income not allowable for tax purposes	**113**	107
Group relief given at nil charge	**(1,795)**	(2,106)
Group loss relief received and charged	**1,228**	25
Movement on pension – temporary differences	**174**	(204)
Other temporary differences	**(24,927)**	(637)
Current tax charge for the year on continuing operations	**(24,839)**	(2,743)

The UK government has substantively enacted the Finance Bill 2016, giving rise to the following reductions in the headline rate of UK corporation tax: 19% from 1 April 2017 to 31 March 2020 and 17% from 1 April 2020. The net deferred tax liability has been calculated on the basis of a rate of 17% since temporary differences are generally expected to reverse after 1 April 2020.

Deferred tax

Deferred tax relates to the following:

	2018 **£000**	2017 £000
Accelerated depreciation for tax purposes	-	10,572
Pension	-	15,296
Non-cash element of general provisions	-	13
Revaluation of cash flow hedges	-	(383)
Net deferred tax assets	-	25,498

A potential deferred tax asset of £31,296,000 for tax losses, decelerated capital allowances, and non-cash elements of pension and other provisions (*2017: £5,319,000: tax losses*), and a potential deferred tax liability for timing of cash element of cashflow hedges of £220,000 (*2017: nil*), has not been recognised because there is no certainty that the asset with crystallise in the foreseeable future.

Notes *(continued)*

14 Discontinued operations

On 9 March 2018, the Group sold the trade and assets of Cheshire Salt Holdings Limited and its subsidiary undertakings, (CSHL), to Homefield 2 UK Limited, a fellow group undertaking.

The results of the discontinued operations, which have been included in the consolidated profit and loss, were as follows:

	Period ended 28 February 2018 £000	Year ended 31 March 2017 £000
Revenue	**34,913**	37,125
Other income	**87**	5,110
Expenses	**(27,251)**	(30,622)
Profit before tax	**7,749**	11,613
Attributable tax expense	**(152)**	562
Profit on disposal of subsidiary undertakings	**10,245**	-
Net profit attributable to discontinued operations	**17,842**	12,175

During the year CSHL contributed £9,302,000 (2017: £7,786,000) to the Group's net operating cashflows, paid out £2,657,000 (2017: £2,655,000) in respect of investing activities, and paid £74,000 (2017: £5,021,000) in respect of financing activities.

A profit of £10,245,000 arose on disposal of CSHL, being the difference between the proceeds of disposal and the carrying amount of the subsidiaries' net assets and attributable goodwill.

15 Profit attributable to the company

The profit for the financial year dealt within the financial statements of the parent company, Tata Chemicals Europe Holdings Limited, was £84,070,000, including dividend income of £111,243,000, and loss on sale of subsidiary undertakings of £21,560,000 *(2017: loss £5,234,000).* As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent company.

Notes *(continued)*

16 Goodwill

	Goodwill £000
Deemed cost	
At 1 April 2017	19,807
Sale of subsidiary undertakings (Note 36)	(19,807)
At 31 March 2018	-
Amortisation	
At 1 April 2017 and 31 March 2018	-
Net book value	
At 1 April 2017	19,807
At 31 March 2018	-

The goodwill arose on the acquisition of Cheshire Salt Holdings Limited (CSHL) and its subsidiaries. CSHL forms one CGU.

17 Intangible assets - Group

	EU ETS Allowances £000	Mineral rights £000	Software £000	Total £000
Deemed cost				
At 1 April 2017	2,170	11,939	2,076	16,185
Granted during the year	1,446	-	-	1,446
Purchased during the year	-	-	-	-
Sale of subsidiary undertakings (Note 36)	(293)	(11,939)	-	(12,232)
Surrendered during the year	(1,874)	-	-	(1,874)
At 31 March 2018	1,449	-	2,076	3,525
Amortisation				
At 1 April 2017	-	(1,432)	(818)	(2,250)
Charge for the year	-	-	(213)	(213)
Sale of subsidiary	-	1,432	-	1,432
At 31 March 2018	**-**	**-**	**(1,031)**	**(1,031)**
Net book value				
At 31 March 2018	**1,449**	**-**	**1,045**	**2,494**
At 31 March 2017	2,170	10,507	1,258	13,935

Notes *(continued)*

18 Property, plant and equipment - Group

	Freehold land and buildings £000	Plant and equipment £000	Assets under construction £000	Total £000
Cost				
At 1 April 2017	36,151	168,905	4,543	209,599
Additions	-	1,211	7,451	8,662
Disposals	-	(2,320)	-	(2,320)
Sale of subsidiary undertakings (Note 36)	(19,087)	(59,659)	(1,078)	(79,824)
Transfers	-	3,355	(3,355)	-
At 31 March 2018	**17,064**	**111,492**	**7,561**	**136,117**
Depreciation				
At 1 April 2017	(20,229)	(84,416)	-	(104,645)
Charge for the year	(110)	(6,715)	-	(6,825)
Impairment	-	(625)	-	(625)
Eliminated on disposal	-	2,320	-	2,320
Sale of subsidiary undertakings (Note 36)	13,860	22,665	-	36,525
At 31 March 2018	**(6,479)**	**(66,771)**	**-**	**(73,250)**
Net book value				
At 31 March 2018	**10,585**	**44,721**	**7,561**	**62,867**
At 31 March 2017	15,922	84,489	4,543	104,954

Freehold land amounting to £7,999,000 has not been depreciated *(2017: £13,990,000)*.

All property, plant and equipment is subject to a fixed charge as described in Note 27.

At 31 March 2018 plant and equipment included assets originally acquired under finance leases with a net book value of £689,000 (2017: £791,000).

