

**Winnington CHP Limited**

**Annual report and financial statements**

**Registered number 08568552**

**For the year ended 31 March 2018**

## Contents

Strategic report	1
Directors' report	3
Statement of directors' responsibilities in respect of the annual report and the financial statements	5
Independent auditor's report to the members of Winnington CHP Limited	6
Profit and loss account	8
Statement of other comprehensive income	9
Balance sheet	10
Statement of changes in equity	12
Statement of cash flows	13
Notes	14

## Strategic report

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

### Principal activities and business review

The company's principal activities are the generation and sale of steam and electricity.

Turnover for the year was flat at £48,408,000 (2017: £48,638,000).

In January one of the company's gas turbines 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. This incident is the subject of an ongoing insurance claim but the results for the year do not reflect any potential recovery of insured losses.

Despite this, EBITDA for the year increased to £9,003,000 (2017: £7,285,000), reflecting a higher average spark spread for the year and lower fixed costs. EBITDA for the year has been calculated as Operating Profit before charges for depreciation of £1,897,000 (2017: £1,124,000), and before impairment losses of £625,000 (2017: £nil) adding back amortisation of the government grant of £122,000 (2017: £122,000).

The profit on ordinary activities before taxation was £7,003,000 (2017: £8,111,000) after taking into account income in respect of derivative market-to-market adjustments of £225,000 (2017: £2,473,000).

### Future outlook

The company is a member of a bank group headed by Tata Chemicals Europe Holdings Limited ("TCEHL"). In March 2018 TCEHL restructured and refinanced its operations in order to access additional long-term funds for capital investment projects focused on reducing the variable cost per tonne of manufacturing, developing new income streams and enhancing both the safety and efficiency of operational delivery in the company and its immediate parent Tata Chemicals Europe Limited. The restructuring also enabled TCEHL to reduce its cost of borrowing.

The directors expect these changes to provide the company with a firm platform for revenue and EBITDA growth in the medium term as the internal demand for steam and electricity increases.

### Principal risks and uncertainties

The main risk to the company 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 company will focus on these matters over the coming year by continuing to hedge against the cost of natural gas, exploring ways of reducing carbon emissions and through active engagement with national and international decision-making bodies.

### Financial risk management

The company's operations expose it to a variety of financial risks that include foreign currency risk, commodity price risk, liquidity risk and credit risk. Financial risk is managed at a group level for the Tata Chemicals Europe Holdings Limited subgroup. Further information about financial risk management at the group level is contained in the Tata Chemicals Europe Holdings Limited consolidated financial statements which can be obtained from the registrar of Companies, Crown Way, Cardiff.

## Strategic report (continued)

### Key performance indicators (“KPIs”)

Company performance is measured using a ‘balanced scorecard’ approach. At the start of each financial year the company sets targets relating to a number of strategic themes, including safety performance, reduction in carbon footprint and operational excellence. For each measure, the actual performance of the business is compared to the target on a regular basis and these reviews help to identify where further action is required. The directors believe that these measures represent the company’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 company, together with the audited financial statements for the year ended 31 March 2018.

### Directors

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

J L Abbotts  
M J Ashcroft  
P P Houghton

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

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

### Political contributions

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

### Environment

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

### Going concern

The directors have concluded that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements (Note 2.2).

### Dividends

The directors do not recommend the payment of a dividend (2017: same).

### Statement of disclosure to the auditor

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

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

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

**Directors' report** *(continued)*

**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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with 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 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 Winnington CHP Limited**

#### **Opinion**

We have audited the financial statements of Winnington CHP Limited ("the company") for the year ended 31 March 2018 which comprise the profit and loss account, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

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

#### **Going concern**

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 Winnington CHP 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; and
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

### Directors' responsibilities

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

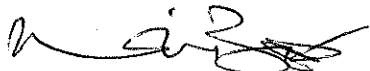
### Auditor's responsibilities

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

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

## Profit and loss account

For the year ended 31 March 2018

	Note	2018 £000	2017 £000
Revenue	5	48,408	48,638
Cost of sales		(39,364)	(40,327)
<b>Gross profit</b>		<b>9,044</b>	<b>8,311</b>
Administrative expenses		(1,816)	(2,028)
<b>Operating profit</b>		<b>7,228</b>	<b>6,283</b>
Financial income	9	388	2,475
Financial expenses	10	(613)	(647)
		(225)	1,828
<b>Profit on ordinary activities before taxation</b>	6	<b>7,003</b>	<b>8,111</b>
Taxation on profit on ordinary activities	12	(789)	206
<b>Profit for the financial year</b>		<b>6,214</b>	<b>8,317</b>

The Notes on pages 14 to 32 form an integral part of these financial statements.

