

British Salt Limited

Annual report and financial statements

Registered number 06398227

For the year ended 31 March 2021

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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 £35,980,000 (2020: £38,158,000). The Company's share of the UK market was consistent with recent years, with packing line performance significantly improved following completion of the three-phase investment programme in the previous year. The Covid-19 pandemic led to a collapse in demand from customers in the hospitality sector throughout most of the year, but otherwise the impact was not severe. Export sales were at similar levels to the previous year, despite some supply chain disruption during the final quarter as a consequence of Brexit.

EBITDA for the year was £6,283,000 (2020: £8,237,000), calculated as:

	2021	2020
	£000	£000
Operating profit	2,650	4,668
Depreciation	3,552	3,487
Amortisation	81	82
	6,283	8,237
	6,283	8,237

The profit on ordinary activities before taxation was £1,419,000 (2020: £3,476,000).

Future outlook

As described in last year's strategic review, the Company is part way through a multi-phase period of major capital investment. The commissioning of the new power station was delayed as a result of Covid-19 restrictions but was undergoing final commissioning at the year-end. This will significantly improve efficiency and reduce carbon emissions in the next financial year and beyond.

The Company refinanced its long-term debt in March 2021. This refinancing will enable the Company to fund a major expansion and diversification into pharmaceutical grade salt, together with the development of a new warehousing facility at its Middlewich site.

The directors expect these projects will enable the Company 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 short to medium term risk to the business is the potential impact of COVID-19. The Company is focused on maintaining operations by reducing the risk of infection wherever possible, in line with the evolving issued government guidance. Market demand for salt is unlikely to collapse for a prolonged period because of the essential end uses which include food, animal feed, water treatment and chemical manufacture. However, the risk of losses due to the inability of customers to pay amounts owed to the Company has increased and the Company is focusing additional attention in this area.

Strategic report (continued)

Principal risks and uncertainties (continued)

Other than COVID-19, the main risk to the business continues to be the medium to long-term cost of natural gas in the UK. This includes not only the market price of natural gas but also future UK carbon emissions policy. This latter risk has increased following the UK decision to leave the EU as a new UK Emissions Trading Scheme has been established but full details as to how the scheme will operate are not yet available. The Company will continue its close focus on these matters over the coming year by continuing to hedge against the cost of natural gas and engaging proactively with national decision-making bodies.

Financial risk management

The Company's operations expose it to a variety of financial risks that include interest rate risk, foreign currency risk, commodity price risk, liquidity risk, credit risk and capital risk. The Company has in place a risk management programme which seeks to limit the adverse effects on its financial performance where appropriate. Further information is given in Note 31 to the financial statements.

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.

Section 172(1) Statement

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

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

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

Shareholders

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

Strategic report (continued)

Colleagues

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

Customers

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

Suppliers

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

Communities

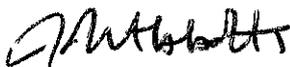
The Company's approach to corporate social responsibility has four main drivers: the engagement of our colleagues, the engagement of local communities in order to maintain positive public relations, the support of STEM in local educational establishments and the support of wider Tata Group CSR initiatives.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

External regulators and other stakeholders

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

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

By order of the board



J L Abbotts

Director

20 May 2021

Natrium House, Winnington Lane, Northwich, Cheshire, CW8 4GW

Directors' report

The directors present their annual report on the affairs of the Company, together with the audited financial statements for the year ended 31 March 2021.

Directors

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

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

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

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

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

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

Political contributions

No donations were made to any political party during the year (2020: £nil).

Directors' report (continued)

Environment

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

UK Energy use and carbon emissions

The annual quantity of emissions in tonnes of carbon dioxide equivalent resulting from activities for which the company is responsible involving the combustion of gas or the consumption of fuel for the purposes of transport was 59,927 tonnes (2020: 61,847 tonnes).

The annual quantity of emissions in tonnes of carbon dioxide equivalent resulting from the purchase of electricity by the company for its own use, including for the purposes of transport was 411 tonnes (2020: 442 tonnes).

The aggregate of:

- the annual quantity of energy consumed from activities for which the company is responsible involving the combustion of gas or the consumption of fuel for the purposes of transport; and
- the annual quantity of energy consumed resulting from the purchase of electricity by the company for its own use, including for the purposes of transport

was 327,683 MWh (2020: 338,127 MWh).

The methodologies used by the company to calculate this information were obtained from BEIS/DEFRA.

Carbon emissions per tonne of Salt produced were 0.16 tonnes (2020: 0.16 tonnes).

Going concern

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

Dividends

The directors do not recommend the payment of a dividend (2020: £nil).

Directors' report (continued)

Qualifying Third Party Indemnity Provisions

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

Financial Instruments

The Company's risk management objectives and policies in relation to the use of financial instruments can be found in Note 29.

Matters covered in the strategic report

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

Post balance sheet events

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

Statement of disclosure to the auditor

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

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

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

Auditor

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

By order of the board



J L Abbotts

Director

20 May 2021

Natrium House, Winnington Lane, Northwich, Cheshire, CW8 4GW

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

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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 international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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 2021 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

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

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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

Independent auditor's report to the members of British Salt Limited (continued)

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

- Enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud including the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit committee minutes.
- Considering remuneration incentive schemes and performance targets for management, directors and sales staff including the LTIP and APB targets for management remuneration.
- Using analytical procedures to identify any unusual or unexpected relationships.

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

As required by auditing standards, and taking into account possible pressures to meet profit targets, our overall knowledge of the control environment and the decline of UK salt profitability in the year, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as impairment of goodwill, recognition of deferred tax assets and actuarial assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue recognition is not complex and there is a low volume and value of dispatches around the year end which leads to limited opportunity to manipulate revenue around the cut off period.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, those posted to unusual offset accounts when posted to revenue and those posted to unusual offset accounts when posted to cash and borrowings accounts.
- Involving actuarial specialists to assess the appropriateness of actuarial assumptions used within the valuation of the Defined Benefit Pension Obligation.

