TATA CHEMICALS MAGADI LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2018

TATA CHEMICALS MAGADI LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

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TATA CHEMICALS MAGADI LIMITED

CORPORATE INFORMATION

MANAGEMENT

Jackson Muchira Mbui	Managing Director
Mukundan Ramakrishnan*	
Titus Tukero Naikuni	
John Mulhall**	
Dr. Yashwant Thorat*	
Zarir Langrana*	
Dr. Stephen Moiko	

*Indian   **British

COMPANY SECRETARY

Livingstone Associates
Certified Public Secretaries (Kenya)
PO Box 30029 – 00100
Nairobi

HEADQUARTERS

Magadi, Kenya

REGISTERED OFFICE

Mond House, Winnington
Northwich
Cheshire, CW8 4DT
England

AUDITORS

KPMG UK
Statutory Auditor
Liverpool
United Kingdom

BANKERS

Barclays Bank of Kenya Limited
Barclays Plaza Branch
Nairobi, Kenya

Co-operative Bank of Kenya Limited
Enterprise Road Branch
Nairobi, Kenya

Standard Chartered Bank of Kenya Limited
Kenyatta Avenue Branch
Nairobi, Kenya

Bank of India
Kenyatta Avenue Branch
Nairobi, Kenya

LEGAL ADVISORS

Kaplan & Stratton
Williamson House
P O Box 40111 – 00100
Nairobi, Kenya

TATA CHEMICALS MAGADI LIMITED

STRATEGIC REPORT

The Directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006.

Principal activities and business review

The Company's principal activities are and continue to be the production and sale of soda ash (sodium carbonate) and salt. The Company is registered in England and Wales and is headquartered in Magadi, Kenya.

The Company was restructured in July 2014 when it closed down one of its operating units (PAM Plant) resulting in redundancy of manpower and equipment. Focus has then been on the other operating unit (SAM Plant) which is performing to its full capacity and is generating positive results. The forecast is to continue with this unit which is highly profitable.

The Company turnover for the year to 31 March 2018 was USD 76,542,000 (2017 – USD 59,765,000) and the profit on ordinary activities before taxation was USD 6,198,000 (2017 – USD 1,123,000). The directors do not recommend the payment of a dividend in respect of the year (2017 – USD Nil).

The turnover for the year under review show an increase of 29.43% compared to the year ended 31 March 2017. The geographical distribution of sales was 41.4% to SEA-South East Asia (2017 – 43.1%), 15.6% to Africa (2017 – 19.4%) 41.2% to ISC-Indian Sub-Continent (2017 – 35.2 %) and 1.9% to Middle East (2017 – 2.3 %). There was a moderate increase in Standard Ash Magadi (SAM) prices during the year; prices increased to USD 205.1/tonne (2017 – USD 200.9/ tonne).

Distribution costs increased during the year mainly due to increase in transportation costs. In the current year, the Company has engaged in shallow mining project where trona is scooped at a higher level using an excavator and transported to the plant using trucks. This shallow mined trona is mixed with the other trona obtained from the dredgers and it is aimed at reducing impurities and hence increasing the quality of products. Due to this project, there has been an increased consumption of engineering items by the excavators & trucks used to ferry the trona thereby increasing transportation costs.

The total expenses increased by 16.65% to USD 67.7 million in the current year from USD 58 million in the previous year mainly due to:

- Higher heavy fuel oil (HFO) price at USD 465/Metric Tonne (2017 – USD 436.3/Metric Tonne) primarily attributable to rise in crude oil prices.
- The quantities of HFO used in the current period were 17.4 million litres (2017 –15.9 million litres). As at close of the period the Company realised a fuel hedge gain of USD 0.823 million (2017 – Loss USD 0.602 million) .

Future outlook

The Directors are confident that the restructuring activities of the last three years will result in a sustainable and successful future for the business.

The management have prepared forecasts of the Company’s profitability and cash generation for the 12 months from the date of the Auditor’s Report (the “forecasts”), taking into account the sensitivity of business performance to reasonably possible changes in market conditions and because of the current economic climate. These forecasts indicate that the loan and/or overdraft facilities should be sufficient to support the Company’s funding during the year. In making, their assessment management have also considered the net liability position of the Company. For this reason, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements

Future outlook (continued)

Other key points going forward for the industry include:
- The positive global economic outlook is expected to have a positive impact on the product pricing.
- The soda ash demand looks for soda ash to remain favourable & tight next FY 2018-19
- Marketing activities continue to be prioritised on fortified salts with an objective of enhancing market penetration for this new product.
- Stretch and sustained SAM production by 1% from the achieved volumes in FY 2017-18.
- Actualize the Pure Ash monohydrate production through solar a cheaper source of energy.

