

# **Cheshire Salt Holdings Limited**

Consolidated annual report and financial statements

Registered number 06231428

For the year ended 31 March 2019

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## Strategic report

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

### Principal activities and business review

The Company 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.

Group turnover for the year was £37,986,000 (2018: £38,206,000). The Group's share of the UK market was consistent with recent years and export sales into new markets continued to grow as a result of renewed focus on opportunities during the year.

The Group's participation in the EU Emissions Trading Scheme (EUETS) has been affected significantly by the Brexit process. Under EUETS, the Group is granted free allowances each calendar year, for offset against actual emissions of carbon dioxide by the Group in the period. The process for issuing free allowances to UK companies has been suspended, pending confirmation of the terms of the UK exit from the EU. As a consequence, no free allowances for calendar year 2019 were issued prior to the balance sheet date. On 4 March 2019 the Group complied with UK and EU legislation by surrendering allowances in full in respect of the 2018 calendar year. The absence of free allowances and the advanced, Brexit-related timetable for surrendering resulted in an additional cash outflow of £913,000 and exceptional charge to the profit and loss account of £585,000.

Following a High Court ruling on 26 October 2018, defined benefit pension schemes are required to address any inequalities in guaranteed minimum pensions payable to male and female scheme members. The judgement applies to guaranteed minimum pensions earned between May 1990 and April 1997 and the appropriate methodology for quantifying the financial impact is still the subject of discussion by pension industry experts and the Department for Work and Pensions. The Group operates a defined benefit pension scheme and the estimated cost of guaranteed minimum pension equalisation of £200,000 has been included as an exceptional charge to the profit and loss account in the year.

Group EBITDA for the year was £7,797,000 (2018: £11,197,000). EBITDA for the year has been calculated as operating profit before exceptional operating items of £785,000 (2018: £nil), depreciation of £3,449,000 (2018: £3,266,000) and amortisation of £82,000 (2018: £81,000). Whilst sales volumes were strong throughout the year, a higher proportion of the total went into lower margin markets. This factor, together with sharply increased input prices for gas in the second half of the year, resulted in the decrease in profitability. The profit on ordinary activities before taxation was £2,380,000 (2018: £9,202,000).

### Future outlook

As described in last year's annual report, the restructuring and refinancing process which took place in March 2018 provided the Group with access to additional long-term funds for capital investment.

During the year, two out of three phases of packing line improvements were completed and the final phase is scheduled for completion in Summer 2019. A new power station is under construction and, when commissioned in early 2020, this is expected to reduce energy consumption and carbon emissions by more than 10%. Options for new, expanded warehousing facilities are under consideration and the evaluation process is expected to be completed in Summer 2019.

## Strategic report (continued)

The directors expect these projects will enable the Group to reduce the variable cost per tonne of manufacturing, enhance both the safety and efficiency of operational delivery and improve customer differentiation. In doing so, this will provide the Group with opportunities to strengthen its performance in its key UK markets as well as providing the base for further growth in export sales to Europe and Asia.

### Principal risks and uncertainties

The main risk to the business continues to be the medium to long-term cost of energy in the UK. This includes not just the market price of natural gas but also the impact of UK electricity market reforms, EUETS and similar carbon pricing measures. This risk has increased following the UK decision to leave the EU and the level of associated uncertainty has increased due to the lack of clarity over the timetable and process. The Group will focus on these matters over the coming year by continuing to hedge against the cost of natural gas and through active engagement with national and international decision-making bodies.

### 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, capital risk and credit risk. Further information is given in Note 32 in 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.

By order of the board



**J L Abbotts**

Director

15 May 2019

Mond House, Winnington, Northwich, Cheshire, CW8 4DT

## **Directors' report**

The directors present their annual report on the affairs of the Group, together with the audited financial statements for the year ended 31 March 2019.

### **Directors**

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

M J Ashcroft  
J L Abbotts  
P P Houghton  
L Iravanian  
A N Runciman

### **Employees**

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.

### **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 (2018: £nil).

### **Environment**

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

### **Dividends**

The directors do not recommend the payment of a dividend (2018: £111,243,000).

## Directors' report (continued)

### 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.

### Financial Instruments

The Group's risk management objectives and policies in relation to the use of financial instruments can be found in Note 32.

### Matters covered in the strategic report

Future developments are disclosed 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 themselves 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 auditors, KPMG LLP, will be proposed for re-appointment in accordance with Section 487 of the Companies Act 2006.

By order of the board



**J L Abbotts**

Director

15 May 2019

Mond House, Winnington, Northwich, Cheshire, CW8 4DT

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

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

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare both the Group and parent Company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs as adopted by the EU") and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their 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 IFRSs as adopted by the EU;
- 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 and 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 the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

## **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 2019 which comprise the Consolidated profit and loss account, the Consolidated statement of other comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in equity, the Consolidated cash flow statement, the Company balance sheet, the Company statement of changes in equity 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 2019 and of the group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **The impact of uncertainties due to the UK exiting the European Union on our audit**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of goodwill and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Company and this is particularly the case in relation to Brexit.



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

### **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 their operations, and as they have concluded that the group and 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 their 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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the Company will continue in operation.

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

We have nothing to report in these respects.

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

### **Directors' responsibilities**

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

### **Auditor's responsibilities**

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

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

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

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



**Will Baker (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

8 Princes Parade

Liverpool

L3 1QH

31 May 2019

## Consolidated profit and loss account

For the years ended 31 March

	Note	2019 £000	2018 £000
Group revenue and share of joint venture revenue		38,608	38,798
Less: share of joint venture		(622)	(592)
<b>Group revenue</b>	5	<b>37,986</b>	38,206
Cost of sales		(23,796)	(21,068)
<b>Gross profit</b>		<b>14,190</b>	17,138
Sales and distribution expenses		(7,352)	(6,986)
Administrative expenses		(2,721)	(2,397)
Other operating income	6	120	97
Share of operating profit/(loss) of joint venture	19	29	(2)
Exceptional operating costs	8	(785)	-
<b>Group operating profit</b>	7	<b>3,481</b>	7,850
Finance income	11	143	1,433
Finance costs	12	(1,244)	(81)
<b>Group net finance (costs)/income</b>		<b>(1,101)</b>	1,352
<b>Group profit before tax</b>		<b>2,380</b>	9,202
Tax expense	14	(397)	(1,397)
<b>Group profit after tax</b>		<b>1,983</b>	7,805

All of the results shown above relate to continuing operations.