Assessing significant accounting estimates for bias, including estimates related to the recoverability of deferred tax assets, impairment of goodwill and actuarial assumptions.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

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

Independent auditor's report to the members of British Salt Limited (continued)

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

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

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

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

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

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

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

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 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 7, 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.



William Meredith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

8 Princes Parade
Liverpool
L3 1QH

20 May 2021

Profit and loss account

For the year ended 31 March 2021

	Note	2021 £000	2020 £000
Revenue	5	35,980	38,158
Cost of sales		(23,150)	(23,262)
Gross profit		12,830	14,896
Sales and distribution costs		(7,261)	(7,369)
Administrative expenses		(3,103)	(2,876)
Other operating income	9	183	17
Operating profit		2,649	4,668
Financial income	10	111	111
Financial costs	11	(1,342)	(1,303)
Net finance costs		(1,231)	(1,192)
Profit before tax	6	1,418	3,476
Taxation	13	(14)	-
Profit for year		1,404	3,476

All of the results shown above relate to continuing operations.

The Notes on pages 19 to 54 are an integral part of these financial statements.

Statement of comprehensive income

For the year ended 31 March 2021

	Note	2021 £000	2020 £000
Profit for the year		1,404	3,476
Items that will not be reclassified to profit or loss			
Remeasurement (losses)/gains on defined benefit pension schemes	25	(384)	16
Items that may be reclassified subsequently to profit or loss			
Cash flow hedge gains	12	48	7
Other comprehensive income		(336)	23
Total comprehensive income		1,068	3,499

The Notes on pages 19 to 54 form an integral part of the financial statements.

Balance sheet

At 31 March 2021

	Note	2021 £000	2020 £000
Assets			
Property, plant and equipment	16	35,861	32,230
Goodwill	14	20,116	20,116
Intangible assets	15	10,380	11,369
Investments	17	766	766
Retirement benefit asset	25	4,357	4,633
Other non-current financial assets	24	-	7
Deferred tax asset	13	-	880
		<hr/>	<hr/>
Non-current assets		71,480	70,001
Inventories	19	4,225	4,277
Trade and other receivables	20	7,125	25,197
Prepayments		243	168
Cash and short term deposits	18	8,153	1,610
Other current financial assets	24	550	15
		<hr/>	<hr/>
Current assets		20,296	31,267
Total assets		91,776	101,268
		<hr/>	<hr/>
Liabilities			
Interest-bearing loans and borrowings	24	(52,948)	(47,453)
Provisions	23	(225)	(334)
Other non-current financial liabilities	24	-	(6,669)
Deferred tax liability	13	-	(880)
		<hr/>	<hr/>
Non-current liabilities		(53,173)	(55,336)
Trade and other payables	21	(16,281)	(10,328)
Interest-bearing loans and borrowings	24	(209)	(3,207)
Other current financial liabilities	24	(157)	(10,750)
Deferred revenue	22	-	(801)
Provisions	23	(1,302)	(1,260)
		<hr/>	<hr/>
Current liabilities		(17,949)	(26,346)
Total liabilities		(71,122)	(81,682)
		<hr/>	<hr/>
Net assets		20,654	19,586
		<hr/>	<hr/>
Equity			
Share capital	26	-	-
Share premium	27	400	400
Retained earnings	28	20,195	19,175
Cash flow hedge reserve	28	59	11
		<hr/>	<hr/>
Total equity		20,654	19,586
		<hr/>	<hr/>

Balance sheet (continued)

The Notes on pages 19 to 54 are an integral part of these financial statements.

These financial statements were approved by the board of directors on 20 May 2021 and were signed on its behalf by:



J L Abbotts
Director

Statement of changes in equity

For the year ended 31 March 2021

	Share Capital	Share Premium	Retained Earnings	Cash flow hedging reserve	Total equity
	(Note 26)	(Note 27)	(Note 28)	(Note 28)	
	£000	£000	£000	£000	£000
Balance at 1 April 2019	-	400	15,688	4	16,092
Adjustment on initial application of IFRS 16 (net of tax)	-	-	(5)	-	(5)
Adjusted balance at 1 April 2019	-	400	15,683	4	16,087
Profit for the year	-	-	3,476	-	3,476
Other comprehensive income	-	-	16	7	23
Total comprehensive income	-	-	3,492	7	3,499
Balance at 31 March 2020	-	400	19,175	11	19,586
Profit for the year	-	-	1,404	-	1,404
Other comprehensive income	-	-	(384)	48	(336)
Total comprehensive income	-	-	1,020	48	1,068
Balance at 31 March 2021	-	400	20,195	59	20,654

The Notes on pages 19 to 54 form an integral part of these financial statements.

Statement of cash flows

For the year ended 31 March 2021

	Note	2021 £000	2020 £000
Profit for the year		1,404	3,476
Finance income		(111)	(111)
Finance costs		1,342	1,303
Depreciation of property, plant and equipment		3,552	3,487
Amortisation of intangible assets		82	82
Foreign exchange losses/(gains)		79	(99)
Profit on sale of property, plant and equipment		-	(50)
Other non-cash item: EUETS		390	352
Taxation		14	-
		<hr/>	<hr/>
		6,752	8,440
Decrease/(increase) in inventories		52	(452)
Increase in trade, other receivables and prepayments		(234)	(324)
Increase in trade and other payables		5,960	3,002
Increase/(decrease) in provisions and employee benefits		2	(45)
		<hr/>	<hr/>
		12,532	10,621
Purchase of EUETS allowances		(352)	-
Proceeds from sale of EUETS allowances		-	380
Group relief paid		(14)	(397)
		<hr/>	<hr/>
Net cash from operating activities		12,166	10,604
		<hr/>	<hr/>
Net cash used in investing activities			
Purchase of property, plant and equipment		(6,585)	(8,815)
Proceeds from sale of property, plant and equipment		-	50
		<hr/>	<hr/>
Net cash from investing activities		(6,585)	(8,765)
		<hr/>	<hr/>
Cash flows from financing activities			
Proceeds from borrowings		2,224	-
Payment of lease liabilities		(342)	(215)
Interest paid		(806)	(1,097)
		<hr/>	<hr/>
Net cash from financing activities		1,076	(1,312)
		<hr/>	<hr/>

