

Cleveland Potash Limited

Annual report and financial statements

Registered number 00915392

31 December 2022





Cleveland Potash Limited
Annual report and financial statements
31 December 2022

Company information

Directors:

HD Clark
I Dreyfuss
AJ Fulton (resigned on 1 September 2022)
M Mewett (resigned on 31 October 2023)

Registered number:

00915392

Registered office:

Boulby Mine
Loftus
Saltburn
By the Sea, Cleveland
TS13 4UZ

Auditor:

MHA
Building 4
Foundation Park
Maidenhead
SL6 3UD



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Strategic report

The directors present their Strategic Report for the year ended 31 December 2022.

Principal activities

The principal activity of Cleveland Potash Limited (hereafter : the Company) is the mining, processing and selling of the fertiliser Polysulphate (which is the crushed and screened form of Polyhalite).

The company also mines rock salt which is predominantly sold in the UK for the de-icing of roads.

Review of the business and future developments

The company has continued to follow the strategy adopted when the company ceased Potash Production in mid 2018.

This strategy is to develop its large Polyhalite resource into a product branded as Polysulphate and market this via the ICL global sales and marketing. This marketing channel structure was changed in July 2020 to enable ICL to market and sell Polysulphate. On the 1st January 2022 Cleveland Potash joined from the recently formed Growing Solution (Innovative Agricultural Solutions) business unit of ICL. Growing Solution brings together the sales, marketing and logistics functions of ICL's fertiliser products including Commodity, Fertiliserplus and Speciality Agriculture and Turf and Ornamental businesses of ICL, with the fertiliser production units in UK, Holland, Germany and the Speciality production in Israel, with one approach to the market in all parts of the world.

Now established as the worlds only polyhalite mining operation the business has during the period 2018 to 2022 continued to make progress with its modified operating practices in both the mining and processing of Polyhalite. In support of these operating practices the company has continued its capital investment plans. The key investments have been and continue to be in underground mining and infrastructure technologies, including mining machinery, ventilation systems and wireless communications and tracking, as well as investment in the Potashplus processing to further develop the innovative process of compacting a blend of Potash and Polyhalite.

The operating profit before one-off costs totalled £23.5m. (2021: £-29.5m)

The Directors and ICL believe there are reasonable resources for the purpose of continued production of Polysulphate, and are progressing plans for the future strategic development of the mine and its downstream processing facility. In tandem with a significant ongoing exploration drilling program and involvement with our key internal and external stakeholders these will begin to crystallise over the following 2 years.

Key performance indicators

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

	2022	2021
Revenue (£000)	192,654	75,710
Gross Margin %	16.35%	-33.49%
Stocks (£000)	18,522	14,114

Tons mined and hoisted is a non financial KPI. In 2022 tons mined and hoisted are £988k. (2021 £876k)



Strategic report *(continued)*

Principal risks and uncertainties

The principal risks and uncertainties affecting the Company are primarily those associated with a deep mine operation, where adverse geological or geotechnical conditions may be encountered. Overall the company has performed well in its control of UK Regulated Major Hazards as defined by the Mines Regulations 2014 by moving from a broadly compliant status to one of compliant. In addition, as the Company supplies into product which is traded on the world markets its profitability is affected by global macro-economic factors, including demand for food. Therefore, global market trend will influence the determination of the agreed transfer price between Cleveland Potash Limited and ICL Europe Cooperatief U.A.

Post Balance Sheet Events

There were no post balance sheet events.

Section 172 (1) Statement

The Board of Directors always consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s172(1) (a) - (f) of the Companies Act 2006, in the decisions taken during the year ended 31 December 2022.

Our plan is designed to have a long term beneficial impact on the company and to contribute to its success in delivering a high quality of service across all of our business activities. Concentrating on the mining and processing of products of Polysulphate, further improvements in reliability and performance have been realised over the reporting year. The strategic outlook for growth also remains.

Our employees are fundamental to the delivery of our plan and as a Board we remain appreciative of the ongoing and collective efforts from all members of the CPL family. We aim to be a responsible employer in our approach to the pay and benefits our employees receive. The health, safety and well-being of our team members is one of our primary considerations in the way we conduct our business. Engagement with suppliers and customers is also key to our success. We meet with our major manufacturing partners regularly throughout the year and take the appropriate action, when necessary, to prevent involvement in modern slavery, corruption, bribery and breaches of competition law.

Our plan considers the impact of the Company's operations on the community and environment and our wider social responsibilities, and in particular how we comply with environmental legislation and pursue waste-saving opportunities and react promptly to local concerns.

As the Board of Directors, our intention is to behave in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours and in doing so, will contribute to the delivery of our plan. The intention is to nurture our reputation, through both construction and delivery of our plan, that reflects our values, beliefs and culture.



Strategic report (continued)

Streamline Energy and Carbon Reporting

In the period covered by this statement of accounts, CPL has carried out substantial work to further improve overall energy efficiency.

Managed through a monthly energy forum, CPL places energy efficiency central to its future success.

SECR Data					
Category	Scope	Current reporting year 2022		Baseline reporting year 2021	
		UK and offshore	Global (excluding UK and offshore)	UK and offshore	Global (excluding UK and offshore)
Emissions from activities for which the company own or control including the combustion of fuel and operation of facilities (tCO ₂ e)	1	16,569.3	-	9,015.4	-
Emissions from purchase of electricity, heat, steam and cooling purchased for own use (location based, tCO ₂ e)	2	16,971.2	-	16,248.4	-
Total gross Scope 1 and Scope 2 emissions (tCO ₂ e)	1 & 2	33,540.5	-	27,263.8	-
Energy consumption used to calculate the above emissions (kWh)	1 & 2	137,396,426	-	131,214,977	-
Total gross Scope 1 and Scope 2 emissions UK and Global (tCO ₂ e)	1 & 2	33,540.5		27,263.8	
Intensity ratio UK and Global: emissions (tCO ₂ e) per million tonnes production	1 & 2	27,776.9		26,395.6	
SECR Change Log					
Change in consumption, emissions, and intensity ratio between the baseline and reporting year.					
Category	Percentage change				
Consumption (kWh)	5%				
Emissions (tCO ₂ e)	23%				
Intensity ratio (emissions tCO ₂ e / million tonnes production)	5%				



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Strategic report *(continued)*

Exclusions: No mandatory emissions have been excluded from this report.