The Notes on pages 15 to 52 are an integral part of these financial statements.

## Consolidated statement of other comprehensive income

For the years ended 31 March

	Note	2019 £000	2018 £000
<b>Group profit after tax</b>		<b>1,983</b>	7,805
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurement (losses)/gains on defined benefit pension schemes	27	(753)	560
Related tax	14	-	239
<b>Items that may be reclassified subsequently to profit or loss</b>			
Cash flow hedge gains/(losses)	13	4	-
Related tax	14	-	-
		<hr/>	<hr/>
<b>Other comprehensive income</b>		<b>(749)</b>	799
		<hr/>	<hr/>
<b>Total comprehensive income</b>		<b>1,234</b>	8,604
		<hr/> <hr/>	<hr/> <hr/>

The Notes on page 15 to 52 form an integral part of these financial statements.

## Consolidated balance sheet

At 31 March

	Note	2019 £000	2018 £000
<b>Assets</b>			
Property, plant and equipment	18	36,085	32,981
Goodwill	16	14,285	14,285
Intangible assets	17	10,330	10,635
Investment in joint venture	19	302	273
Retirement benefit asset	27	4,464	5,164
Other non-current financial assets	26	115	226
		<hr/>	<hr/>
<b>Non-current assets</b>		<b>65,581</b>	<b>63,564</b>
		<hr/>	<hr/>
Inventories	20	3,825	4,556
Trade and other receivables	22	9,986	6,325
Prepayments		755	595
Other current financial assets	26	267	2,867
Cash and short term deposits	21	1,000	480
		<hr/>	<hr/>
<b>Current assets</b>		<b>15,833</b>	<b>14,823</b>
		<hr/>	<hr/>
<b>Total assets</b>		<b>81,414</b>	<b>78,387</b>
		<hr/>	<hr/>
<b>Liabilities</b>			
Interest-bearing loans and borrowings	26	(49,309)	(49,145)
Provisions	25	-	(73)
Other non-current financial liabilities	26	(896)	(419)
		<hr/>	<hr/>
<b>Non-current liabilities</b>		<b>(50,205)</b>	<b>(49,637)</b>
		<hr/>	<hr/>
Trade and other payables	23	(6,510)	(7,485)
Other current financial liabilities	26	(2,570)	-
Deferred revenue	24	-	(167)
Provisions	25	(67)	(270)
		<hr/>	<hr/>
<b>Current liabilities</b>		<b>(9,147)</b>	<b>(7,922)</b>
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>(59,352)</b>	<b>(57,559)</b>
		<hr/>	<hr/>
<b>Total net assets</b>		<b>22,062</b>	<b>20,828</b>
		<hr/>	<hr/>

Continued on page 12

## Consolidated balance sheet (continued)

At 31 March

	Note	2019 £000	2018 £000
<b>Equity</b>			
Share capital	28	140	140
Share premium	29	178	178
Other reserve	30	1,028	1,028
Cash flow hedging reserve	30	4	-
Retained profits	30	20,712	19,482
		<hr/>	<hr/>
<b>Shareholders' equity</b>		<b>22,062</b>	<b>20,828</b>
		<hr/> <hr/>	<hr/> <hr/>

The Notes on pages 15 to 52 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 15 May 2019 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 28) £000	(Note 29) £000	(Note 30) £000	(Note 30) £000	(Note 30) £000	£000
Balance at 1 April 2017	140	178	1,028	-	122,121	123,467
Profit after tax	-	-	-	-	7,805	7,805
Other comprehensive expense	-	-	-	-	799	799
Dividend	-	-	-	-	(111,243)	(111,243)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(102,639)</b>	<b>(102,639)</b>
Balance at 1 April 2018	<b>140</b>	<b>178</b>	<b>1,028</b>	<b>-</b>	<b>19,482</b>	<b>20,828</b>
Profit after tax	-	-	-	-	1,983	1,983
Other comprehensive income	-	-	-	4	(753)	(749)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>1,230</b>	<b>1,234</b>
<b>Balance at 31 March 2019</b>	<b>140</b>	<b>178</b>	<b>1,028</b>	<b>4</b>	<b>20,712</b>	<b>22,062</b>

The Notes on pages 15 to 52 form an integral part of these financial statements.

## Consolidated cash flow statement

For the years ended 31 March

	Note	2019 £000	2018 £000
<b>Net cash generated from operating activities</b>	31	<b>8,174</b>	5,962
<b>Net cash used in investing activities</b>			
Purchase of property, plant and equipment		<b>(6,592)</b>	(3,567)
<b>Financing activities</b>			
Net Interest paid		<b>(1,062)</b>	(88)
Proceeds from borrowings		-	50,000
Dividend paid		-	(50,000)
Debt issue costs		-	(862)
Group relief paid		-	(1,219)
<b>Net cash used in financing activities</b>		<b>(1,062)</b>	(2,169)
<b>Net increase in cash and cash equivalents</b>		<b>520</b>	226
Cash and cash equivalents at 1 April	21	<b>480</b>	254
<b>Cash and cash equivalents at 31 March</b>	21	<b>1,000</b>	480
Footnote:			
	Note	2019 £000	2018 £000
<b>Reconciliation of borrowings:</b>			
Falling due within one year	26	-	-
Falling due after one year	26	<b>(49,309)</b>	(49,145)
		<b>(49,309)</b>	(49,145)
Proceeds from borrowings		-	(50,000)
Interest paid		<b>1,066</b>	81
Non-cash movements: Interest expense	12	<b>(1,066)</b>	(81)
Non-cash movements: debt issue costs paid		-	855
Non-cash movements: amortisation of debt issue costs	26	<b>(164)</b>	-
		<b>(164)</b>	<b>(49,145)</b>

The Notes on page 15 to 52 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 Mond House, Winnington, Northwich, Cheshire, CW8 4DT.

