British Salt Limited

Annual report and financial statements

Registered number 06398227

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's principal activities are the manufacture and sale of salt products and the development of salt cavities for the purpose of natural gas storage.

Turnover for the year was £38,206,000 (*2017: £37,125,000*). The company's share of the UK 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.

EBITDA for the year was £11,199,000 (*2017: £15,049,000*). EBITDA for the year has been calculated as Operating Profit before charges for depreciation of £2,437,000 (2017: £2,323,000) and amortisation of £81,000 (2017: £82,000).

There was no income from gas storage in the year *(2017: £5,000,000)* and the increase in profitability from sales of salt reflected the increase in export volumes together with tight control over fixed costs. The profit on ordinary activities before taxation was £9,438,000 *(2017: £13,451,000).*

Prior to 9 March 2018, the company was financed as part of a bank group headed by its intermediate parent company, Tata Chemicals Europe Holdings Limited ("TCEHL"). On 9 March, TCEHL underwent a restructuring and refinancing process which affected the company as follows:

- The company declared and paid interim in-specie and cash dividends totalling £87,894,000. The in-specie distribution comprised receivables owed to the company by Tata Chemicals Europe Limited (£20,537,000), Winnington CHP Limited (£15,240,000) and Tata Chemicals Europe Holdings Limited (£1,716,000).
- TCEHL sold its investment in the company to TCEHL's immediate parent company, Homefield 2 UK Limited. There was no change to the company's ultimate UK parent company or ultimate parent company.
- The company issued 1 new ordinary share to its immediate parent company, Cheshire Salt Limited, for £400,000 including share premium.
- The company transferred its shareholding in its dormant subsidiary, Brinefield Storage Limited, to Homefield 2 UK Limited for nil consideration.
- The company then refinanced its operations as part of a new bank group headed by its intermediate parent company, Cheshire Salt Holdings Limited.

Future outlook

As a result of the restructuring and refinancing process which took place in March 2018, the company has access to additional long-term funds to implement planned capital investment projects focused on reducing the variable cost per tonne of manufacturing, enhancing both the safety and efficiency of operational delivery and improving customer differentiation.

The directors expect these changes to provide the company with opportunities to strengthen its performance in its key UK markets as well as providing the base for further growth in export sales to Europe and Asia.

Principal risks and uncertainties

The main risk to the 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 and through active engagement with national and international decision-making bodies.

Strategic report *(continued)*

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. The company has in place a risk management programme which seeks to limit the adverse effects on its financial performance where appropriate. The company seeks to mitigate commodity price risk through forward purchasing strategies to hedge against exposure to fluctuating gas prices. The company manages its credit exposures with a set of policies for ongoing credit checks on potential and current customers or counterparties. The company takes out forward foreign exchange contracts where appropriate and will consider hedges against its interest rate exposure using interest rate swaps when it is considered beneficial to do so.

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:

M J Ashcroft
J L Abbotts
L Iravanian
D P W Davies
P P Houghton
A N Runciman
K L Lounds

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

On 9 March 2018, the company declared and paid interim in-specie and cash dividends of £87,894,000. The in-specie distribution comprised receivables owed to the company by fellow group undertakings. The directors do not recommend a final dividend (2017: same).

Directors' report *(continued)*

Statement of disclosure to the auditor

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

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that 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.

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 British Salt Limited

Opinion

We have audited the financial statements of British Salt Limited ("the company") for the year ended 31 March 2018 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement 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 that report 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 that report for the financial year is consistent with the financial statements; and
- in our opinion those reports have that report has been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of British Salt 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; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, 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.

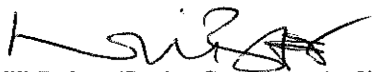
Auditor's responsibilities

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.

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	**38,206**	37,125
Cost of sales		**(20,238)**	(20,195)
Gross profit		**17,968**	16,930
Sales and distribution costs		**(6,986)**	(7,105)
Administrative expenses		**(2,398)**	(2,291)
Other operating income	9	**97**	5,110
		(9,287)	(4,286)
Operating profit		**8,681**	12,644
Financial income	10	**839**	832
Financial costs	11	**(82)**	(25)
		757	807
Profit on ordinary activities before taxation	6	**9,438**	13,451
Taxation on profit on ordinary activities	12	**(1,343)**	532
Profit for the financial year		**8,095**	13,983

The Notes on pages 14 to 41 form an integral part of the financial statements.