Statement of cash flows (continued)

	Note	2021 £000	2020 £000
Net increase in cash and cash equivalents		6,657	527
Effect of exchange rate fluctuations on cash held		(114)	83
Cash and cash equivalents at 1 April	18	1,610	1,000
		<hr/>	<hr/>
Cash and cash equivalents at 31 March	18	8,153	1,610
		<hr/> <hr/>	<hr/> <hr/>

The Notes on pages 19 to 54 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 General information

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

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

2 Changes in significant accounting policies

A number of new standards are effective from 1 April 2020 but they do not have a material effect on the Company's financial statements.

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

The following standards have been issued but are not yet effective:

- Interest rate benchmark Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.
- Further amendments to IFRS 16 Leases.

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

3 Significant accounting policies

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

3.1 Basis of accounting

The financial statements have been prepared in accordance international accounting standards and in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"). They have been prepared on a historical cost basis, except for the revaluation of financial instruments and Emissions Trading Allowances, as explained in the accounting policies below.

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

Notes (continued)

3 Significant accounting policies (continued)

3.2 Going concern

The Company refinanced its bank facilities in March 2021. As at 31 March 2021 the Company was funded by a fully drawn down £50,000,000 term loan and a partially drawn £5,000,000 revolving credit facility, both provided by Standard Chartered Bank and secured by fixed and floating charges over the assets of the Cheshire Salt Holdings Group. The facilities are subject to financial covenants which will be tested semi-annually, from September 2021, and in the event any are breached would result in such amounts owed becoming repayable on demand. The facilities are repayable in instalments, from March 2024.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements (the "Forecasts"). These Forecasts take into consideration the expected continuing adverse economic impact of the COVID-19 pandemic. The directors have also prepared a detailed assessment of a severe but plausible downside scenario arising as a result of the COVID-19 pandemic and have considered the impact this would have on the Forecasts. The Forecasts indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, by utilising the bank facilities described above, to meet its bank covenant tests and liabilities as they fall due for that period.

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

3.3 Business combinations and goodwill

The Company accounts for business combinations using the acquisition method when control is transferred to the Company. The consideration transferred in a business combination is measured at fair value. Acquisition-related costs are recognised in profit and loss as incurred and are included in administrative expenses.

On acquisition, 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 IFRS 9 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.

Notes (continued)

3 Significant accounting policies (continued)

3.3 Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units (CGUs) expected to benefit from the synergies of the combination. 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. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

3.4 Intangible assets

Emissions Trading Allowances

During Calendar Year 2020, the Company participated in the Phase 3 European Union Emissions Trading Scheme ("EUETS"). With effect from 1 January 2021 the UK Government has established an equivalent UK Emissions Trading Scheme ("UKETS") and this applies to installations which were previously subject to EUETS.

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

Other intangible assets

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

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

Notes (continued)

3 Significant accounting policies (continued)

3.4 Intangible assets (continued)

Other intangible assets (continued)

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

Mineral rights	140 years
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In line with IAS 38, the estimated useful life is the period over which the mineral rights are expected to be available for use by the Company. The useful life of an intangible asset cannot exceed the legal rights granted unless the rights are renewable and there is evidence to support the renewal assumption and the cost is insignificant compared to the future economic benefit. The Company currently benefits from planning permission which expires in 2042, but the directors' believe it is highly likely that the term will be extended as the end date of 2042 was added to the original planning consent following legislation requiring an end date on all planning irrespective of the resources available. The directors believe the cost to renew would be minimal.

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

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

3.5 Property, plant and equipment

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

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

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

Freehold buildings	25 years
Plant and equipment	2 to 35 years

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

Notes (continued)

3 Significant accounting policies (continued)

3.6 Investments

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

3.7 Financial Instruments

3.7.1 Financial assets

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

Classification

The Company classifies its financial assets as either:

- those subsequently measured at fair value (either through OCI, or through profit or loss); or
- those measured at amortised cost.

The classification depends on the Company's methodology for managing the financial assets and the contractual terms of the cash flows. Financial assets are not reclassified subsequent to their initial recognition.

Measurement

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

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

a) Amortised cost

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

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

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

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

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

Notes (continued)

3 Significant accounting policies (continued)

3.7.1 Financial assets (continued)

Derecognition of financial assets

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

3.7.2 Debt and equity instruments

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

Equity instruments

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

Financial liabilities

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

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

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

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

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

3.7.3 Derivatives and hedging activities

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

Notes (continued)

3 Significant accounting policies (continued)

3.7.3 Derivatives and hedging activities (continued)

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

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

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

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

3.7.4 Intra-group financial instruments

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

3.7.5 Offsetting of financial instruments

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

3.7.6 Fair value of financial instruments

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

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

3.7.7 Impairment of financial assets

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

Notes (continued)

3 Significant accounting policies (continued)

3.7.7 Impairment of financial assets (continued)

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

3.8 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.

3.9 Revenue

Sale of goods

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

Property income

Rental income from property is recognised as revenue on a straight-line basis over the term of the lease. It is recognised as other operating income.

Interest income

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

Other operating income

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

3.10 Operating profit

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

Notes (continued)

3 Significant accounting policies (continued)

3.11 Tax

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

Current tax

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the tax authorities. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

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

Deferred tax

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

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

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

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

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

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

Notes (continued)

3 Significant accounting policies (continued)

3.12 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 by a qualified actuary using the projected unit credit method.