Emissions Factors: DEFRA 2022

Methodology: Inline with the GHG Protocol and Environmental Reporting Guidelines including streamlines energy and carbon reporting guidance.

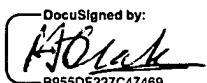
Estimations: 50% of diesel (direct transport) emissions have been estimated.

Scope of emissions included in the report: Natural gas, Diesel, Kerosene, LPG, Electricity

The strategic report was approved by the board and signed on its behalf.

Howard Clark
Chairman of the Board

21 December 2023

DocuSigned by:

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Directors' report

The directors present their report and financial statements for the year ended 31 December 2022.

Research and development

With regards to Polyhalite, the company continued with research and development work in the rock mechanical properties of the mineral and the mineral processing, investigating the crushing and screening techniques, granulation, and compaction of the mineral which was £40k in 2022 and (2021: £336k).

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.

Cash balances and hedging cover are managed on a Group basis.

Dividends

No dividends were paid during the year (2021: £nil).

Further Developments

Information on future developments can be found in the strategic report on page 1.

Directors

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

HD Clark

I Dreyfuss

AJ Fulton (resigned on 1 September 2022)

M Mewett (resigned on 31 October 2023)

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.

Business Relationships

The company sells all of its production into the ICL Europe Cooperatief U.A. Being part of the Growing Solutions Division, the company benefits from the sales, agronomy support, marketing and logistics functions of the Division, prioritising both organic growth to existing clients and also targeted growth into new markets and clients. To do this, the Division develops and maintains strong client relationships and through regular contact with its clients, ensures that the Group develops its partnership approach across its client base.



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Directors' report *(continued)*

The company's suppliers are fundamental to its business operations, and ICL's partnership approach brings mutual benefits and value to these relationships, developing long term contracts with our key suppliers. To ensure The company manages its suppliers effectively, it looks to reduce reliance on critical suppliers and mitigate risk. For operational suppliers the company seeks to consolidate spend, reduce transactions and consumption, and aims to have competing suppliers to maximise efficiency.

Political and charitable contributions

The company made no political donations nor incurred any political expenditure during the year (2021: £nil).

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 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.

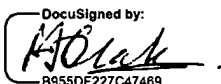
Auditor

Pursuant to Section 487 of the Companies Act 2006, MHA will be deemed to have been reappointed as auditors of the company.

Following a re-branding exercise on 15 May 2023 the trading name of the company's independent auditor changed from MHA McIntyre Hudson to MHA.

The Directors' report was approved by the board and signed on its behalf.

Howard Clark
Chairman of the Board

DocuSigned by:

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21 December 2023



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 period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations or have no realistic alternative to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



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

Opinion

We have audited the financial statements of Cleveland Potash Limited (the 'Company') for the year ended 31 December 2022, which comprise the Profit and Loss account and Other Comprehensive Income, the Balance sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.)



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

(continued)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Director's report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

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

(continued)

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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 an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Enquiry of management and those charged with governance around actual and potential litigation and claims.
- Enquiry of entity staff in finance and compliance functions to identify any instances of non-compliance with laws and regulations.
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

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

(continued)

Use of our report

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.



Jason Mitchell MBA BSc FCA (Senior Statutory Auditor)
for and on behalf of
MHA, Statutory Auditor
Maidenhead, United Kingdom

Date: 22 December 2023

MHA is the trading name of Macintyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313).



Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2022

	Note	Total 2022 £000	Total 2021 £000
Turnover	2	192,654	75,710
Cost of sales		(161,148)	(101,068)
Gross profit/(loss)		31,506	(25,357)
Administrative expenses		(8,634)	(8,275)
Other operating income		642	4,108
Operating profit/(loss)	3-5	23,514	(29,524)
Analysed as:			
Operating profit/(loss) before one-off costs		23,514	(35,053)
Gain on disposal investment	3	-	5,529
		23,514	(29,524)
Other interest receivable and similar income	6	10,651	4,129
Other interest payable and similar charges	7	(7,855)	(5,590)
Profit/(loss) on ordinary activities before taxation		26,310	(30,985)
Tax	8	2,444	(305)
Profit/(loss) for the financial year		28,754	(31,290)
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements on defined benefit pension plans	20	(6,705)	30,437
Income tax on items that will not be reclassified on the profit and loss	8	-	-
Other comprehensive income for the year, net of income tax		(6,705)	30,437
Total comprehensive income/(expense) for the year		22,049	(853)

Notes 1 – 25 form an integral part of the financial statements. All activities derive from continuing operations.



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Balance sheet
at 31 December 2022

	Note	2022 £000	2021 £000
Fixed assets			
Tangible assets	9	138,485	140,903
Intangible assets	10	466	537
Investments	11	165,953	165,953
		<u>304,904</u>	<u>307,392</u>
Current assets			
Stocks	13	18,522	14,114
Debtors	12	104,088	89,776
Cash at bank and in hand		144	133
		<u>122,754</u>	<u>104,023</u>
Non Current assets			
Deferred tax asset	14	8,376	7,557
Creditors: amounts falling due within one year	15	<u>(64,799)</u>	<u>(124,705)</u>
Net current assets		<u>57,955</u>	<u>(20,682)</u>
Total assets less current liabilities		371,235	294,267
Creditors: amounts falling due after more than one year	18	(69,699)	(18,083)
Provision for liabilities			
Other provisions	19	(8,087)	(10,512)
Pension liability	20	(2,520)	3,207
		<u>(10,607)</u>	<u>(7,305)</u>
Net assets		<u><u>290,929</u></u>	<u><u>268,879</u></u>
Capital and reserves			
Called up share capital	21	66,961	66,961
Share premium account	21	725,779	725,779
Profit and loss account previous years + current year	21	<u>(501,811)</u>	<u>(523,860)</u>
Shareholders' funds		<u><u>290,929</u></u>	<u><u>268,879</u></u>

Notes 1 - 25 form an integral part of the financial statements. These financial statements were approved and authorised for issue by the board of directors on xx December 2023 and were signed on its behalf by:

Howard Clark
Chairman of the Board
21 December 2023

DocuSigned by:

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Company registered number: 00915392



Cleveland Potash Limited
Annual report and financial statements
31 December 2022

Statement of Changes in Equity
for the year ended 31 December 2022

	Share capital	Share premium	Profit and loss account	Total
	£000	£000	£000	£000
Balance at 1 January 2021	66,961	725,779	(523,007)	269,733
Loss for the year	-	-	(31,290)	(31,290)
Other comprehensive income	-	-	30,437	30,437
Total comprehensive expense for the period	-	-	(853)	(853)
Balance at 31 December 2021	66,961	725,779	(523,860)	268,880
Balance at 1 January 2022	66,961	725,779	(523,860)	268,880
Income for the year	-	-	28,754	28,754
Other comprehensive expense	-	-	(6,705)	(6,705)
Total comprehensive expense for the period	-	-	22,049	22,049
Balance at 31 December 2022	66,961	725,779	(501,811)	290,929



Notes

(forming part of the financial statements)

1 Accounting policies

Cleveland Potash Limited (the "Company") is a private company limited by shares incorporated and domiciled in the UK and registered in England and Wales under the Companies Act 2006. The registered number is 00915392 and the registered address is Boulby Mine, Loftus, Saltburn-by-the-Sea, Cleveland, TS13 4UZ.

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 applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK ("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.

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:

- The requirements of IFRS 7 Financial Instruments: Disclosures, as there are equivalent disclosures included in the consolidated financial statements of the group in which the entity is consolidated.
- The requirements of paragraphs 91 to 99 of IFRS 13, as there are equivalent disclosures included in the consolidated financial statements of the group in which the entity is consolidated.
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.
- The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.
- The requirement in paragraph 38 of IAS 1 to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1; (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - (iii) paragraph 118(e) of IAS 38 Intangible Assets;
 - (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property;
 - and (v) paragraph 50 of IAS 41 Agriculture.
- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1.
- The requirements of IAS 7 Statement of Cash Flows.
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
- The requirements of paragraph 74A(b) of IAS 16.
- The requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures.
- The requirements in IAS 24 to disclose related party transactions entered between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- IFRS 2 Share Based Payment in respect of group settled share based payments;



Notes (continued)

1 Accounting policies (continued)

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, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

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.

Going concern

The company has recorded total comprehensive income of £22m (operating profit of £23.5m) in the year. The year-end balance sheet shows net current assets of £57.9m and shareholders' funds of £291m.

As discussed in the Strategic Report the company is in a period of transition, following the cessation of Potash mining and the refocus on mining and selling Polyhalite, with substantial investment ongoing to develop the position as a Polyhalite only operation. The directors of the company have a long-term plan to establish sustained profitability from the operation although there remains a degree of uncertainty as to how many years this might take to achieve.

The company's forecasts and projections, taking account of reasonably possible changes in future trading performance, show that the company is expected to have a sufficient level of financial resources available through its own resources and through drawing down these balances with ICL Finance BV to meet its ongoing financial commitments for the foreseeable future. Therefore the directors believe that the company is placed to manage its current business risks successfully and, after making enquiries (including enquiries of group management and management of ICL Finance BV) 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.

This analysis also considers the effectiveness of available measures to assist in mitigating the impact. Based on these assessments and having regard to the resources available to the entity, the Directors have concluded that there is no material uncertainty and that they can continue to adopt the going concern basis in preparing the annual report and accounts.

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:

- Notes 8 and 14 – recoverability of deferred tax assets
- Note 9 – impairment of property, plant and equipment
- Note 11 – impairment of investments
- Note 19 – life of mine and provisions
- Note 20 – retirement benefit obligations



Notes (continued)

1 Accounting policies (continued)

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 transactions are recognised in the income statement. Non-monetary assets and liabilities that are measured in the 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:

- 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
- 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.

Cleveland Potash Limited holds derivative financial instruments to reduce exposure to foreign currency risks, risks with respect to commodity prices, marine shipping prices, and interest risks. Derivatives are recognized according to fair value and the attributable transaction costs are recorded in the statement of income as incurred. Changes in the fair value of the derivatives are recorded in the statement of income, except for derivatives used to hedge cash flows, as detailed below.

Economic hedge that does not meet the conditions of an accounting hedge

Changes in the fair value of derivatives that do not meet the conditions of an accounting hedge in accordance with IFRS, after the date of the initial recognition thereof, are recorded in the statement of income as financing income or expenses.

CPI-linked assets and liabilities not measured at fair value

The value of index-linked financial assets and liabilities, which are not measured at fair value, is re-measured every period in accordance with the actual increase/ decrease in the CPI.



Notes (continued)

1 Accounting policies (continued)

Non-derivative financial assets (IFRS9)

Initial recognition of financial assets:

Cleveland Potash Limited initially recognizes trade receivables and debt instruments issued on the date that they are originated. All other financial assets are recognized initially on the trade date at which Cleveland Potash Limited becomes a party to the contractual provisions of the instrument. A financial asset is initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial asset. A trade receivable without a significant financing component is initially measured at the transaction price. Receivables originating from contract assets are initially measured at the carrying amount of the contract assets on the date classification was changed from contract asset to receivables.

Derecognition of financial assets:

Financial assets are derecognized when the contractual rights of Cleveland Potash Limited to the cash flows from the asset expire, or Cleveland Potash Limited transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. When Cleveland Potash Limited retains substantially all the risks and rewards of ownership of the financial asset, it continues to recognize the financial asset.

Classification of financial assets into categories and the accounting treatment of each category

Financial assets are classified at initial recognition to one of the following measurement categories: (1) amortized cost; (2) fair value through other comprehensive income – investments in debt instruments; (3) fair value through other comprehensive income – investments in equity instruments; or (4) fair value through profit or loss. Financial assets are not reclassified in subsequent periods unless, and only if, Cleveland Potash Limited changes its business model for the management of financial debt assets, in which case the affected financial debt assets are reclassified at the beginning of the period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at fair value through profit or loss: (1) It is held within a business model whose objective is to hold assets so as to collect contractual cash flows; and (2) the contractual terms of the financial asset give rise to cash flows representing solely payments of principal and interest on the principal amount outstanding on specified dates.