At 31 March 2018 the Group had commitments of £2,864,000 *(2017: £686,000)* relating to the purchase of property, plant and equipment.

In January 2018 one of the Group's gas turbines failed in operation and suffered significant damage. An impairment charge of £625,000 has been recognised.

19 Investment in joint venture – Group

The Group held 50% *(2017: 50%)* of the ordinary shares and voting rights of The Block Salt Company Limited, a private limited company incorporated in England, whose principal activity is the manufacture and sale of salt products. The Group disposed of its interest in the joint venture as part of its disposal of the trade and assets of Cheshire Salt Holdings Limited and its subsidiary undertakings on 9 March 2018.

Notes *(continued)*

19 Investment in joint venture – Group *(continued)*

The following table illustrates summarised financial information of the group's investment in The Block Salt Company Limited. The summarised financial information below represents amounts accounted for under the equity method as described in Note 2.

	2017 £000
Fixed assets	26
Current assets	360
Current liabilities	(111)
Carrying amount of the investment	275

20 Inventories - Group

	2018 £000	2017 £000
Raw materials and consumables	**5,310**	4,862
Work in progress	**43**	43
Finished goods and goods for resale	**3,210**	5,837
	8,563	10,742

There is no material difference between the balance sheet value of inventories and their replacement cost.

All inventory is subject to a floating charge as described in Note 27.

21 Cash and short-term deposits - Group

	2018 £000	2017 £000
Cash at bank and in hand	**1,504**	232

22 Trade and other receivables – Group

	2018 £000	2017 £000
Trade receivables	**10,977**	17,891
Allowance for doubtful debts	**(1)**	(15)
Amounts owed by related parties (Note 34)	**45,399**	146
Amounts due from joint venture (Note 34)	**-**	79
Other receivables	**5,718**	5,027
Taxation and social security	**573**	1,037
	62,666	24,165

Trade receivables are non-interest bearing and are generally on 30-90 day terms. All customers are credit checked before acceptance. For the purpose of financial instrument recognition, trade receivables are classified as loans and receivables and measured amortised cost. The directors consider that the carrying value of trade and other receivables is approximately equal to the fair value.

Notes *(continued)*

22 Trade and other receivables – Group *(continued)*

As at 31 March 2018, trade receivables with an invoice value of £1,000 *(2017: £15,000)* were impaired and fully provided for. The provision for doubtful debts is made where specific signs of impairment exist, such as the customer going into administration.

The ageing analysis of trade receivables was as follows:

	Total £000	Current £000	<31 days £000	31-60 days £000	61-90 days £000	91-120 days £000	>120 days £000
31 March 2018	**10,977**	**9,265**	**1,157**	**506**	**(1)**	**57**	**(7)**
31 March 2017	17,891	17,036	884	44	9	(49)	(33)

As at 31 March 2018, trade receivables with an invoice value of £1,000 (*2017: £5,000*) were impaired and fully provided for. The provision for doubtful debts is made where specific signs of impairment exist, such as the customer going into administration.

The ageing analysis of impaired trade receivables was as follows:

	Total £000	Current £000	<31 days £000	31-60 days £000	61-90 days £000	91-120 days £000	>120 days £000
31 March 2018	**(1)**	-	-	-	-	-	**(1)**
31 March 2017	(15)	-	-	-	-	-	(15)

	£000
Movement in allowance for doubtful debts	
Balance at 1 April 2017	(15)
Debts written off against allowances	14
Balance at 31 March 2018	**(1)**

23 Trade and other payables

	2018 £000	2017 £000
Trade payables	**(14,187)**	(13,476)
Other taxation and social security	**(447)**	(412)
Other creditors	**(573)**	(1,543)
Amounts owed to group undertakings and related parties (Note 34)	**(5,892)**	(9,137)
Accruals and deferred income	**(10,038)**	(12,490)
	(31,137)	(37,058)

Trade payables are non-interest bearing and are typically settled 60 days following the end of the month of supply. The terms and conditions relating to related parties are described in Note 34. The directors consider that the carrying value of trade and other receivables is approximately equal to the fair value.

Notes *(continued)*

24 Government grants – Group

	2018	2017
	£000	£000
At 1 April	**(2,272)**	(2,394)
Released to profit and loss	**122**	122
At 31 March	**(2,150)**	(2,272)

	2018	2017
	£000	£000
Current	**(122)**	(122)
Non-current	**(2,028)**	(2,150)
	(2,150)	(2,272)

A government grant was received in respect of the project to install a new steam turbine at the Group's Combined Heat and Power Station in Northwich. At the balance sheet date there were no unfilled conditions attached to the grant *(2017: same)*. The Group is subject to a 10 year monitoring period, commencing March 2014, during which the grant may be repayable if certain conditions are not met. These conditions include continuous operation of the turbine and a specified Good Quality Combined Heat and Power (GQCHP) efficiency rating.

25 Deferred revenue – Group

	2018	2017
EU ETS allowances	**£000**	£000
At 1 April	**(1,539)**	(1,372)
Disposal of subsidiary undertakings (Note 36)	**167**	-
Received during the year	**(1,669)**	(2,052)
Released to profit and loss	**1,957**	1,885
At 31 March	**(1,084)**	(1,539)

Notes *(continued)*

26 Provision for liabilities – Group

	Restructuring £000	Power facilities closure £000	Carbon emissions £000	Total £000
Balance at 1 April 2017	(445)	(1,284)	(3,597)	(5,326)
Non-current	(178)	(1,284)	(724)	(2,186)
Current	(267)	-	(2,873)	(3,140)
	(445)	(1,284)	(3,597)	(5,326)
Disposal of subsidiary undertakings (Note 36)	-	-	365	365
Charged to profit and loss	-	-	(2,397)	(2,397)
Paid/utilised during the year	267	-	2,580	2,847
At 31 March 2018	**(178)**	**(1,284)**	**(3,049)**	**(4,511)**
Non-current	-	(1,284)	(611)	(1,895)
Current	(178)	-	(2,438)	(2,616)
	(178)	**(1,284)**	**(3,049)**	**(4,511)**

The restructuring provision recognises costs to be incurred following the closure of the Winnington soda ash and calcium chloride plants. The Group expects to fully utilise the remaining provision within the next year.