Actuarial gains and losses for the defined benefit plan are recognised in full, in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognised in 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 net defined benefit asset recognised is restricted to the sum of any past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

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

3.13 Foreign currency

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

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

3.14 Provisions

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

Notes (continued)

3 Significant accounting policies (continued)

3.14 Provisions (continued)

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

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

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

Emissions Trading Allowances

At each period-end the Company estimates its outstanding obligation to surrender allowances under EUETS and UKETS. Where these obligations are already matched by allowances either held or purchased forward by the Company, the provision is calculated using the same cost as the allowances. To the extent that the Company has obligations to surrender allowances in excess of allowances held or purchased forward, the provision is based on market prices at the balance sheet date.

3.15 Leases – Company as lessee

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

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

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

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

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

Notes (continued)

3 Significant accounting policies (continued)

3.16 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 Company's individual assets are allocated. These budgets and forecasts generally cover a period of five years. For subsequent periods, a long term growth rate is calculated and applied to projected future cash flows.

3.17 Deferred Income

Emissions Trading Allowances

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

4 Significant accounting judgments, estimates and assumptions

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

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

Estimates and assumptions

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

Notes (continued)

4 Significant accounting judgments, estimates and assumptions (continued)

Impairment of non-financial assets

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

Pension benefits

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

The mortality rate is based on publicly available mortality tables for the specific country. COVID-19 has caused a short term increase in deaths in the UK but the excess deaths to date have not generally had a material impact on UK pension scheme liabilities. The future impact of COVID-19 on long term mortality improvements is currently uncertain with potential adverse implications of delayed medical interventions and "long COVID" along with potential positive implications if the surviving population is less "frail" or the pandemic causes improved healthcare initiatives and lifestyle changes. Overall, the Company believes there is insufficient evidence to require an explicit adjustment to the mortality assumption for COVID-19 at this time. 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 25.

Taxes

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

Mineral rights

As described in Note 3.4 the estimated useful life over which the mineral rights are amortised is the period over which they are expected to be available for use by the Company. As the Company owns the land, the Company therefore controls the asset and has the power to obtain the benefits of the mineral rights. The Company currently benefits from planning permission which expires in 2042 and the directors' believe it is highly likely that this will be extended to allow full extraction of the reserves. The end date of 2042 was added to the planning consent following legislation requiring an end date on all planning, irrespective of the resources available. The directors also believe that the cost to renew would be minimal. Therefore, in accordance with IAS 38, the directors are amortising the mineral rights over 140 years, based on extraction rates.

Notes (continued)

5 Revenue

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

	2021 £000	2020 £000
United Kingdom	29,587	31,530
Europe	5,541	5,822
Rest of World	852	806
	<u>35,980</u>	<u>38,158</u>

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

6 Profit before tax

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

	Note	2021 £000	2020 £000
Staff costs	8	(4,679)	(4,381)
Depreciation of property, plant and equipment	16	(3,552)	(3,487)
Amortisation of intangible assets	15	(81)	(82)
Cost of stock recognised as an expense		(8,986)	(10,744)
Impairment of stock recognised as an expense		(14)	91
Net foreign exchange gain		(79)	99
		<u></u>	<u></u>

7 Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2021 £000	2020 £000
Fees payable to the Company's auditor for the audit of the Company's financial statements	(97)	(63)
	<u></u>	<u></u>

No remuneration has been paid in relation to non-audit services (2020: £nil).

Notes (continued)

8 Staff numbers and costs

The average number of employees was:

	2021 Number	2020 Number
Production and operations	91	89
Distribution and sales	4	1
Administration	8	8
	<u>103</u>	<u>98</u>

The aggregate remuneration comprised:

	2021 £000	2020 £000
Wages and salaries	(4,293)	(4,148)
Social security costs	(423)	(417)
Other pension costs	(311)	(280)
Less: capitalised as additions to fixed assets	348	464
	<u>(4,679)</u>	<u>(4,381)</u>

Director's remuneration

None of the directors received any remuneration from the company. They were remunerated by Tata Chemicals Europe Limited, which is a fellow group undertaking (2020: same) and it is not possible to value the amount paid for qualifying services provided to this company.

9 Other operating income

	2021 £000	2020 £000
Property income	183	17

10 Finance income

	Note	2021 £000	2020 £000
Bank interest receivable		1	3
Interest income on pension scheme assets	25	610	706
Interest cost on pension scheme defined benefit obligation	25	(500)	(598)
		<u>111</u>	<u>111</u>

Notes (continued)

11 Finance costs

	Note	2021 £000	2020 £000
Interest on borrowings		(741)	(1,065)
Interest payable to fellow group undertakings	32	(26)	(37)
		<hr/>	<hr/>
Total interest expense		(767)	(1,102)
Other finance costs		(575)	(201)
		<hr/>	<hr/>
Total finance costs		<u>(1,342)</u>	<u>(1,303)</u>

12 Components of other comprehensive income

	2021 £000	2020 £000
Cash flow hedges:		
Gains arising on currency forward contracts	48	7
	<hr/>	<hr/>

13 Tax

	2021 £000	2020 £000
<u>Amounts recognised in profit or loss</u>	£000	£000
Current tax expense	(14)	-
Deferred tax: Origination and reversal of temporary differences	-	-
	<hr/>	<hr/>
Tax expense reported in profit or loss	(14)	-
	<hr/>	<hr/>

Notes (continued)

13 Tax (continued)

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

	2021	2020
	£000	£000
Profit before tax	1,418	3,476
Tax on profit on ordinary activities at the average UK corporation tax rate for the year 19% (2020: 19%)	(270)	(660)
Tax effects of:		
(Expenses not deductible)/income not taxable for tax purposes	75	71
Group relief given at nil charge	6	1,240
Group relief received and charged – prior year	(14)	-
Movement on unrecognised deferred tax	189	(651)
	<hr/>	<hr/>
Total tax (charge)/credit	(14)	-
	<hr/> <hr/>	<hr/> <hr/>

The standard rate of corporation tax applied to reported profit is 19% (2020: 19%) following the substantive enactment of the Finance Act 2017. The UK government latest legislation sets the headline rate of UK corporation tax at 19%. The net deferred tax liability has been calculated on the basis of a rate of 19%.

