

York Potash Ltd

**Directors' report and financial statements
for the year ended 31 March 2015**

Company number: 07251600

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DIRECTORS' REPORT for the year ended 31 March 2015

The directors present the audited financial statements of York Potash Limited ("the Company" or "York Potash") for the year ended 31 March 2015.

Principal activities

The principal activity of the Company is to explore, evaluate and develop the York Potash Project ("the Project") in North Yorkshire.

DIRECTORS

The directors who served the Company during the period and up to the date of signing the financial statements are as follows:

CN Fraser (Managing Director and CEO)

JH Murray (Finance Director and CFO)*

G Clarke (Operations Director)

*JH Murray has resigned as director in August 2014.

The Company Secretary who served the Company during the period and up to the date of signing the financial statements is:

N King

RESULTS AND DIVIDENDS

The Company's year-end cash and cash equivalents position as at 31 March 2015 was £15.5 million (2014: £1.4 million). The loss for the Company for the year was £4.4 million (2014: £1.7 million).

The directors do not recommend a payment of a dividend for the year (2014: £nil).

QUALIFYING THIRD PARTY INDEMNITY INSURANCE

Directors' and officers' insurance is maintained at an appropriate level in respect of legal action against the directors. These arrangements were in place throughout the financial period and up to the date of approval of the financial statements.

MANDATORY CARBON REPORTING

In its current state the Company has no operations and has not traded in the period. As such the Company does not have greenhouse gas emissions to report from its operations, and it does not have responsibility for any other emissions producing entities as defined under the Companies Act 2006 (strategic and directors' reports) Regulations 2013.

DIRECTORS' REPORT continued

PROVISION OF INFORMATION TO AUDITORS

The directors, at the date of signing, confirm that at the date of approval of this report that so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware and that they have taken all steps they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the director has prepared the Company's financial statements in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). 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 accounting estimates that are reasonable and prudent;
- State whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors consider that the annual financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for members to assess the Company's performance, business model and strategy.

DIRECTORS' REPORT continued

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP has indicated its willingness to continue in office. In accordance with Section 489 of the Companies Act 2006, resolutions will be proposed at the forthcoming Annual General Meeting to re-appoint PricewaterhouseCoopers LLP as independent auditor, and to authorise the directors to determine the auditor's remuneration for the ensuing period.

On behalf of the Board



C.N Fraser

Managing Director

28 August 2015

INDEPENDENT AUDITORS' REPORT to the members of York Potash Ltd
Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 1 to the financial statements concerning the company's ability to continue as a going concern. The company (and the group of which it is part) is involved in efforts to complete feasibility studies and secure long term project finance, the outcome of each of which is uncertain. These conditions, along with the other information explained in Note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

What we have audited

The financial statements, which are prepared by York Potash Ltd, comprise:

- the Statement of Financial Position as at 31 March 2015;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

INDEPENDENT AUDITORS' REPORT to the members of York Potash Ltd (continued)

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

INDEPENDENT AUDITORS' REPORT to the members of York Potash Ltd (continued)

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Ian Morrison (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
28 August 2015

STATEMENT OF TOTAL COMPREHENSIVE INCOME for the year ended 31 March 2015

	Notes	2015 £000s	2014 £000s
Continuing operations			
Revenue			-
Administrative expenses	3	(5,023)	(3,238)
Operating loss		(5,023)	(3,238)
Finance income	4	248	30
Finance costs		(19)	(8)
Loss before taxation	3	(4,794)	(3,216)
Taxation	6	438	1,492
Total comprehensive income for the year		(4,356)	(1,724)

