Cheshire Salt Holdings Limited

Consolidated annual report and financial statements

Registered number 06231428

For the year ended 31 March 2022

Contents

Strategic report

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

Principal activities and business review

The Company operates as an intermediate holding company of a group of trading subsidiaries (together the "Group"). The Group's principal activities are the manufacture and sale of salt and related products and the development of salt cavities for the purpose of natural gas storage.

The Group's share of the UK market was consistent with recent years, but turnover increased to £40,804,000 (2021: £35,980,000), primarily due to significantly higher selling prices in the second half of the year. The increase in prices helped to cover the impact of extremely high energy prices and inflation in other raw material input costs and the cost of energy was mitigated by the commissioning of the new, more efficient power station during the year. It was not possible to mitigate the cost of carbon under the UK Emissions Trading Scheme until October 2021 as there was no accessible secondary market and as a result the Group was exposed to additional costs in respect of the period January to September 2021. There was some recovery in demand from customers in the hospitality sector as the impact of the Covid-19 pandemic became less severe.

Group EBITDA for the year was £8,764,000 (2021: £6,212,000), calculated as:

	2022	2021
	£000	£000
Operating profit	**4,446**	1,751
Depreciation	**4,211**	4,130
Amortisation	**107**	331
	8,764	6,212

The profit on ordinary activities before taxation was £2,974,000 (2021: £546,000).

Future outlook and developments

Following completion of the new power station project and refinancing of the Group's long-term debt in March 2021, the Group has now completed several elements of a multi-phase period of major capital investment. Front end engineering design work on a major expansion and diversification into pharmaceutical grade salt has been completed and the construction phase is scheduled to start in the first half of 2022, together with the development of a new warehousing facility at the Middlewich site.

The directors expect these projects will enable the Group to strengthen its performance in its key UK markets as well as providing the base for further growth in export sales to Europe and Asia.

Principal risks and uncertainties

The main risk to the business is the cost of energy in the UK. This includes not only the market price of natural gas but also the cost of carbon emissions under the UK Emissions Trading Scheme. During the year, input costs increased significantly but the Group was largely able to pass through the costs to end customers. An extended period of very high energy prices in both the UK and wider world economies could test the resilience of markets in which the Group's customers operate.

Strategic report (continued)

Principal risks and uncertainties (continued)

The risk to the business from the effects of COVID-19 have reduced during the year, but remain a concern. The Group 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 Group has increased and the Group is focusing additional attention in this area.

Financial risk management

The Group'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 Group 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 30 to the financial statements.

Key performance indicators ("KPIs")

Group performance is measured using a 'balanced scorecard' approach. At the start of each financial year the Group sets targets relating to a number of strategic themes, including safety 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 Group's KPIs.

Section 172 (1) Statement

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

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

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 Group to establish and improve employee engagement and the directors' regard for the interests of employees are described in the Directors' Report.

Customers

The Group 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 Group undertakes an annual customer satisfaction survey and uses the feedback from this process to improve the services offered.

Suppliers

The Group develops strategic relationships with our 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 Group'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 Group 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 Group operates a defined benefit pension scheme which is legally separated from the Group and responsibility for its governance lies with the independent board of trustees. The Group 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

JLAbbotts

J L Abbotts
Director
20 May 2022
Natrium House, Winnington Lane, Northwich, Cheshire, CW8 4GW

Directors' report

The directors present their Annual Report on the affairs of the Group, together with the audited financial statements for the year ended 31 March 2022.

Directors

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

M J Ashcroft
J L Abbotts
A N Runciman
P P Houghton (resigned 17 March 2022)
L Iravanian (resigned 31 March 2022)

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

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

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

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 Group 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, Group-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.

Going concern

The directors have concluded that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements (Note 3.3).

Political contributions

No donations were made to any political party during the year (2021: £nil).

Directors' report (continued)

Environment

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

UK Energy use and carbon emissions

The annual quantity of emissions in tonnes of carbon dioxide equivalent resulting from activities for which the Group is responsible involving the combustion of gas or the consumption of fuel for the purposes of transport was 55,641 tonnes (2021: 59,927 tonnes).

The annual quantity of emissions in tonnes of carbon dioxide equivalent resulting from the purchase of electricity by the Group for its own use, including for the purposes of transport was 308 tonnes (2021: 411 tonnes).

The aggregate of the following was 302,229 MWh (2021: 327,683 MWh):

- the annual quantity of energy consumed from activities for which the Group 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 Group for its own use, including for the purposes of transport.

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

Carbon emissions per tonne of Salt produced were 0.15 tonnes (2021: 0.16 tonnes).

The Group has completed the construction of a new, state of the art power station at its Middlewich site. This power station is now delivering a reduction in gas consumption of more than 10% and is helping to futureproof the Group's environmental emissions performance.

Dividends

The directors do not recommend the payment of a dividend (2021: £nil).

Qualifying Third Party Indemnity Provisions

During the year, and at the date of signing this report, the Group maintained liability insurance and third party indemnification provisions for its directors, under which the Group 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.

Directors' report (continued)

Financial Instruments

The Group's risk management objectives and policies in relation to the use of financial instruments can be found in Note 30.

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 Group's auditor is unaware; and
- the director has taken all the steps that they ought to have taken as a director in order to make themself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

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

Auditor

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

By order of the board

JLAbbotts

J L Abbotts
Director
20 May 2022
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 Consolidated Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the group's profit or loss for that period. In preparing each of the group and parent company 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 group and parent 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 group or the parent 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 group and to prevent and detect fraud and other irregularities.

kpmg

KPMG LLP
8 Princes Parade
Liverpool
L3 1QH
United Kingdom

Independent auditor's report to the members of Cheshire Salt Holdings Limited

Opinion

We have audited the financial statements of Cheshire Salt Holdings Limited ("the Company") for the year ended 31 March 2022 which comprise the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated and company statements 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 Group's and of the parent company's affairs as at 31 March 2022 and of the group's loss for the year then ended;
- of both the group and parent company have been properly prepared in accordance with the 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 group or 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 Group's business model and analysed how those risks might affect the group or 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 group or 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 group or company will continue in operation.

