

Cleveland Potash Limited

Annual report and financial statements

Registered number 00915392

31 December 2013



Contents

Strategic report	1
Directors' report	3
Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements	5
<i>Independent auditor's report to the members of Cleveland Potash Limited</i>	6
Profit and Loss Account and Other Comprehensive Income	8
Balance Sheet	9
Statement of Changes in Equity	10
Notes	11

Strategic report

The directors present their Strategic Report for the year ended 31 December 2013.

Principal activities

The principal activity of Cleveland Potash Limited is the mining, processing and selling of the fertiliser potash and road salt. The company has also commenced the commercial mining of polyhalite, a complex salt of potassium, magnesium and calcium sulphate located 150 metres below the existing mine workings. In its crushed and screened form, the polyhalite is being sold under the brand name "Polysulphate".

Review of the business and future developments

The loss for the year after taxation was £190,820,000 (2012: *profit of £12,040,000*) which included an impairment charge of £199,965,000 (2012: *£nil*). The underlying result before exceptional items was a profit of £9,145,000 (2012: *£12,040,000*). The Company's accounting policy for impairment reviews is disclosed in note 1 to the accounts.

The company has an investment in a fellow ICL subsidiary, ICL Iberia Limited SCS, based in Spain. The fall in world wide potash prices has led to a decrease in the estimated value in use of ICL Iberia Limited SCS and therefore an impairment provision has been booked in 2013. ICL is committed to significant investment in the Spanish operations over the next few years. The impairment provision booked in 2013 is reversible in future periods if conditions change.

The company remains committed to the ongoing operation at Boulby Mine. Following the increase in staffing levels and the arrival of new production machinery both the potash ore hoist and the potash finished product increased significantly compared to the previous years.

Potash revenues increased through more tonnes sold however this was offset by the reduction of the potash price. Potash prices were affected in the middle of the year after the Uralkali announcement of the cartel breakup and selling fertilizer at lower prices.

Potash sales volumes increased compared to the previous year with the largest share sold to customers in the United Kingdom and the rest of the European Union. There were also significant volumes of deep sea exports which were sourced by other Group Companies.

Demand for domestic road de-icing salt was again very high, with the winter of 2012/13 being very cold (as were the previous three winters). To meet this exceptional demand from its customers, the Company again sourced product from its subsidiary's mine in Spain.

Polysulphate sales doubled compared to the previous year with the Company now mining the mineral on a commercial basis and developing the new market. Capital investments are planned in 2014 to increase the tonnage.

The extensive capital expenditure programme continued in 2013 with the arrival of one continuous miner, the completion of the 2006 bunker and other capital intensive projects in the mine and on the surface plant. In addition orders were placed for two more continuous miners, new roof bolters and more production mining machinery which will be arriving in 2014.

The performance in the last quarter of the year was disrupted by several incidents which affected the hoist. Early in the quarter the rockshaft winder transformer broke down restricting the hoist volume, the replacement transformer took several months to source and install. Further time was lost with an underground roof fall which required a more stringent roof bolting regime and more roof support work. These problems have now been overcome and should not restrict the performance in 2014.

Potash prices are not expected to increase much over the near future which will result in lower operating profits for the company.

The capital investment programme will continue in 2014 and the Company is seeking an investment to increase the production capacity of the new mineral polyhalite with the build of a crushing and screening facility at Boulby Mine. The Company has been successful in obtaining a Government grant of £4.9m in 2014 towards the investment.

Strategic report *(continued)*

Key performance indicators

Key performance indicators (KPIs) for the business in the current and preceding year are:

	2013 £000	2012 £000
Revenue (£000)	193,690	162,139
Gross Margin %	15.2%	15.4%
Stocks (£000)	19,228	19,272

Principal risks and uncertainties

The principal risks and uncertainties affecting the Company are primarily those associated with a deep mine operation, where difficult geological conditions may be encountered. In addition, as the Company supplies a commodity product which is traded on the World markets its profitability is affected by Global macro-economic factors, including demand for food.

By order of the board

HD Clark
Director



30 September 2014

Directors' report

The directors present their report and financial statements for the year ended 31 December 2013.

Research and development

Underground exploration continued from the previous year with the aim to develop mineral resources and increase reserves. For the second year running the exploration drilling exceeded 100,000m and the Company commenced mining in the 2001 area four months ahead of plan. Approval was given for the expenditure on the salt driveage towards crossing the 2nd North Vault for further exploration in that specific area.

The Company's research and development work into polyhalite processing options continued, specifically investigating crushing and screening techniques, granulation, compaction and market research.

Financial instruments

The Company makes and receives payments in foreign currencies, primarily Euros and US Dollars. It is Company policy to take hedging cover to protect the sterling equivalent of these transactions.

It is Company policy to cover sales transactions (excepting those to UK Government bodies) with credit insurance.

Cash balances are managed on a Group basis.

Dividends

No dividends were paid during the year (2012: £nil).

Directors

The directors who held office during the year and subsequently were as follows:

R Shushan (Chairman)	(resigned 20 June 2014)
P Baines	
JA Borrowdale	(resigned 8 April 2013)
HD Clark	
S Degen	
R Marx	

Employees

The Company is an equal opportunity employer and opposes all forms of discrimination. It is Company policy that no employee, trainee or job applicant is discriminated against on any grounds including sex, race, colour, religious beliefs, ethnic or national origin, sexual orientation, disability or age.