The power facilities closure provision recognises committed expenditure to demolish the redundant power facilities owned by the Group. The Group expects to complete the demolition work within ten years.

The carbon emissions provision recognises the obligation to surrender allowances to the Environment Agency in respect of the 2017 calendar year and the first three months of the 2018 calendar year. The surrender in respect of the 2017 calendar year took place in April 2018. The surrender in respect of the 2018 calendar year is expected to take place in March 2019.

Notes *(continued)*

27 Other current and non-current financial assets and liabilities - Group

a) Other financial assets

	2018 £000	2017 £000
Financial instruments at fair value through profit and loss		
Cash flow hedges		
Foreign contracts for difference	**207**	298
Gas swap contracts	**3,094**	915
Total other financial assets	**3,301**	1,213
Total current	**3,075**	1,178
Total non-current	**226**	35

b) Other financial liabilities

	2018 £000	2017 £000
Financial instruments at fair value through other comprehensive income		
Cash flow hedges		
Foreign exchange forward contracts	**(12)**	(61)
Gas contracts for difference	**(419)**	(337)
Total other financial liabilities	**(431)**	(398)
Total current	**(12)**	(335)
Total non-current	**(419)**	(63)

Interest-bearing loans and borrowings

	Interest rate %	Maturity	2018 £000	2017 £000
Falling due within one year				
Term loan	LIBOR + 1.99	March 2018	-	(2,400)
Short term from related party (Note 34)	6	On demand	**(4,500)**	(4,500)
Total current interest-bearing loans and borrowings			**(4,500)**	(6,900)
Falling due after one year				
Term loan	LIBOR + 1.99	November 2020	-	(115,200)
Term loan	LIBOR + 1.15	March 2023	**(80,000)**	-
Revolving credit facility	LIBOR + 1.99	March 2018	-	(20,000)
Revolving credit facility	LIBOR + 1.15	March 2023	**(9,000)**	-
Less: unamortised debt issue costs			**1,354**	1,334
Non-cumulative redeemable preference shares reclassified			-	(10,917)
Total non-current interest-bearing loans and borrowings			**(87,646)**	(144,783)

Notes *(continued)*

27 Other current and non-current financial assets and liabilities – Group *(continued)*

b) Other financial liabilities *(continued)*

Interest-bearing loan and borrowings *(continued)*

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

Term loan and revolving credit facility (RCF)

The term loan and RCF were refinanced in March 2018 by Bank of America Merrill Lynch. The term loan and RCF are secured and the RCF has a maximum draw down of £20,000,000.

Collateral

Bank of America Merrill Lynch, as Security Trustee, holds a debenture with certain Group companies headed by Tata Chemicals Europe Holdings Limited and including the company. The particulars of this charge are:

i) Legal mortgage over all freehold land; and

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

c) Hedging activities and derivatives

Currency risk

At 31 March 2018, the Group held foreign currency forward contracts, designated as hedges of expected Euro cash receipts and USD cash payments for which the Group has highly probable forecast transactions. The terms of the foreign currency forward contracts match the terms of the hedged items. The hedged Euro cash inflows and USD cash outflows 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 2018 was a liability of £72,000 *(2017 asset: £297,000 and liability: £61,000).*

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

	Average rate		**Notional value**	
	2018	**2017**	**2018 £000**	2017 £000
Sell Euros	**1.1317**	1.1399	**18,745**	13,686
Buy United States Dollars	**-**	1.2226	**-**	2,454

Notes *(continued)*

27 Other current and non-current financial assets and liabilities – Group *(continued)*

c) Hedging activities and derivatives (continued)

Commodity risk rate

In accordance with the Group's risk management policy, natural gas contracts for difference are expected to reduce the volatility of cash flows associated with highly probable forecast gas purchases due to the fluctuations in gas prices. As such these contracts for difference were designated as cash flow hedges. The contracts are intended to hedge the volatility of the purchase price of gas for a period up to two years based on existing contracts to supply soda ash to customers. The terms of the contracts match the terms of the hedged items. 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 2018 was an asset of £3,094,000 and a liability of £419,000 *(2017: asset £915,000 and liability: £337,000).*

d) Fair value measurement

The fair value of derivatives is calculated using level 1 inputs. Derivatives are valued using the discounted cash flow model. 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 Group does not expect a 10% increase or decrease in exchange rates to have a material impact on the financial statements.

Gas contracts for difference

The following table details the group's sensitivity to a 10% increase and decrease in the natural gas price per therm. The table shows the potential impact to the fair value of the gas contracts for difference held on the balance sheet:

	Asset/(liability)	
	2018	2017
	£000	£000
Based on actual price per therm	**2,675**	578
10% increase in price per therm	**5,947**	2,630
10% decrease in price per therm	**(597)**	(1,476)

28 Pension arrangements - Group

a) Defined contribution scheme

The Group 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 Group 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 Group are reduced by the amount of forfeited contributions.

