

(Registered Number 915392)

CLEVELAND POTASH LIMITED

ANNUAL REPORT AND ACCOUNTS

31 DECEMBER 2001



CLEVELAND POTASH LIMITED

DIRECTORS' REPORT

The directors of Cleveland Potash Limited submit their report together with the accounts of the company for the year ended 31 December 2001 and the auditor's report thereon.

ACTIVITIES

Mining, processing and marketing of potash and road salt continued to be the company's principal activity.

REVIEW OF THE BUSINESS

The loss for the year after taxation amounted to £6,990,000 (2000 profit - £797,000).

Production difficulties were experienced underground during the year which precluded the attainment of budgeted hoist tonnages for both potash ore and rock salt. These difficulties have been overcome and extraction rates have returned to budgeted levels.

The objective in the coming year will be to improve on the trading and financial position.

On 28 November 2001 the shareholders of Cleveland Potash Limited signed an agreement to sell the entire issued share capital of the company to Rotem Holding GmbH, a wholly-owned subsidiary of Israel Chemicals Limited (ICL), subject to certain regulatory conditions. ICL is a global company engaged in the development, manufacture and marketing of fertilizers and fertilizer raw materials, bromine and bromine compounds, speciality and performance chemicals and metallurgy. ICL is a member of the Israel Corporation Group. Completion of the sale is expected in the first half of 2002.

No dividends have been paid during the year nor are any proposed to be paid in respect of the year. No dividends were paid in respect of 2000. The retained loss for the year transferred to reserves amounts to £6,990,000 (2000 profit - £797,000).

DIRECTORS

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

FKJ Jackson (Chairman)

DC Cather

RE Cockcroft

JM Evans

ICR Gilchrist

RA Laybourne

AW Lea

JR Lockerbie

WA Nairn

AF Pace-Bonello

RS Robertson

There are no directors' interests required to be disclosed by the Companies Act 1985.

CLEVELAND POTASH LIMITED
DIRECTORS' REPORT (CONTINUED)

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.

CREDITOR PAYMENT POLICY

It is the policy of the company to settle terms of payment with creditors when agreeing the terms of each transaction and to abide by the creditors' terms of payment. There are no creditors subject to special arrangements outside of suppliers' terms and conditions. Trade creditors at 31 December 2001 represents 27 days of purchases (2000 - 21 days).

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the financial statements on pages 4 to 13 they have used appropriate accounting policies, consistently applied and supported by reasonable prudent judgements and estimates, and that all relevant accounting standards have been followed.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors are also required to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors 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.



AF Pace-Bonello
Secretary
1 March 2002

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLEVELAND POTASH LIMITED

We have audited the financial statements of Cleveland Potash Limited for the year ended 31 December 2001 which comprise the profit and loss account, the balance sheet and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and auditors

As described in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the report of the directors is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the director's report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors
Gainsborough House
34-40 Grey Street
Newcastle upon Tyne
NE1 6AE

4 March 2002

CLEVELAND POTASH LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2001

	Note	2001 £'000	2000 £'000
TURNOVER	2	85,780	89,642
Net operating expenses			
Exceptional other operating income		990	1,819
Other operating expenses		(93,938)	(91,013)
	3	<u>(92,948)</u>	<u>(89,194)</u>
OPERATING (LOSS) / PROFIT		(7,168)	448
Interest receivable and similar income	6	178	349
		<u> </u>	<u> </u>
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(6,990)	797
TAX ON PROFIT ON ORDINARY ACTIVITIES	7	<u>-</u>	<u>-</u>
(LOSS) / PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	15	(6,990)	797
Dividends		<u>-</u>	<u>-</u>
(LOSS) / PROFIT FOR THE YEAR RETAINED AND TRANSFERRED (FROM) / TO RESERVES		<u><u>(6,990)</u></u>	<u><u>797</u></u>

All activities derive from continuing operations.

There are no recognised gains and losses for the current and preceding financial year other than as stated in the profit and loss account.