Over many years the Company has introduced, developed and maintained various methods of communication aimed at achieving greater employee involvement and awareness. Regular consultative meetings are held on business and financial performance as well as general matters including safety and health, employment conditions and pensions.

The Company actively encourages and promotes the development of its employees through education and training. An apprentice training scheme is operated with 26 apprentices in training at the end of the year.

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2012: nil).

Directors' report *(continued)*

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



HD Clark
Director

Boulby Mine
Loftus
Saltburn
TS13 4UZ

30 September 2014

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

Independent auditor's report to the members of Cleveland Potash Limited

We have audited the financial statements of Cleveland Potash Limited for the year ended 31 December 2013 set out on pages 8 to 36. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Acceptable Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities 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. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of Cleveland Potash Limited *(continued)*

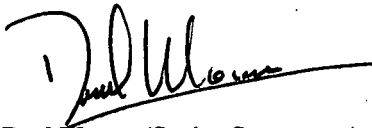
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Paul Moran (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

30 September 2014

Profit and Loss Account and Other Comprehensive Income

for year ended 31 December 2013

	Note	Pre-exceptional charge 2013 £000	Exceptional charge 2013 £000	Total 2013 £000	Total 2012 (restated) £000
Turnover	1,2	193,690	-	193,690	162,139
Cost of sales		(164,264)	-	(164,264)	(137,156)
Gross profit		29,426	-	29,426	24,983
Distribution costs		(16,287)	-	(16,287)	(12,400)
Administrative expenses		(8,526)	-	(8,526)	(4,353)
Other operating expenses	3	(104)	-	(104)	(371)
Operating profit	3-5	4,509	-	4,509	7,859
Other interest receivable and similar income	6	19,340	-	19,340	30,662
Interest payable and similar charges	7	(17,932)	-	(17,932)	(28,651)
Amounts written off investments	11	-	(199,965)	(199,965)	-
Profit/(loss) on ordinary activities before taxation		5,917	(199,965)	(194,048)	9,870
Tax	8	3,228	-	3,228	2,170
Profit/(loss) for the financial year		9,145	(199,965)	(190,820)	12,040
Other Comprehensive income					
<i>Items that will not be reclassified to profit or loss:</i>					
Remeasurements on defined benefit pension plans	21			6,530	6,227
Income tax on items that will not be reclassified to the profit and loss	8			(2,610)	(2,426)
Other comprehensive income for the year, net of income tax				3,920	3,801
Total comprehensive (expense)/income for the year				(186,900)	15,841

The notes on pages 11 to 36 form an integral part of the financial statements.

All activities derive from continuing operations.

The 2012 numbers have been restated following the adoption of IAS 19 (Revised) Employee Benefits (note 1).

Balance Sheet
at 31 December 2013

	<i>Note</i>	2013 £000	2012 £000
Fixed assets			
Tangible assets	<i>9</i>	123,831	111,779
Intangible assets	<i>10</i>	129	80
Investments	<i>11</i>	682,495	870,995
		<hr/> 806,455	<hr/> 982,854
Current assets			
Stocks	<i>13</i>	19,228	19,272
Debtors	<i>12</i>	53,881	59,039
Cash at bank and in hand		640	480
		<hr/> 73,749	<hr/> 78,791
Creditors: amounts falling due within one year	<i>16</i>	(26,466)	(22,424)
		<hr/>	<hr/>
Net current assets		47,283	56,367
		<hr/>	<hr/>
Total assets less current liabilities		853,738	1,039,221
Creditors: amounts falling due after more than one year	<i>19</i>	(543,850)	(532,123)
Provisions for liabilities			
Other provisions	<i>20</i>	(6,189)	(8,683)
Pension liability	<i>21</i>	(24,047)	(31,863)
		<hr/>	<hr/>
Net assets		279,652	466,552
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Called up share capital	<i>22</i>	63,385	63,385
Share premium account		328,427	328,427
Profit and loss account		(112,160)	74,740
		<hr/>	<hr/>
Shareholders' funds		279,652	466,552
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 11 to 36 form an integral part of the financial statements.

These financial statements were approved by the board of directors on 30 September 2014 and were signed on its behalf by:

HD Clark
Director



Company registered number: 00915392

Statement of Changes in Equity
for the year ended 31 December 2013

	Called up share capital £000	Share premium £000	Profit and loss account (restated) (note 1) £000	Total equity (restated) (note 1) £000
Balance at 1 January 2012	63,385	328,427	58,899	450,711
Total comprehensive income for the year				
Profit for the financial year (restated, note 1)	-	-	12,040	12,040
Other comprehensive income (restated, note 1)	-	-	3,801	3,801
Total comprehensive income for the year	-	-	15,841	15,841
Balance at 31 December 2012	63,385	328,427	74,740	466,552
Balance at 1 January 2013	63,385	328,427	74,740	466,552
Total comprehensive expense for the year				
Loss for the financial year	-	-	(190,820)	(190,820)
Other comprehensive income (note 21)	-	-	3,920	3,920
Total comprehensive expense for the year	-	-	(186,900)	(186,900)
Balance at 31 December 2013	63,385	328,427	(112,160)	279,652

Notes

(forming part of the financial statements)

1 Accounting policies

Cleveland Potash Limited (the “Company”) is a company incorporated and domiciled in the UK.