All results arose from continuing operations.

Statement of other comprehensive income
For the year ended 31 March 2018

	Note	**2018 £000**	2017 £000
Profit for the financial year		**8,095**	13,983
Items that will not be reclassified subsequently to profit of loss			
Actuarial gains/(losses) on pension schemes	*23*	**560**	(1,406)
Deferred tax effect of actuarial gains on pension schemes	*12*	**239**	239
Other comprehensive (loss)/income for the year net of tax		**799**	(1,167)
Total comprehensive income for the year		**8,894**	12,816

The Notes on pages 14 to 41 form an integral part of the financial statements.

Balance sheet
At 31 March 2018

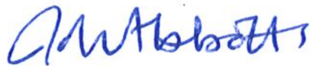
Assets	Note	2018 £000	2017 £000
Non-current assets			
Goodwill	*13*	**20,116**	20,116
Intangible assets	*13*	**10,160**	10,311
Property, plant and equipment	*14*	**22,115**	20,984
Investments	*15*	**766**	766
Retirement benefit asset	*23*	**5,164**	4,324
Total non-current assets		**58,321**	56,501
Current assets			
Inventories	*17*	**4,556**	4,395
Trade and other receivables	*18*	**6,758**	35,585
Prepayments		**528**	157
Cash and short term deposits	*16*	**480**	254
Total current assets		**12,392**	40,391
Total assets		**70,713**	96,892
Equity and liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	*22*	**(50,000)**	-
Deferred tax liabilities	*12*	**-**	(61)
Provisions	*21*	**(72)**	(72)
Total non-current liabilities		**(50,072)**	(133)
Current liabilities			
Trade and other payables	*19*	**(6,111)**	(3,567)
Deferred revenue	*20*	**(167)**	(206)
Provisions	*21*	**(270)**	(293)
Total current liabilities		**(6,548)**	(4,066)
Net current assets		**5,844**	36,325
Total liabilities		**(56,620)**	(4,199)
Net assets		**14,093**	92,693
Equity			
Share capital	*24*	**-**	-
Share premium		**(400)**	-
Retained earnings	*25*	**(13,693)**	(92,693)
Total equity		**(14,093)**	(92,693)
Total equity and liabilities		**(70,713)**	(96,892)

Continued on page 11

Balance sheet *(continued)*

The Notes on pages 14 to 41 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

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

	Share Capital (Note 24) £000	Share Premium (Note 25) £000	Retained Earnings (Note 26) £000	Total equity £000
Balance at 1 April 2016	-	-	(79,877)	(79,877)
Profit for the year	-	-	(13,983)	(13,983)
Other comprehensive loss for the year	-	-	1,167	1,167
Total comprehensive income for the year	-	-	(12,816)	(12,816)
Balance at 1 April 2017	-	-	(92,693)	(92,693)
Share issue	-	(400)	-	(400)
Dividends	-	-	87,894	87,894
Profit for the year	-	-	(8,095)	(8,095)
Other comprehensive income for the year	-	-	(799)	(799)
Total comprehensive income for the year	-	(400)	79,000	78,600
Balance at 31 March 2018	-	**(400)**	**(13,693)**	**(14,093)**

The company declared and paid interim in-specie and cash dividends totalling £87,894,000. The in-specie distribution comprised receivables owed to the company by Tata Chemicals Europe Limited (£20,537,000), Winnington CHP Limited (£15,240,000) and Tata Chemicals Europe Holdings Limited (£1,716,000).

The Notes on pages 14 to 41 form an integral part of these financial statements.