Independent auditor's report to the m embers of Cheshire Salt Holdings 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 TCE Group Limited audit committee and internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and TCE Group Limited audit committee minutes.
- Considering remuneration incentive schemes and performance targets for management, directors and sales staff.
- Using analytical procedures to identify any unusual or unexpected relationships.

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

As required by auditing standards, and taking into account possible pressures to meet profit targets, our overall knowledge of the control environment and the impact of gas and other energy cost increases on profitability in the year, we perform procedures to address the risk of management override of controls, 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 and actuarial assumptions used within the valuation of the defined benefit pension obligation. 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 year end which leads to limited opportunity to manipulate revenue recognition.

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 borrowing accounts.
- Involving actuarial specialists to assess the appropriateness of the actuarial assumptions used within the valuation of the defined benefit pension obligation.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias, including estimates related to impairment of goodwill and actuarial assumption.

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

Independent auditor's report to the mem bers of Cheshire Salt Holdings Limited (continued)

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 Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

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

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

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

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, modern slavery act, and corporate crime 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.

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

Strategic report and directors' report

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

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

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 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 group and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

W. Meredith

William Meredith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
8 Princes Parade
Liverpool
L3 1QH
23 May 2022

Consolidated profit and loss account

For the year ended 31 March

	Note	2022 £000	2021 £000
Group revenue and share of joint venture revenue		**41,042**	36,336
Less: share of joint venture		**(238)**	(356)
Group revenue	5	**40,804**	35,980
Cost of sales		**(26,042)**	(23,980)
Gross profit		**14,762**	12,000
Sales and distribution expenses		**(7,440)**	(7,261)
Administrative expenses		**(2,846)**	(3,102)
Other operating income	6	**102**	183
Share of operating loss of joint venture	18	**(132)**	(69)
Group operating profit	7	**4,446**	1,751
Finance income	10	**97**	111
Finance costs	11	**(1,569)**	(1,316)
Group net finance costs		**(1,472)**	(1,205)
Group profit before tax		**2,974**	546
Taxation	13	**(500)**	(14)
Group profit for the year		**2,474**	532

All of the results shown above relate to continuing operations.

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

Consolidated statement of other comprehensive income

For the year ended 31 March

	Note	**2022**	2021
		£000	£000
Group profit for the year		**2,474**	532
Items that will not be reclassified to profit or loss			
Remeasurement gains/(losses) on defined benefit pension schemes	26	**878**	(384)
Related tax	13	**(1,317)**	
Items that may be reclassified subsequently to profit or loss			
Cash flow hedge gains	12	**(59)**	48
Other comprehensive income		**(497)**	(336)
Total comprehensive income		**1,976**	196

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

Consolidated balance sheet

At 31 March

	Note	2022 £000	2021 £000
Assets			
Property, plant and equipment	17	**45,464**	44,490
Goodwill	15	**14,285**	14,285
Intangible assets	16	**15,753**	10,605
Investment in joint venture	18	**42**	174
Retirement benefit asset	26	**5,265**	4,357
Non-current assets		**80,809**	73,911
Inventories	19	**4,313**	4,225
Trade and other receivables	21	**12,732**	7,125
Prepayments		**348**	243
Other current financial assets	25	-	550
Cash and short term deposits	20	**1,771**	8,153
Current assets		**19,164**	20,296
Total assets		**99,973**	94,207
Liabilities			
Interest-bearing loans and borrowings	25	**(53,738)**	(52,948)
Provisions	24	**(1,093)**	(225)
Deferred tax liability	13	**(1,817)**	-
Non-current liabilities		**(56,648)**	(53,173)
Trade and other payables	22	**(11,087)**	(14,465)
Interest-bearing loans and borrowings	25	**(71)**	(209)
Other current financial liabilities	25	-	(157)
Deferred revenue	23	**(2,159)**	-
Provisions	24	**(3,130)**	(1,302)
Current liabilities		**(16,447)**	(16,133)
Total liabilities		**(73,095)**	(69,306)
Net assets		**26,878**	24,901

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Consolidated balance sheet (continued)

At 31 March

Equity	Note	**2022** **£000**	2021 £000
Share capital	27	**140**	140
Share premium	28	**178**	178
Other reserve	29	**1,028**	1,028
Cash flow hedging reserve	29	**1**	59
Retained profits	29	**25,531**	23,496
Total equity		**26,878**	24,901

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

These financial statements were approved by the board of directors on 20 May 2022 and were signed on its behalf by:

J L Abbotts
Director

Consolidated statement of changes in equity

At 31 March

	Share Capital	Share premium	Other reserve	Cash flow hedging reserve	Retained profit	Total equity
	(Note 27)	(Note 28)	(Note 29)	(Note 29)	(Note 29)	
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2020	140	178	1,028	11	23,348	24,705
Profit for the year	-	-	-	-	532	532
Other comprehensive income	-	-	-	48	(384)	(336)
Total comprehensive profit	-	-	-	48	148	196
Balance at 31 March 2021	140	178	1,028	59	23,496	24,901
Profit for the year	-	-	-	-	**2,474**	**2,474**
Other comprehensive income	-	-	-	**(58)**	**(439)**	**(497)**
Total comprehensive profit	-	-	-	**(58)**	**2,035**	**1,977**
Balance at 31 March 2022	**140**	**178**	**1,028**	**1**	**25,531**	**26,878**