The Company’s ultimate parent undertaking, Israel Chemicals Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Israel Chemicals Limited are prepared in accordance with International Financial Reporting Standards and are available to the public on their website at www.icl-group.com.

These financial statements are presented in Great British Pounds, which is the Company’s functional currency, rounded to the nearest thousand.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (“FRS 101”).

In these financial statements, the company has adopted FRS 101 early and for the first time. In the transition to FRS 101 from Adopted IFRS, the Company has made no measurement and recognition adjustments.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Israel Chemicals Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments; and
- The disclosures required by IFRS 7 and IFRS 13 regarding financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value and are not either held as part of trading portfolio or derivatives.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements with the exception of the policy on defined benefit pension schemes which has been amended following the adoption of IAS 19 (Revised).

Notes (continued)

1 Accounting policies (continued)

Change in accounting policy

The Company adopted IAS 19 (Revised) Employee Benefits from 1 January 2013. As a result of IAS 19 (Revised), the Company has changed its accounting policy with respect to the basis for determining the income or expense related to its post-employment defined benefit plans. Under previous IAS 19, interest cost on the defined benefit obligation and an expected return on plan assets were recognised in profit or loss within finance cost and finance income respectively. Under IAS 19 (Revised), these two amounts have been replaced by a single measure called 'net interest' calculated on the net defined benefit liability/(asset). This change affects the difference between actual and expected returns on plan assets, which is recognised in full within the statement of other comprehensive income as part of remeasurements.

As a result of this the profit and loss account and the statement of comprehensive income have been restated for year ended 31 December 2012. There is no change to the net pension liability or to net assets as a result of the implementation of IAS 19 (Revised) and therefore no restatement of the balance sheet is required.

The impact on the profit and loss account is as follows:

	2012		2012
	As originally presented £000	Impact of IAS 19 (Revised) £000	Restated £000
Operating profit	8,260	(401)	7,859
Net finance income	2,011	-	2,011
	<hr/>	<hr/>	<hr/>
Profit on ordinary activities before tax	10,271	(401)	9,870
Tax on profit on ordinary activities	2,078	92	2,170
	<hr/>	<hr/>	<hr/>
Profit for the financial year	12,349	(309)	12,040
	<hr/>	<hr/>	<hr/>

The impact on the statement of comprehensive income is as follows:

	2012		2012
	As originally presented £000	Impact of IAS 19 (Revised) £000	Restated £000
Profit for the financial year	12,349	(309)	12,040
Remeasurement on defined benefit pension plans	5,826	401	6,227
Tax on items taken directly to equity	(2,334)	(92)	(2,426)
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	15,841	-	15,841
	<hr/>	<hr/>	<hr/>

Measurement convention

The financial statements are prepared on the historical cost basis except for derivative financial instruments which are classified as fair value through the profit or loss.

Notes (continued)

1 Accounting policies (continued)

Going concern

The Company meets its day to day working capital requirements through its cash, bank overdraft and other interest bearing loans and borrowings. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company is expected to have a sufficient level of financial resources available through current facilities and therefore the directors believe that the Company is well placed to manage its business risks successfully. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to prepare the financial statements on a going concern basis.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of 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 accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Note 20 – life of mine and provisions

Note 11 – impairment of investments

Note 21 – retirement benefit obligations

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes (continued)

1 Accounting policies (continued)

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Debtors

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. It is Company policy to cover sales transactions (excepting those to UK Government bodies) with credit insurance.

The consideration in respect of trade receivables sold under the Group securitisation agreement is accounted for as a sale of the trade receivable and the related trade receivables are derecognised. Amounts received from customers in respect of sold trade receivables are shown in current payables until such time as the monies are paid over to the provider of the securitisation agreement.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and bank at hand

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement. Cash and cash equivalents comprise cash balances, which are managed on a Group basis.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Property, plant and equipment

Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within the Income Statement.

Notes (continued)

1 Accounting policies (continued)

Property, plant and equipment (continued)

Depreciation

Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Owned land is not depreciated.

Buildings and plant considered to have lives equivalent to the life of the ore body are depreciated over the life of the mine based on a geological assessment of the expected recoverable ore reserves. Other assets are depreciated over periods of 3 - 10 years.

Mine development costs are capitalised and depreciated over the life of the mine (note 9).

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised on the Company's balance sheet.

Government grants

In line with the charges for depreciation, grants in respect of capital expenditure are credited to the profit or loss over the estimated useful working lives of the related assets.

Intangible assets and goodwill

Software costs

Computer software purchased by the Company is stated at cost less amortisation and accumulated losses from impairment.

Exploration costs

Pre-exploration expenditure is recognised as an expense as incurred. Expenditure incurred in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable are capitalised as Intangible assets in accordance with IFRS 6. The company ceases to capitalise exploration and evaluation costs as intangible assets and transfers the assets to tangible fixed assets when management are able to ascertain the technical feasibility and commercial viability of the mineral resource.

Other intangibles

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use.

Notes (continued)

1 Accounting policies (continued)

Stocks

Inventories are stated at the lower of cost and net realisable value. The cost of raw material and finished product inventories are based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. This cost includes an appropriate share of production overheads based on normal operating capacity.