Statement of cash flows
for the year ended 31 March 2018

	Note	2018 £000	2017 £000
Net cash from operating activities	27	**43,402**	7,176
Investing activities			
Purchase of property, plant and equipment		**(3,568)**	(2,694)
Proceeds from disposal of tangible assets		-	15
Interest received		-	638
Net cash used in investing activities		**(3,568)**	(2,041)
Financing activities			
Interest paid		**(88)**	(25)
Proceeds from/(repayment of) borrowings		**50,000**	(5,000)
Debt issue costs		**(861)**	-
Group relief paid		**(1,165)**	-
Dividends		**(87,494)**	-
Net cash (used)/generated by financing activities		**(39,608)**	(5,025)
Net increase/(decrease) in cash and cash equivalents		**226**	110
Cash and cash equivalents at 1 April	16	**254**	144
Cash and cash equivalents at 31 March	16	**480**	254

The Notes on pages 14 to 41 form an integral part of these financial statements.

Notes
(forming part of the financial statements)

1 General information

British Salt 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.

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

2.2 Going concern

As at 31 March 2018 the company was funded by a fully drawn down £50,000,000 Term Loan and an undrawn £5,000,000 Revolving Credit facility, both provided by Standard Chartered Bank and secured by fixed and floating charges over the assets of the company. The facilities are repayable in instalments, from March 2021.

The directors have prepared forecasts of the company'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 company's facilities should be sufficient during the period.

After reviewing the forecasts, considering reasonably possible, the directors have formed a judgment, at the time of approving the financial statements, that there is a reasonable expectation that the company 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 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 acquirer 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.

2.4 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.

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:

Mineral rights	140 years

Notes *(continued)*

2 Significant accounting policies *(continued)*

2.5 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.

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 years
Plant and equipment	2 to 35 years

Assets under construction and freehold land are not depreciated.

2.6 Investments

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

2.7 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.

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 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.

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)*

2.7 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 and loans and borrowings.

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

Notes *(continued)*

2 Significant accounting policies *(continued)*

2.7 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 forward currency contracts to hedge its foreign currency 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. 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.

2.8 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

Notes *(continued)*

2 Significant accounting policies *(continued)*

2.9 Revenue

Sale of goods

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

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company 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 company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Interest revenue

Interest income is recognised when it is probable that the future economic benefits will flow to the company and the amount of income can be measured reliably. Interest income is 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.

2.10 Operating profit

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

2.11 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 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.

Notes *(continued)*

2 Significant accounting policies *(continued)*

2.11 Taxation (continued)

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.

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.

2.12 Pensions

The company operates a defined benefit scheme, which is funded with the assets of the scheme held separately from those of the company, in a separate trustee administered fund. The scheme closed to further accrual of benefits on 31 January 2008.

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

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

2.13 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.

Notes *(continued)*

2 Significant accounting policies *(continued)*

2.13 Foreign currency (continued)

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.

2.14 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.

2.15 Leases

The company as a lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance leases which transfer to the company 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 expenses and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised in 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 company 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)*

2.16 Impairment of non-financial assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount, which is assessed on the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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 company estimates the asset's or CGU's 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.

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 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.

Notes *(continued)*

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

Pension benefits

The cost of the defined benefit pension plan and other post-employment medical 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 23.

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.

Notes *(continued)*

5 Revenue

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

	2018	2017
	£000	£000
United Kingdom	**30,651**	31,241
Europe	**6,726**	4,538
Rest of World	**829**	1,346
	38,206	37,125

The company has just one 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	2017
	£000	£000
Staff costs (Note 8)	**(4,174)**	(4,240)
Loss on disposal of property, plant and equipment	**-**	(15)
Depreciation of property, plant and equipment (Note 14)	**(2,437)**	(2,323)
Amortisation of intangible assets (Note 13)	**(81)**	(82)
Cost of stock recognised as an expense	**(9,623)**	(9,102)
(Reversal)/impairment of stock recognised as an expense	**30**	(160)
Net foreign exchange gain	**15**	19
Operating lease rentals	**(145)**	(190)

7 Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2018	2017
	£000	£000
Fees payable to the company's auditor for the audit of the company's financial statements	**(29)**	(29)

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.