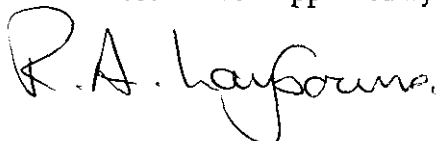
The notes on pages 6 to 13 form an integral part of these accounts.

CLEVELAND POTASH LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2001

	Note	2001 £'000	2000 £'000
TANGIBLE FIXED ASSETS	8	<u>46,512</u>	<u>45,710</u>
CURRENT ASSETS			
Stocks	9	7,403	7,286
Debtors	10	15,646	21,588
Cash at bank and in hand		<u>2,849</u>	<u>2,158</u>
		25,898	31,032
CREDITORS (amounts falling due within one year)	11	<u>(14,069)</u>	<u>(9,047)</u>
NET CURRENT ASSETS		<u>11,829</u>	<u>21,985</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>58,341</u>	<u>67,695</u>
CREDITORS (amounts falling due after more than one year)	11	<u>2,527</u>	<u>2,699</u>
PROVISIONS FOR LIABILITIES AND CHARGES	12	<u>8,590</u>	<u>10,782</u>
CAPITAL AND RESERVES			
Called up share capital	14	37,000	37,000
Share premium account	15	2,123	2,123
Profit and loss account	15	<u>8,101</u>	<u>15,091</u>
TOTAL SHAREHOLDERS' FUNDS		<u>47,224</u>	<u>54,214</u>
		<u>58,341</u>	<u>67,695</u>
Shareholders' funds attributable to:			
Equity shareholders		17,224	24,214
Non-Equity shareholders		30,000	30,000

The accounts were approved by the Board of Directors on 1 March 2002 and are signed on its behalf by:



RA Laybourne



AF Pace-Bonello

The notes on pages 6 to 13 form an integral part of these accounts.

CLEVELAND POTASH LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 2001

1 ACCOUNTING POLICIES

The following statements indicate the main accounting policies on which the annual accounts have been based.

1 Accounting convention

These accounts are prepared in accordance with applicable accounting standards under the historical cost convention.

2 Foreign currency translation

Assets and liabilities denominated in foreign currency are translated at rates of exchange ruling at the balance sheet date except when forward exchange contracts have been entered into as a hedge, in which case the hedge rate has been used. Gains and losses on settled transactions are recorded in the profit and loss account.

3 Turnover

Turnover represents the invoiced value of sales to customers excluding value added tax.

4 Other operating income

Other operating income represents rents and fees receivable.

5 Depreciation

Assets with finite lives are depreciated on a straight line basis at a rate determined by their remaining estimated useful working lives; buildings and plant estimated to have lives equivalent to the life of the ore body are depreciated on a unit of depletion method based on the expected recoverable ore reserves. These reserves have been restated as at 31 December 2001. This restatement will be effective for depreciation calculations from 1 January 2002. Other plant and machinery is depreciated over periods of 5 to 15 years.

6 Government grants

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

7 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 estimated date of settlement is based on a geological estimate of reserves.

8 Stock valuation

Stocks are valued at the lower of cost or net realisable value. Cost includes materials, direct labour and production overheads where relevant. Net realisable value is based on estimated selling price less all further costs to completion and all relevant selling and distribution costs.

9 Leases

Operating lease rentals are charged to the profit and loss account.

CLEVELAND POTASH LIMITED**NOTES TO THE ACCOUNTS - 31 DECEMBER 2001 (CONTINUED)****1 ACCOUNTING POLICIES (CONTINUED)****10 Pensions**

The company operates both defined benefit and defined contribution plans. The pension cost charged to the profit and loss account in respect of the defined benefit plans is calculated by a qualified actuary so as to spread the cost of retirement benefits over the employees' remaining working lives. Contributions under the defined contribution plan are charged to the profit and loss account as they become payable in accordance with the rules of the plan.

11 Deferred taxation

Deferred taxation is provided on timing differences arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected the tax will arise.