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

### 2 Changes in significant accounting policies

The Group has initially applied IFRS 9 and IFRS 15 from 1 April 2018. A number of other new standards are also effective from 1 April 2018 but they do not have a material effect on the Group's financial statements.

Due to the transition methods chosen by the Group in applying IFRS 9 and IFRS 15, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

#### IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

Under the new standard, trade and other receivables and cash and cash equivalents are classified as financial assets measured at amortised cost, rather than loans and receivables as per IAS 39.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model, causing credit losses to be recognised earlier. The new ECL, as outlined in Note 3.8.7, has been applied in calculating the provision for doubtful debts and the recoverability of related party transactions. The cumulative impact on adoption of this standard has not been significant.

As a result of the adoption of IFRS 9, there have been consequential amendments to IAS 1, which require impairment losses on financial assets to be presented in a separate line item in the statement of profit or loss and OCI where material. As impairment losses on trade receivables and contract assets are not material, they have not been presented separately.

The Group has elected to adopt the new general hedge accounting model in IFRS. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. For details of the Group's accounting policy, see Note 3.8.3.

All hedging relationships designated under IAS 39 at 31 March 2018 met the criteria for hedge accounting under IFRS 9 at 1 April 2018 and are therefore regarded as continuing hedging relationships.

## Notes (continued)

### 2 Changes in significant accounting policies (continued)

#### IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services, which requires judgement.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of applying the standard as at 1 April 2018. Accordingly, the information presented for the prior has not been restated, although had it been restated there would not have been any significant difference.

A portfolio-based contract review has been performed to assess the impact of IFRS 15, with no changes to existing revenue recognition methods being required. Consequentially there is no impact on timing or amount of revenue recognised on adoption of the new standard. The Group's accounting policies for its revenue streams are disclosed in Note 3.10.

#### Standards issued but not yet effective

Of the standards that are issued but not yet effective, IFRS 16 (Leases) is the only one expected to have a material impact on the Group's financial statements in the period of initial application.

In preparation for the adoption of IFRS 16 in the financial statements for the year ending 31 March 2020, management has undertaken a detailed review of all lease arrangements. The approximate impact on the balance sheet as at 1 April 2019 will be an increase in the net book value of leased assets included within Property, Plant and Equipment of £371,000, an increase in finance lease creditor of £374,000 and a charge to retained earnings of £2,000. The approximate profit and loss impact is expected to be a reduction in operating costs of £99,000, an increase in depreciation of £94,000 and an increase in finance charges of £6,000.

### 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 Financial Reporting Standards (IFRS), as adopted by the European Union. 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 2019.

## 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 2019 the Group was funded by a fully drawn down £50,000,000 term loan and an undrawn £5,000,000 revolving credit facility, both provided by Standard Chartered Bank and secured by fixed and floating charges over the assets of the 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 2021.

The Company acts as an intermediate holding company and is not expected to incur any expenditure. Accordingly the Company does not have day-to-day funding requirements.

The directors have prepared forecasts of the Group's profitability and cash generation for the 12 months from the date of the Auditor's Report (the "forecasts"). These take into account the sensitivity of business performance to reasonably possible changes in market conditions and as a result of the current economic climate. These forecasts indicate that the Group's facilities should be sufficient to meet its liabilities as they fall due for payment during the period and that the Group will remain within financial covenants.

After reviewing the forecasts, the directors have formed a judgment, at the time of approving the financial statements, that there is a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

## Notes (continued)

### 3 Significant accounting policies (continued)

#### 3.4 Business combinations and goodwill

The Group accounts for business combinations using the acquisition method when controlled 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 IAS 39 either in the profit and loss account or as a change to other comprehensive income.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. 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

At the balance sheet date the Group was a participant in the European Union Emissions Trading Scheme ("EUETS"), administered in the UK by the Environment Agency.

Under normal conditions, in 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)

The process for issuing free allowances to UK companies has been suspended, pending confirmation of the terms of the UK exit from the EU. As a consequence, no free allowances for calendar year 2019 were issued prior to the balance sheet date. As the Group continues to be a participant in EUETS, the year-end provision for carbon emissions has been calculated based on the assumption that free allowances in respect of the 2019 calendar year will be received in due course.

#### 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
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The estimated useful life and amortisation method are reviewed at the end of each reporting period, 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 their revalued amounts, being the fair value at the date of revaluation, 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
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Plant and equipment	2 to 35 years
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The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

## Notes (continued)

### 3 Significant accounting policies (continued)

#### 3.7 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.

## Notes (continued)

### 3 Significant accounting policies (continued)

#### 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.

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.



## Notes (continued)

### 3 Significant accounting policies (continued)

#### 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.

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 and at an amount to which the Group expects to be entitled. 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.

## Notes (continued)

### 3 Significant accounting policies (continued)

#### 3.10 Revenue (continued)

##### Interest revenue

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

#### 3.11 Operating profit

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

#### 3.12 Taxation

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

##### Current tax

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

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

##### Deferred tax

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

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

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

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

## Notes (continued)

### 3 Significant accounting policies (continued)

#### 3.12 Taxation (continued)

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

Deferred tax assets and 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.

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 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.

## Notes (continued)

### 3 Significant accounting policies (continued)

#### 3.14 Foreign currency (continued)

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.

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.

#### 3.16 Leases where the Group is lessee

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

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised in finance costs in the profit and loss account.

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

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

## Notes (continued)

### 3 Significant accounting policies (continued)

#### 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.

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.