Notes *(continued)*

8 Staff numbers and costs

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

	2018 Number	2017 Number
Production and operations	**94**	92
Distribution and sales	**1**	2
Administration	**7**	6
	102	100

Director's remuneration

No director received any remuneration for services to the company during the year *(2017: £nil).*

The aggregate remuneration comprised:

	2018 £000	2017 £000
Wages and salaries	**(3,957)**	(3,903)
Social security costs	**(411)**	(388)
Other pension costs	**(281)**	(250)
Less: capitalised as additions to fixed assets	**475**	301
	(4,174)	(4,240)

Notes *(continued)*

9 Other operating income

	2018	2017
	£000	£000
Property income	**97**	110
Activities relating to gas storage operations	**-**	5,000
	97	5,110

10 Finance income

	2018	2017
	£000	£000
Interest payable and similar income:		
Bank interest receivable	**1**	4
Interest income on pension scheme assets (Note 23)	**795**	992
Interest cost on pension scheme defined benefit obligation (Note 23)	**(685)**	(798)
Interest receivable from fellow group undertakings	**728**	634
	839	**832**

11 Finance costs

	2018	2017
	£000	£000
Interest on borrowings	**(39)**	-
Interest payable to fellow group undertakings	**(4)**	-
Total interest expense	**(43)**	-
Other finance costs	**(39)**	(25)
Total finance costs	**(82)**	(25)

Notes *(continued)*

12 Tax

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

Profit and loss account	**2018 £000**	2017 £000
Current tax:		
Current tax charge	**(1,165)**	-
Deferred tax:		
Relating to the origination and reversal of temporary differences	**(178)**	532
Tax (charge)/income reported in the profit and loss account	**(1,343)**	532

Statement of other comprehensive income	**2018 £000**	2017 £000
Items that will not be reclassified subsequently to the profit and loss account		
Tax effect of actuarial gains and losses on pension schemes	**239**	239
Tax income/(expense) reported in other comprehensive income	**239**	239

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
Profit before tax	**9,438**	13,451
Tax on profit on ordinary activities at the average UK corporation tax rate for the year 19% *(2017: 20%)*	**(1,793)**	(2,690)
Tax effects of:		
(Expenses not deductible)/income not taxable for tax purposes	**(1)**	43
Group relief received at nil charge	**2,276**	3,147
Group relief received and charged	**(1,165)**	-
Movement on pension – temporary differences	**(3)**	(23)
Other temporary differences	**(657)**	55
Total tax (charge)/credit for the year	**(1,343)**	532

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	**2018 £000**	2017 £000
Deferred tax relates to the following:		
Decelerated capital allowances	-	672
Pension	-	(735)
Non-cash element of general provisions	-	2
Net deferred tax liabilities	-	(61)

Notes *(continued)*

12 Tax

A potential deferred tax asset of £690,000 (*2017: £nil*) for decelerated capital allowances, and non-cash elements of provisions, and a potential deferred tax liability of £878,000 (*2017: £nil*) for non-cash differences on pension provision, has not been recognised because there is no certainty that these will crystallise in the foreseeable future.

13 Goodwill and intangible assets

	Goodwill £000
Cost	
At 1 April 2017 and 31 March 2018	29,259
Accumulated impairment losses	
At 1 April 2017 and 31 March 2018	(9,143)
Carrying amount	
At 1 April 2017 and 31 March 2018	20,116

The goodwill arose on the acquisition of businesses. The company tests goodwill annually for impairment, or more frequently, if there are indications that goodwill might be impaired. The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, revenue growth rates, operating margins and capital expenditure. The discount rate used is in line with that used by Tata Chemicals Limited, the ultimate parent company, based on the weighted average cost of capital for forecast purposes. It is anticipated that sales volumes will remain at a similar level to the current year and there will be no significant changes in selling prices or costs. The rate used to discount the forecast cash flows is 7.75% *(2017: same).*

	EU ETS Allowances £000	Minerals rights £000	Total £000
Deemed cost			
At 1 April 2017	293	11,450	11,743
Granted during the year	223	-	223
Surrendered during the year	(293)	-	(293)
At 31 March 2018	**223**	**11,450**	**11,673**
Amortisation			
At 1 April 2017	-	(1,432)	(1,432)
Charge for the year	-	(81)	(81)
At 31 March 2018	-	**(1,513)**	**(1,513)**
Net book value			
At 31 March 2018	**223**	**9,937**	**10,160**
At 31 March 2017	293	10,018	10,311