The cost of the consumables inventory is determined according to the "moving average" method.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Impairment

i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Material financial assets are tested for impairment on an individual basis and all impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The reversal is recognised in profit and loss.

ii) Non-financial assets

The carrying amounts of the company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (the cash-generating unit).

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

For investments in subsidiary undertakings, the value in use is based on the present value of the subsidiary undertaking's estimated cash flows.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Notes (continued)

1 Accounting policies (continued)

Employee benefits (continued)

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

An economic benefit is available to the Company if it is realisable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss. The Company recognises all actuarial gains and losses arising from defined benefit plans directly in equity immediately.

All actuarial gains and losses as at 1 January 2008, the date of transition to Adopted IFRSs, were recognised. In respect of actuarial gains and losses that arise subsequent to 1 January 2008 the Company recognises them in the period they occur directly into equity through the statement of comprehensive income.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Reclamation

A provision is made for the eventual reclamation of the company's Boulby site based on the estimated cost at the balance sheet date as discounted in recognition of the estimated future settlement of this obligation. The charges to profit or loss build the provision to the estimated discounted future settlement obligation. The estimated date of settlement is based on a geological estimate of reserves which determines the life of the mine.

Changes in the measurement of the liability that result from changes in the estimated timing or amount of the cash flow, or a change in the discount rate, are added to, or deducted from, the cost of the related asset. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the income statement. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed.

Notes (continued)

1 Accounting policies (continued)

Turnover

Sale of goods

Turnover from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and rebates. Turnover is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Commissions

When the Company acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Company.

Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Financing income and expenses

Financing expenses comprise interest payable, finance charges on finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprises interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Emission rights

Carbon emission allowances are recorded at their acquisition cost. Obligations to deliver allowances are recorded at the average carrying value of the allowances held to meet such obligations. Where the obligation to deliver a number of allowances exceeds the number of allowances held then provision is made at the prevailing market rate. Where surplus allowances are sold the difference between the sale proceeds and the carrying value is taken to profit or loss.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes (continued)

1 Accounting policies (continued)

Taxation (continued)

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2 Turnover

Substantially all turnover arose from the principal activity of the company which is considered to represent only one operating segment.

Geographical analysis of turnover by destination:

	2013 £000	2012 £000
United Kingdom	97,869	87,547
European Union outside UK	68,966	46,462
Rest of World	26,855	28,130
	<u>193,690</u>	<u>162,139</u>

3 Expenses and auditor's remuneration

Included in (loss)/profit are the following:

	2013 £000	2012 £000
Depreciation of tangible fixed assets	11,481	12,243
Amortisation of intangible assets	49	19
Hire of plant and machinery	2,319	2,055
Operating lease charge for land and buildings	949	947
Research and development expensed as incurred	132	285
Foreign exchange loss/(gains)	55	(144)
Loss on disposal of tangible fixed assets	104	371
Impairment of fixed asset investments	199,965	-
	<u>199,965</u>	<u>-</u>

Other operating expenses comprises a loss of £104,000 (2012: £371,000) on disposal of tangible fixed assets.

Auditor's remuneration:

Audit of these financial statements	22	21
Amounts receivable by the auditor and its associates in respect of:		
Audit related assurance services	11	14
Other services relating to taxation	108	67
Other services pursuant to legislation	1	6
	<u>120</u>	<u>88</u>

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2013	2012
Production	877	770
Administration, sales and distribution	124	111
	<u>1,001</u>	<u>881</u>

The aggregate payroll costs of these persons were as follows:

	2013	2012 (restated) (note 1)
	£000	£000
Wages and salaries	45,769	37,078
Social security costs	4,526	3,712
Contributions to defined contribution plans (note 21)	969	671
Expenses related to defined benefit plans (note 21) (restated)	5,001	5,529
	<u>56,265</u>	<u>46,990</u>

5 Directors' remuneration

	2013	2012
	£000	£000
Directors' emoluments	<u>543</u>	<u>484</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £178,237 (2012: £134,970).

	Number of directors 2013	2012
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	<u>2</u>	<u>2</u>
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was	<u>2</u>	<u>2</u>

A number of employees in the company (including 2 (2012:2) directors) were granted share options in the ultimate parent undertaking as part of long term incentive plans. No share based payment charge is included in these financial statements in respect of these share options as the directors consider both the qualitative and quantitative impact of these share based payments to be immaterial in the context of these financial statements. Full details of share options can be found in the financial statements of the ultimate parent undertaking.

Notes (continued)

6 Other interest receivable and similar income

	2013 £000	2012 £000
Interest income on unimpaired financial assets	19,340	30,662

7 Interest payable and similar charges

	2013 £000	2012 £000
Total interest expense on financial liabilities measured at amortised cost	17,185	27,944
Unwind of discount on provisions (note 20)	260	426
Net foreign exchange loss/(gain)	55	(144)
Interest on securitised borrowings	414	406
Bank charges	18	19
Total finance expense	17,932	28,651

8 Taxation

Recognised in the income statement

	2013 £000	2012 (restated) (note 1) £000
Current tax expense		
Current year	-	-
Group relief receivable for the period	(1,162)	(515)
Adjustments for prior years	(2,127)	(822)
Current tax credit	(3,289)	(1,337)
Deferred tax expense		
Origination and reversal of temporary differences	(1,218)	(624)
Adjustment for prior years	1,943	245
Reduction in tax rate	(664)	(454)
Deferred tax expense/(credit)	61	(833)
Tax credit in income statement	(3,228)	(2,170)