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

Consolidated cash flow statement

For the year ended 31 March

	Note	2022 £000	2021 £000
Profit for the year		**2,474**	532
Finance income	10	**(97)**	(111)
Finance costs	11	**1,569**	1,316
Depreciation of property, plant and equipment	17	**4,211**	4,130
Amortisation of intangible assets	16	**107**	331
Foreign exchange (gains)/losses	7	**(41)**	79
Share of loss in joint venture		**132**	69
Other non-cash item: EUETS and UKETS		**1,523**	390
Taxation	13	**500**	14
		10,377	6,750
(Increase)/decrease in inventories		**(71)**	52
Increase in trade, other receivables and prepayments		**(5,256)**	(234)
(Decrease)/increase in trade and other payables		**(3,383)**	5,962
Increase in provisions and employee benefits		**61**	2
		1,728	12,532
Purchase of EUETS and UKETS allowances		**(1,923)**	(352)
Group relief paid		**-**	(14)
Net cash (used in)/from operating activities		**(195)**	12,166
Net cash used in investing activities			
Purchase of property, plant and equipment		**(5,341)**	(6,585)
Net cash used in investing activities		**(5,341)**	(6,585)
Cash flows from financing activities			
Proceeds from borrowings		**1,000**	2,224
Payment of lease liabilities		**(532)**	(342)
Interest paid		**(1,367)**	(806)
Net cash (used in)/from financing activities		**(899)**	1,076

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Consolidated cash flow statement (continued)

	Note	**2022**	2021
		£000	£000
Net (decrease)/increase in cash and cash equivalents		**(6,435)**	6,657
Effect of exchange rate fluctuations on cash held		**53**	(114)
Cash and cash equivalents at 1 April	20	**8,153**	1,610
Cash and cash equivalents at 31 March	20	**1,771**	8,153

The Notes on page 20 to 54 form an integrated part of these financial statements.

Notes to the consolidated financial statements

(forming part of the financial statements)

1 General information

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

The financial statements are presented in pounds sterling, which is the Company's and Group'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 2021 but they do not have a material effect on the Group's financial statements.

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

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

- Insurance contracts (IFRS 17, IFRS 4 and IFRS 9).
- Disclosure of accounting policies (IAS 1).
- Definition of accounting estimates (IAS 8).

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

3 Significant accounting policies

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

3.1 Basis of accounting

The consolidated financial statements of the Group have been prepared in accordance with 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.

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2022.

Notes (continued)

3 **Significant accounting policies** (continued)

3.2 **Basis of consolidation** (continued)

Subsidiaries

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

Interest in a joint venture

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

3.3 **Going concern**

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

As at 31 March 2022 the Group 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 Group. The facilities are subject to financial covenants which are tested semi-annually 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 impact of very high energy prices and also the ongoing 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 as a result of further increases in energy prices and other input costs and have considered the impact this would have on the Forecasts. The Forecasts indicate that, taking account of reasonably possible downsides, the Group will have sufficient funds, by utilising the bank facilities described above, to meet its bank covenant tests and liabilities as they fall due for that period. In the case of extreme downside scenarios, the directors note that Tata Chemicals Limited has indicated its intention to provide such support as may be necessary to allow the Group to continue as a going concern for at least the next 12 months.

Consequently, the directors are confident that the Group and 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.

Notes (continued)

3 Significant accounting policies (continued)

3.4 Business combinations and goodwill

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. 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.

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.

3.5 Intangible assets

Emissions Trading Allowances

During Calendar Year 2020, the Group participated in the Phase 3 European Union Emissions Trading Scheme ("EUETS"). With effect from 1 January 2021 the UK Government established an equivalent UK Emissions Trading Scheme ("UKETS") applicable 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 Group 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 Group estimates its outstanding obligation to surrender allowances. Where this obligation is already matched by allowances either held or purchased forward by the Group, the provision is calculated using the same cost as the allowances. To the extent that the Group 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.

Notes (continued)

3 Significant accounting policies (continued)

3.5 Intangible assets (continued)

Other intangible assets

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

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

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

Mineral rights	140 years

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 Group. 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 Group 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.

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

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

Notes (continued)

3 Significant accounting policies (continued)

3.6 Property, plant and equipment (continued)

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

3.7 Investments

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

3.8.1 Financial instruments

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

Classification

The Group 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 Group'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 Group 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 Group's methodology for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group 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)

3.8.1 Financial instruments (continued)

Derecognition of financial assets

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

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

Financial liabilities

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

Borrowings are classified as current liabilities unless the Group 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.

3.8.3 Derivatives and hedging activities

In the ordinary course of business, the Group 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 Group opts to undertake hedge accounting, the Group 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 Group 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)

3.8.3 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.

3.8.4 Intra-group financial instruments

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

3.8.5 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.

3.8.6 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.

3.8.7 Impairment of financial assets

The Group 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)

The expected credit losses on these financial assets are estimated using a provision matrix based on the Group'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.

3.9 Inventories

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

3.10 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 Group 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 Group 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 Group expects to be entitled. Any amounts received where the performance obligation has not been met are held as deferred income.

3.11 Operating profit

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

3.12 Tax

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

Notes (continued)

3 Significant accounting policies (continued)

3.12 Tax (continued)

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.

3.13 Pensions

The Group operates a defined benefit scheme, which are funded with the assets of the scheme held separately from those of the Group, in separate trustee administered funds, the British Salt Retirement Income and Life Assurance Plan (BSRILA). The BSRILA closed to further accrual of benefits on 31 January 2008.

Notes (continued)

3 **Significant accounting policies** (continued)

3.13 **Pensions** (continued)

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

Actuarial gains and losses relating to 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 obligations are to be settled. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value is based on market price information. The value of any 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 Group also operates a defined contribution scheme under which costs are charged to the profit and loss on the basis of the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

3.14 **Foreign currency**

Transactions in foreign currencies are translated into the functional currency of the Group 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.

3.15 **Provisions**

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

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

Notes (continued)

3 Significant accounting policies (continued)

3.15 Provisions (continued)

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 group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Emissions Trading Allowances

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

3.16 Leases - Group as lessee

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group 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 Group 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.