### 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 rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

## Notes (continued)

### 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. 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 27.

#### 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.

#### EUETS and Brexit

The lack of clarity surrounding the terms of the UK exit from the EU has created a climate of ongoing economic uncertainty, but with one exception this has not had a material impact. At the balance sheet date the Group was a participant in the European Union Emissions Trading Scheme ("EUETS"), administered in the UK by the Environment Agency. Under normal conditions, in 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. The process for issuing free allowances to UK companies has been suspended, pending confirmation of the terms of the UK exit from the EU. As a consequence, no free allowances for calendar year 2019 were issued prior to the balance sheet date. As the Group continues to be a participant in EUETS, the year-end provision for carbon emissions has been calculated based on the assumption that free allowances in respect of the 2019 calendar year will be received in due course.

## Notes (continued)

### 5 Revenue – Group

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

	<b>2019</b>	2018
	<b>£000</b>	£000
United Kingdom	<b>30,538</b>	30,651
Europe	<b>6,576</b>	6,726
Rest of World	<b>872</b>	829
	<b>37,986</b>	38,206

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

### 6 Other operating income – Group

	<b>2019</b>	2018
	<b>£000</b>	£000
Property income	<b>120</b>	97

### 7 Profit on ordinary activities before taxation – Group

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

	Note	<b>2019</b>	2018
		<b>£000</b>	£000
Staff costs	10	<b>(4,336)</b>	(4,174)
Depreciation of property, plant and equipment	18	<b>(3,449)</b>	(3,266)
Amortisation of intangibles	17	<b>(82)</b>	(81)
Cost of stock recognised as an expense		<b>(9,804)</b>	(9,623)
Impairment of stock recognised as an expense		<b>29</b>	30
Net foreign exchange gain		<b>47</b>	15
Operating lease rentals		<b>(162)</b>	(145)

## Notes (continued)

### 8 Exceptional operating items - Group

	Note	2019 £000	2018 £000
EUETS		(585)	-
Past service costs on pension schemes	27	(200)	-
		(785)	-
		(785)	-

As described in Note 4, the Group's participation in the EU Emissions Trading Scheme has been affected significantly by the ongoing and inconclusive Brexit process. On 4 March 2019 the Group complied with UK and EU legislation by surrendering carbon allowances in full in respect of the 2018 calendar year. The absence of free allowances for calendar year 2019 and the advanced, Brexit-related timetable for surrendering allowances resulted in an additional, exceptional charge for the year.

Following a High Court ruling in October 2018, defined benefit pension schemes are required to address any inequalities in guaranteed minimum pensions payable to male and female scheme members. The judgement applies to guaranteed minimum pensions earned between May 1990 and April 1997 and the charge for the year represents the Group's best estimate of the likely impact.

### 9 Auditor's remuneration - Group

The analysis of auditor's remuneration is as follows:

	2019 £000	2018 £000
Fees payable to the Group's auditor for the audit of the Group and Company's financial statements, including its subsidiaries	(40)	(29)
	(40)	(29)
	(40)	(29)

No remuneration has been paid in relation to non-audit services (2018: £nil).



## Notes (continued)

### 10 Staff numbers and costs – Group

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

	2019 Number	2018 Number
Production and operations	92	94
Distribution and sales	1	1
Administration	7	7
	<u>100</u>	<u>102</u>

The aggregate remuneration comprised:

	2019 £000	2018 £000
Wages and salaries	(4,018)	(3,957)
Social security costs	(399)	(411)
Other pension costs	(265)	(281)
Less: capitalised as additions to fixed assets	346	475
	<u>(4,336)</u>	<u>(4,174)</u>

### Director's remuneration

No director received any remuneration for services to the Group during the year (2018: £nil).

### 11 Finance income – Group

	Note	2019 £000	2018 £000
Bank interest receivable		5	1
Interest income on pension scheme assets	27	807	795
Interest expense on pension scheme assets	27	(669)	(685)
Interest receivable from related parties	34	-	1,322
		<u>143</u>	<u>1,433</u>

## Notes (continued)

### 12 Finance costs – Group

	Note	2019 £000	2018 £000
Interest on borrowings		(1,066)	(38)
Interest payable to related parties	34	-	(2)
Amortisation of deferred finance costs		(178)	(7)
Other interest payable		-	(34)
		<u>(1,244)</u>	<u>(81)</u>

### 13 Components of other comprehensive income

	2019 £000	2018 £000
<b>Cash flow hedges:</b>		
Gains/(losses) arising on currency forward contracts	4	-
Reclassification adjustments for (losses)/gains included in profit or loss	-	-
	<u>4</u>	<u>-</u>

### 14 Tax – Group

	2019 £000	2018 £000
<b><u>Amount recognised in consolidated profit or loss</u></b>		
Current tax expense	(397)	(1,219)
Deferred tax: Origination and reversal of temporary differences	-	(178)
	<u>(397)</u>	<u>(1,397)</u>

## Notes (continued)

### 14 Tax – Group (continued)

#### Amounts recognised in consolidated other comprehensive income

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>Items that will be reclassified subsequently to profit or loss</b>		
Tax effect of cash flow hedge changes in fair value	-	-
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Tax effect of remeasurements on defined benefit pension schemes	-	239
	<hr/>	<hr/>
<b>Tax income reported in other comprehensive income</b>	<b>-</b>	<b>239</b>
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Profit before tax	<b>2,380</b>	9,202
Tax on profit on ordinary activities at the average UK corporation tax rate for the period 19% (2018: 19%)	<b>(452)</b>	(1,748)
Tax effects of:		
(Expenses not deductible)/income not taxable for tax purposes	<b>(2)</b>	(1)
Group relief received at nil charge	<b>12</b>	2,388
Group relief charged and paid	<b>1,123</b>	(1,219)
Group relief charged and paid – prior year	<b>(397)</b>	-
Other temporary differences	<b>(681)</b>	(817)
	<hr/>	<hr/>
<b>Total tax (charge)/credit</b>	<b>(397)</b>	<b>(1,397)</b>
	<hr/> <hr/>	<hr/> <hr/>

## Notes (continued)

### 14 Tax – Group (continued)

The standard rate of corporation tax applied to reported profit is 19% (2018: 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% until 31 March 2020 and 17% from 1 April 2020. The net deferred tax liability has been calculated on the basis of a rate of 17% since temporary differences are generally expected to reverse after 1 April 2020.