All results arose from continuing operations.

**Statement of other comprehensive income**

*For the year ended 31 March 2018*

	<i>Note</i>	<b>2018</b>	2017
		<b>£000</b>	£000
<b>Profit for the financial year</b>		<b>6,214</b>	8,317
<b>Items that may be reclassified subsequently to profit or loss</b>			
Cash flow hedge gains during the year	<i>11</i>	<b>1,872</b>	6,174
Deferred tax effect of cash flow hedge gains	<i>12</i>	<b>383</b>	(1,350)
<b>Other comprehensive income for the year</b>		<b>2,255</b>	4,824
<b>Total comprehensive income for the year</b>		<b>8,469</b>	13,141

The Notes on pages 14 to 32 form an integral part of these financial statements.

## Balance sheet

At 31 March 2018

Assets	<i>Note</i>	<b>2018</b> £000	2017 £000
<b>Non-current assets</b>			
Intangible assets	<i>13</i>	146	187
Property, plant and equipment	<i>14</i>	8,220	8,868
Other non-current financial assets	<i>21</i>	226	35
<b>Total non-current assets</b>		<b>8,592</b>	9,090
<b>Current assets</b>			
Trade and other receivables	<i>16</i>	15,802	10,195
Cash and cash equivalents	<i>15</i>	82	88
Prepayments and accrued income		134	118
Other current financial assets	<i>21</i>	2,867	880
<b>Total current assets</b>		<b>18,885</b>	11,281
<b>Total assets</b>		<b>27,477</b>	20,371
<b>Equity and liabilities</b>			
<b>Non-current liabilities</b>			
Other non-current financial liabilities	<i>21</i>	(419)	(63)
Provisions	<i>20</i>	(106)	(112)
Deferred taxation	<i>12</i>	-	(2)
Government grants	<i>18</i>	(2,028)	(2,150)
<b>Total non-current liabilities</b>		<b>(2,553)</b>	(2,327)
<b>Current liabilities</b>			
Trade and other payables	<i>17</i>	(23,949)	(24,784)
Other current financial liabilities	<i>21</i>	-	(274)
Government grants	<i>18</i>	(122)	(122)
Deferred revenue	<i>19</i>	(107)	(131)
Provisions	<i>20</i>	(466)	(922)
<b>Total current liabilities</b>		<b>(24,644)</b>	(26,233)
<b>Total liabilities</b>		<b>(27,197)</b>	(28,560)
<b>Net assets/( liabilities)</b>		<b>280</b>	(8,189)
<b>Equity</b>			
Share capital	<i>22</i>	-	-
Retained earnings	<i>23</i>	2,392	8,606
Cash flow hedging reserve	<i>23</i>	(2,672)	(417)
<b>Total equity</b>		<b>(280)</b>	8,189
<b>Total equity and liabilities</b>		<b>(27,477)</b>	(20,371)

Continued on page 11

**Balance sheet** *(continued)*

Continued from page 10.

The Notes on page 14 to 32 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 15 June 2018.

Signed on behalf of the Board of Directors by:



**J L Abbotts**  
*Director*

**Statement of changes in equity**  
 For the year ended 31 March 2018

	Share capital (Note 22) £000	Retained earnings (Note 23) £000	Cash flow hedging reserve (Note 23) £000	Total deficit £000
Balance at 1 April 2016	-	16,923	4,407	21,330
Profit for the year	-	(8,317)	-	(8,317)
Other comprehensive income for the year	-	-	(4,824)	(4,824)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(8,317)</b>	<b>(4,824)</b>	<b>(13,141)</b>
Balance at 1 April 2017	-	8,606	(417)	8,189
Profit for the year	-	(6,214)	-	(6,214)
Other comprehensive income for the year	-	-	(2,255)	(2,255)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(6,214)</b>	<b>(2,255)</b>	<b>(8,469)</b>
<b>Balance at 31 March 2018</b>	<b>-</b>	<b>2,392</b>	<b>(2,672)</b>	<b>(280)</b>

The Notes on page 14 to 32 form an integral part of these financial statements.