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting period.

	Decelerated capital allowances	Retirement benefit
	£000	£000
At 1 April 2019	-	-
Credit/(charge) to profit or loss	880	(880)
	<hr/>	<hr/>
Deferred tax asset / (liability) at 31 March 2020	880	(880)
(Charge)/credit to profit or loss	(52)	52
	<hr/>	<hr/>
Deferred tax asset / (liability) at 31 March 2021	828	(828)
	<hr/> <hr/>	<hr/> <hr/>

All deferred tax has been recognised in 2021. In 2020 a potential deferred tax asset of £166,000 for decelerated capital allowances, and non-cash elements of provisions was not recognised because there was no certainty that these would crystallise in the foreseeable future.

Notes (continued)

14 Goodwill

	£000
Deemed cost	
At 1 April 2020 and 31 March 2021	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 the value in use calculations based on approved 5 year forecasts. 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 based on the weighted average cost of capital for forecast purposes. The rate used to discount the forecast cash flows is 7.00% (2020: 7.75%). Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated sales volume and price growth for the next five years. Residual growth was set at 2.00%. Operating margins are based on past performance and management's expectations for the future. Annual capital expenditure is based on experience of management and planned sustenance capital expenditure. Sensitivity analysis on the key assumptions has been performed and the Company does not expect a reasonably possible change in the key assumptions to have a material impact on the impairment review.

15 Intangible assets

	EU ETS Allowances £000	Minerals Rights £000	Total £000
Deemed cost			
At 1 April 2020	1,596	11,450	13,046
Purchased / (sold) during the year	358	-	358
Surrendered during the year	(1,266)	-	(1,266)
At 31 March 2021	688	11,450	12,138
Amortisation			
At 1 April 2020	-	(1,677)	(1,677)
Charge for the year	-	(81)	(81)
At 31 March 2021	-	(1,758)	(1,758)
Net book value			
At 31 March 2021	688	9,692	10,380
At 31 March 2020	1,596	9,773	11,369

Notes (continued)

16 Property, plant and equipment

	Land and buildings £000	Plant and equipment £000	Assets under construction £000	Total £000
Cost				
At 1 April 2020	18,473	38,886	8,843	66,202
Additions	-	2,189	4,994	7,183
Disposals	-	(1,676)	-	(1,676)
Transfers	-	1,703	(1,703)	-
At 31 March 2021	18,473	41,102	12,134	71,709
Accumulated depreciation				
At 1 April 2020	(11,646)	(22,326)	-	(33,972)
Charge for the year	(424)	(3,128)	-	(3,552)
Eliminated on disposal	-	1,676	-	1,676
At 31 March 2021	(12,070)	(23,778)	-	(35,848)
Net book value				
At 31 March 2021	6,403	17,324	12,134	35,861
At 31 March 2020	6,827	16,560	8,843	32,230

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

	Land and buildings £000	Plant and equipment £000	Total £000
Right-of-use			
At 1 April 2020	319	330	649
Additions to right-of-use assets	-	598	598
Depreciation charge for the year	(93)	(233)	(326)
At 31 March 2021	226	695	921

Freehold land amounting to £4,849,000 (2020: £4,849,000) has not been depreciated.

All property, plant and equipment is subject to a fixed charge to secure borrowings of the Company as described in Note 24.

At 31 March 2021 the Company had commitments of £2,161,000 (2020: £2,100,000) relating to the purchase of property, plant and equipment.

Notes (continued)

17 Investments

	Shares in subsidiaries £000
Cost	
At 1 April 2020	838
Disposals	(72)
At 31 March 2021	766
Impairment	
At 1 April 2020	(72)
Eliminated on disposal	72
At 31 March 2021	-
Net book value	
At 31 March 2020 and 31 March 2021	766

The Company's subsidiary undertakings, which are wholly-owned, are set out below:

	Country of incorporation	Principal activity	% of ordinary share capital held 31 March 2021	% of ordinary share capital held 31 March 2020
New Cheshire Salt Works Limited	England	Holding company	100	100
Cheshire Cavity Storage 2 Limited	England	Dormant	-	100
Cheshire Compressor Limited	England	Dormant	-	100
Irish Feeds Limited*	NI	Dormant	-	100

During the year, the Company disposed of 100% of its interests in Cheshire Cavity Storage 2 Limited, Cheshire Compressor Limited and Irish Feeds Limited to TCE Group Limited. In each case the £1 shareholding was sold at net book value, with no gain or loss arising on disposal. At the time of disposal the net assets of each of these subsidiaries was £1.

Subsidiary accounts can be obtained from the registered office, Natrium House, Winnington Lane, Northwich, Cheshire CW8 4GW. *The registered office of Irish Feeds Limited is Sinclair Wharf, Stormont Road, Belfast, BT3 9AA.

18 Cash and short-term deposits

	2021 £000	2020 £000
Cash at bank and in hand	8,153	1,610

Notes (continued)

19 Inventories

	2021	2020
	£000	£000
Raw materials and consumables	1,588	1,667
Work-in-progress	9	7
Finished goods and goods for resale	2,628	2,603
	<u>4,225</u>	<u>4,277</u>

There is no material difference between the balance sheet value of inventories and their replacement cost. All inventory is subject to a floating charge to secure borrowings of the Company as described in Note 24.