A potential deferred tax asset of £716,000 (2018: £690,000) for decelerated capital allowances, and non-cash elements of provisions, and a potential deferred tax liability of £759,000 (2018: £878,000) for non-cash differences on pension provision, have not been recognised because there is no certainty that the amounts will crystallise in the foreseeable future.

### 15 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 (2018: £111,643,000). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent Company.

### 16 Goodwill - Group

	<b>£000</b>
<b>Deemed cost</b>	
At 1 April 2018 and 31 March 2019	<b>14,285</b>
	<hr style="width: 100%;"/>

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 value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, revenue growth rates, operating margins and capital expenditure. The discount rate used is in line with that used by Tata Chemicals Limited, the ultimate parent company, based on the weighted average cost of capital for forecast purposes. It is anticipated that sales volumes will remain at a similar level to the current year and there will be no significant changes in selling prices or costs. The rate used to discount the forecast cash flows is 7.75% (2018: same). Sensitivity analysis on the discount rate has been performed and the Company does not expect a 1% increase or decrease in discount rate to have a material impact on the impairment review.

## Notes (continued)

### 17 Intangible assets – Group

	EUETS Allowances £000	Mineral rights £000	Total £000
<b>Deemed cost</b>			
At 1 April 2018	223	11,938	12,161
Surrendered during the year	(223)	-	(223)
	<hr/>	<hr/>	<hr/>
<b>At 31 March 2019</b>	<b>-</b>	<b>11,938</b>	<b>11,938</b>
<b>Amortisation</b>			
At 1 April 2018	-	(1,526)	(1,526)
Charge for the year	-	(82)	(82)
	<hr/>	<hr/>	<hr/>
<b>At 31 March 2019</b>	<b>-</b>	<b>(1,608)</b>	<b>(1,608)</b>
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
<b>At 31 March 2019</b>	<b>-</b>	<b>10,330</b>	<b>10,330</b>
	<hr/>	<hr/>	<hr/>
At 31 March 2018	223	10,412	10,635
	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 18 Property, plant and equipment - Group

	Freehold land and buildings	Plant and equipment	Assets under construction	Total
	£000	£000	£000	£000
<b>Cost</b>				
At 1 April 2018	30,109	51,057	3,830	84,996
Additions	-	1,453	5,139	6,592
Disposals	-	(392)	-	(392)
Transfers	-	3,647	(3,647)	-
<b>At 31 March 2019</b>	<b>30,109</b>	<b>55,765</b>	<b>5,322</b>	<b>91,196</b>
<b>Accumulated depreciation</b>				
At 1 April 2018	(14,329)	(37,612)	(74)	(52,015)
Charge for the year	(334)	(3,115)	-	(3,449)
Eliminated on disposal	-	353	-	353
Transfers	-	(74)	74	-
<b>At 31 March 2019</b>	<b>(14,663)</b>	<b>(40,448)</b>	<b>-</b>	<b>(55,111)</b>
<b>Net book value</b>				
<b>At 31 March 2019</b>	<b>15,446</b>	<b>15,317</b>	<b>5,322</b>	<b>36,085</b>
At 31 March 2018	15,780	13,445	3,756	32,981

Freehold land amounting to £6,065,000 (2018: £6,065,000) has not been depreciated.

All property, plant and equipment is subject to a fixed charge as described in Note 26.

At 31 March 2019 the Group had commitments of £4,340,000 (2018: £829,000) relating to the purchase of property, plant and equipment.

## Notes (continued)

### 19 Investment in joint venture – Group

The Group holds 50% (2018: 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 is Hipley Street, Old Woking, Woking, Surrey, GU22 9LQ.

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.

	<b>2019</b>	2018
	<b>£000</b>	£000
Non-current assets	<b>204</b>	23
Current assets	<b>263</b>	397
Current liabilities	<b>(165)</b>	(147)
	<hr/>	<hr/>
<b>Carrying amount of the investment</b>	<b>302</b>	273
	<hr/> <hr/>	<hr/> <hr/>

The share of operating profit of the joint venture for the year ended 31 March 2019 was £29,000 (2018: £2,000 loss).

### 20 Inventories - Group

	<b>2019</b>	2018
	<b>£000</b>	£000
Raw materials and consumables	<b>1,554</b>	2,012
Work in progress	<b>6</b>	4
Finished goods and goods for resale	<b>2,265</b>	2,540
	<hr/>	<hr/>
	<b>3,825</b>	4,556
	<hr/> <hr/>	<hr/> <hr/>

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 26.

### 21 Cash and short-term deposits - Group

	<b>2019</b>	2018
	<b>£000</b>	£000
Cash at bank and in hand	<b>1,000</b>	480
	<hr/> <hr/>	<hr/> <hr/>

## Notes (continued)

### 22 Trade and other receivables – Group

	Note	2019 £000	2018 £000
Trade receivables		5,400	5,334
Allowance for doubtful debts		(6)	(24)
Amounts owed by related parties	32	3,768	429
Amounts due from joint venture	32	140	82
Tax and social security		536	334
Other receivables		148	170
		<u>9,986</u>	<u>6,325</u>

Trade receivables are non-interest bearing and are generally on 30-90 day terms. All customers are credit checked before acceptance. As at 31 March 2019, trade receivables with an invoice value of £6,000 (2018: £24,000) 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 2019	5,400	4,901	431	21	9	8	30
31 March 2018	5,334	4,712	537	48	12	20	5

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 2019	(6)	-	-	-	-	-	(6)
31 March 2018	(24)	-	(5)	(9)	-	(1)	(9)

#### Movement in allowance for doubtful debts

	£000
Balance at 1 April 2018	(24)
Debts written off against allowance	15
Increase in allowances for doubtful debts	3
<b>Balance at 31 March 2019</b>	<b>(6)</b>



## Notes (continued)

### 23 Trade and other payables – Group

	Note	2019 £000	2018 £000
Trade payables		(3,192)	(2,183)
Other creditors		(172)	(157)
Amounts owed to related parties	34	(1,047)	(3,346)
Accruals and deferred income		(2,099)	(1,799)
		<u>(6,510)</u>	<u>(7,485)</u>

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. Trade payables are non-interest bearing and are typically settled 63 days following the end of the month of supply. The terms and conditions relating to related parties are described in Note 34. The directors consider that the carrying value of trade and other payables is approximately equal to the fair value.