3.17 Impairment of non-financial assets

The Group 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 Group 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.

Notes (continued)

3 Significant accounting policies (continued)

3.17 Impairment of non-financial assets (continued)

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

3.18 Deferred Income

Emissions Trading Allowances

Under UKETS, for each calendar year the Group 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 judgements, estimates and assumptions

In preparing these Group consolidated financial statements, management has made judgements and estimates that affect the application of the Group'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 Group 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 Group. Such changes are reflected in the assumptions when they occur.

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 Group's forecast for the next five years and do not include restructuring activities to which the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rates, revenue growth rates, operating margins and capital expenditure. Further details about the assumptions used are given in Note 15.

Notes (continued)

4 Significant accounting judgments, estimates and assumptions (continued)

Pension benefits

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

The mortality rate is based on publicly available mortality tables for the specific country. 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 Group 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 26.

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 3.5 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 Group. As the Group owns the land, the Group therefore controls the asset and has the power to obtain the benefits of the mineral rights. The Group 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 – Group

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

	2022 £000	2021 £000
United Kingdom	**34,678**	29,587
Europe	**5,311**	5,541
Rest of World	**815**	852
	40,804	35,980

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

6 Other operating income – Group

	2022 £000	2021 £000
Property income	**102**	183

7 Profit on ordinary activities before taxation – Group

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

	Note	2022 £000	2021 £000
Staff costs	9	**(4,998)**	(4,679)
Depreciation of property, plant and equipment	17	**(4,211)**	(4,130)
Amortisation of intangibles	16	**(107)**	(331)
Cost of stock recognised as an expense		**(8,166)**	(8,986)
Impairment of stock recognised as an expense		**(7)**	(14)
Net foreign exchange gain/(loss)		**41**	(79)

Notes (continued)

8 Auditor's remuneration - Group

The analysis of auditor's remuneration is as follows:

	2022	2021
	£000	£000
Other audit fees, primarily in respect of audits of accounts of subsidiaries	**(84)**	(80)

No remuneration has been paid in relation to non-audit services (2021: £nil).

9 Staff numbers and costs – Group

The average number of employees was:

	2022	2021
	Number	Number
Production and operations	**91**	91
Distribution and sales	**3**	4
Administration	**10**	8
	104	103

The aggregate remuneration comprised:

	2022	2021
	£000	£000
Wages and salaries	**(4,549)**	(4,293)
Social security costs	**(441)**	(423)
Other pension costs	**(324)**	(311)
Less: capitalised as additions to fixed assets	**316**	348
	(4,998)	(4,679)

Director's remuneration

None of the directors received any remuneration from the Group. They were remunerated by Tata Chemicals Europe Limited, which is a fellow group undertaking (2021: same) and it is not possible to value the amount paid for qualifying services provided to this Group.

Notes (continued)

10 Finance income – Group

	Note	2022 £000	2021 £000
Bank interest receivable		**1**	-
Interest receivable from joint venture	33	**5**	1
Interest income on pension scheme assets	26	**567**	610
Interest expense on pension scheme assets	26	**(476)**	(500)
		97	111

11 Finance costs – Group

	2022 £000	2021 £000
Interest on borrowings	**(1,396)**	(741)
Amortisation of deferred finance costs	**(160)**	(511)
Other finance costs	**(13)**	(64)
	(1,569)	(1,316)

12 Components of other comprehensive income

	2022 £000	2021 £000
Cash flow hedges:		
(Losses)/gains arising on currency forward contracts	**(105)**	67
Reclassification adjustments for (gains)/losses included in profit or loss	**47**	(19)
Gains arising on currency forward contracts	**(58)**	48

Notes (continued)

13 Tax – Group

Amount recognised in consolidated profit or loss	2022 £000	2021 £000
Current tax expense	-	(14)
Deferred tax: Origination and reversal of temporary differences	**(500)**	-
Tax expense reported in profit or loss	**(500)**	(14)
Amounts recognised in other comprehensive income		
Items that will not be reclassified to profit or loss:		
Deferred tax: defined benefit scheme	**(1,317)**	-

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

	2022 £000	2020 £000
Profit before tax	**2,474**	546
Tax on profit on ordinary activities at the average UK corporation tax rate for the period 19% (2021: 19%)	**(470)**	(104)
Tax effects of:		
(Expenses not deductible)/income not taxable for tax purposes	-	75
Group relief received/(given) at nil charge	**1,324**	(2)
Group relief charged and paid – prior year	-	(14)
Movement on unrecognised deferred tax	**(1,354)**	31
Total tax (charge)/credit	**(500)**	(14)

Notes (continued)

13 Tax – Group (continued)

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

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

	Decelerated capital allowances £000	Retirement benefit £000
At 1 April 2021	828	(828)
(Charge)/credit to profit or loss	(1,328)	828
(Charge)/credit to other comprehensive income	-	(1,317)
Deferred tax asset / (liability) at 31 March 2022	**(500)**	**(1,317)**

All deferred tax has been recognised in 2022 and 2021.

14 Profit attributable to the Company

The profit for the financial year dealt with in the financial statements of the parent Company, Cheshire Salt Holdings Limited, was £nil (2021: £nil). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent Company.

Notes (continued)

15 Goodwill - Group

Deemed cost	**£000**
At 1 April 2021 and 31 March 2022	**14,285**

The goodwill arose on the acquisition of British Salt Limited. The Group 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, EBITDA 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 6.50% (2021: 7.00%). EBITDA was projected taking into account actual recent performance and estimated growth for the next five years. Residual growth was set at 2.00%. 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 Group does not expect a reasonably possible change in the key assumptions to have a material impact on the impairment review. In the unlikely event that there is both no growth in EBITDA from historic levels in the next five years and sustenance capital expenditure is significantly higher than forecast throughout the period, the recoverable amount of the CGU would reduce to a level which is close to its carrying value. Scenarios containing even further downside could result in a write-down of the current carrying value to the estimated recoverable amount.