Income tax recognised in other comprehensive income

	2013 £000	2012 (restated) (note 1) £000
Actuarial gains and losses on defined benefit pension plans	(2,610)	(2,426)

Notes (continued)

8 Taxation (continued)

Reconciliation of effective tax rate

	2013	2012 (restated) (note 1)
	£000	£000
(Loss)/profit for the year	(190,820)	12,040
Total tax credit	(3,228)	(2,170)
	<hr/>	<hr/>
(Loss)/profit excluding taxation	(194,048)	9,870
Tax using the UK corporation tax rate of 23.25% (2012: 24.5%)	(45,116)	2,418
Other timing differences	(1,218)	(526)
Non-deductible expenses	47,799	3,710
Tax exempt revenues	(3,845)	(6,741)
Over provided in prior years	(184)	(577)
Reduction in tax rate on deferred tax balances	(664)	(454)
	<hr/>	<hr/>
Total tax credit	(3,228)	(2,170)
	<hr/>	<hr/>

Factors affecting the current and total tax charges

A reduction in the UK corporation tax rate from 24% to 23% became effective from 1 April 2013 and further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2013 has been calculated based on the rate substantively enacted at the balance sheet date.

Notes (continued)

9 Tangible fixed assets

	Land and buildings £000	Plant and equipment £000	Mining works £000	Under construction £000	Total £000
Cost					
Balance at 1 January 2013	12,262	184,581	17,995	37,267	252,105
Additions	-	-	-	26,248	26,248
Disposals	(125)	(13,265)	(7,512)	-	(20,902)
Transfers	-	15,676	-	(15,676)	-
Reassessment of reclamation provision (note 20)	-	-	(2,754)	-	(2,754)
Reclassification	-	(20,400)	20,400	-	-
Balance at 31 December 2013	12,137	166,592	28,129	47,839	254,697
Depreciation and impairment					
Balance at 1 January 2013	11,818	110,556	17,952	-	140,326
Depreciation charge for the year	36	11,412	33	-	11,481
Disposals	(125)	(13,161)	(7,512)	-	(20,798)
Reclassification	-	(3,189)	3,189	-	-
Revaluation	-	-	(143)	-	(143)
Balance at 31 December 2013	11,729	105,618	13,519	-	130,866
Net book value					
At 1 January 2013	444	74,025	43	37,267	111,779
At 31 December 2013	408	60,974	14,610	47,839	123,831

During the year, the company undertook a full reassessment of the life of the mine resulting in a £2.8m reduction in the reclamation provision and a corresponding credit to tangible assets in accordance with IFRIC 1.

The cost of fully depreciated assets included above under plant and equipment is £51.6m (2012: £66.2m).

Capital expenditure amounting to £11.0m (2012: £13.0m) has been contracted for but is not provided for in these financial statements. A further £14.3m (2012: £17.7m) has been authorised but not yet contracted for.

Notes (continued)

10 Intangible assets

	Software costs £000	Exploration costs £000	Total £000
Cost			
Balance at 1 January 2013	1,959	-	1,959
Additions	-	98	98
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2013	1,959	98	2,057
	<hr/>	<hr/>	<hr/>
Amortisation and impairment			
Balance at 1 January 2013	1,879	-	1,879
Amortisation for the year	49	-	49
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2013	1,928	-	1,928
	<hr/>	<hr/>	<hr/>
Net book value			
At 1 January 2013	80	-	80
	<hr/>	<hr/>	<hr/>
At 31 December 2013	31	98	129
	<hr/>	<hr/>	<hr/>

Amortisation and impairment charge

The amortisation and impairment charge is recognised in cost of sales in the income statement.

11 Fixed asset investments

The Company has the following investments in subsidiaries:

	Country of incorporation	Class of shares held	Ownership	
			2013	2012
ICL Iberia Limited	UK	Ordinary	100%	100%
ICL Iberia Limited SCS	Spain	Ordinary	99.9%	99.9%
Everris Limited	UK	Ordinary	100%	100%

ICL Iberia Limited SCS is a limited liability partnership formed under Spanish law.

ICL Iberia Limited is a company whose sole activity is to hold the remaining 0.1% of the capital of ICL Iberia Limited SCS.

Everris Limited acquired the UK speciality fertiliser business and assets from The Scotts Company (UK) Limited.

Notes (continued)

11 Fixed asset investments (continued)

	Loans to group undertakings £000	Shares in group undertakings £000	Total £000
Cost			
Balance at 1 January 2013	545,583	325,412	870,995
Exchange differences	11,465	-	11,465
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2013	557,048	325,412	882,460
	<hr/>	<hr/>	<hr/>
Impairment			
Balance at 1 January 2013	-	-	-
Impairment for the year	-	199,965	199,965
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2013	-	199,965	199,965
	<hr/>	<hr/>	<hr/>
Net book value			
At 1 January 2013	545,583	325,412	870,995
	<hr/>	<hr/>	<hr/>
At 31 December 2013	557,048	125,447	682,495
	<hr/>	<hr/>	<hr/>

The directors have conducted a review of the carrying value of the Company's investments in subsidiary undertakings. Where the estimated recoverable value of the Company's investments was less than its carrying value an impairment charge has been recorded.