### 24 Deferred revenue – Group

	2019 £000	2018 £000
<b>EUETS</b>		
At 1 April	(167)	(206)
Received during the year	-	(223)
Released to profit and loss	167	262
	<u>-</u>	<u>(167)</u>
<b>At 31 March</b>	<u>-</u>	<u>(167)</u>

### 25 Provision for liabilities – Group

	2019 £000	2018 £000
<b>Carbon Emissions</b>		
Balance at 1 April	(342)	(365)
Charged to profit and loss	(278)	(271)
Paid/utilised during the year	553	293
	<u>(67)</u>	<u>(343)</u>
<b>At 31 March</b>	<u>(67)</u>	<u>(343)</u>
Non-current	-	(73)
Current	(67)	(270)
	<u>(67)</u>	<u>(270)</u>

## Notes (continued)

### 25 Provision for liabilities – Group (continued)

The carbon emissions provision recognises the obligation to surrender allowances to the Environment Agency under the European Union Emissions Trading Scheme in respect of the first three months of the 2019 calendar year. The surrender in respect of the 2018 calendar year took place in March 2019. The surrender in respect of the 2019 calendar year is expected to take place in April 2020.

### 26 Other current and non-current financial assets and liabilities - Group

#### a) Other financial assets

Financial instruments at fair value through profit or loss	2019 £000	2018 £000
Cash flow hedges:		
Gas contracts for difference	378	3,093
Foreign exchange forward contracts	4	-
	<hr/>	<hr/>
Total other financial assets	382	3,093
	<hr/> <hr/>	<hr/> <hr/>
<b>Current</b>	<b>267</b>	<b>2,867</b>
<b>Non-current</b>	<b>115</b>	<b>226</b>
	<hr/> <hr/>	<hr/> <hr/>

#### b) Other financial liabilities

Financial instruments at fair value through profit or loss	2019 £000	2018 £000
Cash flow hedges:		
Gas contracts for difference	(3,466)	(419)
Foreign exchange forward contracts	-	-
	<hr/>	<hr/>
	(3,466)	(419)
Total other financial liabilities	<hr/> <hr/>	<hr/> <hr/>
<b>Current</b>	<b>(2,570)</b>	<b>-</b>
<b>Non-current</b>	<b>(896)</b>	<b>(419)</b>
	<hr/> <hr/>	<hr/> <hr/>

## Notes (continued)

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

#### Interest-bearing loans and borrowings

	Interest rate %	Maturity	2019 £000	2018 £000
<b>Falling due after one to five years</b>				
Term loan	LIBOR + 1.35	March 2021	<b>(3,000)</b>	(3,000)
Term loan	LIBOR + 1.35	March 2022	<b>(6,000)</b>	(6,000)
Term loan	LIBOR + 1.35	March 2023	<b>(41,000)</b>	(41,000)
Less: unamortised debt issue costs			<b>691</b>	855
			<hr/> <b>(49,309)</b> <hr/>	<hr/> (49,145) <hr/>

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

#### Collateral

The term loan and revolving credit facility have been financed by a group of lenders headed 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, undertaking and assets which are not effectively mortgaged.

#### c) Hedging activities and derivatives

##### Hedging activities where the Group is not the ultimate beneficiary

The Group is counterparty to natural gas contracts for difference which were entered into to enable a fellow group undertaking, Winnington CHP Limited, to conduct its hedging activities. Any gains and losses are immediately recharged to Winnington CHP Limited. The financial assets and liabilities in respect of these contracts are matched by equivalent amounts payable to or receivable from Winnington CHP Limited.

#### Cash flow hedges

At 31 March 2019, the Group held foreign currency forward contracts, designated as hedges of expected Euro net cash receipts for which the Group has highly probable forecast transactions. The terms of the foreign currency forward contracts match the terms of the hedged items. The hedged net Euro cash inflows are expected to occur within 16 months. There were no highly probable transactions for which hedge accounting has been claimed that have not occurred and no significant element of hedge ineffectiveness requiring recognition in the profit and loss account. The carrying value as at 31 March 2019 was an asset of £378,000 (2018: £nil) and a liability of £3,466,000 (2018: £nil).

## Notes (continued)

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

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

	Average rate		Notional value	
	2019	2018	2019 £000	2018 £000
Sell Euros	1.1386	-	1,054	-
Buy United States Dollars	-	-	-	-

#### d) Fair value measurement

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

#### e) Sensitivity analysis

##### Foreign exchange forward contracts

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

### 27 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:

	2019 £000	2018 £000
Employer contributions	301	281

At 31 March 2019, contributions of £26,000 (2018:£30,000) due in respect of the current reporting period but not paid over to the scheme.

## Notes (continued)

### 27 Retirement benefit schemes – Group (continued)

#### b) Defined benefit scheme

The Group also 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.