Notes *(continued)*

14 Property, plant and equipment

	Freehold land and buildings £000	Plant and equipment £000	Assets under construction £000	Total £000
Cost				
At 31 April 2017	18,005	28,415	1,077	47,497
Additions	-	194	3,374	3,568
Disposals	-	(365)	-	(365)
Transfers	-	621	(621)	-
At 31 March 2018	**18,005**	**28,865**	**3,830**	**50,700**
Accumulated depreciation				
At 1 April 2017	(10,499)	(16,014)	-	(26,513)
Charge for the year	(334)	(2,103)	-	(2,437)
Eliminated on disposal	-	365	-	365
At 31 March 2018	**(10,833)**	**(17,752)**	**-**	**(28,585)**
Net book value				
At 31 March 2018	**7,172**	**11,113**	**3,830**	**22,115**
At 31 March 2017	7,506	12,401	1,077	20,984

Freehold land amounting to £4,849,000 has not been depreciated *(2017: £4,849,000).*

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

The company had commitments of £829,000 *(2017: £13,000)* relating to the purchase of property, plant and equipment.

15 Investments

	Shares in subsidiaries £000
Cost	
At 31 March 2017 and 31 March 2018	838
Provision for impairment	
At 31 March 2017 and 31 March 2018	(72)
Net book value	
At 31 March 2017 and 31 March 2018	766

Notes *(continued)*

15 Investments *(continued)*

The company's subsidiary undertakings at 31 March 2018, which are wholly owned, are set out below:

	Country of incorporation	Principal activity	% of ordinary share capital held
New Cheshire Salt Works Limited	England	Holding company	100
Cheshire Cavity Storage 2 Limited	England	Dormant	100
Cheshire Compressor Limited	England	Dormant	100
Irish Feeds Limited	England	Dormant	100

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

On 9 March 2018 the company transferred its 100% shareholding in the dormant company, Brinefield Storage Limited, to Homefield 2 UK Limited.

16 Cash and short-term deposits

	2018 **£000**	2017 £000
Cash at bank and in hand	**480**	254

17 Inventories

	2018 **£000**	2017 £000
Raw materials and consumables	**2,012**	1,964
Work-in-progress	**4**	6
Finished goods and goods for resale	**2,540**	2,425
	4,556	4,395

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 28.

18 Trade and other receivables

	2018 **£000**	2017 £000
Trade receivables	**5,334**	4,583
Allowance for doubtful debts	**(25)**	(14)
Amounts due from group undertakings and related parties (Note 31)	**10**	30,445
Amounts due from joint venture	**82**	79
Other taxation and social security	**334**	396
Other receivables	**1,023**	96
	6,758	35,585

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

Notes *(continued)*

18 Trade and other receivables *(continued)*

As at 31 March 2018, trade receivables with an invoice value of £25,000 *(2017: £14,000)* 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	**Current**	**< 31 days**	**31-60 days**	**61-90 days**	**91-120 days**	**> 120 days**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
31 March 2018	**5,334**	**4,712**	**537**	**48**	**12**	**20**	**5**
31 March 2017	4,583	4,158	453	15	2	(49)	4

The ageing analysis of impaired trade receivables was as follows:

	Total	**Current**	**< 31 days**	**31-60 days**	**61-90 days**	**91-120 days**	**> 120 days**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
31 March 2018	**(25)**	**-**	**(5)**	**(9)**	**-**	**(2)**	**(9)**
31 March 2017	(14)	-	-	-	-	-	(14)

Movement in allowance for doubtful debts

	£000
Balance at 1 April 2017	(14)
Debts written off against allowance	14
Increase in allowance for doubtful debts	(25)
Balance at 31 March 2018	**(25)**

19 Trade and other payables

	2018	2017
	£000	£000
Trade payables	**(2,213)**	(1,891)
Other creditors	**(130)**	(137)
Amounts owed to group undertakings and related parties (Note 31)	**(1,972)**	(126)
Accruals and deferred income	**(1,796)**	(1,413)
	(6,111)	(3,567)

Trade payables are non-interest bearing and are typically settled 60 days following the end of the month of supply. The Directors consider that the carrying value of trade and other receivables is approximately equal to the fair value.