Recoverable amounts are based on value in use cash flows of the subsidiary undertakings and the key assumptions applied in the value in use calculation include a discount rate of 9.5% and approved cashflow forecasts to 31 December 2018.

An impairment charge of £199,965,000 (2012: £nil) has been recognised in 2013. This impairment relates entirely to the Company's investment in ICL Iberia Limited SCS, which is based in Spain. As this does not arise from day to day operations this has been classified as an exceptional item in the year. This item has had no impact on the current year cashflows. This impairment arises from the fall in world wide potash prices and has led to a decrease in the estimated value in use of ICL Iberia SCS and therefore an impairment provision has been booked in 2013. ICL is committed to significant investment in the Spanish operations over the next few years. The impairment provision booked in 2013 is reversible in future periods if conditions change.

The loans to group undertakings represents a loan of €649m and a loan of £16.2m. €500m is not repayable before 22 December 2018 and bears interest at 3.2% above six months Euribor. €123m is not repayable before 31 December 2018 and bears interest at 2.6% above six month Euribor. €26m is not repayable before 31 December 2018 and bears interest at 2.6% above six months Euribor. £16.2m is not repayable before 31 December 2015 and bears interest at 1.75% above six month Libor.

12 Debtors

	2013 £000	2012 £000
Amounts owed by fellow subsidiary undertakings	14,621	28,542
Trade receivables	24,052	15,567
Other receivables	3,666	3,073
Prepayments	645	1,098
Other financial assets (note 14)	681	-
Deferred tax asset (note 15)	2,489	5,160
Tax receivable	7,727	5,599
	<hr/>	<hr/>
	53,881	59,039
	<hr/>	<hr/>

Notes *(continued)*

13 Stocks

	2013	2012
	£000	£000
Raw materials and consumables	9,141	7,837
Finished goods	10,087	11,435
	<hr/>	<hr/>
	19,228	19,272
	<hr/>	<hr/>

All amounts included within stocks are expected to be recovered in less than 12 months.

Raw materials, consumables and changes in finished goods recognised as cost of sales in the year amounted to £161m (2012: £136m).

14 Other financial assets/(liabilities)

	2013	2012
	£000	£000
Current		
Financial liabilities designated as fair value through profit or loss (note 16)	-	(24)
Financial assets designated at fair value through profit and loss (note 12)	681	-
	<hr/>	<hr/>

The above comprise forward currency exchange contracts.

Notes *(continued)*

15 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2013 £000	2012 £000	2013 £000	2012 £000	2013 £000	2012 £000
Tangible fixed assets	-	-	2,446	2,691	2,446	2,691
Employee benefits	(4,810)	(7,328)	-	-	(4,810)	(7,328)
Other	(261)	(523)	136	-	(125)	(523)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Tax (assets)/liabilities	(5,071)	(7,851)	2,582	2,691	(2,489)	(5,160)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Movement in deferred tax during the year

	1 January 2013 £000	Recognised in income £000	Recognised in equity £000	31 December 2013 £000
Tangible fixed assets	2,691	(245)	-	2,446
Employee benefits	(7,328)	(92)	2,610	(4,810)
Other	(523)	398	-	(125)
	<hr/>	<hr/>	<hr/>	<hr/>
	(5,160)	61	2,610	(2,489)
	<hr/>	<hr/>	<hr/>	<hr/>

Movement in deferred tax during the prior year

	1 January 2012 £000	Recognised in income (restated) £000	Recognised in equity (restated) £000	31 December 2012 £000
Tangible fixed assets	3,771	(1,080)	-	2,691
Employee benefits	(10,288)	534	2,426	(7,328)
Other	(236)	(287)	-	(523)
	<hr/>	<hr/>	<hr/>	<hr/>
	(6,753)	(833)	2,426	(5,160)
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

16 Creditors: amounts falling due within one year

	2013 £000	2012 £000
Amounts due to group companies	4,331	2,344
Trade creditors	8,637	9,741
Other creditors and accrued expenses	7,036	5,592
Deferred government grants (note 18)	183	183
Interest bearing loans and borrowings (note 17)	6,279	4,540
Other financial liabilities (note 14)	-	24
	<u>26,466</u>	<u>22,424</u>

17 Interest bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Company's exposure to foreign currency risk, see note 23.

	2013 £000	2012 £000
Creditors falling due after more than one year		
Loans from fellow group undertaking	540,491	529,032
	<u>540,491</u>	<u>529,032</u>
Creditors falling due within one year		
Securitisation advances	6,279	4,540
	<u>6,279</u>	<u>4,540</u>

Loans from fellow group undertakings represents a total loan of €649m. €500m is not repayable before 22 December 2018 and bears interest at 3.00% above six months euribor. €123m is not repayable before 31 December 2018 and bears interest at 2.20% above six month euribor. €26m is not repayable before 31 December 2018 and bears interest at 2.20% above six month euribor. These loans are subordinated in all respect to the company's obligations for employee retirement benefits. Of the above amounts £nil falls due for settlement after more than five years (2012: £529,032,000).

The company, along with several fellow subsidiary undertakings, has entered into an agreement involving the sale of trade receivables, on a non-recourse basis, under a securitisation transaction. The agreement allows the company to receive cash on a revolving basis from the sale of eligible receivables. The securitisation advances represent receipts received by the company against these debts and therefore owed to the securitisation provider.