#### Risks

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

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

## Notes (continued)

### 27 Retirement benefit schemes – Group (continued)

#### b) Defined benefit scheme (continued)

These risks are mitigated by:

- Taking advice from independent qualified actuaries and other professional advisers
- Monitoring of changes in the funding position, with reparatory action where appropriate
- Investment policies which include a high degree of hedging against changes in liabilities
- Caps on inflationary increases to protect the scheme against extreme inflation

The amounts recognised in profit or loss are as follows:

	2019 £000	2018 £000
Net interest costs:		
- Interest cost on defined benefit obligation	(669)	685
- Interest income on plan assets	807	795
Administrative expense	(70)	(70)
Past service costs (Note 8)	(200)	-
	(132)	40
	(132)	40

The amounts recognised in other comprehensive income are as follows:

	2019 £000	2018 £000
Actuarial gain/(loss) arising from:		
- Changes in demographic assumptions	-	(169)
- Changes in financial assumptions	(1,321)	1,236
Return on plan assets (excluding interest income)	568	(507)
	(753)	560
	(753)	560

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

	2019 £000	2018 £000
At 1 April	30,985	32,220
Interest income	807	795
Employer contributions	185	240
Benefits paid	(1,150)	(1,693)
Administrative expenses paid from plan assets	(70)	(84)
Remeasurements gain/(loss):		
- Return on plan assets (excluding interest income)	568	3,293
	31,325	30,985
<b>At 31 March</b>	<b>31,325</b>	<b>30,985</b>

## Notes (continued)

### 27 Retirement benefit schemes – Group (continued)

#### b) Defined benefit scheme (continued)

Movements in the defined benefit obligations are as follows:

	<b>2019</b>	2018
	<b>£000</b>	£000
At 1 April	<b>(25,821)</b>	(27,896)
Past service costs	<b>(200)</b>	-
Interest cost	<b>(669)</b>	(685)
Benefits paid	<b>1,150</b>	1,693
Remeasurements (gains)/losses arising from:		
- Changes in demographic assumptions	-	(169)
- Changes in financial assumptions	<b>(1,321)</b>	1,236
	<hr/>	<hr/>
<b>At 31 March</b>	<b>(26,861)</b>	(25,821)
	<hr/> <hr/>	<hr/> <hr/>

The details of plan assets and liabilities are as follows:

	<b>2019</b>	2018
	<b>£000</b>	£000
Cash and cash equivalents	<b>47</b>	107
Debt instructions (excluding LDI)	<b>24,320</b>	24,548
LDI instruments*	<b>6,958</b>	6,330
	<hr/>	<hr/>
Total fair value of assets	<b>31,325</b>	30,985
Defined benefit obligation	<b>(26,861)</b>	(25,821)
	<hr/>	<hr/>
Net pension asset recognised in the balance sheet	<b>4,464</b>	5,164
	<hr/> <hr/>	<hr/> <hr/>

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

All of the scheme assets have a quoted market price in an active market.

	<b>2019</b>	2018
	<b>£000</b>	£000
Actual return on plan assets	<b>1,375</b>	288
	<hr/> <hr/>	<hr/> <hr/>

## Notes (continued)

### 27 Retirement benefit schemes – Group (continued)

#### b) Defined benefit scheme (continued)

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 2016, and the Group expects to pay contributions of £180,000 over the year to 31 March 2020.

The weighted average duration of the defined benefit obligation of the scheme at 31 March 2019 and expected benefit payments in future years are as follows:

Weighted average duration (in years)	16
Expected total benefit payments	<b>£000</b>
Year 1	953
Year 2	974
Year 3	996
Year 4	1,019
Year 5	1,042
Next 5 years	5,574

The actuarial reports used for these financial statements, were prepared as at 31 March 2019 by a qualified independent actuary. The significant weighted-average assumptions to determine defined benefit obligations were as follows:

	2019	2018
Discount rate	2.40 %	2.65 %
Rate of price inflation (RPI)	3.15 %	3.00 %
Rate of price inflation (CPI)	2.15 %	2.00 %
Rate of pension increases (LPI 5%)	3.00 %	2.90 %
Rate of pension increases (CPI)	2.15 %	2.00 %

Assumed life expectancy on retirement age at 65:

	2019	2018
	Years	Years
Member retiring today (age 65)		
Male	22.7	22.6
Female	25.1	25.0
Member retiring in 25 years (age 40)		
Male	24.6	24.5
Female	27.2	27.1



## Notes (continued)

### 27 Retirement benefit schemes – Group (continued)

#### b) Defined benefit scheme (continued)

##### Sensitivity analysis

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

##### Present value of defined benefit obligations

	2019	2018
	£000	£000
Discount rate – 25 basis points	(27,977)	(26,981)
Discount rate + 25 basis points	(25,810)	(24,815)
Price inflation rate – 25 basis points	(26,209)	(25,196)
Price inflation rate +25 basis points	(27,541)	(26,390)
Post-retirement life expectancy + 1 year	(27,818)	(26,686)
Post-retirement life expectancy -1 year	(25,912)	(24,960)

### 28 Called-up share capital - Group

	2019	2018
	£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.

### 29 Share premium account - Group

	£000
Premium arising on issue of equity shares	
Balance at 1 April 2018 and 31 March 2019	178

### 30 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.

## Notes (continued)

### 31 Reconciliation of profit before tax to operating cash flows - Group

	2019	2018
	£000	£000
Profit before tax	2,380	9,202
Finance income	(143)	(1,433)
Finance expenses	1,244	81
	3,481	7,850
Operating profit	3,481	7,850
Depreciation of property, plant and equipment	3,489	3,266
Amortisation of intangible assets	82	81
Other non-cash item: past service costs on pension schemes	200	-
Share of profit in joint venture	(29)	2
	7,223	11,199
Operating cash flows before movement in working capital	7,223	11,199
Decrease/(increase) in inventories	731	(161)
Increase in trade, other receivables and prepayments	(145)	(5,839)
Increase in trade and other payables	418	716
Movement in EUETS intangible assets	223	69
Decrease in provisions	(276)	(22)
	8,174	5,962
Net cash generated from operating activities	8,174	5,962

### 32 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 2018.

#### 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.

## Notes (continued)

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

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

#### Foreign currency risk

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

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

	Euro		United States Dollar	
	2019 £000	2018 £000	2019 £000	2018 £000
Assets	1,157	1,389	241	71
Liabilities	(492)	(298)	-	-

Where appropriate, the Group manages its foreign currency risk by hedging forecast cash flows using forward contracts as described in Note 26(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 debt factoring. Bank loan agreements were renewed in March 2018 and have a term of 5 years.