16 Intangible assets – Group

Deemed cost	**EUETS Allowances £000**	**UK ETS Allowances £000**	**Mineral rights £000**	**Total £000**
At 1 April 2021	688	-	11,938	12,626
Granted during the year	-	4,633	-	4,633
Purchased during the year	613	1,310	-	1,923
Surrendered during the year	(1,301)	-	-	(1,301)
At 31 March 2022	**-**	**5,943**	**11,938**	**17,881**
Amortisation				
At 1 April 2021	-	-	(2,021)	(2,021)
Charge for the year	-	-	(107)	(107)
At 31 March 2022	**-**	**-**	**(2,128)**	**(2,128)**
Net book value				
At 31 March 2022	-	**5,943**	**9,810**	**15,753**
At 31 March 2021	688	-	9,917	10,605

Notes (continued)

17 Property, plant and equipment - Group

	Freehold land and buildings	Plant and equipment	Assets under construction	Total
	£000	£000	£000	£000
Cost				
At 1 April 2021	30,577	63,294	12,134	106,005
Additions	-	3,439	1,925	5,364
Disposals	(467)	(256)	-	(723)
Transfers	-	10,227	(10,227)	-
At 31 March 2022	**30,110**	**76,704**	**3,832**	**110,646**
Accumulated depreciation				
At 1 April 2021	(17,940)	(43,575)	-	(61,515)
Charge for the year	(952)	(3,259)	-	(4,211)
Eliminated on disposal	304	240	-	544
At 31 March 2022	**(18,588)**	**(46,594)**	**-**	**(65,182)**
Net book value				
At 31 March 2022	**11,522**	**30,110**	**3,832**	**45,464**
At 31 March 2021	12,637	19,719	12,134	44,490

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

	Land and buildings	Plant and equipment	Total
Right-of-use	£000	£000	£000
At 1 April 2021	226	695	921
Additions to right-of-use assets	-	41	41
Reassessment of right-of-use assets	(164)	-	(164)
Depreciation charge for the year	(62)	(280)	(342)
At 31 March 2021	-	**456**	**456**

Freehold land amounting to £6,065,000 (2021: £6,065,000) has not been depreciated.

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

At 31 March 2022 the Group had commitments of £463,000 (2021: £2,161,000) relating to the purchase of property, plant and equipment.

Notes (continued)

18 Investment in joint venture – Group

The Group holds 50% (2021: 50%) of the ordinary shares and voting rights of The Block Salt Company Limited, a private limited company incorporated in England, whose principal activity is the manufacture and sale of salt products. The registered office of The Block Salt Company Limited is Natrium House, Winnington Lane, Northwich, CW8 4GW.

The following table provides summarised financial information relating to the Group's investment in The Block Salt Company Limited, accounted for under the equity method as described in Note 3.2.

	2022	2021
	£000	£000
Non-current assets	**410**	305
Current assets	**206**	188
Current liabilities	**(574)**	(319)
Carrying amount of the investment	**42**	174

The share of operating loss of the joint venture for the year ended 31 March 2022 was £132,000 (2021: £69,000).

19 Inventories - Group

	2022	2021
	£000	£000
Raw materials and consumables	**1,710**	1,588
Work in progress	**3**	9
Finished goods and goods for resale	**2,600**	2,628
	4,313	4,225

There is no material difference between the balance sheet value of inventories and their replacement cost. All inventory is subject to a floating charge as described in Note 25.

20 Cash and short-term deposits - Group

	2022	2021
	£000	£000
Cash at bank and in hand	**1,771**	8,153

Notes (continued)

21 Trade and other receivables – Group

	Note	**2022 £000**	2021 £000
Trade receivables		**7,338**	5,286
Allowance for doubtful debts		**(64)**	(10)
Amounts due from group undertakings and related parties	33	**7**	755
Amounts due from joint venture	33	**755**	355
Tax and social security		**164**	589
Other receivables		**4,532**	150
		12,732	7,125

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 2022, trade receivables with an invoice value of £64,000 (2021: £10,000) were impaired and fully provided for.

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

The ageing analysis of trade receivables was as follows:

	Total £000	**Current £000**	**< 31 days £000**	**31-60 days £000**	**61-90 days £000**	**91-120 days £000**	**>120 days £000**
31 March 2022	**7,338**	**6,403**	**153**	**144**	**52**	**122**	**464**
31 March 2021	5,286	4,831	316	14	25	70	30

The ageing analysis of impaired trade receivables was as follows:

	Total £000	**Current £000**	**< 31 days £000**	**31-60 days £000**	**61-90 days £000**	**91-120 days £000**	**>120 days £000**
31 March 2022	**(64)**	-	-	-	-	-	**(64)**
31 March 2021	(10)	-	-	-	-	-	(10)

22 Trade and other payables – Group

	Note	**2022 £000**	2021 £000
Trade payables		**(2,658)**	(3,234)
Other creditors		**(134)**	(119)
Amounts owed to group undertakings and related parties	33	**(4,479)**	(7,044)
Amounts owed to joint venture	33	-	(14)
Accruals and deferred income		**(3,816)**	(4,054)
		(11,087)	(14,465)

Notes (continued)

22 Trade and other payables – Group (continued)

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 33. The directors consider that the carrying value of trade and other payables is approximately equal to the fair value.