STATEMENT OF FINANCIAL POSITION as at 31 March 2015

	Notes	2015 £000s	2014 £000s
ASSETS			
Non-current assets			
Property, plant and equipment	7	1,926	2,021
Intangible assets	8	89,525	60,616
		91,451	62,637
Current assets			
Other receivables	9	1,043	790
Loans to group companies	10	992	866
Cash and cash equivalents	11	15,527	1,353
Loans and receivables	12	-	-
		17,562	3,009
TOTAL ASSETS		109,013	65,646
EQUITY AND LIABILITIES			
Equity			
Share capital	13	50	50
Share premium account		168	168
Share based payment reserve		3,098	1,623
Accumulated losses		(10,135)	(5,779)
Total equity		(6,819)	(3,938)
Current liabilities			
Trade and other payables	15	2,637	3,383
Loan from third party	12	748	748
Loan from parent company	14	112,447	65,453
Total liabilities		115,832	69,584
TOTAL EQUITY AND LIABILITIES		109,013	65,646

The financial statements on pages 13 to 37 were issued and approved by the Board of Directors on 28 August 2015 and were signed on its behalf by:



CN Fraser
Managing Director

Company Registration Number 07251600

STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2015

	Share capital £000s	Share premium account £000s	Share based payment reserve £000s	Accumulated losses £000s	Total Equity £000s
At 1 April 2014	50	168	1,623	(5,779)	(3,938)
Total comprehensive income	-	-	-	(4,356)	(4,356)
Share based payments (Note 17)	-	-	1,475	-	1,475
At 31 March 2015	50	168	3,098	(10,135)	(6,819)

The share capital account is used to record the nominal value on the issue of shares.

The share premium account is used to record the excess proceeds over nominal value on the issue of shares.

The share based payment reserve is used to record the share based payments made by the Company.

STATEMENT OF CASH FLOWS for the year ended 31 March 2015

		2015	2014
	Notes	£000s	£000s
Cash (outflow)/inflow used in operating activities	16	(5,693)	(2,257)
Cash outflow from investing activities			
Purchase of intangible assets	8	(27,187)	(17,424)
Purchase of plant and equipment	7	(62)	(1,461)
Loan to group companies	10	(126)	(365)
Loan to third party	12	-	915
Net cash used in investing activities		(27,375)	(18,335)
Cash flow from financing activities			
Loan from third party	12	-	748
Loan from parent company	14	46,994	13,816
Finance income		248	30
Net cash generated from financing activities		47,242	14,594
Net (decrease)/increase in cash and cash equivalents		14,174	(5,998)
Cash and cash equivalents at beginning of the year		1,353	7,351
Cash and cash equivalents at end of the year	11	15,527	1,353

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015

1. Accounting policies

Basis of preparation

The financial statements of York Potash Ltd ("the Company") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS .

IFRS is subject to amendment and interpretation by the International Accounting Standards Board ("IASB") and the International Financial Reporting Standards Interpretations Committee ("IFRIC") and there is an ongoing process of review and endorsement by the European Commission. The financial statements have been prepared on the basis of the recognition and measurement principles of IFRS that were applicable at 31 March 2015.

The financial statements have been prepared under the historical cost convention. The principal accounting policies set out below have been consistently applied to all periods presented.

The Company is a private limited company which is incorporated and domiciled in the UK. The address of its registered office is shown on page 35.

Going concern

The Company incurred a loss for the financial year after taxation of £4,356,000 (2014 £1,724,000) and as at 31 March 2015, its liabilities exceeded its assets by £6,819,000 (2014 £3,938,000).

Whilst the Directors remain confident of a positive outcome in each of the following areas they recognise that there are a number of material uncertainties inherent in the York Potash Project, namely;

- Securing sufficient financing to fund full operational development
- The conclusion of the feasibility studies process to prove the availability and economic viability of polyhalite resources.
- The recoverability of the inter-group loan

An unsuccessful outcome in respect of any of these material uncertainties may cast significant doubt on the Company's ability to continue as a going concern. However the Directors remain positive, following recent planning decisions covering the Project's mine and mineral transport system, about the Group's ability to raise finance in the future. The Directors are of the view that additional funding will be secured as necessary.

The Company retains the ability to defer certain expenditure and operate within the level of its existing funds for a period which the Directors believe to be sufficient to enable them to secure funding. On this basis the Directors have concluded that the Company retains sufficient resources to meet its obligations as they fall due for a period of at least 12 months from the date of approval of these financial statements. The financial statements do not include the adjustments which would result if the Company were unable to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015 (continued)

International Financial Reporting Standards in “issue” but not yet effective

At the date of authorisation of these financial statements, there were no new standards, amendments and interpretations that were adopted by the Company and effective for the first time for the financial year beginning 1 April 2015 that were material to the company.