The contributions for the year amounted to:

	2018	2017
	£000	£000
Employer contributions	**(687)**	(546)

Notes *(continued)*

28 Pension arrangements – Group *(continued)*

a) Defined contribution scheme (continued)

As at 31 March 2018, contributions of £179,000 *(2017: £225,000)* were due in respect of the current reporting period but not paid over to the schemes.

b) Defined benefit scheme

The Group also operated two defined benefit scheme: the Brunner Mond Pension Fund (BMPF), and the British Salt Retirement and Life Assurance Plan (BSRILA). The BMPF scheme closed to new members on 30 June 2003 and closed to future accrual of benefits from 31 May 2016, and the BSRILA scheme closed to future accrual of benefits on 31 January 2008. The Group disposed of its interest in BSRILA on 9 March 2018 (Note 36).

The defined benefit schemes provide 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 of the scheme 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 boards and nature of their relationship with the Group.

The defined benefit schemes are administered by funds that are legally separated from the Group. Responsibility for governance of the schemes lies with the boards of trustees. The boards of trustees must be composed of representatives of the Group and schemes participants in accordance with the scheme rules, and every three years the boards of trustees review the level of funding for the schemes 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 and agreed with the Group.

Risks

Through its defined benefit pension schemes the Group 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 value of 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.
Inflation risk	If inflation is greater than assumed, the cost of benefits will increase as pension increases and deferred revaluations are linked to inflation.

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
- Caps on inflationary increases to protect the scheme against extreme inflation

Notes *(continued)*

28 Pension arrangements – Group *(continued)*

(b) Defined benefit scheme (continued)

The amounts recognised in the profit and loss account are as follows:

	BMPF 2018 £000	BMPF 2017 £000	BSRILA 2017 £000
Current service cost	**-**	(144)	-
Net interest costs:			
Interest cost on defined benefit obligation	**(8,060)**	(9,175)	(798)
Interest income on plan assets	**5,748**	6,641	992
Administrative expense	**(242)**	(314)	(84)
	(2,554)	(2,992)	110

The amounts recognised in the statement of comprehensive income are as follows:

	BMPF 2018 £000	BMPF 2017 £000	BSRILA 2017 £000
Remeasurements of the net defined benefit			
Effect of changes in demographic assumptions	**-**	(4,917)	-
Effect of changes in financial assumptions	**14,557**	(57,025)	(4,649)
Effect of experience adjustments	**-**	-	(50)
(Loss)/return on plan assets (excluding interest income)	**(1,427)**	42,155	3,293
	13,130	(19,787)	(1,406)

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

	BMPF 2018 £000	BMPF 2017 £000	BSRILA 2017 £000
At 1 April 2017	**234,241**	194,258	28,669
Interest income	**5,748**	6,641	992
Cash flows:			
Employer contributions	**2,800**	2,033	140
Contributions from scheme members	**-**	51	-
Benefits paid	**(11,201)**	(10,522)	(790)
Administrative expenses paid from plan assets	**(242)**	(314)	(84)
Insurance premium for risk benefits	**-**	(61)	-
Remeasurements:			
(Loss)/return on plan assets (excluding interest income)	**(1,426)**	42,155	3,293
At 31 March 2018	**229,920**	234,241	32,220

Notes *(continued)*

28 Pension arrangements – Group *(continued)*

(b) Defined benefit schemes (continued)

Movements in the defined benefit obligations are as follows:

	BMPF 2018 £000	BMPF 2017 £000	BSRILA 2017 £000
At 1 April 2017	**(327,997)**	(267,268)	(23,189)
Current service cost	**-**	(144)	-
Interest cost	**(8,060)**	(9,175)	(798)
Cash flows:			
Benefits paid	**11,201**	10,522	790
Contributions from scheme members	**-**	(51)	-
Insurance premium for risk benefits	**-**	61	-
Remeasurements:			
Effect of changes in demographic assumptions	**14,557**	(57,025)	-
Effect of changes in financial assumptions	**-**	(4,917)	(4,649)
Effect of experience adjustments	**-**	-	(50)
At 31 March 2018	**(310,299)**	(327,997)	(27,896)

The details of plan assets and liabilities are as follows:

	BMPF 2018 £000	BMPF 2017 £000	BSRILA 2017 £000
Cash and cash equivalents	**754**	144	115
Equity instruments	**23,525**	24,039	-
Debt instructions (excluding LDI)	**103,655**	101,105	32,105
Real estate	**3,774**	6,247	-
Alternatives	**9,953**	9,687	-
LDI instruments*	**88,259**	93,019	-
Total fair value of assets	**229,920**	234,241	32,220
Defined benefit obligation	**(310,299)**	(327,997)	(27,896)
Net pension (liability)/asset recognised in the balance sheet	**(80,379)**	(93,756)	4,324

*Liability Driven Investment – assets chosen to match changes in the value of the scheme's liabilities. All of the scheme assets have a quoted market price in an active market.

	BMPF 2018 £000	BMPF 2017 £000	BSRILA 2017 £000
Actual return on plan assets	**4,322**	48,796	4,285

Notes *(continued)*

28 Pension arrangements – Group *(continued)*

(b) Defined benefit schemes (continued)

The Group ensures that for each scheme 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 Group's 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 Group regularly monitor the performance of the scheme's investment strategies.

The last valuation of the BMPF was carried out as at June 2016 and the Group expects to pay contributions of £2,800,000 over the year to 31 March 2019, based on the schedule of deficit recovery payments agreed at that time. The next valuation, as at 31 December 2017, is underway and is scheduled for completion by 31 March 2019.