#### Credit risk

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

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.

## Notes (continued)

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

#### 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.

### 33 Operating lease arrangements - Group

#### Operating lease commitments – Group as lessee

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

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

	<b>2019</b>	2018
	<b>£000</b>	£000
Within one year	<b>(146)</b>	(132)
After one year but not more than five years	<b>(291)</b>	(37)
	<hr/> <b>(437)</b> <hr/>	<hr/> (169) <hr/>

## Notes (continued)

### 34 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:

<b>Trading transactions</b>		<b>Sales to related parties £000</b>	<b>Purchases from related parties £000</b>	<b>Amounts owed by related parties £000</b>	<b>Amounts owed to related parties £000</b>
Joint venture in which the Group was a venturer:					
The Block Salt Company Limited	<b>2019</b>	<b>719</b>	-	<b>73</b>	-
	2018	713	-	68	-
Companies which were part of the wider Tata Chemicals Limited group:					
Tata Chemicals Europe Limited	<b>2019</b>	-	<b>(1,179)</b>	-	<b>(102)</b>
	2018	-	(1,178)	-	(123)
Tata Chemicals Limited	<b>2019</b>	<b>45</b>	-	<b>35</b>	-
	2018	89	-	10	-
<b>Loans to related parties</b>			<b>Interest charged to related parties £000</b>	<b>Amounts owed by related parties £000</b>	
Companies which were part of the wider Tata Chemicals Limited group:					
Tata Chemicals Europe Limited	<b>2019</b>		-	-	
	2018		386	-	
Winnington CHP Limited	<b>2019</b>		-	-	
	2018		342	-	
Natrium Holdings Limited	<b>2019</b>		-	-	
	2018		594	-	
<b>Loans from related parties</b>			<b>Interest charged by related parties £000</b>	<b>Amounts owed to related parties £000</b>	
Companies which were part of the wider Tata Chemicals Limited group:					
Natrium Holdings Limited	<b>2019</b>		-	-	
	2018		(1)	-	

## Notes (continued)

### 34 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	2019	4,513	(8,793)	-	(562)
	2018	-	(6,216)	-	(130)
Tata Chemicals Europe Holdings Limited	2019	-	-	-	-
	2018	-	(523)	-	-
Winnington CHP Limited – operating costs	2019	5,291	(5)	-	(5)
	2018	-	-	-	-
Winnington CHP Limited – contracts for difference	2019	3,738	(7,612)	3,733	(378)
	2018	-	-	419	(3,093)
Joint venture in which the Group was a venturer:					
The Block Salt Company Limited	2019	301	-	67	-
	2018	176	-	14	-

### 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 2019, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2018: £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.

### 35 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 2019 was Tata Chemicals Limited, a company incorporated in India. The smallest 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	2019 £000	2018 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments	37	400	400
<b>Current assets</b>			
Trade and other receivables	38	2	2
<b>Total assets and net assets</b>		<b>402</b>	<b>402</b>
<b>Equity</b>			
Share capital	39	140	140
Capital redemption reserve	41	28	28
Share premium	40	178	178
Retained earnings	41	56	56
<b>Total equity and liabilities</b>		<b>402</b>	<b>402</b>

The Notes on pages 55 to 57 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 15 May 2019 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 2017	140	178	28	(344)	2
Profit for the year	-	-	-	(111,643)	(111,643)
Other comprehensive income for the year	-	-	-	-	-
Dividends paid	-	-	-	111,243	111,243
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(400)</b>	<b>(400)</b>
Balance at 31 March 2018	<b>140</b>	<b>178</b>	<b>28</b>	<b>56</b>	<b>402</b>
Profit for the year	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 31 March 2019</b>	<b>140</b>	<b>178</b>	<b>28</b>	<b>56</b>	<b>402</b>

The Notes on pages 55 to 57 form an integral part of these financial statements.



## Notes to 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 Company's forecast for the next five years and do not include restructuring activities to which the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount 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
<b>Cost and net book value</b>	
At 31 March 2018 and at 31 March 2019	400

The Company's subsidiary undertakings at 31 March 2019 are set out below:

	Country of incorporation	Principal activity	% of share capital held
Cheshire Salt Limited	England	Holding company	100
British Salt Limited	England	Manufacture and sale of salt	100*
Cheshire Cavity Storage 2 Limited	England	Dormant	100*
Cheshire Compressor Limited	England	Dormant	100*
Irish Feeds Limited**	England	Dormant	100*
New Cheshire Salt Works Limited	England	Holding company	100*

\* Indirect shareholding

## Notes (continued)

### 37 Investments – Company (continued)

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

### 38 Trade and other receivables - Company

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Amounts owed by Group undertakings (Note 42)	<b>2</b>	<b>2</b>
	<u>          </u>	<u>          </u>

### 39 Called-up share capital – Company

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

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Authorised, issued and fully paid 13,964,137 ordinary shares of 1p each	<b>140</b>	<b>140</b>
	<u>          </u>	<u>          </u>

### 40 Share premium account – Company

Premium arising on issue of equity shares		<b>£000</b>
Balance at 1 April 2018 and 31 March 2019		<b>178</b>
		<u>          </u>

### 41 Reserves – Company

Retained losses 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

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

Trading transactions		Amounts owed by related parties £000	Amounts owed to related parties £000
Companies which were part of the Cheshire Salt Holdings Limited group:			
Cheshire Salt Limited	<b>2019</b>	2	-
	2018	2	-

### Terms and conditions of transactions with related parties

Outstanding trading balances at the year-end are unsecured and will be settled in cash. For the year ended 31 March 2019 the Company has not recorded any impairment of receivables relating to amounts owed by the related parties (2018: £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 26(b). At 31 March 2019 the amount guaranteed was £50,000,000 (2018: £50,000,000).