12 Cash flow statement

A cash flow statement has not been provided as the company is a wholly owned subsidiary undertaking of a group that produces publicly available consolidated financial statements, in which the company's financial statements are included.

2 TURNOVER

Substantially all of the turnover and operating profit arose from the principal activity of the company.

Geographical analysis of turnover:

	2001	2000
	£'000	£'000
European Union	76,433	80,401
South America	9,158	8,098
Rest of the World	189	1,143
	<u>85,780</u>	<u>89,642</u>

3 NET OPERATING EXPENSES

	2001	2000
	£'000	£'000
Change in stocks of finished goods	(606)	(587)
Other operating income	2,439	2,765
Raw materials and consumables	(9,722)	(9,962)
Other external charges	(52,587)	(49,958)
Staff costs (note 4)	(28,231)	(27,922)
Reclamation	170	1,624
Depreciation	(4,697)	(5,566)
Government grant release	286	412
	<u>(92,948)</u>	<u>(89,194)</u>

Within other operating income are total insurance proceeds of £1.6 million (2000 - £1.8 million) which includes £1.0 million (2000 - £1.8 million) in respect of exceptional other operating income relating to the insurance claim following the unexpected brine inflow into the mine in 1999. This claim has now been fully agreed.

CLEVELAND POTASH LIMITED**NOTES TO THE ACCOUNTS - 31 DECEMBER 2001 (CONTINUED)****4 STAFF COSTS**

	2001	2000
	£'000	£'000
Salaries	24,489	24,287
Social security costs	1,961	1,960
Pension costs		
Defined benefit	1,759	1,675
Defined contribution	22	-
	<u>28,231</u>	<u>27,922</u>

	Number	Number
Average number of employees	<u>843</u>	<u>846</u>

	£'000	£'000
Directors' emoluments		
Remuneration (excluding pension contributions)	398	422
Remuneration of the highest paid director	126	139

	Number	Number
Number of directors who are members of the company's defined benefit plan	<u>4</u>	<u>4</u>

The accrued pension of the highest paid director at 31 December 2001 is £15,250. The increase in accrual during the year amounted to £2,664.

5 (LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

(Loss) / profit on ordinary activities before taxation is stated after the following amounts have been charged / (credited) to the profit and loss account:

	2001	2000
	£'000	£'000
Operating leases	1,296	1,159
Commissions payable	761	1,070
Hire of plant and machinery	417	424
Loss on disposal of fixed assets	375	4
Auditors' remuneration		
Audit	21	19
Non audit services	<u>1</u>	<u>1</u>

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	2001	2000
	£'000	£'000
Bank interest	154	322
Other interest	<u>24</u>	<u>27</u>
	<u>178</u>	<u>349</u>

CLEVELAND POTASH LIMITED**NOTES TO THE ACCOUNTS - 31 DECEMBER 2001 (CONTINUED)****7 TAXATION**

No charge to corporation tax arises due to the availability of tax losses brought forward from earlier years. At 31 December 2001 there are, subject to the agreement of the Inland Revenue, tax losses of £47 million (2000 - £43 million) available to set off against future trading profits of the company. The potential liability for deferred taxation of £3 million (2000 - £4 million) arising chiefly from accelerated capital allowances is fully covered by losses brought forward and therefore no provision has been made.

8 TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant and machinery £'000	Mining works £'000	Assets under construction £'000	Total £'000
Cost					
At 1 January 2001	11,879	69,760	18,036	10,014	109,689
Additions	-	-	-	5,893	5,893
Reclassifications	400	9,913	-	(10,313)	-
Disposals	-	(2,424)	-	-	(2,424)
At 31 December 2001	<u>12,279</u>	<u>77,249</u>	<u>18,036</u>	<u>5,594</u>	<u>113,158</u>
Accumulated depreciation					
At 1 January 2001	8,774	41,667	13,538	-	63,979
Charge for year	325	3,942	430	-	4,697
Disposals	-	(2,030)	-	-	(2,030)
At 31 December 2001	<u>9,099</u>	<u>43,579</u>	<u>13,968</u>	<u>-</u>	<u>66,646</u>
Net book value					
At 31 December 2001	<u>3,180</u>	<u>33,670</u>	<u>4,068</u>	<u>5,594</u>	<u>46,512</u>
At 31 December 2000	<u>3,105</u>	<u>28,093</u>	<u>4,498</u>	<u>10,014</u>	<u>45,710</u>

The cost of fully depreciated assets included above under plant and machinery is £12.9 million (2000 - £10.5 million).