20 Trade and other receivables

	2021	2020
	£000	£000
	Note	
Trade receivables	5,286	5,515
Allowance for doubtful debts	(10)	(10)
Amounts due from group undertakings and related parties	32 755	18,571
Amounts due from joint venture	32 355	279
Tax and social security	589	180
Other receivables	150	662
	<u>7,125</u>	<u>25,197</u>

Trade receivables are non-interest bearing and are generally on 30-90 day terms. All customers are credit checked before acceptance. As at 31 March 2021, trade receivables with an invoice value of £10,000 (2020: £10,000) were impaired and fully provided for.

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

The ageing analysis of trade receivables was as follows:

	Total	Current	< 31 days	31-60 days	61-90 days	91-180 days	> 180 days
	£000	£000	£000	£000	£000	£000	£000
31 March 2021	5,286	4,831	316	14	25	70	30
31 March 2020	5,515	5,049	456	(14)	46	-	(22)

Notes (continued)

20 Trade and other receivables (continued)

The ageing analysis of impaired trade receivables was as follows:

	Total £000	Current £000	< 31 days £000	31-60 days £000	61-90 days £000	91-180 days £000	> 180 days £000
31 March 2021	(10)	-	-	-	-	-	(10)
31 March 2020	(10)	-	-	-	-	-	(10)

21 Trade and other payables

	Note	2021 £000	2020 £000
Trade payables		(3,234)	(3,736)
Other creditors		(118)	(210)
Amounts owed to group undertakings and related parties	32	(8,861)	(3,344)
Amounts owed to joint venture	32	(14)	-
Accruals and deferred income		(4,054)	(3,038)
		<u>(16,281)</u>	<u>(10,328)</u>

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. Trade payables are non-interest bearing and are typically settled 63 days following the end of the month of supply. The terms and conditions relating to related parties are described in Note 32. The directors consider that the carrying value of trade and other payables is approximately equal to the fair value.

22 Deferred revenue

	£000
EUETS/UKETS allowances	
At 1 April 2020	(801)
Credited to profit and loss	801
At 31 March	<u>-</u>

Notes (continued)

23 Provisions

	Carbon Emissions £000
At 1 April 2020	
Non-current	(334)
Current	(1,260)
	(1,594)
Charged to profit and loss	(1,199)
Utilised during the year	1,266
	(1,527)
At 31 March 2021	(1,527)
Non-current	(225)
Current	(1,302)
	(1,527)

At 31 March 2021 the carbon emissions provision recognises the obligation to surrender allowances to the Environment Agency under the European Union Emissions Trading Scheme in respect of the 2020 calendar year and under the UK Emissions Trading Scheme in respect of the first three months of the 2021 calendar year. The surrender in respect of the 2019 calendar year took place in April 2020. The deadlines for surrendering allowances in respect of the 2020 and 2021 calendar years are 30 April 2021 and 30 April 2022 respectively.

24 Other current and non-current financial assets and liabilities

	2021 £000	2020 £000
Derivative assets and liabilities	£000	£000
Gas contracts for difference derivative assets - External	492	-
Foreign exchange forward contract derivative assets - External	58	22
Gas contracts for difference derivative assets – Intragroup (Note 32)	562	18,561
	1,112	18,583
	1,112	18,583
Gas contracts for difference derivative liabilities - External	(157)	(17,408)
Foreign exchange forward contract derivative liabilities - External	-	(11)
Gas contracts for difference derivative assets – Intragroup (Note 32)	(492)	-
	(707)	(17,419)
	(707)	(17,419)

Notes (continued)

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

a) Other financial assets

	2021	2020
	£000	£000
Financial instruments at fair value through profit or loss		
Cash flow hedges:		
Gas contracts for difference derivative assets – External	492	-
Foreign exchange forward contract derivative assets - External	58	22
	<hr/>	<hr/>
Total other financial assets	550	22
	<hr/>	<hr/>
Current	550	15
Non-current	-	7
	<hr/>	<hr/>

b) Other financial liabilities

	2021	2020
	£000	£000
Financial instruments at fair value through profit or loss		
Cash flow hedges:		
Gas contracts for difference derivative liabilities – External	(157)	(17,408)
Foreign exchange forward contract derivative liabilities - External	-	(11)
	<hr/>	<hr/>
Total other financial liabilities	(157)	(17,419)
	<hr/>	<hr/>
Current	(157)	(10,750)
Non-current	-	(6,669)
	<hr/>	<hr/>

Interest-bearing loans and borrowings (including lease liabilities)

	Interest rate	Maturity	2021	2020
	%		£000	£000
Falling due within one year				
Lease liabilities	Various	0 – 5 years	(364)	(207)
Term loan	LIBOR + 1.35	March 2021	-	(3,000)
Less: unamortised debt issue costs			155	-
			<hr/>	<hr/>
Total current interest-bearing loans and borrowings			(209)	(3,207)
			<hr/>	<hr/>

Notes (continued)

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

Interest-bearing loans and borrowings (including lease liabilities) (continued)

	Interest rate %	Maturity	2021 £000	2020 £000
Falling due after one year				
Lease liabilities	Various	0 – 5 years	(570)	(453)
Term loan	LIBOR + 1.35	March 2022	-	(6,000)
Term loan	LIBOR + 1.35	March 2023	-	(41,000)
Term loan	RFR (SONIA) + 2.45	March 2024	(1,000)	-
Term loan	RFR (SONIA) + 2.45	March 2025	(7,000)	-
Term loan	RFR (SONIA) + 2.45	March 2026	(42,000)	-
Revolving credit facility	RFR (SONIA) + 2.45	March 2026	(3,000)	-
Less: unamortised debt issue costs			622	-
			<hr/>	<hr/>
Total non-current interest-bearing loans and borrowings			(52,948)	(47,453)
			<hr/> <hr/>	<hr/> <hr/>

The Company refinanced its bank facilities in March 2021. Any remaining deferred debt issue costs from the previous loan were expensed in the year.