**Statement of cash flows**  
For the year ended 31 March 2018

	<i>Note</i>	<b>2018</b> <b>£000</b>	2017 £000
<b>Net cash from operating activities</b>	<i>24</i>	<b>1,847</b>	1,335
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(1,250)	(879)
Government grants (paid)/received		-	(48)
Interest received		1	2
<b>Net cash from investing activities</b>		<b>(1,249)</b>	(925)
<b>Cash flows from financing activities</b>			
Interest paid		(197)	(323)
Taxation - group relief paid		(407)	-
<b>Net cash from financing activities</b>		<b>(604)</b>	(323)
Net increase/(decrease) in cash and cash equivalents	<i>15</i>	(6)	87
Cash and cash equivalents at 1 April	<i>15</i>	88	1
<b>Cash and cash equivalents at 31 March</b>		<b>82</b>	88

The Notes on page 14 to 32 form an integral part of these financial statements.

## Notes

*(forming part of the financial statements)*

### 1 General information

Winnington CHP 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 company operates.

### 2 Significant accounting policies

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

#### 2.1 Basis of accounting

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

The 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 Going concern

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

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 subgroup's facilities should be sufficient during the period.

In making their assessment the directors have also considered the net liability position of the Group. The majority of this deficit arises 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. For this reason, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.



## Notes (continued)

### 2 Significant accounting policies (continued)

#### 2.3 Intangible assets

##### *Emissions Trading Allowances*

The company participates in the European Union Emissions Trading Scheme (“EU ETS”) administered in the UK by the Environment Agency. In each year the company 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.

At each period end the company 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.

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.

#### 2.4 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 company derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit and loss account as incurred.

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

Plant and equipment                      2 to 25 years

Assets under construction are not depreciated.

#### 2.5 Financial instruments and hedge accounting

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

##### *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 designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value.

The company’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 designated upon initial recognition at fair value through profit or loss. This category includes derivative financial instruments entered into by the company 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.

## Notes (continued)

### 2 Significant accounting policies (continued)

#### 2.5 Financial instruments and hedge accounting (continued)

##### *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. 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 company 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 measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

##### *Derecognition of financial assets*

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset 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.

##### *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 effective hedge, as appropriate. The company 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 company'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 company 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 reporting in the balance sheet if, and only if, there is a current enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or the realise the assets and settle the liabilities simultaneously.

## Notes (continued)

### 2 Significant accounting policies (continued)

#### 2.5 Financial instruments and hedge accounting (continued)

##### *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 company uses contracts for difference to hedge its commodity price risks. 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 a highly probable forecast transaction.

At the inception of a hedge relationship, the company formally designates and documents the hedge relationship to which the company 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 account. 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.

## Notes (continued)

### 2 Significant accounting policies (continued)

#### 2.6 Revenue

##### *Sale of steam and electricity*

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

The company has just one reportable segment under IFRS 8. Therefore there is no requirement for a segmental analysis note.

##### *Interest income*

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.

#### 2.7 Operating profit

Operating profit is stated before investment income and finance costs.

#### 2.8 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 when 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 unused tax credits and unused 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 unused tax credits and unused 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)

#### 2.8 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.

#### 2.9 Foreign currency

Transactions in foreign currencies are initially recorded by the company 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.

#### 2.10 Provisions

##### *General*

Provisions are recognised when the company 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 company 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.

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

## Notes (continued)

### 2 Significant accounting policies (continued)

#### 2.11 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 judgments, estimates and assumptions

The preparation of the company's 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.

#### *Estimates and assumptions*

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

#### *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 that the company 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)

### 4 Standards issued but not yet effective

The company 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 company 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 company 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 company for year commencing April 2018.
IFRS 16	Leases (replacing IAS 17 Leases). Issued January 2016, applying to the company 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 company 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 company 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.