The weighted average duration of the defined benefit obligation of the schemes at 31 March 2018 and expected benefit payments in future years are as follows:

	BMPF	**BSRILA**
Weighted average duration (in years)	**17**	**16**
Expected total benefit payments	**£000**	**£000**
Year 1	**10,392**	**1,015**
Year 2	**10,630**	**1,038**
Year 3	**10,874**	**1,062**
Year 4	**11,124**	**1,086**
Year 5	**11,380**	**1,111**
Next 5 years	**60,942**	**5,947**

The actuarial reports used for these financial statements, were prepared as at 31 March 2018 by a qualified independent actuary. The significant weighted-average assumptions to determine defined benefit obligations were as follows:

	BMPF 2018 %	BMPF 2017 %	BSRILA 2017 %
Discount rate	**2.65**	2.50	2.50
Rate of price inflation (RPI)	**3.10**	3.10	3.10
Rate of price inflation (CPI)	**2.00**	2.10	2.10
Rate if pension increases (LPI 5%)	**2.90**	3.05	3.05
Rate of pension increases (LPI 2.5%)	**2.00**	2.10	2.10
Assumed life expectancy on retirement age at 65:			
	2018 Years	2017 Years	2017 Years
Member retiring today (age 65)			
Male	**22.5**	22.4	21.8
Female	**25.3**	25.2	25.1
Member retiring in 25 years (age 40)			
Male	**24.9**	24.8	24.1
Female	**27.7**	27.6	27.5

Notes *(continued)*

28 Pension arrangements – Group *(continued)*

Sensitivity analyses

The sensitivity analyses below are based on a change in an assumption 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.

(b) Defined benefit schemes (continued)

Present value of defined benefit obligations

	BMPF 2018 £000	BMPF 2017 £000	BSRILA 2017 £000
Discount rate – 25 basis points	**(323,435)**	(342,615)	(29,079)
Discount rate + 25 basis points	**(297,954)**	(314,284)	(26,785)
Price inflation rate – 25 basis points	**(302,663)**	(319,250)	(27,202)
Price inflation rate +25 basis points	**(316,509)**	(338,393)	(28,697)
Post-retirement life expectancy + 1 year	**(320,441)**	(338,922)	(28,820)
Post-retirement life expectancy -1 year	**(300,225)**	(317,179)	(26,978)

29 Called-up share capital - Group

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

	2018 £000	2017 £000
Authorised, issued and fully paid		
10,000,000 ordinary shares of £1 each	**(10,000)**	(10,000)
17,500,000 preference shares of $1 each	**(10,917)**	-
	(20,917)	(10,000)

On 17 January 2013 the Group issued 17,500,000 non-cumulative redeemable preference shares of $1, at par. To the extent that they are payable, dividends accrue at the rate of 8% per annum in respect of the nominal value of the shares. Prior to 27 March 2018, the shares were subject to a fixed redemption date of 31 January 2021 and accordingly were classified as interest bearing loans in the financial statements. On 27 March 2018 the Group's Articles of Association were changed, such that the shares are no longer subject to a fixed redemption date. Consequently the shares have been reclassified as share capital in the financial statements. The preference shares rank ahead of the ordinary shares in the event of a liquidation.

Notes *(continued)*

30 Reserves – Group

The Other reserve is the result of the merger accounting in respect of the merger with Brunner Mond Group Limited in the period ended 31 March 2012. The reserve represents the difference arising on consolidation between the value of the investment in Brunner Mond Group Limited held in the financial statements of Tata Chemicals Europe Holdings Limited which was initially acquired, and the nominal value of the share capital of Brunner Mond Group Limited. The reserve is non-distributable.

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

The cash flow hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. Amounts accumulated in this reserve are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

Cash flow hedge reserve	**£000**
Balance at 1 April 2017	(489)
Cash flow hedge gains during the year	(1,831)
Deferred tax effect of cash flow hedge (gains)/losses	(423)
Balance at 31 March 2018	**(2,743)**

31 Reconciliation of operating profit to operating cash flows - Group

	2018 **£000**	2017 £000
Operating profit from continuing operations	**5,585**	4,579
Depreciation of property, plant and equipment	**6,825**	6,641
Amortisation of intangible assets	**213**	232
Amortisation of government grants	**(122)**	(122)
Loss on disposal of property, plant and equipment	**-**	15
Impairment of property, plant and equipment	**625**	-
Realised (gains)/losses on forward exchange contracts	**-**	(39)
Operating cash flows before movement in working capital	**13,126**	11,306
(Increase)/decrease in inventories	**(2,216)**	4,522
(Increase)/decrease in trade, other receivables and prepayments	**(42,782)**	5,342
Decrease in trade and other payables	**(3,229)**	(5,136)
Decrease/(increase) in EU ETS intangible assets	**428**	(297)
(Decrease)/increase in provisions	**(183)**	295
Adjustment for pension funding	**(2,500)**	(1,419)
Utilisation of exceptional provisions	**(267)**	(2,430)
Net cash (outflow)/inflow from operating activities	**(37,623)**	12,183

32 Financial risk management and policies - Group

The Group's principal financial liabilities, other than derivatives and defined benefit pension schemes, comprise loans and borrowings, trade and other payables. The Group has trade and other receivables and cash that derive directly from its operations.

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

Notes *(continued)*

32 Financial risk management and policies - Group *(continued)*

The Group's senior management oversees the management of these risks, supported by an audit committee of operating subsidiaries that advises on financial risks and the appropriate financial risk governance framework for the Group. The audit committee provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and group risk appetite.

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 Group'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 Group do not have a significant fair value or cash flow interest rate risk due to their short tenure.

Where appropriate, the Group manages its interest rate risk by using interest rate swaps in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations.

Interest rates

No sensitivity analysis is prepared as the Group does not expect a 0.5% increase or decrease in the sterling LIBOR 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 Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency).