Depreciation is charged when assets come into use.

Capital expenditure amounting to £1,166,000 (2000 - £1,960,000) has been contracted for but is not provided for in these accounts.

9 STOCKS

	2001 £'000	2000 £'000
Raw materials and consumables	4,474	3,751
Finished goods	<u>2,929</u>	<u>3,535</u>
	<u>7,403</u>	<u>7,286</u>

CLEVELAND POTASH LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 2001 (CONTINUED)
10 DEBTORS (amounts falling due within one year)

	2001	2000
	£'000	£'000
Trade debtors	13,059	16,448
Amounts owed by fellow subsidiary undertakings	54	193
Other debtors	1,445	4,522
Prepayments and accrued income	1,088	425
	<u>15,646</u>	<u>21,588</u>

11 CREDITORS

	2001	2000
	£'000	£'000
Amounts falling due within one year:		
Bank overdraft	4,664	-
Trade creditors	5,013	3,821
Amounts owed to fellow subsidiary undertakings	14	8
Other creditors	705	680
Accruals and deferred income	3,264	4,129
Government grants	409	409
	<u>14,069</u>	<u>9,047</u>

Amounts falling due after more than one year:

Government grants	<u>2,527</u>	<u>2,699</u>
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Government grants:

At 1 January	3,108	3,520
Received during the year	114	-
Released during the year	(286)	(412)
At 31 December	<u>2,936</u>	<u>3,108</u>

12 PROVISIONS FOR LIABILITIES AND CHARGES

	Reclamation £'000	Pension £'000	Total £'000
At 1 January 2001	5,079	5,703	10,782
Profit and loss account (credit) / charge	(170)	1,759	1,589
Paid in the year	-	(3,781)	(3,781)
At 31 December 2001	<u>4,909</u>	<u>3,681</u>	<u>8,590</u>

CLEVELAND POTASH LIMITED**NOTES TO THE ACCOUNTS - 31 DECEMBER 2001 (CONTINUED)****13 OBLIGATIONS UNDER OPERATING LEASES**

At 31 December 2001 the company was committed to making the following payments during the next year in respect of operating leases.

	Land and buildings £'000	Other £'000
Leases which expire:		
Within one year	-	601
Within two to five years	240	393
After five years	547	-
	<u>787</u>	<u>994</u>

The operating lease rentals in respect of land and buildings which expire after five years are subject to review every five years. The next such review is due with effect from 1 April 2004.

14 CALLED UP SHARE CAPITAL

	2001 £'000	2000 £'000
Authorised, issued, allotted and fully paid:		
Ordinary shares of £1 each	7,000	7,000
10% redeemable participating preference shares of £1 each	30,000	30,000
	<u>37,000</u>	<u>37,000</u>

The Preference shares have the right to a non-cumulative preference dividend of 10%, the right to preferential return of capital and thereafter to participate on a winding-up rateably with the Ordinary shares in any surplus, and to attend and vote on resolutions at General Meetings only if proposed resolutions would vary or abrogate the rights of Preferential shareholders.

The Preference shares are redeemable in whole or part 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.

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Called up Share capital £'000	Share premium £'000	Profit and loss account £'000	Total 2001 £'000	Total 2000 £'000
At 1 January	37,000	2,123	15,091	54,214	53,417
(Loss) / profit for the year	-	-	(6,990)	(6,990)	797
At 31 December	<u>37,000</u>	<u>2,123</u>	<u>8,101</u>	<u>47,224</u>	<u>54,214</u>

16 RELATED PARTY DISCLOSURES

The company has taken advantage of the exemption in FRS 8 (Related Party Transactions) which allows it not to disclose transactions with group entities or investees of the group qualifying as related parties.