20 Deferred revenue

	2018	2017
	£000	£000
EU ETS allowances		
At 1 April	**(206)**	(188)
Received during the year	**(223)**	(274)
Credited to profit and loss	**262**	256
At 31 March	**(167)**	(206)

Notes *(continued)*

21 Provision for liabilities

Carbon emissions	**2018 £000**	**2017 £000**
At 1 April	(365)	(365)
Charged to profit and loss	(270)	(298)
Paid/utilised during the year	293	298
At 31 March	**(342)**	**(365)**

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.

22 Other current and non-current financial assets and liabilities

	Interest rate %	**Maturity**	**2018 £000**	2017 £000
Falling due within one year				
Short term loan	LIBOR + 3	April 2016	-	(5,000)
Total current interest-bearing loans and borrowings			-	(5,000)

	Interest rate %	**Maturity**	**2018 £000**	2017 £000
Falling due after one to five years				
Term loan	LIBOR + 1.35	March 2021	**(3,000)**	-
Term loan	LIBOR + 1.35	March 2022	**(6,000)**	-
Term loan	LIBOR + 1.35	March 2023	**(41,000)**	-
Total non-current interest-bearing loans and borrowings			**(50,000)**	-

Term loan and revolving credit facility (RCF)

The fully drawn term loan and undrawn RCF of £5,000,000 were financed by Standard Chartered Bank in March 2018.

Collateral

Standard Chartered Bank, as Security Trustee, holds a debenture with the group of companies headed by Cheshire Salt Holdings Limited and including the company. The particulars of this charge are:

i) Legal mortgage over all freehold land; and

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

Notes *(continued)*

23 Retirement benefit schemes

a) Defined contribution scheme

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

The contributions amounted to:

	2018 **£000**	2017 £000
Employer contributions	**(281)**	(250)

At 31 March 2018, contributions of £30,000 *(2017:£32,000)* due in respect of the current reporting period but not paid over to the scheme.

b) Defined benefit scheme

British Salt Limited operates a defined benefit scheme for qualifying employees, the British Salt Retirement Income and Life Assurance Plan (BSRILA). The scheme closed to further accrual of benefits on 31 January 2008.

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

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

Risks

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

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

Notes *(continued)*

23 Retirement benefit schemes *(continued)*

b) Defined benefit scheme (continued)

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

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

	2018	2017
	£000	£000
Net interest costs:		
Interest cost on defined benefit obligation	**(685)**	(798)
Interest income on plan assets	**795**	992
Administrative expenses	**(70)**	(84)
	40	110

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

	2018	2017
	£000	£000
Remeasurement of the net defined benefit liability or asset:		
Effect of changes in demographic assumptions	**(169)**	-
Effect of changes in financial assumptions	**1,236**	(4,649)
Effect of experiences adjustments	**-**	(50)
Return/(loss) on plan assets (excluding interest income)	**(507)**	3,293
	560	(1,406)

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

	2018	2017
	£000	£000
At 1 April	**32,220**	28,669
Interest income	**795**	992
Cash flows:		
Employer contributions	**240**	140
Benefits paid	**(1,693)**	(790)
Administrative expenses paid from plan assets	**(70)**	(84)
Remeasurements:		
Return/(loss) on plan assets (excluding interest income)	**(507)**	3,293
At 31 March	**30,985**	32,220

Notes *(continued)*

23 Retirement benefit schemes *(continued)*

b) Defined benefit scheme (continued)

Movements in the defined benefit obligation are as follows:

	2018 £000	2017 £000
At 1 April	**(27,896)**	(23,189)
Interest cost	**(685)**	(798)
Cash flows:		
Benefits paid	**1,693**	790
Remeasurements:		
Effect of changes in demographic assumptions	**(169)**	-
Effect of changes in financial assumptions	**1,236**	(4,649)
Effect of experience adjustments	**-**	(50)
At 31 March	**(25,821)**	(27,896)

The details of plan assets and liabilities are as follows:

	2018 £000	2017 £000
Cash and cash equivalents	**107**	115
Debt instruments (excl. LDI)	**24,548**	32,105
LDI instruments*	**6,330**	-
Total fair value of assets	**30,985**	32,220
Defined benefit obligation	**(25,821)**	(27,896)
Net pension asset recognised in the balance sheet	**5,164**	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.