In certain cases, on initial recognition of an equity investment that is not held for trading, Cleveland Potash Limited irrevocably elects to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Cleveland Potash Limited has balances of trade and other receivables and deposits that are held within a business model whose objective is collecting contractual cash flows, which represent solely payments of principal and interest (for the time value and the credit risk). Accordingly, these financial assets are measured at amortized cost.

**Notes (continued)****1 Accounting policies (continued)*****Subsequent measurement and gains and losses - Financial assets at fair value through profit or loss***

These assets are subsequently measured at fair value. Net gains and losses, including any interest income or dividend income, are recognized in profit or loss (other than certain derivatives designated as hedging instruments).

Subsequent measurement and gains and losses - Investments in equity instruments at fair value through other comprehensive income.

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Subsequent measurement and gains and losses - Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Non-derivative financial liabilities

Non-derivative financial liabilities include bank overdrafts, loans and borrowings from banks and others, marketable debt instruments, finance lease liabilities, and trade and other payables.

Initial recognition of financial liabilities

Cleveland Potash Limited initially recognizes debt securities issued on the date that they originated. All other financial liabilities are recognized initially on the trade date at which Cleveland Potash Limited becomes a party to the contractual provisions of the instrument.

Subsequent Measurement of Financial Liabilities

Financial liabilities (other than financial liabilities at fair value through profit or loss) are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.



Notes (continued)

1 Accounting policies (continued)

Derecognition of financial liabilities

Financial liabilities are derecognized when the obligation of Cleveland Potash Limited, as specified in the agreement, expires or when it is discharged or cancelled.

Change in terms of debt instruments

An exchange of debt instruments having substantially different terms, between an existing borrower and lender is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability at fair value. Furthermore, a substantial modification of the terms of the existing financial liability or part of it, is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. In such cases the entire difference between the amortized cost of the original financial liability and the fair value of the new financial liability is recognized in profit or loss as financing income or expense.

The terms are substantially different if the discounted present value of the cash flows according to the new terms, including any commissions paid, less any commissions received and discounted using the original effective interest rate, is different by at least ten percent from the discounted present value of the remaining cash flows of the original financial liability. In addition to the aforesaid quantitative criterion, Cleveland Potash Limited examines, inter alia, whether there have also been changes in various economic parameters inherent in the exchanged debt instruments (e.g. linkage).

Upon the swap of debt instruments with equity instruments, equity instruments issued at the extinguishment and de-recognition of all or part of a liability, are a part of "consideration paid" for purposes of calculating the gain or loss from de-recognition of the financial liability. The equity instruments are initially recognized at their fair value, unless fair value cannot be reliably measured – in which case the issued instruments are measured at the fair value of the derecognized liability. Any difference between the amortized cost of the financial liability and the initial measurement amount of the equity instruments is recognized in profit or loss under financing income or expenses.

Investments in subsidiary undertakings

Investments in jointly controlled entities and subsidiaries are carried at cost less impairment.

Share Capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

Incremental costs directly attributable to an expected issuance of an instrument that will be classified as an equity instrument are recognized as an asset in the statement of financial position. The costs are deducted from the equity upon the initial recognition of the equity instruments or are amortized as financing expenses in the statement of income when the issuance is no longer expected to take place.



Notes (continued)

1 Accounting policies (continued)

Fixed tangible assets

Recognition and measurement

Fixed tangible assets 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 fixed tangible assets have different useful lives, they are accounted for as separate items of fixed tangible assets.

Gains and losses on disposal of an item of fixed tangible assets are determined by comparing the proceeds from disposal with the carrying amount of the fixed tangible assets, and are recognised net in profit and loss.

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 fixed tangible assets. Leased assets are depreciated over the shorter of the lease term and the assets' estimated useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Own 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 the 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 of the leased asset are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of their 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.

Assets under construction

It is Company policy that for approved Capital Projects the associated assets are held as 'Assets under Construction' until the project is completed. At this point the costs are transferred to the appropriate Fixed Asset category and depreciated in line with the above depreciation policy.



Notes (continued)

1 Accounting policies (continued)

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. It is estimated that software has finite life.

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

Other intangibles

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses. It is estimated that all other intangibles have finite life.

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. It is estimated that the economic life of the intangible assets is 15 years. 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.

Stocks

Stocks are stated at the lower of cost and net realisable value. The cost of raw material and finished product stocks is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs 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.

Stocks are stated at the lower of cost and net realisable value. The cost of raw material and finished product stocks is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs 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.



Notes (continued)

1 Accounting policies (continued)

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 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 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 asset's 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 the event occurring after the impairment loss is 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 values using a pre-tax discount rate that reflects current market assessments 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 generate 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 group undertakings, the value in use is based on the present value of the group undertaking's estimated net 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 estimates 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.



Notes (continued)

1 Accounting policies (continued)

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 profit or loss in the periods during which services are rendered by employees.

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 the future benefit that employees have earned in return for their services 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 the 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 subsequently 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.



Notes (continued)

1 Accounting policies (continued)

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 profit or loss. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed.

Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation, and the physical condition of the assets. See note 9 for the carrying amount of the property plant and equipment and note 1 for the useful economic lives for each class of assets.

Information about the other significant areas of estimation uncertainty and critical judgements in applying accounting policies in Note 19 Other provisions.

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. The unwinding of the discount has been allocated to finance income/expenses (according to the ICL group accounting policy).



Notes (continued)

1 Accounting policies (continued)

Turnover

Identifying a contract

Cleveland Potash Limited accounts for a contract with a customer only when the following conditions are met:

- (a) The parties to the contract have approved the contract (in writing, orally or according to other customary business practices) and they are committed to satisfying the obligations attributable to them;
- (b) Cleveland Potash Limited can identify the rights of each party in relation to the goods or services that will be transferred;
- (c) Cleveland Potash Limited can identify the payment terms for the goods or services that will be transferred;
- (d) The contract has a commercial substance (i.e. the risk, timing and amount of the entity's future cash flows are expected to change as a result of the contract); and
- (e) It is probable that the consideration, to which Cleveland Potash Limited is entitled to in exchange for the goods or services transferred to the customer, will be collected.