### 5 Revenue

Revenue comprises the value of sales, excluding VAT and other related sales taxes, of products and services provided in the normal course of business. Revenue is recognised on a metered supply.

There is only one class of business, being the generation and sale of steam and electricity, and all sales arise in the UK. The company has just one reportable segment under IFRS 8. Therefore there is no requirement for a segmental analysis note.

### 6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after (charging)/crediting:

	2018 £000	2017 £000
Depreciation of property, plant and equipment (Note 14)	(1,272)	(1,124)
Impairment of property, plant and equipment (Note 14)	(625)	-
Amortisation of government grants (Note 18)	122	122
	<hr/>	<hr/>

**Notes** *(continued)*

**7 Auditor's remuneration**

The analysis of auditor's remuneration is as follows:

	2018 £000	2017 £000
Fees payable to the company's auditor for the audit of the company's financial statements	(8)	(7)
	(8)	(7)

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

**8 Staff numbers and costs**

There were no employees other than the directors during the current year and preceding year. No director received any remuneration for services to the company during the year *(2017: £nil)*.

**9 Finance income**

	2018 £000	2017 £000
<i>Interest receivable and similar income:</i>		
Bank interest receivable	1	2
Interest receivable from fellow group undertakings	163	-
Net gain on financial assets/liabilities at fair value through profit or loss	224	2,473
	388	2,475

**10 Finance costs**

	2018 £000	2017 £000
Interest payable to fellow group undertakings	(371)	(386)
Other interest	-	(10)
	(371)	(396)
Total interest expense	(371)	(396)
Bank guarantee costs	(242)	(251)
Net loss on financial assets/liabilities at fair value through profit or loss	-	-
	(613)	(647)
Total finance costs	(613)	(647)



**Notes (continued)**

**11 Components of other comprehensive income**

	2018 £000	2017 £000
<i>Cash flow hedges:</i>		
Gains arising during the year:		
Commodity forward contracts	490	1,852
Reclassification adjustments for gains included in profit or loss	1,382	4,322
	<u>1,872</u>	<u>6,174</u>

**12 Tax**

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

	2018 £000	2017 £000
<b>Profit and loss account</b>	<b>£000</b>	<b>£000</b>
<i>Current tax:</i>		
Current tax charge	(407)	-
<i>Deferred tax:</i>		
Relating to origination and reversal of temporary differences	(382)	206
<b>Tax (charge)/income reported in the profit and loss account</b>	<b>(789)</b>	<b>206</b>
<b>Statement of other comprehensive income</b>		
<i>Items that will be reclassified subsequently to the profit and loss account:</i>		
Tax effect of net losses/(gains) on cash flow hedges	383	(1,350)
<b>Tax expense recorded in other comprehensive income</b>	<b>383</b>	<b>(1,350)</b>

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
<i>Profit before tax</i>	7,003	8,111
Tax on profit on ordinary activities at the average UK corporation tax rate for the year 19% (2017: 20%)	(1,330)	(1,622)
Tax effects of:		
Income not taxable for tax purposes	19	37
Group relief received at nil charge	1,689	1,827
Group relief received and charged	(407)	-
Other temporary differences	(760)	(36)
<b>Tax (charge)/credit for the year</b>	<b>(789)</b>	<b>206</b>

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 2018 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.

**Notes (continued)**

**12 Tax (continued)**

**Deferred tax**

Deferred tax relates to the following:

	<b>2018</b>	2017
	<b>£000</b>	£000
Decelerated capital allowances	-	381
Revaluation of cash flow hedges	-	(383)
	<hr/>	<hr/>
<b>Net deferred tax liabilities</b>	<b>-</b>	<b>(2)</b>
	<hr/> <hr/>	<hr/> <hr/>

A potential deferred tax asset of £550,000 for decelerated capital allowances (2017: £894,000 for 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 or liability will crystallise in the foreseeable future.