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1 January 2014 and have not yet been applied in preparing these financial statements. None of these are expected to have a significant effect or material impact on the financial statements of the Company.

The Directors anticipate that the adoption of the other standards and interpretations on the effective date will not have a significant impact on the Company’s financial results.

Plant and equipment

Plant and equipment are stated at cost less depreciation less any recognised impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of these items. Subsequent costs are included in the asset’s carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the costs can be measured reliably. All other costs, including repair and maintenance costs are charged to the income statement in the period in which they are incurred. Depreciation is provided on all tangible fixed assets and is calculated on a straight-line basis to allocate cost, other than assets in the course of construction, over the estimated useful lives, as follows:

Computer equipment	33.3% per annum
Furniture & fixtures	33.3% per annum
Plant & machinery	33.3% per annum
Motor vehicles	20% per annum
Leasehold improvements	20% per annum

Freehold land is not depreciated.

Software

Computer software is carried at cost less accumulated amortisation and impairments, and is amortised on a straight-line basis over 3 years. Amortisation of software is included within administrative expenses in the statement of comprehensive income.

Exploration and evaluation assets

Costs arising from exploration and evaluation activities are accumulated separately for each area of interest and only capitalised where such costs are expected to be recouped through successful development, or through sale, or where exploration and evaluation activities have not, at the reporting date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015 (continued)

Expenditure capitalised comprises direct costs that have a specific connection with a particular area of interest.

Capitalised expenditure in respect of areas of interest is written off in the income statement when the above criteria do not apply or when the Directors assess that the carrying value may exceed the recoverable amount.

Capitalised costs in respect of an area of interest that is abandoned are written off in the period in which the decision to abandon is made.

Once production commences, capitalised expenditure in respect of an area of interest is amortised on a unit of production basis by reference to the reserves of that area of interest. Amortisation of all classes of intangible assets is included within administrative expenses in the statement of comprehensive income.

Impairment

At each statement of financial position date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, for which the estimates of future cash flow have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of the impairment loss is recognised in the income statement immediately.

Cash and cash equivalents

Cash and cash equivalents include various instant access deposits and short term fixed deposits.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015 (continued)

Loans and other receivables

Loans and other receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment. Provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the loan or receivable. The amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate.

Trade and other payables

Trade payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of any direct issue costs.

Share based payments

The Group has applied the requirements of IFRS 2 'Share Based Payments'.

The Group issues equity settled share based payments to certain directors, senior managers and employees. Equity settled share based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates and laws that have been enacted (or substantially enacted) by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015 (continued)

Employee benefits

Provision is made in the financial statements for all employee benefits. Liabilities for wages and salaries including non-monetary benefits and annual leave obliged to be settled within twelve months of the balance sheet date, are recognised within accruals.

Foreign currencies

The reporting and functional currency of the Company is Sterling. Transactions denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at that date. All exchange differences are dealt with in the income statement.

2. Critical accounting estimates and judgements

The critical accounting estimates and judgements made by the Company regarding the future or other key sources of estimation, uncertainty and judgement that may have a significant risk of giving rise to a material adjustment to the carrying values of assets and liabilities within the next financial period are:

Impairment of exploration and evaluation assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indication of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015 (continued)

3. Loss before taxation is stated after charging:

	2015 £000s	2014 £000s
Auditors' remuneration		
Fees payable to the Company's auditor and their associates		
– the audit of the Company pursuant to legislation	30	30
– tax services	11	28
Depreciation	157	161
Amortisation	18	22
Foreign Exchange	19	5

4. Finance income

	2015 £000s	2014 £000s
Bank interest received	80	14
Other Interest Received	168	16
	<u>248</u>	<u>30</u>

Other interest received is in respect of interest on VAT withheld which has now been repaid