23 Deferred revenue – Group

UKETS allowances	**£000**
At 1 April 2021	-
Received during the year	(4,634)
Credited to profit and loss	2,475
At 31 March 2022	**(2,159)**

24 Provision for liabilities – Group

	Carbon Emissions £000
At 1 April 2021	
Non-current	(225)
Current	(1,302)
Balance at 1 April	(1,527)
Charged to profit and loss	(3,998)
Utilised during the year	1,302
At 31 March 2022	**(4,223)**
Non-current	**(1,093)**
Current	**(3,130)**

At 31 March 2022 the carbon emissions provision recognises the obligation to surrender allowances to the Environment Agency under the UK Emissions Trading Scheme in respect of the 2021 calendar year and the first three months of the 2022 calendar year. The surrender under the European Union Emissions Trading Scheme in respect of the 2020 calendar year took place in April 2021. The deadlines for surrendering allowances in respect of the 2021 and 2022 calendar years are 30 April 2022 and 30 April 2023 respectively.

Notes (continued)

25 Other current and non-current financial assets and liabilities – Group

Derivative assets and liabilities	**2022 £000**	2021 £000
Gas contracts for difference derivative assets - External	-	492
Foreign exchange forward contract derivative assets - External	-	58
Gas contracts for difference derivative assets – Intragroup (Note 33)	-	562
Total derivative assets	-	1,112
Gas contracts for difference derivative liabilities - External	-	(157)
Gas contracts for difference derivative liabilities – Intragroup (Note 33)	-	(492)
Total derivative liabilities	-	(707)

a) Other financial assets

Financial instruments at fair value through profit or loss Cash flow hedges:	**2022 £000**	2021 £000
Gas contracts for difference derivative assets – External	-	492
Foreign exchange forward contract derivative assets – External	-	58
Total other financial assets	-	550
Current	-	550

b) Other financial liabilities

Financial instruments at fair value through profit or loss Cash flow hedges:	**2022 £000**	2021 £000
Gas contracts for difference derivative liabilities – External	-	(157)
Foreign exchange forward contract derivative liabilities – External	-	-
Total other financial liabilities	-	(157)
Current	-	(157)

Notes (continued)

25 Other current and non-current financial assets and liabilities - Group (continued)

Interest-bearing loans and borrowings (including lease liabilities)

	Interest rate %	Maturity	2022 £000	2021 £000
Falling due within one year				
Lease liabilities	Various	0-4 years	**(231)**	(364)
Less: unamortised debt issue costs			**160**	155
Total current interest-bearing loans and borrowings			**(71)**	(209)
Falling due after one year				
Lease liabilities	Various	0-4 years	**(218)**	(570)
Term loan	RFR (SONIA) + 2.45	March 2024	**(1,000)**	(1,000)
Term loan	RFR (SONIA) + 2.45	March 2025	**(7,000)**	(7,000)
Term loan	RFR (SONIA) + 2.45	March 2026	**(42,000)**	(42,000)
Revolving credit facility	RFR (SONIA) + 2.45	March 2026	**(4,000)**	(3,000)
Less: unamortised debt issue costs			**480**	622
			(53,738)	(52,948)

The Group has applied IFRS 16. Contracts entered into by the Group on certain property, motor vehicles and items of machinery contain leases and the Group has recognised these as lease liabilities with a corresponding right of use asset. There are no restrictions placed upon the Group by entering into these leases.

Interest payable is normally settled monthly throughout the financial year. The Group 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 facilities have been financed by Standard Chartered Bank (SCB). SCB, as Security Trustee, holds a debenture with the Group 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

During the year the Group was 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 were not designated as hedging instruments. Any gains and losses were immediately recharged to Winnington CHP Limited. The financial assets and liabilities in respect of these contracts were matched by equivalent amounts payable to or receivable from Winnington CHP Limited.

Notes (continued)

25 Other current and non-current financial assets and liabilities - Group (continued)

At 31 March 2022 there were no live contracts. The external carrying value as at 31 March 2021 was an asset of £492,000 and a liability of £157,000. The corresponding intercompany derivative liability and asset balances with Winnington CHP Limited of £492,000 and £157,000 respectively as at 31 March 2021 was recognised within amounts owed to group undertakings and related parties.

Cash flow hedges

The Group held foreign currency forward contracts, designated as hedges of expected Euro net cash receipts for which the Group had highly probable forecast transactions. The terms of the foreign currency forward contracts matched the terms of the hedged items. The hedged net Euro cash inflows was 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. No contracts were live as at 31 March 2022. The carrying value as at 31 March 2021 was an asset of £58,000 and a liability of £11,000.

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

	Average rate		Notional value	
	2022	2021	**2022**	2021
			£000	£000
Sell Euros	-	1.1203	-	1,339

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 Group 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 Group 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 Group 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.

Notes (continued)

26 Retirement benefit schemes - Group

a) Defined contribution scheme

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

	2022	2021
	£000	£000
Employer contributions	**299**	281

At 31 March 2022, contributions of £23,000 (2021: £24,000) due in respect of the current reporting period but not paid over to the scheme.

b) Defined benefit scheme

The Group operates a defined benefit scheme, the British Salt Retirement Income and Life Assurance Plan (BSRILA). The BSRILA 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 of the scheme and depends on members' length of service and their salary. Pensions in payment are generally updated in line with the retail and consumer price indices, subject to caps defined by the rules. Assets are held in trusts and governed by local regulations, as is the composition of the trustee board and nature of its relationship with the Group.

The defined benefit scheme is administered by funds that are legally separated from the Group. Responsibility for governance of the scheme lies with the board of trustees. The board of trustees must be composed of representatives of the Group 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 Group.

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 schemes the Group is exposed to a number of risks. The most significant risks are as follows:

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit.
Interest rate risk	A decrease in the bond interest rate will increase the plan liability but this will be partially offset by an increase in the value of the plan's debt investments.