**13 Intangible assets**

	<b>EU ETS</b>
	<b>allowances</b>
	<b>£000</b>
<b>Deemed cost</b>	
At 1 April 2017	187
Granted during the year	142
Surrendered during the year	(183)
	<hr/>
<b>At 31 March 2018</b>	<b>146</b>
	<hr/> <hr/>

**Notes (continued)**

**14 Property, plant and equipment**

	Plant and equipment £000	Assets under construction £000	Total £000
<b>Cost</b>			
At 1 April 2017	10,876	175	11,051
Additions	-	1,250	1,250
Disposals	(1,218)	-	(1,218)
Transfers	572	(572)	-
	<hr/>	<hr/>	<hr/>
<b>At 31 March 2018</b>	<b>10,230</b>	<b>853</b>	<b>11,083</b>
<b>Depreciation</b>			
At 1 April 2017	(2,183)	-	(2,183)
Charge for the year	(1,272)	-	(1,272)
Impairment	(625)	-	(625)
Disposals	1,217	-	1,217
	<hr/>	<hr/>	<hr/>
<b>At 31 March 2018</b>	<b>(2,863)</b>	<b>-</b>	<b>(2,863)</b>
<b>Net book value</b>			
<b>At 31 March 2018</b>	<b>7,367</b>	<b>853</b>	<b>8,220</b>
	<hr/>	<hr/>	<hr/>
At 31 March 2017	8,693	175	8,868
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

All property, plant and equipment is subject to a fixed charge as described in Note 25.

The company had commitments of £17,000 (2017: £81,000) relating to the purchase of property, plant and equipment.

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

**15 Cash and cash equivalents**

	2018 £000	2017 £000
Cash at bank and in hand	82	88
	<hr/> <hr/>	<hr/> <hr/>

## Notes (continued)

### 16 Trade and other receivables

	2018 £000	2017 £000
Trade receivables	1,933	2,047
Amounts due from related parties (Note 25)	8,230	2,285
Other taxation and social security	905	1,350
Other receivables	4,734	4,513
	15,802	10,195

Trade receivables are non-interest bearing and are generally on 30-60 day terms. All customers are credit checked before acceptance. Trade receivables are classified as loans and receivables and measure at amortised cost. The Directors consider that the carrying value of trade and other receivables is approximately equal to the fair value.

As at 31 March 2018, the company had no trade receivables that had been impaired and provided for (2017: £nil). 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	Current	< 30 days	31-60 days	61-90 days	91-120 days	> 120 days
		£000	£000	£000	£000	£000	£000
31 March 2018	1,933	1,929	-	4	-	-	-
31 March 2017	2,047	2,054	-	-	-	-	(7)

### 17 Trade and other payables

	2018 £000	2017 £000
Trade payables	(4,328)	(4,297)
Amounts owed to related parties (Note 25)	(15,412)	(15,934)
Other creditors	(61)	(15)
Accruals and deferred income	(4,148)	(4,538)
	(23,949)	(24,784)

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 the joint ventures and other related parties are described in Note 25. The Directors consider that the carrying value of trade and other receivables is approximately equal to the fair value.

### 18 Government grants

	2018 £000	2017 £000
At 1 April	(2,272)	(2,394)
Credited to profit and loss	122	122
	(2,150)	(2,272)

**Notes (continued)**

**18 Government grants (continued)**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Current	(122)	(122)
Non-current	(2,028)	(2,150)
	<u>(2,150)</u>	<u>(2,272)</u>

A government grant was received in respect of the project to install a new steam turbine at the company's Combined Heat and Power station in Northwich. At the balance sheet date there were no unfilled conditions attached to the grant. The company 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.

**19 Deferred revenue**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<i>EU ETS allowances</i>		
At 1 April	(131)	(120)
Received during the year	(143)	(175)
Statement of other comprehensive income	167	164
	<u>(107)</u>	<u>(131)</u>
<b>At 31 March</b>	<u>(107)</u>	<u>(131)</u>

**20 Provisions**

	<b>Carbon emissions</b>
	<b>£000</b>
At 1 April 2017	(1,034)
Charged to profit and loss	(460)
Paid/utilised during the year	922
	<u>(572)</u>
<b>At 31 March 2018</b>	<u>(572)</u>

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)**

**21 Other current and non-current financial assets and liabilities**

<i>a) Other financial assets</i>	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Financial instruments at fair value through other comprehensive income</b>		
Cash flow hedges		
Gas contracts for difference	3,093	915
	<hr/>	<hr/>
<b>Total current</b>	<b>2,867</b>	<b>880</b>
	<hr/>	<hr/>
<b>Total non-current</b>	<b>226</b>	<b>35</b>
	<hr/> <hr/>	<hr/> <hr/>