CLEVELAND POTASH LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2001 (CONTINUED)

17 PENSIONS

The company operates two defined benefit pension schemes. The schemes are set up under trust and their assets are held separately from the company's resources. The schemes are subject to triennial valuations by independent actuaries, the latest completed valuations being carried out as at 30 June 1999 using the projected unit method for the main scheme and the attained age method for the managers' scheme. The following actuarial assumptions were applied:

the investment return used was 6.1% pa before retirement and 5.1% pa after retirement;
the rate of earnings increase was 4.6% pa; and
pensions in excess of the guaranteed minimum pension were assumed to increase at the rate of 2.6% pa in payment.

The most recent actuarial valuations showed the market value of the schemes' assets were approximately £105,708,000 and this valuation was sufficient to cover 101% of the combined benefits which had accrued to members, after allowing for the expected future increase in earnings. The employer's contribution rate over the average remaining service lives of the members of the schemes takes account of the surplus disclosed by the valuation.

The total contributions paid by the company in respect of the year ended 31 December 2001 amounted to £3,781,000 (2000 - £2,600,000), while the amount charged to the profit and loss account was £1,759,000 (2000 - £1,675,000). This resulted in a balance sheet provision of £3,681,000 (2000 - £5,703,000).

The company also operates a defined contribution scheme. The pension charge for the year amounted to £22,000 (2000 - £Nil) and there were no outstanding or prepaid contributions at the balance sheet date.

In November 2000, the Accounting Standards Board issued FRS 17 "Retirement Benefits" replacing SSAP 24 "Accounting for Pension Costs". FRS 17 is fully effective for periods ending on or after 22 June 2003, though certain disclosures are required in the transition period for periods ending on or after 22 June 2001. These further disclosures are included below.

The full actuarial valuation of the defined benefit schemes carried out as at 30 June 1999 was updated to 31 December 2001 by a qualified independent actuary. The major assumptions used by the actuary at the balance sheet date were (in nominal terms):

Rate of increase in salaries	4.0%
Rate of increase of pensions in payment	2.5%
Rate of revaluation of deferred pensions	2.5%
Discount rate	6.0%
Inflation assumption	2.5%

CLEVELAND POTASH LIMITED**NOTES TO THE ACCOUNTS - 31 DECEMBER 2001 (CONTINUED)****17 PENSIONS (continued)**

The assets in the defined benefit pension schemes and the expected rates of return were:

		£'000
Equities and property	7.5%	87,508
Bonds and other	5.0%	18,059
Total market value of assets		<u>105,567</u>
Actuarial value of liability		<u>95,412</u>
Recoverable surplus in the scheme		10,155
Related deferred tax liability		-
Net pension asset		<u><u>10,155</u></u>
Balance sheet supplementary disclosure		
Net assets excluding pension asset		47,224
Pension asset		<u>10,155</u>
Net assets including pension asset		<u><u>57,379</u></u>
Profit and loss reserve excluding pension asset		
Profit and loss reserve excluding pension asset		8,101
Pension reserve		<u>10,155</u>
Profit and loss reserve including pension asset		<u><u>18,256</u></u>

18 FINANCIAL COMMITMENTS

At the balance sheet date the sterling value of forward foreign exchange contracts, all in respect of hedging debtor receivables, amounted to £23,252,000 (2000 - £24,374,000). The latest maturity date of the contracts is 4 March 2003.

19 ULTIMATE PARENT UNDERTAKING

Anglo American plc, a company incorporated in England whose registered office is 20 Carlton House Terrace, London SW1Y 5AN, is the ultimate parent undertaking.

On 28 November 2001 an agreement was signed to sell the entire issued share capital to Rotem Holding GmbH, a wholly owned subsidiary of Israel Chemicals Limited, a company incorporated in Israel and a member of the Israel Corporation Group. This agreement is subject to certain regulatory conditions.