5. Staff numbers and costs

	2015 Number	2014 Number
Average monthly number of staff	45	39
Total staff costs during the year were:		
	2015 £000s	2014 £000s
Wages and salaries	3,231	2,754
Social security costs	407	425
Other benefits & pension costs	95	51
	<u>3,733</u>	<u>3,230</u>

Of the above total costs, £2,183,000 (2014: £2,087,000) have been capitalised within intangible exploration costs. The charge to the statement of comprehensive income is therefore as follows:

	2015 £000s	2014 £000s
Wages and salaries	1,301	904
Social security costs	154	188
Other pension costs	95	51
	<u>1,550</u>	<u>1,143</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015 (continued)

Directors' remuneration during the year was:

	2015 £000s	2014 £000s
Aggregate emoluments	-	136
Sums paid to third parties for directors' services	-	7
	<u>-</u>	<u>143</u>

Directors' remuneration includes fees and other short term benefits. There were no contributions to pension schemes (2014: £nil). No Directors have exercised share options during the year.

Highest paid director:

	2015 £000s	2014 £000s
Total emoluments and amounts (excluding shares) receivable under long term incentive schemes	-	<u>136</u>

Key management are those persons having authority and responsibility for planning, controlling and directing the activities of the Company. The Directors are considered to be the key management personnel of the Company.

Key management personnel received the following compensation during the year:

	2015 £000s	2014 £000s
Short term benefits including social security costs	-	<u>141</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015 (continued)

6. Taxation

	2015 £000s	2014 £000s
Corporation tax payable based on the loss for the year at 21% (2014: 23%)	-	-
<hr/>		
Taxation reconciliation		
Loss on ordinary activities before taxation	(4,794)	(3,216)
Loss on ordinary activities multiplied by the standard rate of corporation taxation in the UK of 21% (2014: 23%)	(1,007)	(741)
<i>Taxation effects of:</i>		
Expenses not deductible for tax purposes	35	39
Trading losses utilised	(56)	(8)
Trading losses not utilised	1,036	709
Capital allowances in excess of depreciation	(8)	1
Tax charge for the year	-	-
<hr/>		

The standard rate of Corporation Tax in the UK changed from 23% to 21% with effect from 1 April 2014.

The Company has unused tax losses of £10,701,000 (2014: £6,035,000). The related deferred tax asset has not been recognised in the accounts due to the uncertainty surrounding its recoverability. The deferred tax asset can be recovered against suitable future trading profits.

During the year the company had an approved tax credit of £438,000 in relation to the HMRC Research and Development Relief Scheme for SME's.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015 (continued)

7. Property plant and equipment

	Freehold Property £000s	Computer equipment £000s	Furniture & Fixtures £000s	Plant and Machinery £000s	Motor vehicles £000s	Leasehold Improve- ments £000s	Total £000s
Cost							
At 1 April 2013	309	142	164	92	110	93	910
Additions	1,456	3	1	1	-	-	1,461
Disposal	-	-	-	(14)	-	-	(14)
Expensed	-	(8)	-	-	-	-	(8)
At 1 April 2014	1,765	137	165	79	110	93	2,349
Additions	-	50	2	10	-	-	62
At 31 March 2015	1,765	187	167	89	110	93	2,411
Accumulated depreciation							
At 1 April 2013	-	29	47	48	31	12	167
Charge for year	-	45	54	29	21	21	170
Eliminated on disposal	-	-	-	(9)	-	-	(9)
At 1 April 2014	-	74	101	68	52	33	328
Charge for year	-	51	51	13	21	21	157
At 31 March 2015	-	125	152	81	73	54	485
Net book value							
At 31 March 2015	1,765	62	15	8	37	39	1,926
At 31 March 2014	1,765	63	64	11	58	60	2,021

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015 (continued)

8. Intangible assets

	Exploration costs & rights £000s	Software £000s	Total £000s
Cost			
At 1 April 2013	41,494	69	41,563
Additions	19,097	-	19,097
At 1 April 2014	60,591	69	60,660
Additions	28,927	-	28,927
At 31 March 2015	89,518	69	89,587
Accumulated amortisation			
At 1 April 2013	-	22	22
Charge for year	-	22	22
At 1 April 2014	-	44	44
Charge for year	-	18	18
At 31 March 2015	-	62	62
Net book value			
At 31 March 2015	89,518	7	89,525
At 31 March 2014	60,591	25	60,616

9. Other receivables

	2015 £000s	2014 £000s
Prepayments	355	379
Other receivables	688	411
	1,043	790

The Directors consider that the carrying amount of other receivables approximates to their fair value.