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

	Euro		**United States Dollar**	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Assets	**1,767**	2,645	**886**	1,242
Liabilities	**(5,045)**	(3,958)	**(957)**	(4,542)

Where appropriate, the Group manages its foreign currency risk by hedging forecast cash flows in the next 12 months.

Commodity price risk

The Group is affected by the price volatility of certain commodities. Its operating activities require the ongoing production of steam and electricity and therefore require a continuous supply of natural gas. Due to potential volatility in the price of natural gas, the Group has put in place a risk management strategy whereby the cost of natural gas is hedged for up to 24 months in advance.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, a revolving credit facility and debt factoring. Bank loan agreements were renewed in March 2018 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 Group 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 Group reviews the creditworthiness of its customers based on their financial position, past experience and other factors. The credit period provided by the Group to its customers generally ranges from 0-90 days.

Notes *(continued)*

32 Financial risk management and policies – Group *(continued)*

Credit risk (continued)

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 Group, there is no substantial concentration of credit risk.

Capital risk management

The capital structure of the Group consists of net debt (borrowings less bank balances) and equity (issued share capital, reserves and retained earnings). Borrowings comprise mainly secured bank debt, supplemented by additional facilities provided by the wider ultimate parent company group. The Group is not subject to any externally imposed capital requirements.

The Group manages its borrowings in order to ensure that each of its trading companies is able to continue operating as a going concern, whilst minimising the overall cost and risk to the Group. This strategy remains unchanged from 2017.

33 Operating lease commitments – Group

Operating lease commitments – Group as lessee

The Group has entered into commercial leases on certain motor vehicles, items of machinery and office premises. The leases for motor vehicles and items of machinery have an average life of between three and five years, while the office premises is nineteen years. There is no renewal or purchase option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

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

	2018 **£000**	2017 £000
Within one year	**(484)**	(682)
After one year but not more than five years	**(895)**	(1,093)
More than five years	**(2,898)**	(3,046)
	(4,277)	(4,821)

Notes *(continued)*

34 Related party transactions - Group

Balances and transactions between the Group companies, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its related parties are disclosed below:

Trading transactions

Joint venture in which the Group was a venturer

		Sales to joint venture £000	Purchases from joint venture £000	Amounts owed by joint venture £000	Amounts owed to joint venture £000
The Block Salt Company Limited	**2018**	**713**	**-**	**-**	**-**
	2017	837	-	79	-

The Group disposed of its investment in The Block Salt Company Limited on 9 March 2018.

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 wider Tata Chemicals Limited Group					
TCNA (UK) Limited	**2018**	**484**	**(19,839)**	**48**	**(1,659)**
	2017	616	(23,850)	37	(4,420)
Tata Chemicals North America Inc	**2018**	**323**	**-**	**27**	**-**
	2017	313	(5,007)	85	-
British Salt Limited*	**2018**	**97**	**-**	**123**	**-**
	2017	-	-	-	-
Tata Chemicals International Pte Limited	**2018**	**22**	**(118)**	**(743)**	**-**
	2017	-	(296)	-	(4,496)
Tata Chemicals Limited	**2018**	**89**	**-**	**3**	**-**
	2017	51	-	24	-
Gusiute Holdings (UK) Limited	**2018**	**-**	**-**	**-**	**(2,000)**
	2017	-	-	-	(2,000)

Loans from related parties

		Interest charged by related party in the year £000	Accrued interest owed to related parties £000	Amounts owed to related parties £000
Companies which are part of the wider Tata Chemicals Limited group				
Gusiute Holdings (UK) Limited	**2018**	**(270)**	**(1,350)**	**(4,500)**
	2017	(270)	(1,080)	(4,500)

Notes *(continued)*

34 Related party transactions - Group *(continued)*

Loans to related parties

		Interest charged to related party in the year	Accrued interest owed by related party in the year	Amounts owed by related party
		£000	£000	£000
Companies which were part of the wider Tata Chemicals Limited group				
Homefield 2 UK Limited	**2018**	**63**	**63**	**45,000**
	2017	-	-	-

Expenses and recharges

		Recharges to related parties	Recharges from related parties	Amounts owed by related parties	Amounts owed to related parties
		£000	£000	£000	£000
Companies which were part of the wider Tata Chemicals Limited group					
British Salt Limited	**2018**	**-**	**-**	**130**	**-**
	2017	-	-	-	-
Tata Chemicals Magadi Limited	**2018**	**-**	**-**	**-**	**-**
	2017	4	-	-	-
Tata Chemicals North America Inc	**2018**	**33**	**-**	**5**	**-**
	2017	-	-	-	-
Tata Chemicals Limited	**2018**	**-**	**(325)**	**-**	**(56)**
	2017	3	(284)	-	(192)
Homefield Pvt UK Limited	**2018**	**-**	**-**	**-**	**(84)**
	2017	15	-	-	(30)
Companies which were part of the wider Tata group					
Tata Limited	**2018**	**-**	**-**	**-**	**-**
	2017	-	(11)	-	-

*Prior to 9 March 2018, British Salt Limited was a member of the Tata Chemicals Europe Holdings Limited subgroup. On 9 March 2018, Tata Chemicals Europe Holdings Limited sold its investment in British Salt Limited to its immediate parent company, Homefield 2 UK Limited.

Notes *(continued)*

34 Related party transactions – Group *(continued)*

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding trading balances at the year end are unsecured and will be settled in cash. Within the Group, interest is generally charged at a rate that matches the rate paid on external loans and borrowings. Interest is charged monthly on the loan owed to Gusiute Holdings (UK) Limited at 6% per annum. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2018, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (*2017: £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

The only transaction with key management personnel in the year was directors' remuneration, which is disclosed in Note 9.