	2018 £000	2017 £000
Actual return on plan assets	**288**	4,285

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

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

The last valuation of the BSRILA was carried out at 31 December 2016, and the company expects to pay contributions of £180,000 over the year to 31 March 2019.

Notes *(continued)*

23 Retirement benefit schemes *(continued)*

b) Defined benefit scheme (continued)

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

Weighted average duration (in years)	16
Expected total benefit payments:	**£000**
Year 1	1,015
Year 2	1,038
Year 3	1,062
Year 4	1,086
Year 5	1,111
Next 5 years	5,947

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

	2018	2017
Discount rate	**2.65%**	2.50%
Rate of price inflation (RPI)	**3.00%**	3.10%
Rate of price inflation (CPI)	**2.00%**	2.10%
Rate of pension increases (LPI 5%)	**2.90%**	3.05%
Deferred pension increases (CPI)	**2.00%**	2.10%

Assumed life expectancy on retirement at age 65:

	2018 Years	2017 Years
Member retiring today (age 65)		
Male	**22.6**	21.8
Female	**25.0**	25.1
Member retiring in 25 years (age 40)		
Male	**24.5**	24.1
Female	**27.1**	27.5

Sensitivity analysis

The sensitivity analyses below are based on a change in 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.

Present valued of defined benefit obligations

	2018 £000	2017 £000
Discount rate – 25 basis points	**(26,891)**	(29,079)
Discount rate + 25 basis points	**(24,815)**	(26,785)
Price inflation rate – 25 basis points	**(25,196)**	(27,202)
Price inflation rate + 25 basis points	**(26,390)**	(28,697)
Post-retirement life expectancy + 1 year	**(26,686)**	(28,820)
Post retirement life expectancy - 1 year	**(24,960)**	(26,978)

Notes *(continued)*

24 Called up shared capital

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

	2018	2017
	£	£
Authorised, issued and fully paid		
2 *(2017: 1)* ordinary shares of £1	**(2)**	(1)

On 9 March 2018 the company issued 1 new ordinary share to its immediate parent company, Cheshire Salt Limited. The amount subscribed of £400,000 included share premium of £399,999.

25 Share premium account

	£000
Balance at 1 April 2017	-
Premium arising on issue of equity shares	(400)
Balance at 31 March 2018	**(400)**

26 Reserves

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

27 Reconciliation of operating profit to operating cash flows

	2018	2017
	£000	£000
Operating profit	**8,681**	12,644
Depreciation of property, plant and equipment	**2,437**	2,323
Amortisation of intangible assets	**81**	82
Loss on disposal of property, plant and equipment	**-**	15
Operating cashflow before movements in working capital	**11,199**	15,034
(Increase)/decrease in inventories	**(161)**	142
Decrease/(increase) in trade, other receivables and prepayments	**29,885**	(6,589)
Increase/(decrease) in trade and other payables	**2,432**	(1,311)
Decrease/(increase) in EU ETS intangible assets	**69**	(43)
Decrease in provisions	**(22)**	-
Adjustment for pension funding	**-**	(57)
Net cash from operating activities	**43,402**	7,176

28 Financial risk management and policies

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

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

Notes *(continued)*

28 Financial risk management and policies *(continued)*

The company'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 company. The audit committee provides assurance to the company's senior management that the company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with company policies and company risk appetite.

Interest rate risk

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

Where appropriate, the company manages its interest rate risk by using interest rate swaps in which the company 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 company 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 company's exposure to the risk of changes in foreign exchange rates relates primarily to the company's operating activities (when revenue or expense is denominated in a different currency from the company's functional currency).

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

	Euro		**United States Dollar**	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Assets	**1,389**	345	**71**	107
Liabilities	**(298)**	(386)	**-**	-

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

Liquidity risk

The company'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 company are typically unsecured and derived from sales made to a large number of independent customers. Credit reference agencies are used to gain ratings and provide credit recommendations. If there is no credit rating of the customers available, the company reviews the creditworthiness of its customers based on their financial position, past experience and other factors. The credit period provided by the group to its customers generally ranges from 0-90 days.