For the purpose of paragraph (e) above, Cleveland Potash Limited examines, inter alia, the percentage of the advance payments received and the spread of the contractual payments, past experience with the customer and the status and existence of sufficient collateral. If a contract with a customer does not meet all of the above criteria, consideration received from the customer is recognized as a liability until the criteria are met or when one of the following events occurs: Cleveland Potash Limited has no remaining obligations to transfer goods or services to the customer and any consideration promised by the customer has been received and cannot be returned; or the contract has been terminated and the consideration received from the customer cannot be refunded.

Identifying performance obligations

On the contract's inception date, Cleveland Potash Limited assesses the goods or services promised in the contract with the customer and identifies as a performance obligation any promise to transfer to the customer one of the following:

- (a) Goods or services (or a bundle of goods or services) that are distinct; or
- (b) A series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer.

Cleveland Potash Limited identifies goods or services promised to the customer as being distinct when the customer can benefit from the goods or services on their own or in conjunction with other readily available resources and Cleveland Potash Limited's promise to transfer the goods or services to the customer is separately identifiable from other promises in the contract. In order to examine whether a promise to transfer goods or services is separately identifiable, Cleveland Potash Limited examines whether it is providing a significant service of integrating the goods or services with other goods or services promised in the contract into one integrated outcome that is the purpose of the contract.

An option that grants the customer the right to purchase additional goods or services constitutes a separate performance obligation in the contract only if the option grants to the customer a material right it would not have received without the original contract.



Notes (continued)

1 Accounting policies (continued)

Determining the transaction price

The transaction price is the amount of the consideration to which Cleveland Potash Limited expects to be entitled in exchange for the goods or services promised to the customer, other than amounts collected for third parties. Cleveland Potash Limited considers the effects of all the following elements when determining the transaction price: variable consideration, the existence of a significant financing component, non-cash consideration, and consideration payable to the customer. As Cleveland Potash Limited does not engage in agreements with payment terms exceeding one year, it applies the practical expedient included in the standard to not separate a significant financing component where the difference between the time of receiving payment and the time of transferring the goods or services to the customer is one year or less.

Expenses

Operating lease payments

Payments made under operating lease 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. For current year policy, see Changes in accounting policies, under note 1.

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 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 profit or loss (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 profit or loss 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.

The Company as a lessee

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



Notes (continued)

1 Accounting policies (continued)

straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise: Fixed lease payments (including in-substance fixed payments), less any lease incentives; The lease liability is included in 'Creditors' on the balance sheet. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. This is 10 years. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related Right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the 'Tangible Fixed Assets' line, as applicable, in the Balance Sheet. The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 9. As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

Taxation

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

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.

Currency risk

The Company mainly operates in the European Union. The currency risk for the Company largely concerns positions and future transactions in Dollars and Euros. Management has determined, based on a risk assessment that certain currency risks in 2022 needed to be hedged. The Cooperative executed forward, spot contracts during 2022 to cover net balances in USD and EUR.

Other than the above, the Company policy is not to hedge balance items that are considered non-monetary balances for the group purposes.



Notes (continued)

1 Accounting policies (continued)

Research and Development

Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically, and commercially feasible, future economic benefits are probable, and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. The expenditure capitalised includes direct labour that is directly attributable to preparing the asset for its intended use. Capitalisation ceases when the development is available for use. Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses. Capitalised development expenditure is amortised on a straight-line basis over their useful economic lives from the point that the related asset is ready for use. The useful economic lives are assessed annually.

2 Turnover

Substantially all turnover arose from the principal activity of the company which is considered to represent only one operating segment. All turnover is derived from the sale of goods. All turnover is to the European Union, outside of the UK.

3 Expenses and auditor's remuneration

Included in operating loss are the following:

	2022	2021
	£000	£000
Depreciation of tangible fixed assets	12,722	12,596
Amortisation of intangible assets	21	17
Hire of plant and machinery	1,519	1,368
Research and development expenses as incurred	40	336
Loss/(Profit) on disposal investment	-	(5,529)
Loss/(Profit) on disposal of Fixed Assets	(3,255)	-
Loss/(Profit) on disposal of Intangible Assets	50	-

Impairment of tangible assets, fixed asset investments and intangible assets are one-off costs incurred due to the change in the long-term strategy of the company.



Notes (continued)

3 Expenses and auditor's remuneration (continued)

Auditor's remuneration:

	£000	£000
Audit of these financial statements	50	43
<i>Amounts receivable by the auditors and their associates in respect of:</i>		
Audit related assurance services	11	11
Other services relating to taxation	<u>12</u>	<u>2</u>

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:

	2022	2021
Production	464	440
Administration, sales and distribution	<u>20</u>	<u>24</u>
	<u>484</u>	<u>464</u>

The information is excluding contractors.

The aggregate payroll costs of these persons were as follows:

	2022 £000	2021 £000
Wages and salaries	26,515	22,113
Social security costs	3,172	2,465
Contributions to defined contribution pension plans (Note 20)	3,599	3,196
Expenses related to defined benefit plans	<u>111</u>	<u>107</u>
	<u>33,397</u>	<u>27,881</u>

Redundancy costs included in the above are nil (2021: nil).



Notes (continued)

5 Directors' remuneration

	2022	2021
	£000	£000
Directors' emoluments	<u>352</u>	<u>162</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £316,858 (2021: £142,295).

	Number of directors	
	2022	2021
Retirement benefits are accruing to the following number of directors		
Defined benefit schemes	<u>3</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>3</u>	<u>3</u>
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A number of employees in the Company (including 1 (2021: 1) director) were granted share options in the ultimate parent undertaking as part of long term incentive plan. 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.