35 Ultimate controlling party – Group

The Group's immediate parent undertaking is Homefield 2 UK Limited, a company incorporated in England.

The ultimate parent company in the year to 31 March 2018 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.

Notes *(continued)*

36 Disposal of subsidiary undertakings

As referred to in Note 14, on 9 March 2018, the Group sold the trade and assets of Cheshire Salt Holdings Limited and its subsidiary undertakings, (CSHL group), to Homefield 2 UK Limited, a fellow group undertaking.

The net assets of CSHL group at the date of disposal were as follows:

	£000
Investment in joint venture	**275**
Intangible Assets	**10,800**
Goodwill	**19,807**
Property, plant and equipment	**43,299**
Inventories	**4,395**
Trade and other receivables	**4,903**
Cash	**254**
Trade creditors and other payables	**(2,936)**
Provisions	**(365)**
Retirement benefit asset	**4,323**
Amounts due to group – Homefield 2 UK Limited	**(50,000)**
Gain on disposal	**10,245**
Satisfied by:	
Loan receivable from Homefield 2 UK Limited	**45,000**

The impact of CSHL group on the Group's results in the current and prior periods is disclosed in Note 14. The gain on disposal is included in the profit for the year from discontinued operations.

Company balance sheet
At 31 March 2018

	Note	**2018 £000**	2017 £000
Assets			
Non-current assets			
Investments	*37*	-	66,560
		-	66,560
Current assets			
Trade and other receivables	*38*	**95,993**	6,042
Total assets		**95,993**	72,602
Equity and liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	*40*	**(78,646)**	(124,783)
Current liabilities			
Trade and other payables	*39*	**(74,432)**	(97,491)
Interest-bearing loans and borrowings due within one year	*40*	-	(2,400)
		(74,432)	(99,891)
Net current assets/(liabilities)		**21,561**	(93,849)
Total liabilities		**(153,078)**	(224,674)
Net liabilities		**(57,085)**	(152,072)
Equity			
Share capital	*41*	**(10,000)**	(10,000)
Preference share capital	*41*	**(10,917)**	-
Retained losses	*42*	**78,002**	162,072
Equity attributable to owners of the Company		**57,085**	152,072
Total equity and liabilities		**(95,993)**	(72,602)

The Notes on page 58 to 62 form an integral part of these financial statements.

The financial statements of Tata Chemicals Europe Holdings Limited were approved by the board of directors on 15 June 2018 and were signed on its behalf by:

J L Abbotts
Director

Company statement of cash flows

For the year ended 31 March 2018

	Note	2018 £000	2017 £000
Net cash flows from operating activities	*45*	**(136,660)**	5,211
Financing activities			
Repayment of borrowings		**(117,600)**	(2,400)
Proceeds from borrowings		**80,000**	-
Interest paid		**(2,622)**	(2,782)
Debt issue costs		**(1,444)**	(29)
Group relief proceeds		**523**	-
Net cash flows generated from/(used) in financing activities		**(41,143)**	(5,211)
Investment activities			
Disposal of investment in subsidiary undertakings		**66,560**	-
Dividends		**111,243**	-
Net cash flows generated from/(used) in investment activities		**177,803**	-
Net decrease/(increase) in cash and cash equivalents		**-**	-
Cash and cash equivalents at 1 April		**-**	-
Cash and cash equivalents at 31 March		**-**	-

The Notes on page 58 to 62 form an integral part of these financial statements.

Company statement changes in equity
For the year ended 31 March 2018

	Share capital (Note 41) £000	Retained losses (Note 42) £000	Total deficit £000
Balance at 1 April 2016	(10,000)	156,838	146,838
Loss for the year	-	5,234	5,234
Balance at 31 March 2017	(10,000)	162,072	152,072
Reclassification of preference shares	(10,917)	-	(10,917)
Profit for the year	-	(84,070)	(84,070)
Total comprehensive profit for the year	(10,917)	(84,070)	(94,987)
Balance at 31 March 2018	**(20,917)**	**78,002**	**57,085**

The Notes on page 58 to 62 form an integral part of these financial statements.

Notes *(continued)*

37 Investments – Company

	Shares in subsidiaries £000
Cost	
At 31 March 2017	263,595
Sale of subsidiary undertakings	(263,595)
At 31 March 2018	-
Provision for impairment	
At 31 March 2017	(197,035)
Sale of subsidiary undertakings	197,035
At 31 March 2018	-
Net book value	
At 31 March 2018	-
At 31 March 2017	66,560

On 1 March 2018, the company sold the entire issued share capital of Cheshire Salt Holdings Limited to Homefield 2 UK Limited, for the market value of £45,000,000. A loss on disposal of £21,560,000 was recognised in the company profit and loss account.

The company conducts periodic impairment reviews which take place at least annually for each investment held.

The company's subsidiary undertakings at 31 March 2018 are set out below:

	Country of incorporation	Principal activity	% of share capital held
Brunner Mond Group Limited	England	Holding company	100
Tata Chemicals Europe Limited	England	Manufacture and sale of soda ash and related products	
Winnington CHP Limited	England	Generation and sale of steam and electricity	100*
Brunner Mond Limited	England	Dormant	100*
Northwich Resource Management Limited	England	Dormant	100*

*Indirect shareholding

All subsidiary accounts can be obtained from the registrar of Companies, Crown Way, Cardiff.