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 2013 £000	Carrying amount 2013 £000	Face value 2012 £000	Carrying amount 2012 £000
Loan from group undertaking	€	3% above 6 month EURIBOR	2018	500,000	416,402	500,000	407,574
Loans from group undertaking	€	2.2% above 6 month EURIBOR	2018	149,000	124,089	149,000	121,458
				<u>649,000</u>	<u>540,491</u>	<u>649,000</u>	<u>529,032</u>

Notes *(continued)*

18 Deferred government grants

	2013 £000	2012 £000
At 1 January	3,274	3,457
Received during the year	451	-
Released during the year	(183)	(183)
	<hr/>	<hr/>
At 31 December	3,542	3,274
	<hr/>	<hr/>
Current	183	183
Non-current	3,359	3,091
	<hr/>	<hr/>
	3,542	3,274
	<hr/>	<hr/>

The grants are for various capital projects and are amortised over the expected useful life of the related projects.

19 Creditors: amounts falling due after more than one year

	2013 £000	2012 £000
Interest bearing loans and borrowings (note 17)	540,491	529,032
Deferred government grants (note 18)	3,359	3,091
	<hr/>	<hr/>
	543,850	532,123
	<hr/>	<hr/>

20 Reclamation provision

	£000
At 1 January 2012	8,257
Unwinding of discount	426
	<hr/>
At 31 December 2012	8,683
	<hr/>
At 1 January 2013	8,683
Unwinding of discount	260
Reassessment of life of mine (note 9)	(2,754)
	<hr/>
At 31 December 2013	6,189
	<hr/>

Notes (continued)

20 Reclamation provision (continued)

A provision is made for the eventual reclamation of the Company's Boulby site based on the estimated cost at the balance sheet date as discounted in recognition of the estimated future settlement of this obligation. The charges to profit or loss build the provision to the estimated discounted future settlement obligation. The estimated date of settlement is based on a geological estimate of reserves. During the year the company undertook a full reassessment of the life of the mine, taking into account the new product Polysulphate and the underlying cost of the reclamation. The reassessment resulted in an increase to the estimated remaining mine life until 2033, a £2.8m reduction in the reclamation provision with a corresponding credit to tangible fixed assets.

The unwinding of the discount of £260,000 (2012: £426,000) has been charged to finance expenses.

21 Pension liabilities

Pension plans

Defined benefit plans

The Company operates two defined benefit pension plans in the UK. Both plans are closed to new members, who are instead eligible for a defined contribution arrangement to which the company contributes.

	2013 £000	2012 £000
Present value of funded defined benefit obligations	(200,506)	(194,181)
Fair value of plan assets	176,459	162,318
	<hr/>	<hr/>
Total pension liabilities	(24,047)	(31,863)
	<hr/>	<hr/>

Movements in present value of defined benefit obligation

	2013 £000	2012 £000
At 1 January	194,181	185,610
Current service cost	3,757	3,726
Interest cost	8,224	8,556
Remeasurement loss	606	3,594
Benefits paid	(6,262)	(7,305)
	<hr/>	<hr/>
At 31 December	200,506	194,181
	<hr/>	<hr/>

Movements in fair value of plan assets

	2013 £000	2012 (restated) (note 1) £000
At 1 January	162,318	144,459
Net interest on plan assets	6,980	6,753
Remeasurement gain	7,136	9,276
Contributions by employer	6,287	9,135
Benefits paid	(6,262)	(7,305)
	<hr/>	<hr/>
At 31 December	176,459	162,318
	<hr/>	<hr/>

Notes (continued)

21 Employee benefits (continued)

Expense recognised in the income statement

	2013	2012 (restated) (note 1)
	£000	£000
Current service cost	3,757	3,726
Interest on defined benefit pension plan obligation	8,224	8,556
Interest on defined benefit pension plan assets	(6,980)	(6,753)
	<hr/>	<hr/>
Total	5,001	5,529
	<hr/> <hr/>	<hr/> <hr/>

The expense is recognised in the following line items in the income statement:

	2013	2012 (restated) (note 1)
	£000	£000
Cost of sales	4,381	4,830
Distribution expenses	250	287
Administrative expenses	370	412
	<hr/>	<hr/>
	5,001	5,529
	<hr/> <hr/>	<hr/> <hr/>

Actuarial gains recognised directly in equity:

	2013	2012 (restated)
	£000	£000
Cumulative amount at 1 January	(31,729)	(37,956)
Recognised in the year	6,530	6,227
	<hr/>	<hr/>
Cumulative amount at 31 December	(25,199)	(31,729)
	<hr/> <hr/>	<hr/> <hr/>

The fair value of the plan assets and the return on those assets were as follows:

	2013 Fair value £000	2012 Fair value £000
Equities	83,468	71,420
Corporate bonds	67,998	62,655
Government bonds plus cash	24,993	28,243
	<hr/>	<hr/>
	176,459	162,318
	<hr/> <hr/>	<hr/> <hr/>

No plan assets were invested in company equity securities or property currently used by the company.

Notes (continued)

21 Employee benefits (continued)

To develop the expected long term rate of return assumption, the Company considered the level of expected returns on risk free investments (primarily Government bonds), the historic level of risk premium associated with other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the actual asset allocation to develop the long term rate of return assumption for the portfolio.