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

Notes *(continued)*

28 Financial risk management and policies *(continued)*

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 and facilities. 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.

29 Contingent liabilities

At 31 March 2017 the company, together with certain of its fellow group undertakings, guaranteed the amounts borrowed under the banking facilities of the group of companies headed by Tata Chemicals Europe Holdings Limited and including the company. At 31 March 2017 the amount guaranteed was £137,600,000. This guarantee expired in March 2018 when the company refinanced, as described in Note 22.

The company, together with certain of its fellow group undertakings, has guaranteed the amounts borrowed under the banking facilities of the group of companies headed by Cheshire Salt Holdings Limited and including the company. At 31 March 2018 the amount guaranteed was £50,000,000.

The company is counterparty to commodity contracts for difference on behalf of a fellow group company, Winnington CHP Limited. The contracts for difference are intended to reduce volatility of cash flows due to fluctuations in gas prices associated with highly probable forecast gas purchases made by Winnington CHP Limited.

Any gains or losses arising are immediately recharged to Winnington CHP Limited. The economic substance is that the contracts for difference belong to Winnington CHP Limited so the associated assets, liabilities, gains and losses are accounted for and disclosed in the financial statements of Winnington CHP Limited. These can be obtained from the registrar of Companies, Crown Way, Cardiff.

30 Operating lease arrangements

Operating lease commitments – company as lessee

The company has entered into commercial leases on certain motor vehicles and items of machinery. These leases have an average life of between three and five years with no renewal or purchase options included in the contracts. There are no restrictions placed upon the company by entering into these leases.

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

	2018	2017
	£000	£000
Within one year	**(132)**	(136)
After one year but not more than five years	**(37)**	(150)
	(169)	(286)

Notes *(continued)*

31 Related party transactions

Trading transactions

		Sales to related parties and joint venture £000	Purchases 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
Joint venture in which the group was a venturer					
The Block Salt Company Limited	**2018**	**713**	**-**	**68**	**-**
	2017	837	-	79	-
Companies which were part of the Tata Chemicals Europe Holdings Limited group					
Tata Chemicals Europe Limited	**2018**	**-**	**(1,178)**	**-**	**(123)**
	2017	-	(1,278)	-	(92)
Companies which are part of the wider Tata Chemicals Limited group					
Tata Chemicals Limited	**2018**	**89**	**-**	**10**	**-**
	2017	51	-	24	-

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			
Winnington CHP Limited	**2018**	**342**	**-**
	2017	330	15,791
Tata Chemicals Europe Limited	**2018**	**386**	**-**
	2017	304	14,630

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**	**(1)**	**-**
	2017	-	(34)
Companies which were part of the Cheshire Salt Holdings Limited group			
New Cheshire Salt Works Limited	**2018**	**(3)**	**(1,719)**
	2017	-	-

Notes *(continued)*

31 Related party transactions *(continued)*

Expenses and recharges		Recharges to related parties and joint venture	Recharges from related parties and joint venture	Amounts owed by related parties and joint venture	Amounts owed to related parties and joint venture
Joint venture in which the group was a venturer					
		£000	£000	£000	£000
The Block Salt Company Limited	**2018**	**176**	**-**	**14**	**-**
	2017	167	-	14	-
Companies which were part of the Tata Chemicals Europe Holdings Limited group					
Tata Chemicals Europe Limited	**2018**	**-**	**(6,163)**	**-**	**(130)**
	2017	-	(6,546)	-	-
Winnington CHP Limited	**2018**	**-**	**-**	**-**	**-**
	2017	-	(19)	-	-
Tata Chemicals Europe Holdings Limited	**2018**	**-**	**-**	**-**	**-**
	2017	-	(34)	-	-

Joint venture in which the group was a venturer

The group has a 50% interest in The Block Salt Company Limited *(2017: 50%)*.

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 Tata Chemicals Europe Holdings Limited and Cheshire Salt Holdings Limited subgroups, 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.

Transactions with key management personnel

There were no transactions with key management personnel in the year.

32 Ultimate controlling party

The company's immediate parent undertaking is Cheshire Salt Limited, a company incorporated in England.

The smallest group in which the results of the company are consolidated is that of Cheshire Salt 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.