Notes *(continued)*

38 Trade and other receivables - Company

	2018 £000	2017 £000
Amounts owed by group undertakings (Note 44)	**95,993**	6,042

39 Trade and other payables - Company

	2018 £000	2017 £000
Amount owed to group undertakings (Note 44)	**(74,215)**	(97,469)
Accruals and deferred income	**(217)**	(22)
	(74,432)	(97,491)

40 Other current and non-current financial assets and liabilities – Company

	Interest rate %	Maturity	2018 £000	2017 £000
Falling due within one year:				
Term loan	LIBOR + 1.99	March 2018	-	(2,400)
Total current interest-bearing loan and borrowings			-	(2,400)
Falling due after one year:				
Term loan	LIBOR + 1.99	November 2020	-	(115,200)
Term loan	LIBOR + 1.15	March 2023	**(80,000)**	-
Less: unamortised debt issue costs			**1,354**	1,334
Non-cumulative redeemable preference shares reclassified			-	(10,917)
Total non-current interest-bearing loan and borrowings			**(78,746)**	(124,783)

Interest payable is normally settled monthly throughout the financial year.

Term loan

The term loan was refinanced in March 2018 by Bank of America Merrill Lynch and is secured.

Collateral

Bank of America Merrill Lynch, as Security Trustee, holds a debenture with the company and certain of its subsidiaries. The particulars of this charge are:

i) Legal mortgage over all freehold land; and

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

Notes *(continued)*

41 Called-up share capital – Company

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

	2018 £000	2017 £000
Authorised, issued and fully paid		
10,000,000 ordinary shares of £1 each	**(10,000)**	(10,000)
17,500,000 preference shares of $1 each	**(10,917)**	-
	(20,917)	(10,000)

On 17 January 2013 the company issued 17,500,000 non-cumulative redeemable preference shares of $1, at par. To the extent that they are payable, dividends accrue at the rate of 8% per annum in respect of the nominal value of the shares. Prior to 27 March 2018 the shares were subject to a fixed redemption date of 31 January 2021 and accordingly were classified as interest bearing loans in the financial statements. On 27 March 2018 the company's Articles of Association were changed, such that the shares are no longer subject to a fixed redemption date. Consequently the shares have been reclassified as share capital in the financial statements. The preference shares rank ahead of the ordinary shares in the event of a liquidation.

43 Reserves – Company

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

44 Contingencies – Company

The company, together with certain of its fellow group undertakings, has guaranteed the amounts borrowed under the Group's banking facilities as described in Note 27 (b). At 31 March 2018 the amount guaranteed was £89,000,000 *(2017: £137,600,000).*

45 Related party transactions – Company

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:

Loans		**Interest received from related party**	**Interest charged by related party**	**Amounts owed by related party**	**Amounts owed to related party**
		£000	**£000**	**£000**	**£000**
Companies which were subsidiaries					
Tata Chemicals Europe Limited	**2018**	**108**	**-**	**35,519**	**-**
	2017	-	-	5,865	-
Brunner Mond Group Limited	**2018**	**-**	**(1,672)**	**-**	**(74,215)**
	2017	-	-	-	(72,544)
Winnington CHP Limited	**2018**	**28**	**-**	**15,412**	**-**
	2017	-	-	143	-

Notes *(continued)*

44 Related party transactions – Company *(continued)*

Loans *(continued)*		**Interest received from related party £000**	**Interest charged by related party £000**	**Amounts owed by related party £000**	**Amounts owed to related party £000**
Companies which were subsidiaries					
Cheshire Salt Holdings Limited*	**2018**	-	-	-	-
	2017	-	-	-	(2)
Cheshire Salt Limited*	**2018**	-	(503)	-	-
	2017	-	-	-	(23,297)
New Cheshire Salt Works Limited*	**2018**	-	(90)	-	-
	2017	-	-	-	(1,626)
British Salt Limited*	**2018**	2	-	-	-
	2017	-	-	34	-
Homefield 2 UK Limited	**2018**	63	-	45,063	-
	2017	-	-	-	-

Expenses and recharges		**Recharges to related parties and joint venture £000**	**Recharges from related parties and joint venture £000**	**Amounts owed by related parties and joint venture £000**	**Amounts owed to related parties and joint venture £000**
Companies which were subsidiaries					
Tata Chemicals Europe Limited	**2018**	-	(3,849)	-	-
	2017	-	(3,653)	-	
Companies which were part of the wider Tata Chemicals Limited group					
British Salt Limited*	**2018**	523	-	-	-
	2017	34	-	-	-

Terms and conditions of transactions with related parties

Outstanding trading balances at the year-end are unsecured and will be settled in cash. Within the Tata Chemicals Europe Holdings Limited subgroup interest is charged at a rate that matches the rate paid on external receivables or payables. For the year ended 31 March 2018 the company has not recorded any impairment of receivables relating to amounts owed by the related parties *(2017: £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.

*Prior to 9 March 2018, Cheshire Salt Holdings Limited and its subsidiaries, including Cheshire Salt Limited, British Salt Limited and New Cheshire Salt Works Limited were subsidiaries of the company. On 9 March 2018, the company sold its investment in Cheshire Salt Holdings Limited to its immediate parent company, Homefield 2 UK Limited.

Transactions with key management personnel

There were no transactions with key management personnel in the year. Directors' remuneration is disclosed in Note 9.

Notes *(continued)*

45 Reconciliation of operating profit to operating cash flows – Company

	2018 £000	2017 £000
Operating result	**52**	-
Loss on disposal of subsidiary undertakings	**(21,560)**	-
Operating cashflow before movements in working capital	**(21,508)**	-
(Increase)/decrease in trade, other receivables and prepayments	**(89,751)**	5,738
Decrease in trade and other payables	**(25,401)**	(527)
	(136,660)	5,211

46 Significant accounting judgements, estimates and assumptions – Company

The preparation of the company's financial statements requires management to make judgements, estimates and assumptions that effect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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 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.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit ("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 budget 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 or the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.