Notes (continued)

26 Retirement benefit schemes – Group (continued)

b) Defined benefit scheme (continued)

Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

These risks are mitigated by:

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

The amounts recognised in profit or loss are as follows:

	2022 £000	2021 £000
Net interest income:		
- Interest cost on defined benefit obligation	**(476)**	(500)
- Interest income on plan assets	**567**	610
Administrative expense	**(214)**	(122)
Past service costs	**-**	(60)
	(123)	(72)

The amounts recognised in other comprehensive income are as follows:

	2022 £000	2021 £000
Actuarial gain/(loss) arising from:		
- Changes in demographic assumptions	**-**	548
- Changes in financial assumptions	**1,630**	(2,829)
- Experience adjustment	**(166)**	(620)
Return on plan assets (excluding interest income)	**(586)**	2,517
	878	(384)

Notes (continued)

26 Retirement benefit schemes – Group (continued)

b) Defined benefit scheme (continued)

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

	2022 £000	2021 £000
At 1 April	**27,720**	27,282
Interest income	**567**	610
Employer contributions	**153**	180
Benefits paid	**(1,360)**	(2,747)
Administrative expenses paid from plan assets	**(214)**	(122)
Remeasurement (losses)/gains:		
- Return on plan assets (excluding interest income)	**(586)**	2,517
At 31 March	**26,280**	27,720

Movements in the defined benefit obligations are as follows:

	2022 £000	2021 £000
At 1 April	**(23,363)**	(22,649)
Past service costs	**-**	(60)
Interest cost	**(476)**	(500)
Benefits paid	**1,360**	2,747
Remeasurements (gains)/losses arising from:		
- Changes in demographic assumptions	**-**	548
- Changes in financial assumptions	**1,630**	(2,829)
- Experience adjustment	**(166)**	(620)
At 31 March	**(21,015)**	(23,363)

The details of plan assets and liabilities are as follows:

	2022 £000	2021 £000
Cash and cash equivalents	**167**	143
Debt instructions (excluding LDI)	**21,107**	22,726
LDI instruments*	**5,006**	4,851
Total fair value of assets	**26,280**	27,720
Defined benefit obligation	**(21,015)**	(23,363)
Net pension asset recognised in the balance sheet	**5,265**	4,357

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

Notes (continued)

26 Retirement benefit schemes – Group (continued)

b) Defined benefit scheme (continued)

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

	2022	2021
	£000	£000
Actual return on plan assets	**(19)**	3,127

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 Group regularly monitor the performance of the scheme's investment strategies.

On a triennial basis the funding position of the scheme is reviewed and a schedule of contributions is agreed. The last valuation of the BSRILA was carried out at 31 December 2019 and was updated for the purposes of these financial statement to 31 March 2022 by a qualified independent actuary. The Group expects to pay contributions of £150,000 over the year to 31 March 2023.

The weighted average duration of the defined benefit obligation of the scheme at 31 March 2022 and expected benefit payments in future years are as follows:

Weighted average duration (in years)	14
Expected total benefit payments	**£000**
Year 1	957
Year 2	980
Year 3	1,004
Year 4	1,028
Year 5	1,053
Next 5 years	5,657

The actuarial reports used for these financial statements were prepared as at 31 March 2022 by a qualified independent actuary. The significant weighted-average assumptions to determine defined benefit obligations were as follows:

	2022	2021
Discount rate	**2.80%**	2.10%
Rate of price inflation (RPI)	**3.75%**	3.25%
Rate of price inflation (CPI)	**3.40%**	2.70%
Rate of pension increases	**3.35%**	3.10%
Rate of pension increases (CPI)	**3.40%**	2.70%

Notes (continued)

26 **Retirement benefit schemes – Group** (continued)

b) **Defined benefit scheme** (continued)

Assumed life expectancy on retirement age at 65:

	2022	2021
	Years	Years
Member retiring today (age 65)		
Male	**22.8**	22.3
Female	**25.2**	24.6
Member retiring in 25 years (age 40)		
Male	**24.7**	23.7
Female	**27.3**	26.3

Sensitivity analysis

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

Present value of defined benefit obligations

	2022	2021
	£000	£000
Discount rate – 25 basis points	**(21,740)**	(24,195)
Discount rate + 25 basis points	**(20,325)**	(22,576)
Price inflation rate – 25 basis points	**(20,657)**	(22,898)
Price inflation rate +25 basis points	**(21,365)**	(23,815)
Post-retirement life expectancy + 1 year	**(21,882)**	(24,337)
Post-retirement life expectancy -1 year	**(20,164)**	(22,401)

27 **Called-up share capital - Group**

	2022	2021
	£000	£000
Authorised, issued and fully paid		
13,964,137 ordinary shares of 1p each	**140**	140

The Group has one class of ordinary shares which carry no right to a fixed income.

28 **Share premium account – Group**

	£000
Premium arising on issue of equity shares	
Balance at 1 April 2021 and 31 March 2022	**178**

Notes (continued)

29 Reserves – Group

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.

The other reserve is a non-distributable capital reserve.

30 Financial risk management and policies - Group

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

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

The Group's senior management oversees the management of these risks, supported by an audit committee of 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 Group. The audit committee provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and Group risk appetite. The Group's overall strategy remains unchanged from 2021.

Interest rate risk

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

During the year, the Group did not enters 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 Group 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 Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency).

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

	Euro		United States Dollar	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Assets	**1,031**	7,663	**1**	28
Liabilities	**(46)**	(7,126)	**(16)**	-

Notes (continued)

30 Financial risk management and policies - Group (continued)

Where appropriate, the Group manages its foreign currency risk by hedging forecast cash flows using forward contracts as described in Note 25(c).

Commodity price risk

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

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, a revolving credit facility and receivables financing. Bank loan agreements were from March 2021 are still in place and have a remaining term of 4 years.

Credit risk

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

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

Capital risk

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

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

31 Contingencies – Group

The Group has guaranteed the amounts borrowed under the Group's banking facilities as described in Note 25(b). At 31 March 2022 the amount guaranteed was £54,000,000 (2021: £53,000,000).

In respect of UK operations, there are certain ongoing claims from customers/vendors for potential non compliance with contractual matters. In the opinion of management, after taking appropriate legal advice, the amounts are presently not determinable and liability, if any, is not considered to be probable at this stage and hence these have been disclosed as a contingent liability.