Principal risks and uncertainties

The main risks to the business continue to be the fuel price risk and interest rate risk exposure. The cost of energy (specifically heavy furnace oil) is significant to the entity's operations. To guard against price volatility and to maintain a steady budgeted consumption price, the Company entered into a commodity swap arrangement. Interest rate risk arises primarily from borrowings as disclosed in Note 10(c). The Company’s borrowings are primarily on a variable rate basis and are pegged to the London Interbank Offering Rate (LIBOR).

The Company’s management ensures that as far as possible, interest rates negotiated for any financing facility is advantageous to the Company. Where necessary, management considers the use of available instruments such as swap arrangements in mitigating the Company’s exposure.

Financial risk management

The Company's operations expose it to a variety of financial risks that include commodity price risk, credit risk, liquidity risk, foreign currency risk and interest rate risk. The Company has in place a risk management programme which seeks to limit the adverse effects on the financial performance of the Company where appropriate.

The Company seeks to mitigate commodity price risk through purchasing strategies including the use of contracts to hedge against exposure to fluctuating gas prices. The Company manages its credit exposures with a set of policies for ongoing credit checks on potential and current customers or counterparties.

The Company takes out forward foreign exchange contracts where appropriate. The Company has hedged part of its interest rate exposure with interest rate swaps.

The Company is focused on ensuring availability of adequate capital for the required investments and on maintaining adequate liquidity to ensure smooth operations through sufficient financing facilities. The Company has an overdraft facility with Standard Chartered Bank of Kenya Limited of USD 12 million for purposes of financing working capital. The facility attracts interest at a rate of LIBOR plus 5% (2017 – 5%) per annum. Utilisation as at 31 March 2018 for this facility was USD Nil (2017 – USD Nil).

Management monitor cash to ensure that the business continues as a viable going concern; operating cash flows during the year have been positive USD 13,001,000 (2017 – USD 5,901,000 and cash at year end was USD 672,000 (2017 – USD 4,175,000). The Rabo Bank loan repayment reserve as at 31 March 2018 stood at $ 10.28 million.

TATA CHEMICALS MAGADI LIMITED

STRATEGIC REPORT (CONTINUED)

Key performance indicators ("KPIs")

The Company's performance is measured using a 'balanced scorecard' approach. At the start of each financial year the Company sets targets relating to a number of strategic themes, including safety and environmental performance, growing existing businesses, developing new businesses, delivering better value to customers, operational excellence and engaging a highly performing workforce. For each measure, the actual performance of the business is compared to the target on a regular basis and these reviews help to identify where further action is required. The directors believe that these measures represent the Company's KPIs.

On behalf of the Board of Directors.

____________________________	______________________
Jackson M Mbui	Anup Guha
Managing Director	*Director of Finance*
Date:	**Date:**

TATA CHEMICALS MAGADI LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2018

The Directors present their annual report on the affairs of the Company, together with the audited financial statements for the year ended 31 March 2018.

1. Incorporation

The Company is incorporated in the United Kingdom (UK) under the UK Companies Act. However, all operations are carried out in Kenya. The Company is registered in Kenya for taxation purposes under the Income Tax Act.

These financials are primarily prepared for the purpose of filing the Company's tax returns with the Kenya Revenue Authority (KRA).

2. Activities

The principal activity of the Company is the production and sale of soda ash (sodium carbonate) and salt.

3. Dividend

The Directors do not recommend payment of a dividend (2017 – Nil).

4. Future developments

Details of future developments are contained in strategic report (page 2) to the financial statements.

5. Branches

Magadi, Kenya is the only branch outside England and Wales.

6. Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The Company has a continued commitment to communication through the use of work Company meetings, newsletters, regular financial information and consultation meetings for workplace representatives. The Company will continue to enhance all communication channels to everyone in the Company.

7. Political contributions

No donations were made to any political party during the year (2017 – USD Nil).

8. Environment

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements systems to minimise adverse effects that might be caused by its activities.

TATA CHEMICALS MAGADI LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2018(CONTINUED)

8. Environment (Continued)

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements systems to minimise adverse effects that might be caused by its activities. The Company operates in accordance with its publicly available environmental policy, which does not form part of this Report. It adheres to the conditions detailed in all relevant environmental licences and permits and any other relevant legislation or regulations covering its activities or environmental impacts.

Initiatives designed and implemented to manage and reduce the Company's environmental footprint include investigating further reductions in emissions to air and water, reducing the amount of solid waste that is sent to landfill and improving energy use and efficiency.

9. Going concern

The Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements (Note 16).

10. Auditors

The auditors KPMG Kenya, were appointed during the year and have expressed their willingness to continue in office.

11. Approval of Financial Statements

The financial statements were approved and authorised for issue by the Board of Directors on

BY ORDER OF THE BOARD

SECRETARY

Date:

TATA CHEMICALS MAGADI LIMITED

STATEMENT OF DIRECTOR'S RESPONSIBILITIES
FOR THE YEAR ENDED 31 MARCH 2018

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 year. Under that law, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the directors must 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 the Company financial statements, International Accounting Standard 1 require those directors:

(i) properly select and apply accounting policies;

(ii) present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

(iii) provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and

(iv) make an assessment of the Company's ability to continue as a going concern.