No bad and doubtful debt charges have been recognised by the Company in the income statement during the year (2014: £nil).

At 31 March 2015, no receivables were either impaired (2014: £nil) or past due but not impaired (2014: £nil).

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015 (continued)

10. Loans to group companies

	2015 £000s	2014 £000s
Loan to immediate parent undertaking	85	85
Loan to other group company	907	781
	992	866

The loans are interest free and repayable on demand.

The Directors consider the carrying amount of the borrowings approximate to their fair values.

11. Cash and cash equivalents

	2015 £000s	2014 £000s
Cash at bank in Sterling	15,527	1,353

The credit risk on the liquid funds is limited because the counter-parties are banks with high credit ratings.

The Directors consider that the carrying amount of the assets approximate to their fair value.

The Company's cash at bank is held in the following currencies:

	2015 £000s	2014 £000s
Sterling	15,518	1,270
Euro	-	7
US Dollars	4	25
Canadian Dollars	-	42
Australian Dollars	2	9
South African Rand	3	-
	15,527	1,353

12. Loans and receivables

	2015 £000s	2014 £000s
Loan from third party	(748)	(748)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015 (continued)

During the year a loan was rolled over by a third party which was used to fund the purchase of the mine head site.

13. Share capital

	2015 £000s	2014 £000s
Authorised		
50,001 (2013: 50,001) ordinary shares of £1 each	50	50
	2015 £000s	2014 £000s
Allotted, called up and fully paid		
50,001 (2013: 50,001) ordinary shares of £1 each	50	50

14. Loan from parent company

	2015 £000s	2014 £000s
Loan from ultimate parent undertaking	1,994	954
Loan from immediate parent undertaking	110,453	64,499
	<u>112,447</u>	<u>65,453</u>

The loans are interest free and repayable on demand.

The Directors consider the carrying amount of the borrowings approximate to their fair value.

15. Trade and other payables

	2015 £000s	2014 £000s
Trade payables	729	1,285
Other payables	73	59
Accruals	1,835	2,039
	<u>2,637</u>	<u>3,383</u>

The Directors consider the carrying amount of the trade and other payables approximate to their fair values.

At 31 March 2015, no receivables were either impaired (2014: £nil) or past due but not impaired (2014: £nil).

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015 (continued)

16. Cash (outflow) /inflow from operating activities	2015	2014
	£000s	£000s
Loss before tax	(4,356)	(1,724)
Depreciation	157	161
Assets expensed to income statement	-	22
Finance income	(248)	(30)
Amortisation	18	22
Share based payment	1,475	1,214
Operating cash flow before changes in working capital	(2,954)	(335)
(Increase)/Decrease in receivables	(254)	(56)
(Decrease)/Increase in payables	(2,485)	(1,866)
Net cash (outflow)/ inflow from operating activities	(5,693)	(2,257)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015 (continued)

17. Share based payments

Share options

During the year, the movement in share options over shares in the ultimate parent undertaking was as follows:

	Number of options 000s	Weighted Average exercise price £
At 31 March 2014	18,753	0.24
Granted during the year	2,750	0.32
Transferred from parent company	-	-
Forfeited during the year	(1,237)	0.25
At 31 March 2015	20,266	0.27
Exercisable at 31 March 2015	1,500	0.11

	Number of options 000s	Weighted Average exercise price £
At 31 March 2013	22,737	0.27
Granted during the year	1,416	0.35
Transferred from parent company	5,000	0.30
Forfeited during the year	(10,400)	0.35
At 31 March 2014	18,753	0.24
Exercisable at 31 March 2014	155,926	0.20