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

Interest payable is normally settled monthly throughout the financial year. The Company intends to hold these liabilities to maturity. The revolving credit facility has a maximum draw down of £5,000,000.

Collateral

The term loan and revolving credit facility were refinanced in March 2021 by Standard Chartered Bank (SCB). SCB, 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, undertakings and assets which are not effectively mortgaged.
- c) **Hedging activities and derivatives**

Hedging activities where the Company is not the ultimate beneficiary

The Company is counterparty to natural gas contracts for difference which were entered into to enable a fellow group undertaking, Winnington CHP Limited, to conduct its hedging activities. These are not designated as hedging instruments. Any gains and losses are immediately recharged to Winnington CHP Limited. The financial assets and liabilities in respect of these contracts are matched by equivalent amounts payable to or receivable from Winnington CHP Limited. The external carrying value as at 31 March 2021 was an asset of £492,000 (2020: £nil) and a liability of £157,000 (2020: £17,408,000). The corresponding intercompany derivative liability with Winnington CHP Limited of £492,000 (2020: £nil) as at 31 March 2021 was recognised within amounts owed to group undertakings and related parties.

Notes (continued)

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

Cash flow hedges

At 31 March 2021, the Company held foreign currency forward contracts, designated as hedges of expected Euro net cash receipts for which the Company has highly probable forecast transactions. The terms of the foreign currency forward contracts match the terms of the hedged items. The hedged net Euro cash inflows are expected to occur within 18 months. 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 2021 was an asset of £58,000 (2020: £21,000) and a liability of £nil (2020: £11,000).

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

	Average rate		Notional value	
	2021	2020	2021 £000	2020 £000
Sell Euros	1.1203	1.1211	1,339	3,479

d) Fair value measurement

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

e) Sensitivity analysis

Foreign exchange forward contracts

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

Natural gas contracts for difference

No sensitivity analysis is prepared as the Company is only a counterparty to natural gas contracts for difference to enable a fellow group undertaking, Winnington CHP Limited to conduct its hedging activities. As the Company immediately recharges any gains and losses to fellow group undertaking Winnington CHP, any increase or decrease in the spot rate has no material impact on the financial statements. Sensitivity analysis is provided in the financial statements of Winnington CHP Limited.

25 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.

Notes (continued)

25 Retirement benefit schemes (continued)

a) Defined contribution scheme (continued)

The contributions amounted to:

	2021	2020
	£000	£000
Employer contributions	281	259

At 31 March 2021, contributions of £24,000 (2020: £22,000) due in respect of the current reporting period but not paid over to the scheme.

b) Defined benefit scheme

The Company 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.

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

Risks

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

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

Notes (continued)

25 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

The amounts recognised in profit or loss are as follows:

	2021	2020
	£000	£000
Net interest income:		
- Interest cost on defined benefit obligation	(500)	(598)
- Interest income on plan assets	610	706
Administrative expenses	(122)	(135)
Past service cost	(60)	-
	(72)	(27)
	(72)	(27)

The amounts recognised in other comprehensive income are as follows:

	2021	2020
	£000	£000
Actuarial gain/(loss) arising from:		
- Changes in demographic assumptions	548	-
- Changes in financial assumptions	(2,829)	963
- Experience adjustment	(620)	-
Return on plan assets (excluding net interest income)	2,517	(947)
	(384)	16
	(384)	16

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

	2021	2020
	£000	£000
At 1 April	27,282	31,325
Interest income	610	706
Employer contributions	180	180
Benefits paid	(2,747)	(3,847)
Administrative expenses paid from plan assets	(122)	(135)
Remeasurements (losses)/gains:		
- Return on plan assets (excluding net interest income)	2,517	(947)
	27,720	27,282
At 31 March	27,720	27,282

Notes (continued)

25 Retirement benefit schemes (continued)

b) Defined benefit scheme (continued)

Movements in the present value of defined benefit obligation are as follows:

	2021	2020
	£000	£000
At 1 April	(22,649)	(26,861)
Past service costs	(60)	-
Interest cost	(500)	(598)
Benefits paid	2,747	3,847
Remeasurements gains/(losses) arising from:		
- Changes in demographic assumptions	548	-
- Changes in financial assumptions	(2,829)	963
- Experience adjustment	(620)	-
	<hr/>	<hr/>
At 31 March	(23,363)	(22,649)
	<hr/> <hr/>	<hr/> <hr/>

The details of plan assets and liabilities are as follows:

	2021	2020
	£000	£000
Cash and cash equivalents	143	152
Debt instruments (excl. LDI)	22,726	22,035
LDI instruments*	4,851	5,095
	<hr/>	<hr/>
Total fair value of assets	27,720	27,282
Defined benefit obligation	(23,363)	(22,649)
	<hr/>	<hr/>
Net pension asset recognised in the balance sheet	4,357	4,633
	<hr/> <hr/>	<hr/> <hr/>

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

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

	2021	2020
	£000	£000
Actual return on plan assets	3,127	(241)
	<hr/> <hr/>	<hr/> <hr/>

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.

Notes (continued)

25 Retirement benefit schemes (continued)

b) Defined benefit scheme (continued)

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 2019, and the Company expects to pay contributions of £150,000 over the year to 31 March 2022.

Following a High Court ruling in November 2020, defined benefit pensions schemes are required to address any inequalities in guaranteed minimum pensions payable to male and female scheme members for pre-2018 transfer values. The past service costs of £60,000 represents the Company's best estimate of the likely impact. No new obligations have been created for post October 2018 transfers.