6 Other interest receivable and similar income

	2022	2021
	£000	£000
Interest income on unimpaired financial assets	2,371	2,075
Unwinding of discount on provisions (Note 19)	3,282	-
Net foreign exchange gain	<u>4,998</u>	<u>2,054</u>
	<u>10,651</u>	<u>4,129</u>



Notes (continued)

7 Interest payable and similar charges

	2022	2021
	£000	£000
Total interest expense on financial liabilities measured at amortised cost	1,894	1,879
Unwinding of discount on provisions (Note 19)	-	1,247
Net foreign exchange loss	5,038	2,310
Interest on securitised borrowings	909	137
Bank charges	14	17
Total finance expense	<u>7,855</u>	<u>5,590</u>

8 Taxation

Recognised in the profit and loss account:

Current tax expense

	2022	2021
	£000	£000
<i>UK corporation tax</i>		
Group relief receivable for the year	(2,358)	(157)
Group relief for prior years	(86)	27
Foreign tax on income for prior years ¹		435
Total current tax	<u>(2,444)</u>	<u>305</u>

Deferred tax (see Note 14)

Origination and reversal of temporary differences	-	-
Reduction in tax rate	-	-
Adjustment for prior years	-	-
Total deferred tax	<u>-</u>	<u>-</u>
Tax on profit on ordinary activities	<u>(2,444)</u>	<u>305</u>

Income tax recognised in other comprehensive income

	2022	2021
	£000	£000
Deferred tax on remeasurements on defined benefit pension plans	<u>-</u>	<u>-</u>



Notes (continued)

8 Taxation (continued)

Reconciliation of effective tax rate

	2022	2021
	£000	£000
Profit/(Loss) for the year	28,754	(30,985)
Total tax expense/(income)	<u>(2,444)</u>	<u>305</u>
Profit/(Loss) excluding taxation	<u>26,310</u>	<u>(30,680)</u>
Tax using the UK corporation tax rate of 19%	4,999	(5,887)
Non-deductible expenses	265	483
Non-taxable income	-	-
Capital allowance enhancements	(170)	435
Unrecognised tax losses	(7,452)	5,247
Adjustment in respect to prior years	<u>(86)</u>	<u>27</u>
Total tax expense	<u>(2,444)</u>	<u>305</u>

Factors affecting the current and future tax charge

Finance Act 2021 was enacted on 10 June 2021 and contains legislation to increase the main rate of UK corporation tax from 19% to 25% with effect from 1 April 2023. The UK Government confirmed in the November 2022 Autumn Statement that the increased tax rate would be effective as of 1 April 2023.

Management assesses the available evidence to estimate whether sufficient taxable income will be generated in future periods to permit the use of the existing deferred tax assets. In order to recognise only the portion of the deferred tax asset that is more likely than not to be realized, £5.8m has been recorded as unrecognised tax losses in the year.

The amount of the deferred tax asset considered realizable could be adjusted if estimates of taxable income during future periods are reduced or increased or if objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as projections for growth.



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 2022	54,942	316,535	1,722	24,902	398,101
Additions	1,000	2,118	-	10,441	13,559
Transfers	-	13,755	-	(13,755)	-
Disposals	(7,382)	-	-	(1,449)	(8,831)
Balance at 31 December 2022	<u>48,560</u>	<u>332,408</u>	<u>1,722</u>	<u>20,139</u>	<u>402,829</u>
Depreciation					
Balance at 1 January 2022	33,897	222,812	489	-	257,198
Depreciation charge for the year	2,075	10,585	62	-	12,722
Disposals	(5,576)	-	-	-	(5,576)
Balance at 31 December 2022	<u>30,396</u>	<u>233,397</u>	<u>551</u>	<u>-</u>	<u>264,344</u>
Net book value					
At 1 January 2022	<u>21,045</u>	<u>93,723</u>	<u>1,233</u>	<u>24,902</u>	<u>140,903</u>
At 31 December 2022	<u>18,164</u>	<u>99,011</u>	<u>1,171</u>	<u>20,139</u>	<u>138,485</u>

The cost of fully depreciated assets included above under plant and equipment is £162m (2021: £155.2m).

Capital expenditure amounting to £nil (2021: £nil) has been contracted for but is not provided for in these financial statements.

	Land and buildings £000	Plant and equipment £000	Total £000
Cost			
Balance at 1 January 2022	21,520	9,453	30,973
Balance at 31 December 2022	<u>21,520</u>	<u>9,453</u>	<u>30,973</u>
Depreciation			
Balance at 1 January 2022	5,156	3,203	8,359
Depreciation charge for the year	1,823	1,042	2,865
Balance at 31 December 2022	<u>6,979</u>	<u>4,245</u>	<u>11,224</u>
Net book value			
At 1 January 2022	<u>16,364</u>	<u>6,250</u>	<u>22,614</u>
At 31 December 2022	<u>14,541</u>	<u>5,208</u>	<u>19,749</u>



Notes (continued)

10 Intangible assets

	Software costs	Exploration costs	Total
	£000	£000	£000
Cost			
Balance at 1 January 2022	1,959	625	2,584
Disposals	-	(50)	(50)
Balance at 31 December 2022	<u>1,959</u>	<u>575</u>	<u>2,534</u>
Amortisation			
Balance at 1 January 2022	1,959	88	2,047
Amortisation for the year	-	21	21
Balance at 31 December 2022	<u>1,959</u>	<u>109</u>	<u>2,068</u>
Net book value			
01 January 2022	<u>-</u>	<u>537</u>	<u>537</u>
At 31 December 2022	<u>-</u>	<u>466</u>	<u>466</u>

Amortisation charge

The amortisation charge is recognised in cost of sales in the profit and loss account.



Notes (continued)

11 Fixed asset investments

The company has the following investments in group undertakings:

	Country of incorporation	Class of shares held	Ownership	
			2022	2021
ICL UK (Sales) Limited	UK	Ordinary	100%	100%
Everris Limited	UK	Ordinary	100%	100%
Amega Sciences Limited	UK	Ordinary	100%	100%
Nutrient Sciences Limited	UK	Ordinary	100%	100%
ICL Belgium (Sales) NV	Belgium	Ordinary	100%	100%

The registered office address of each subsidiary of the group companies are as follow:

Amega Sciences Limited, Nutrient Sciences Limited and Everris Limited.: 17. Lanchester Way, Royal Oak Industrial Estate, Daventry Northamptonshire, NN 11 8PH, United Kingdom.

ICL UK (Sales) Limited and Cleveland Potash Limited (CPL): Boulby Mine, Loftus, Saltburn by the Sea, Cleveland, TS13 4UZ.

ICL Belgium (Sales) NV: Industrieweg 20, Antwerpen, Belgium (postcode 2280).

For all companies mentioned above in this note, the principal place of business is same as country of incorporation.