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015 (continued)

Details of the share options granted during the year were as follows:

Tranche 1

Grant date	28 May 2014
Recipient	Senior manager
Share price at date of grant (£)	0.13
Exercise price (£)	0.35
Volatility rate	107.01%
Expected life (years)	5
Risk free rate	1.79%
Dividend yield	0.00%
Vesting date	28 May 2017
Number of options (000s)	1,000
Fair value of options at date of grant (£000s)	£85

Tranche 2

Grant date	29 July 2014
Recipient	Senior manager
Share price at date of grant (£)	0.12
Exercise price (£)	0.30
Volatility rate	87.29%
Expected life (years)	5
Risk free rate	1.98%
Dividend yield	0.00%
Vesting date	29 July 2016
Number of options (000s)	250
Fair value of options at date of grant (£000s)	£22

Tranche 3

Grant date	29 July 2014
Recipient	Senior manager
Share price at date of grant (£)	0.12
Exercise price (£)	0.30
Volatility rate	87.29%
Expected life (years)	5
Risk free rate	1.98%
Dividend yield	0.00%
Vesting date	29 July 2015
Number of options (000s)	250
Fair value of options at date of grant (£000s)	£22

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015 (continued)

Tranche 4

Grant date	29 July 2014
Recipient	Senior manager
Share price at date of grant (£)	0.12
Exercise price (£)	0.30
Volatility rate	87.29%
Expected life (years)	5
Risk free rate	1.98%
Dividend yield	0.00%
Vesting date	29 July 2017
Number of options (000s)	250
Fair value of options at date of grant (£000s)	£22

Tranche 5

Grant date	12 August 2014
Recipient	Senior manager
Share price at date of grant (£)	0.11
Exercise price (£)	0.35
Volatility rate	87.48%
Expected life (years)	5
Risk free rate	1.69%
Dividend yield	0.00%
Vesting date	12 August 2017
Number of options (000s)	1,000
Fair value of options at date of grant (£000s)	£76

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015 (continued)

The fair value of the options is measured by use of the Black Scholes model. The inputs into the model are noted in the tables above. Expected volatility was determined by calculating the historical volatility of the share price of the ultimate parent undertaking.

The options outstanding at the year-end had a weighted average remaining contractual life of 7.5 years (2014: 5.4 years).

The fair value of the options determined at the grant date is expensed on a straight line basis over the vesting period.

The aggregate of the fair values of the options granted during the year is £227,000 of which £67,000 was expensed to the income statement (2014: £30,000). The fair value of the options that were forfeited during the year is £231,000 (2014: £1,266,000). The fair value of options that were granted in the prior year but expensed during the year is £44,000 (2014: £406,000).

The total expense recognised within the income statement in the year in relation to share options is £500,000 (2014: £742,000).

Share Awards

During the year, the movement in share awards in relation to shares in the ultimate parent undertaking was as follows:

	Number of shares 000s	Weighted Average exercise price £
At 31 March 2014	5,585	0.00
Granted during the year	9,620	0.00
Forfeited	(262)	
At 31 March 2015	14,943	0.00
Exercisable at 31 March 2015	-	-

The fair value of the share awards is measured by multiplying the number of shares under the award by the closing share price of the ultimate parent undertaking, on the day before the date of grant.

The shares generally vest if the holders are still employed by or engaged with the Company on the vesting dates. Some of the shares carry additional performance related conditions which must be satisfied in order for them to vest.

The fair value of the share awards determined at the grant date is expensed on a straight line basis over the vesting period.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015 (continued)

The aggregate of the fair values of the share awards granted during the year is £1,154,000 (2014: £537,000). The fair value of the shares that were forfeited during the year is £nil (2014: £1,365,000).

The total expense recognised within the income statement in the year in relation to share awards is £963,000 (2014: £471,000).