Notes (continued)

32 Leases – Group as lessee

Right-of-use assets are presented as part of property, plant and equipment (Note 18).

Amounts recognised in the profit or loss

Leases under IFRS 16:	2022 £000	2021 £000
- Interest expense on lease liabilities	(13)	(19)

Amounts recognised in the statement of cashflow

Leases under IFRS 16:	2022 £000	2021 £000
- Total cash outflows for leases	(532)	(342)

33 Related party transactions - Group

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

Trading transactions		Sales to related parties £000	Purchases 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	2022	222	-	136	-
	2021	392	-	94	-
Companies which were part of the wider Tata Chemicals Limited group:					
Tata Chemicals Europe Limited	2022	-	(1,262)	-	(133)
	2021	-	(1,335)	-	(212)
Tata Chemicals Limited	2022	4	-	-	-
	2021	19	-	3	-

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	2022	5	355
	2021	-	200

Notes (continued)

33 Related party transactions – Group (continued)

Expenses and recharges		**Recharges to related parties £000**	**Recharges from related parties £000**	**Amounts owed by related parties £000**	**Amounts owed to related parties £000**
Companies which were part of the wider Tata Chemicals Limited group					
Tata Chemicals Europe Limited – operating costs and Group VAT pooling	**2022**	**2,780**	**(9,597)**	**7**	**-**
	2021	2,805	(9,570)	190	-
Tata Chemicals Europe Limited – Advance payment of EUETS/UKETS allowances	**2022**	**11,688**	**-**	**-**	**-**
	2021	6,340	(6,340)	-	(6,340)
Winnington CHP Limited – intercompany derivatives	**2022**	**405**	**(20,704)**	**-**	**(4,346)**
	2021	8,414	(582)	562	(492)
Joint venture in which the Group was a venturer:					
The Block Salt Company Limited	**2022**	**412**	**(21)**	**264**	**-**
	2021	365	(14)	61	(14)

The British Salt RILA is also considered to be a related party. Further information in respect of transactions during the year are shown in Note 26.

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 2022, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2021: £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.

34 Ultimate controlling party – Group

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

The ultimate parent company in the year to 31 March 2022 was Tata Chemicals Limited, a company incorporated in India. The smallest and largest group in which the results of the Group 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.

Company balance sheet
At 31 March

	Note	2022 £000	2021 £000
Assets			
Non-current assets			
Investments	37	**400**	400
Current assets			
Trade and other receivables	38	**2**	2
Total assets and net assets		**402**	402
Equity			
Share capital	39	**140**	140
Capital redemption reserve	41	**28**	28
Share premium	40	**178**	178
Retained earnings	41	**56**	56
Total equity and liabilities		**402**	402

The Notes on pages 57 to 59 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 20 May 2022 and were signed on its behalf by:

J L Abbotts
Director

Company statement of changes in equity

At 31 March

	Share Capital (Note 39) £000	Share premium (Note 40) £000	Capital Redemption reserve (Note 41) £000	Retained Earnings (Note 41) £000	Total equity £000
Balance at 1 April 2020	140	178	28	56	402
Profit for the year	-	-	-	-	-
Balance at 31 March 2021	**140**	**178**	**28**	**56**	**402**
Profit for the year	-	-	-	-	-
Balance at 31 March 2022	**140**	**178**	**28**	**56**	**402**

The Notes on pages 57 to 59 form an integral part of these financial statements.

Notes to the Company financial statements

35 Significant accounting policies – Company

The Company has adopted the same accounting policies as the Group, as detailed in Note 3. These have been consistently applied to all periods presented in the company financial statements.

36 Significant accounting judgements, estimates and assumptions – Company

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.

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 Group's forecast for the next five years and do not include restructuring activities to which the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

37 Investments – Company

	Shares in subsidiaries £000
Cost and net book value	
At 31 March 2021 and at 31 March 2022	**400**

Notes (continued)

37 Investments – Company (continued)

The Company's subsidiary undertakings are set out below:

	Country of incorporation	Principal activity	% of share capital held 31 March 2022	% of share capital held 31 March 2021
Cheshire Salt Limited	England	Holding company	100	100
British Salt Limited	England	Manufacture and sale of salt	100*	100*
New Cheshire Salt Works Limited	England	Holding company	100*	100*

*Indirect shareholding

Subsidiary accounts can be obtained from the registered office, Natrium House, Winnington Lane, Northwich, Cheshire CW8 4GW.

38 Trade and other receivables - Company

	2022 £000	2021 £000
Amounts owed by Group undertakings (Note 42)	**2**	2

39 Called-up share capital – Company

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

	2022 £000	2021 £000
Authorised, issued and fully paid		
13,964,137 ordinary shares of 1p each	**140**	140

40 Share premium account – Company

	£000
Premium arising on issue of equity shares	
Balance at 1 April 2021 and 31 March 2022	**178**

41 Reserves – Company

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

The capital redemption reserve is a non-distributable reserve and represents amounts that are transferred following the redemption or purchase of the Company's own shares.

Notes (continued)

42 Related party transactions – Company

Balances with related parties at the reporting date were as follows		Amounts owed by related parties £000
Companies which were part of the Cheshire Salt Holdings Limited group:		
Cheshire Salt Limited	**2022**	**2**
	2021	2

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured and will be settled in cash. For the year ended 31 March 2022 the Company has not recorded any impairment of receivables relating to amounts owed by the related parties (2021: £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.

43 Statement of cash flows

The Company has not prepared a statement of cash flows as there have been no cash movements during the current and prior year.

44 Contingencies – Company

The Company, together with certain of its fellow group undertakings, has guaranteed the amounts borrowed under the Group's banking facilities as described in Note 25(b). At 31 March 2022 the amount guaranteed was £54,000,000 (2021: £53,000,000).