Notes (continued)

11 Fixed asset investments (continued)

	Loans to group undertakings £000	Shares in group undertakings £000	Total £000
Cost			
Balance at 1 January 2022	106,000	59,953	165,953
Balance at 31 December 2022	<u>106,000</u>	<u>59,953</u>	<u>165,953</u>
Impairment			
Balance at 1 January 2022	-	-	-
Disposals	-	-	-
Balance at 31 December 2022	<u>-</u>	<u>-</u>	<u>-</u>
Net book value			
At 1 January 2022	106,000	59,953	165,953
At 31 December 2022	<u>106,000</u>	<u>59,953</u>	<u>165,953</u>

The loans to group undertakings represent a loan of £106m. The loan is accounted for under IFRS 9.

The directors have conducted a review of the carrying value of the Company's investments in all group 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 the value in use cash flows of the group undertakings and the key assumptions applied in the value in use calculation include a discount rate in the range of 8.5% - 9.5% and approved cashflow forecasts to 31 December 2022.



Notes (continued)

12 Debtors

	2022	2021
	£000	£000
Amounts owed by fellow subsidiary undertakings	21,911	19,026
Trade debtors	79,452	68,352
Other debtors	2,324	794
Prepayments	401	298
Tax receivable	-	1,307
	<u>104,088</u>	<u>89,776</u>

Included in the debtors balances above are the amounts of £53,330 (2021: £7,285) in foreign currency.

Allowances for expected credit losses are recognised against debtors based on estimated irrecoverable amounts determined by reference to past default experience. Specific counterparty risk is also considered where an analysis of the counterparty's current and future financial position indicates a change in credit risk.

In determining the recoverability of a debtors, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the relevant year end.

There are no expected credit losses in respect of (i) financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets; or (ii) financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired).

13 Stocks

	2022	2021
	£000	£000
Raw materials and consumables	12,664	11,586
Finished goods	5,858	2,528
	<u>18,522</u>	<u>14,114</u>

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 £53m (2021: 15.5m)

The finished goods balance is shown net of an inventory impairment provision.



Notes (continued)

14 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2022	2021	2022	2021	2022	2021
	£000	£000	£000	£000	£000	£000
Tangible fixed assets	(8,358)	(8,358)	-	-	(8,358)	(8,358)
Employee benefits	(18)	801	-	-	(18)	801
Other	0	-	-	-	-	-
Tax (assets)/liabilities	<u>(8,376)</u>	<u>(7,557)</u>	<u>-</u>	<u>-</u>	<u>(8,376)</u>	<u>(7,557)</u>

In addition to the above, the company has unrecognised deferred tax assets arising on losses carried forwards of £28,729,540 (2021: £31,803,502).

Movement in deferred tax during the year

	1-Jan-22	Recognised in income	Recognised in equity	31-Dec-22
	£000	£000	£000	£000
Tangible fixed assets	(8,358)	-	-	(8,358)
Employee benefits	801	(819)	-	(18)
	<u>(7,557)</u>	<u>(819)</u>	<u>-</u>	<u>(8,376)</u>

Movement in deferred tax during the prior year

	1-Jan-21	Recognised in income	Recognised in equity	31-Dec-21
	£000	£000	£000	£000
Tangible fixed assets	(8,358)	-	-	(8,358)
Employee benefits	(3,483)	4,284	-	801
Other	-	-	-	-
	<u>(11,841)</u>	<u>4,284</u>	<u>-</u>	<u>(7,557)</u>



Notes (continued)

15 Creditors: amounts falling due within one year

	2022	2021
	£000	£000
Amounts due to group companies	19,292	95,005
Trade creditors	21,604	11,003
Other tax and social security	10,052	682
Other creditors and accrued expenses	10,929	14,568
Other financial liabilities (Note 23)	2,785	3,171
Deferred government grants (Note 17)	137	276
	<u>64,799</u>	<u>124,705</u>

Included in the creditors are amounts of £3,762 (2021: £36,462) in foreign currency.

16 Interest bearing loans and borrowings

The 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 22.

	2022	2021
	£000	£000
Creditors falling due after one year		
Loan from fellow group undertaking	<u>55,373</u>	<u>50,396</u>

Loans from fellow group undertakings represent a total loan of €55.3m (2021: €50.3m). No amounts fall due for settlement after more than five years.



Notes (continued)

17 Deferred government grants

	2022	2021
	£'000	£'000
At 1 January	2,585	2,771
Received during the year	-	-
Released during the year	(186)	(186)
At 31 December	<u>2,399</u>	<u>2,585</u>
Current	137	276
Non current	<u>2,262</u>	<u>2,309</u>
	<u>2,399</u>	<u>2,585</u>

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

18 Creditors: amounts falling due in more than one year

	2022	2021
	£000	£000
Interest bearing loans and borrowings (Note 16)	55,373	-
Deferred government grants (Note 17)	2,262	2,309
Lease liabilities (Note 23)	<u>12,064</u>	<u>15,774</u>
	<u>69,699</u>	<u>18,083</u>

Included in creditors balance is the amount of €nil in foreign currency.

During the period the loan amount has been reclassified to long term to be more in with the agreed terms with the counter party.



Notes (continued)

19 Other provisions

	£000
At 1 January 2021	9,967
Unwinding of discount	1,247
Reassessment of life of a mine	(702)
At 31 December 2021	<u>10,512</u>
At 1 January 2022	10,512
Unwinding of discount	(3,447)
Addition	1,000
Reassessment of life of a mine	22
At 31 December 2022	<u>8,087</u>

At the end of the life of the mine, the company has an obligation to return the area to its previous condition. This includes considering infrastructural, mining and general surface aspects in addition to post closure costs such as monitoring and aftercare services. Currently there is a provision for £8,087,240 relating to the mine closure. During the financial year 2023 the directors engaged with a third party to provide an updated estimate of future costs for closing the mine. As at the date of the signing of these financial statements this exercise is still ongoing and therefore the directors used the current findings to update the provision.



Notes (continued)

20 Pension liabilities

Defined benefit plans

The Company operates two defined benefit pension plans in the UK. Both plans are now closed to new members and closed for further accrual of benefits by the members, who are instead eligible for a defined contribution arrangement to which the Company contributes. The payments to the defined benefit pension plans beneficiaries up to the total amount of £30m are guaranteed by the parent company subject to the terms of the guarantee.