At the year-end, the share based payment reserve was made up as follows:

	2015
	£000s
Equity settled share based payments – directors	675
Equity settled share based payments – senior managers	2526
Equity settled share based payments – employees	8
	<u>3209</u>

18. Related party transactions

During the year, the Company paid £126,000 (2014: £281,000) to York Potash Processing & Ports Ltd and £Nil (2014: £84,000) to York Potash Holdings Limited, both for working capital purposes. At the year-end, the Company was owed £992,000 by the group companies (see note 10).

During the year, the Company received £1,040,000 from Sirius Minerals Plc (the ultimate parent undertaking) and £45,954,000 from York Potash Holdings Limited (the immediate parent undertaking), for working capital purposes. At the year-end, the Company owed £1,994,000 to Sirius Minerals Plc and £110,453,000 to York Potash Holdings Limited (see note 14).

19. Ultimate parent undertaking and controlling party

The immediate parent undertaking is York Potash Holdings Limited.

The ultimate parent undertaking and controlling party is Sirius Minerals Plc, a company incorporated in the UK.

Sirius Minerals Plc is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 March 2015. The consolidated financial statements of Sirius Minerals Plc can be obtained from www.siriusminerals.com.

20. Financial instruments

The Company's financial instruments comprise cash and cash equivalents, loans and items such as other payables and other receivables which arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Company's operations.

The Company's operations expose it to a variety of financial risks including credit risk, liquidity risk, interest rate risk and foreign currency exchange rate risk. The Directors believe the Company is not exposed to any material equity price risk. Given the size of the Company, the Directors have not

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015 (continued)

delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board are implemented by the Company's finance department.

Classification of financial instruments

The Company's financial assets as disclosed in notes 9 to 12 are classified as loans and receivables and their carrying values approximate to their fair values. The Company's financial liabilities are held at amortised cost.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Company defines capital as being share capital plus reserves. The Board monitor the level of capital as compared to the Company's commitments and if determined to be necessary, adjusts the level of capital by issuing new shares. The Company are not subject to any externally imposed capital requirements.

Credit risk

The Company's credit risk is primarily attributable to its other receivables, cash and cash equivalents and loan to a third party. The Company has implemented policies that require appropriate credit checks. The amount of exposure to any individual counterparty is reviewed regularly by the Board.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the year-end was:

	2015	2014
	£000s	£000s
Other receivables	1,043	790
Loans to group companies	992	-
Cash and cash equivalents	15,527	1,353
Loans and receivables	-	-
	17,562	2,143

The total of other receivables and cash and cash equivalents constitutes all of the financial assets within the IAS 39 category loans and receivables held by the Company.

Interest rate risk

The Company's interest bearing assets comprise cash and cash equivalents earning interest at a variable rate and a loan to a third party earning interest at a fixed rate. The Company borrowing at the year-end was £112,447,000 (2014: £65,453,000) which is interest free. The Company has not entered into any derivative transactions during the year.

Cash and cash equivalents of the Company are disclosed above under credit risk. The impact of a movement of 5% in the rate of interest on Company's cash and cash equivalents will have no

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015 (continued)

material impact to the Company's results and financial position as at 31 March 2015 and 31 March 2014.

Liquidity risk

The Company is funded by loans from its parent company that are provided according to the Company's cash needs. The following table shows the contractual maturities of the Company's financial liabilities, all of which are measured at amortised cost:

	Trade payables £000s	Accruals £000s	Loan from parent company £000s	Total £000s
As at 31 March 2015				
6 months or less	802	1,835	112,447	115,084
Total contractual cash flows	802	1,835	112,447	115,084
Carrying amount of financial liabilities measured at amortised cost	802	1,835	112,447	115,084

	Trade payables £000s	Accruals £000s	Loan from parent company £000s	Total £000s
As at 31 March 2014				
6 months or less	1,285	2,039	65,453	68,777
Total contractual cash flows	1,285	2,039	65,453	68,777
Carrying amount of financial liabilities measured at amortised cost	1,285	2,039	65,543	68,777

Foreign currency exchange rate risk

The reporting currency of the Company is Sterling. Transactions denominated in a foreign currency are translated into Sterling at the rate of exchange ruling at the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at that date. All exchange differences are charged or credited to the income statement as appropriate.