The weighted average duration of the defined benefit obligation of the scheme at 31 March 2021 and expected benefit payments in future years are as follows:

Weighted average duration (in years)	13.9
Expected total benefit payments:	£000
Year 1	988
Year 2	1,012
Year 3	1,036
Year 4	1,061
Year 5	1,087
Next 5 years	5,838

The actuarial report used for these financial statements was prepared as at 31 March 2021 by a qualified independent actuary. The significant weighted-average assumptions to determine defined benefit obligation were as follows:

	2021	2020
Discount rate	2.10%	2.35%
Rate of price inflation (RPI)	3.25%	2.50%
Rate of price inflation (CPI)	2.70%	1.95%
Rate of pension increases	3.10%	2.50%
Deferred pension increases (CPI)	2.70%	1.95%

Assumed life expectancy on retirement at age 65:

	2021	2020
	Years	Years
Member retiring today (age 65)		
Male	22.3	22.8
Female	24.6	25.2
Member retiring in 25 years (age 40)		
Male	23.7	24.7
Female	26.3	27.3

Notes (continued)

25 Retirement benefit schemes (continued)

b) Defined benefit scheme (continued)

Sensitivity analysis

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

Present valued of defined benefit obligations

	2021 £000	2020 £000
Discount rate – 25 basis points	(24,195)	(23,671)
Discount rate + 25 basis points	(22,576)	(21,685)
Price inflation rate – 25 basis points	(22,898)	(22,016)
Price inflation rate + 25 basis points	(23,815)	(23,310)
Post-retirement life expectancy + 1 year	(24,337)	(23,559)
Post retirement life expectancy - 1 year	(22,401)	(21,745)

26 Called up share capital

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

	2021 £	2020 £
Authorised, issued and fully paid 2 ordinary shares of £1	2	2

27 Share premium account

	£000
Premium arising on issue of equity shares Balance at 1 April 2020 and 31 March 2021	400

28 Reserves

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

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

Notes (continued)

29 Financial risk management and policies

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

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

The Company's senior management oversees the management of these risks, supported by an audit committee framework which extends up to the level of the ultimate parent company and advises on financial risks and the appropriate financial risk governance framework for the Company. The audit committee provides assurance to the Company's senior management that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company policies and Company risk appetite. The Company's overall strategy remains unchanged from 2020.

Interest rate risk

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

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

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency).

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

	Euro		United States Dollar	
	2021 £000	2020 £000	2021 £000	2020 £000
Assets	7,663	969	28	28
Liabilities	(7,126)	(36)	-	-

Where appropriate, the Company manages its foreign currency risk by hedging forecast cash flows using forward contracts as described in Note 24(c).

Notes (continued)

29 Financial risk management and policies (continued)

Commodity price risk

Commodity risk is the risk that the purchase price of commodities will fluctuate. The Company's exposure relates largely to the purchase of natural gas. Where appropriate, the Company manages its commodity risk by entering into unconditional purchase obligation arrangements.

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 where appropriate. Bank loan agreements were renewed in March 2021 and have a term of 5 years.

Credit risk

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

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

Capital risk

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

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

30 Contingent liabilities

The Company, together with certain of its fellow group undertakings, has guaranteed the amounts borrowed under the banking facilities as described in Note 24(b). At 31 March 2021 the amount guaranteed was £53,000,000 (2020: £50,000,000).

Notes (continued)

31 Leases – Company as lessee

Right-of-use assets are presented as part of property, plant and equipment (Note 16).

Amounts recognised in the profit or loss

	2021	2020
	£000	£000
Leases under IFRS 16:		
- Interest expense on lease liabilities	(19)	(15)
- Expenses relating to short term or low value leases	-	(55)
	(19)	(70)
	(19)	(70)

Amounts recognised in the statement of cashflow

	2021	2020
	£000	£000
Leases under IFRS 16:		
- Total cash outflows for leases	(350)	(215)
	(350)	(215)
	(350)	(215)

32 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:

		Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
		£000	£000	£000	£000
Trading transactions					
Joint venture in which the Group was a venturer:					
The Block Salt Company Limited	2021	392	-	94	-
	2020	486	-	235	-
Companies which were part of the wider Tata Chemicals Limited group:					
Tata Chemicals Europe Limited	2021	-	(1,335)	-	(212)
	2020	-	(1,531)	-	(304)
Tata Chemicals Limited	2021	19	-	3	-
	2020	11	-	5	-
Loans from related parties				Interest charged by related parties	Amounts owed to related parties
				£000	£000
Companies which were part of the Cheshire Salt Holdings Limited group:					
New Cheshire Salt Works Limited	2021		(26)		(1,817)
	2020		(37)		(1,791)

Notes (continued)

32 Related party transactions (continued)

Loans to related parties		Interest charged to related parties £000		Amounts owed by related parties £000	
Joint venture in which the Group was a venturer:					
The Block Salt Company Limited	2021	-	-	200	-
	2020	-	-	-	-
Expenses and recharges		Recharges to related parties £000	Recharges from related parties £000	Amounts owed by related parties £000	Amounts owed to related parties £000
Joint venture in which the Group was a venturer:					
The Block Salt Company Limited	2021	365	(14)	61	(14)
	2020	496	-	44	-
Companies which were part of the wider Tata Chemicals:					
Tata Chemicals Europe Limited – operating costs	2021	2,805	(9,570)	190	-
	2020	3,765	(9,694)	-	(1,248)
Tata Chemicals Europe Limited – Advance payment for EUETS allowances	2021	6,340	(6,340)	-	(6,340)
	2020	-	-	-	-
Winnington CHP Limited – operating costs	2021	-	-	-	-
	2020	380	-	-	-
Winnington CHP Limited – intercompany derivatives	2021	8,414	(582)	562	(492)
	2020	26,052	-	18,561	-

Joint venture in which the Group was a venturer

The Group has a 50% interest in The Block Salt Company Limited (2020: 50%).

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. Interest on loans is generally charged at a rate that matches the rate paid on external loans by the loan provider. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2021, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2020: £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.

Notes (continued)

33 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 2021 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.