<i>b) Other financial liabilities</i>	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Financial instruments at fair value through other comprehensive income</b>		
Cash flow hedges		
Gas contracts for difference	(419)	(337)
	<hr/>	<hr/>
<b>Total current</b>	<b>-</b>	<b>(274)</b>
	<hr/>	<hr/>
<b>Total non-current</b>	<b>(419)</b>	<b>(63)</b>
	<hr/> <hr/>	<hr/> <hr/>

*c) Hedging activities and derivatives*

*Cash flow hedges*

*Commodity price risk*

In accordance with the company'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 of Tata Chemicals Europe Limited to supply soda ash to customers, and, by implication, the requirement for Tata Chemicals Europe Limited to purchase steam and electricity from the company. 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 £2,674,000 (2017: £578,000).

*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.

**Notes (continued)**

**21 Other current and non-current financial assets and liabilities (continued)**

*e) Sensitivity analysis*

*Gas contracts for difference*

The following table details the company'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)
	2,675	578

**22 Called-up share capital**

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

	2018	2017
	£	£
<b>Authorised, issued and fully paid</b>		
1 ordinary share of £1	(1)	(1)
	(1)	(1)

**23 Reserves**

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 the profit or loss or when the hedging relationship ends.

	£000
<b>Cashflow hedge reserve</b>	
At 1 April 2017	(417)
Cash flow hedge gains/(losses) during the period	(1,872)
Deferred tax effect of cash flow hedge gains	(383)
	(2,672)
<b>At 31 March 2018</b>	(2,672)

**Notes** (continued)

**24 Reconciliation of operating profit to operating cash flows**

	2018 £000	2017 £000
Operating profit	7,228	6,283
Depreciation of property, plant and equipment	1,272	1,124
Impairment of property, plant and equipment	625	-
Amortisation of government grants	(122)	(122)
	<hr/>	<hr/>
Net cash flow before movements in working capital	9,003	7,285
Increase in trade, other receivables and prepayments	(5,944)	(4,259)
Decrease in trade and other payables	(789)	(2,311)
Decrease/(increase) in EU ETS intangible assets	40	(27)
(Decrease)/increase in provisions	(463)	647
	<hr/>	<hr/>
Net cash from operating activities	1,847	1,335



## 25 Related party transactions

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

Trading transactions	Sales to related parties £000	Purchases from related parties £000	Amounts owed by related parties £000	Amounts owed to related parties £000
----------------------	----------------------------------	--	---	---

### *Companies which were part of the Tata Chemicals Europe Holdings Limited group*

Tata Chemicals Europe Limited	2018	27,888	-	-
	2017	26,830	-	-

### Loans from related parties

Interest charged by related party in the year  
£000

Amounts owed to related party  
£000

### *Companies which were part of the Tata Chemicals Europe Holdings Limited group*

Tata Chemicals Europe Holdings Limited	2018	(28)	(15,412)
	2017	-	(143)
British Salt Limited*	2018	(343)	-
	2017	(330)	(15,791)
Tata Chemicals Europe Limited	2018	-	-
	2017	(56)	-

### Loans to related parties

Interest charged to related party in the year  
£000

Amounts owed by related party  
£000

### *Companies which were part of the Tata Chemicals Europe Holdings Limited group*

Tata Chemicals Europe Limited	2018	163	8,230
	2017	-	2,285
Tata Chemicals Europe Holdings Limited	2018	-	-
	2017	180	-

### 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 part of the Tata Chemicals Europe Holdings Limited group*

Tata Chemicals Europe Limited	2018	655	(1,410)	-	-
	2017	422	(1,537)	-	-
British Salt Limited*	2018	19	-	-	-
	2017	-	-	-	-

## Notes (continued)

### 25 Related party transactions (continued)

\*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.

#### *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 TCEHL subgroup interest is generally charged at a rate that matches the rate paid on external loans and borrowings. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2018, the company 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.

### 26 Ultimate controlling party

The company's immediate parent undertaking is Tata Chemicals Europe Limited, a company incorporated in England.

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

The ultimate parent company in the year to 31 March 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.