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2013 %	2012 %
Discount rate	4.60	4.30
RPI	3.40	3.00
Rate of pension increases	3.40	3.00

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

	2013 years	2012 years
Average life expectancy of a male pensioner from age 65		
- 72 Plan	21.5	21.4
- 78 Plan	23.2	23.1
Average life expectancy of a future male retiree upon reaching age 65		
- 72 Plan	23.3	23.2
- 78 Plan	25.0	24.9

Defined contribution plans

The Company operates a defined contribution pension plan.

The total expense relating to these plans in the current year was £969,000 (2012: £671,000) which represents contributions payable by the company to the employees' funds. There were no outstanding or prepaid contributions, at either the beginning or end of the financial year.

22 Called up share capital and reserves

Called up share capital

	10% redeemable preference shares of £1 each 2013	Ordinary shares 2013
In thousands of shares		
In issue at 1 January and 31 December	52,900	10,485
<i>Allotted, called up and fully paid</i>		£000
Ordinary shares of £1 each		10,485
10% redeemable preference shares of £1 each		52,900
		63,385

Notes (continued)

22 Called up share capital and reserves (continued)

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The preference shares are redeemable in whole or in part at the option of the company with the consent in writing of the holders of three-fourths of the preference shares in issue or with the sanction of an extraordinary resolution of preference shareholders. The holders of preference shares are entitled to receive non-cumulative dividends of 10% only if a dividend is declared on the ordinary shares and is therefore at the option of the company. They are entitled to one vote per share at meetings of the Company only if proposed resolutions would vary or abrogate their rights.

Neither the dividend rights nor the redemption rights impose unavoidable contractual obligations to make payments on the Company. For this reason the preference shares have been classified as equity instruments within shareholders' funds.

Other comprehensive income

	Retained earnings £000	Total other comprehensive income £000
2013		
<i>Other comprehensive income</i>		
Actuarial gain on post retirement benefit obligations	6,530	6,530
Income tax on other comprehensive income	(2,610)	(2,610)
	<hr/>	<hr/>
Total other comprehensive income	3,920	3,920
	<hr/>	<hr/>
	Retained earnings (restated) (note 1) £000	Total other comprehensive income (restated) (note 1) £000
2012		
<i>Other comprehensive income</i>		
Actuarial loss on post retirement benefit obligations	6,227	6,227
Income tax on other comprehensive income	(2,426)	(2,426)
	<hr/>	<hr/>
Total other comprehensive income	3,801	3,801
	<hr/>	<hr/>

23 Financial instruments

23 (a) Fair values of financial instruments

The company's principal financial instruments comprise short and long term debtors and creditors, bank overdrafts, securitisation borrowings and cash. The main purpose of these financial instruments is to raise finance for the company's ongoing operations and manage its working capital requirements.

Derivative financial instruments

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Notes (continued)

24 Operating leases

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2013 £000	2012 £000
Less than one year	1,674	1,627
Between one and five years	3,098	4,480
More than five years	-	115
	<u>4,772</u>	<u>6,222</u>

Of the above amounts £980,000 of less than one year and £1,115,000 of between one and five years relates to land and buildings.

During the year £3,268k was recognised as an expense in the income statement in respect of operating leases (2012: £3,002k).

25 Related parties

Identity of related parties with which the Company has transacted

The company has made sales to the fellow group company ICL Fertilizers Europe CV. The company has made purchases from the parent company Dead Sea Works Limited and from fellow group companies ICL Fertilizers Europe CV, Eurocil Holdings BV and Iberpotash S.A.

Transactions with key management personnel

Directors of the Company and their immediate relatives have no control over the voting shares of the Company.

Other related party transactions

There were no other transactions with directors and key management.

Other related party transactions

	Sales to 2013 £000	2012 £000	Purchases from 2013 £000	2012 £000
Parent	-	-	5,340	6,975
Subsidiaries	246	159	10,516	3,246
Other related parties	51,491	40,619	8,352	8,155
	<u>51,737</u>	<u>40,778</u>	<u>24,208</u>	<u>18,376</u>
	<u>51,737</u>	<u>40,778</u>	<u>24,208</u>	<u>18,376</u>
	Debtors outstanding 2013 £000	Debtors outstanding 2012 £000	Creditors outstanding 2013 £000	Creditors outstanding 2012 £000
Parent	-	-	643	184
Subsidiaries	557,780	546,223	842	511
Other related parties	13,889	27,902	543,337	530,681
	<u>571,669</u>	<u>574,125</u>	<u>544,822</u>	<u>531,376</u>

Notes *(continued)*

26 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Israel Chemicals Limited which is the ultimate parent company incorporated in Israel, whose registered office is Millennium Tower, 23 Aranha St, Tel-Aviv 61202, Israel.

The largest group in which the results of the Company are consolidated is that headed by Israel Chemicals Limited, incorporated in Israel. No other group financial statements include the results of the Company. The consolidated financial statements of these groups are available to the public and can be found on www.icl-group.com.

27 Subsequent events

On 1 September 2014, the company completed the purchase of Amega Sciences Holdings Limited for a total consideration of £11.4m. The company is innovation and technology led, specialising in technologies to enhance nutrition efficiency, water conservation and wetting agents and specialist liquid nutrition products.