	2022	2021
	£000	£000
Present value of funded defined benefit obligations	(144,278)	(226,806)
Fair value of plan assets	141,758	230,013
Total pension liabilities	(2,520)	3,207

Movements in fair value of plan assets

	2022	2021
	£000	£000
At 1 January	230,013	226,955
Net interest on plan assets	4,279	3,198
Remeasurement gain	(85,267)	6,566
Contributions by employer	1,704	2,656
Benefits paid	(8,971)	(9,362)
Insurance premiums for risk benefits	-	-
At 31 December	141,758	230,013

Movements in present value of defined benefit obligation

	2022	2021
	£000	£000
At 1 January	226,806	263,985
Current & past service cost	-	(3,369)
Interest cost/expense	4,203	3,708
Remeasurements:		
Effect of change in financial and demographic assumptions	(77,760)	(28,156)
Benefits paid	(8,971)	(9,362)
At 31 December	144,278	226,806



Notes (continued)

20 Pension liabilities (continued)

Expense recognised in the profit and loss account

	2022	2021
	£000	£000
Current service cost	-	(3,369)
Interest on defined benefit pension plan obligation	4,203	3,708
Interest on defined benefit pension plan assets	(4,279)	(3,198)
Total	<u>(76)</u>	<u>(2,859)</u>

The expense is recognised in the following line items in the profit and loss account:

	2022	2021
	£000	£000
Cost of sales	(74)	(2,764)
Administrative expenses	(2)	(95)
	<u>(76)</u>	<u>(2,859)</u>

Actuarial gains recognised directly in equity:

	2022	2021
	£000	£000
Cumulative amount at 1 January	(18,521)	(53,243)
Recognised in the year	(7,507)	34,722
Cumulative amount at 31 December	<u>(26,028)</u>	<u>(18,521)</u>

Plan Assets

	2022	2021
	£000	£000
Cash and cash equivalents	13,140	23,443
Equities	14,095	18,360
Debt instruments - Government and Corporate bonds	92,959	153,554
Property	17,309	13,038
Investment funds	4,100	21,340
Assets held by insurance company	155	278
	<u>141,758</u>	<u>230,013</u>



Notes (continued)

20 Pension liabilities (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 the 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:

	2022	2021
	%	%
Discount rate	6.1	1.43
RPI	2.5	2.95
Rate of pension increases	<u>3.1</u>	<u>2.85</u>

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on the 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:

	2022	2021
	years	years
Average life expectancy of a male pensioner from age 65		
72 Plan	19.7	19.9
78 Plan	21.2	21.4
Average life expectancy of a future female retiree reaching age 65		
72 Plan	22.3	22.4
78 Plan	23.7	23.8

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

	Change in assumption	Impact on scheme liabilities
Discount rate	10% decrease	Increase of £8.8M
RPI	10% increase	Decrease of £3.6M
Mortality	<u>10% decrease</u>	<u>Increase of £4.4M</u>



Notes (continued)

20 Pension liabilities (continued)

Defined contribution plans

The Company operates a defined contribution pension plan. The total expense relating to these plans in the current year was £3,598,958 (2021: £3,196,253) which represents contributions payable by the Company to the employees' funds. At the end of year there were outstanding contribution payable by the Company of £207k (2021: £250k unpaid contribution).

21 Called up share capital and reserves

Called up share capital

	10% redeemable preference shares of £1 each	Ordinary shares
In thousands of shares		
On issue at 1 January 2022 and at 31 December 2022	52,900	14,061
	52,900	14,061
	2022	2021
	£000	£000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	14,061	14,061
10% redeemable preference shares of £1 each	52,900	52,900
	66,961	66,961

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 dividends 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.



Notes (continued)

21 Called up share capital and reserves (continued)

Share premium

Share premium reflects amounts paid over par on issued share capital.

Retained earnings

Retained earnings reflect accumulated profits/losses less any deductions for dividends paid.

22 Financial instruments

22 (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 requirement.

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).

22 (b) Liquidity risk

Financial risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages its liquidity risk by monitoring existing facilities and cash flows against forecast requirements based on rolling cash forecast. The company continues to be dependent upon the ongoing financial support of the ICL Group.

Exposure to liquidity risk

The Company held short term derivative financial instruments in 2022 in the form of forward currency exchange contracts liabilities with group undertakings. These have a year end fair value liability of nil (2021: nil).

22 (c) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

The Company is exposed to currency risk on its holdings of financial instruments that are denominated in a currency over its functional currency. The Company policy is to reduce currency exposures on its holdings of financial instruments through hedging.

Market risk – Foreign currency risk

The Company transacts in both Euros and US Dollars in the ordinary course of business in both revenue and expenses. The net exposure to each currency is closely monitored and is reduced on a timely basis by the use of foreign exchange contracts. Such contracts are taken out with a fellow group undertaking with the opposite exposure or with the company's bankers.



Notes (continued)

23 Lease liabilities

	2022	2021
	£000	£000
Current	2,785	3,171
Non current	12,064	17,084
Total	<u>14,849</u>	<u>20,255</u>

During the year a total cash out flow of £3,171k (2021: £4,736k) was incurred in relation to lease payments.

The weighted average incremental borrowing rate applied to lease liabilities recognised at the date of initial application was 3.470%.

24 Related parties

Identity of related parties with which the Company transacted

The Company has made sales to a fellow group company ICL Europe CV registered in the Netherlands under a Single Business Entity System. The Company has made purchases from the parent company Dead Sea Works Limited and from fellow group companies ICL Europe CV and ICL UK Sales Ltd.

All transactions to related parties were carried out on an arms length basis.

The company has taken advantage of the exemption under Paragraph 8(k) of FRS 101 not related parties with fellow wholly owned subsidiaries.

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.

25 Ultimate parent company and parent company of larger group

The immediate parent company is Dead Sea Works Limited whose registered office is in Potash House, 75 Beer-Sheva 8410001, Israel. The ultimate parent company is Israel Chemicals Limited whose registered office is Millennium Tower, 23 Aranha St, Tel-Aviv 61202, Israel.

The smallest and 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 this group are available to the public from the following website www.icl-group.com.