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 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.

This responsibility statement was approved and authorised for issue by the Board of Directors on

____________________	____________________
Jackson M Mbui	**Anup Guha**
Managing Director	*Director of Finance*
Date:	**Date:**

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
TATA CHEMICALS MAGADI LIMITED

Report on audit of the financial statements

Opinion

We have audited the financial statements of Tata Chemicals Magadi Limited set out on pages 11 to 58 which comprise the statement of financial position at 31 March 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of Tata Chemicals Magadi Limited as at 31 March 2018, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with *International Standards on Auditing (ISAs)*. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified opinion.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the *Annual Report and Financial Statements*, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

- In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If, based on the work that we have performed, we conclude that there is a material misstatement of this other information, then we are required to report that fact. We have nothing to report in this regard.

Management responsibility for the financial statements

As stated on page 7, the Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
TATA CHEMICALS MAGADI LIMITED

Report on the audit of the financial statements (continued)

Management responsibility for the financial statements (continued)

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 Management either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Directors are responsible for overseeing the Company's financial reporting process.

Auditors' responsibility 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 auditors' 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 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the audit of the financial statements (continued)

Auditors' responsibility for the audit of the financial statements (continued)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Engagement Partner responsible for the audit resulting in this independent auditors' report is CPA Baker Will – P/XXX

Date:

TATA CHEMICALS MAGADI LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 USD '000	2017 USD '000
Revenue	7	76,542	59,765
Cost of sales	8	(37,639)	(24,020)
Gross profit		**38,903**	**35,745**
Sale and distribution costs	9	(18,209)	(22,031)
Administrative expenses	10	(11,838)	(11,970)
Other operating expenses		(30,047)	(34,001)
Operating profit		**8,856**	**1,744**
Other gains and losses	21(a)	823	(602)
Finance costs	11	(3,481)	(19)
Profit on ordinary activities before taxation	12	**6,198**	**1,123**
Tax charge on ordinary activities	14	-	-
Profit for the financial year		**6,198**	**1,123**
Items that may be reclassified subsequently to profit or loss net fair value gain/(loss) on hedging instruments entered into for cash flow hedges	21(b)	203	673
Total comprehensive income for the year		**6,401**	**1,796**

The notes set out on pages 15 to 58 form an integral part of these financial statements.

TATA CHEMICALS MAGADI LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Note	2018 USD '000	2017 USD '000
ASSETS			
Non–current assets			
Property, plant and equipment	16	18,136	19,291
Current assets			
Inventories	18	9,186	9,213
Trade and other receivables	19	18,600	14,309
Derivative assets	21 (a)	324	30
Short term deposits	28	10,282	-
Cash and Cash Equivalents	27(b)	672	4,175
		39,061	27,727
TOTAL ASSETS		**57,200**	**47,018**
EQUITY AND LIABILITIES			
Equity			
Share capital	24	44,175	1,763
Cash flow hedging reserves	25	183	(20)
Accumulated losses		(73,571)	(80,490)
Equity attributable to owners of the Company		**(29,213)**	**(78,747)**
Non-current liabilities			
Interest-bearing loans and borrowings	22	59,000	101,412
Long term provision		-	876
		59,000	**102,288**
Current liabilities			
Trade and other payables	20	25,913	20,743
Derivative liabilities	21(b)	-	734
Interest-bearing loans and borrowings	22	1,500	2,000
		27,413	23,477
Total liabilities		**86,413**	**125,765**
TOTAL EQUITY AND LIABILITIES		**57,200**	**47,018**

The financial statements on pages 10 to 58 were approved and authorised for issue by Directors on 2018 and were signed on behalf of board of Directors by:

Jackson M Mbui	Anup Guha
Managing Director	*Director of Finance*

The notes set out on pages 15 to 58 form an integral part of these financial statements.

TATA CHEMICALS MAGADI LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018

	Share capital USD '000	Cashflow hedging reserves USD '000	Revenues deficit USD '000	Total USD '000
At 1 April 2016	1,763	(693)	(81,613)	(80,543)
Profit/(loss) for the year	-	-	1,123	1,123
Other comprehensive gain/(loss)	-	673	-	673
At 31 March 2017	**1,763**	**(20)**	**(80,490)**	**(78,747)**
At 1 April 2017	1,763	(20)	(80,490)	(78,747)
Profit/(loss) for the year	-	-	6,198	6,198
Preference shares	42,412	-	-	42,412
Dividend write back	-	-	551	551
Forex adjustment on dividend	-	-	170	167
Other comprehensive gain/(loss)	-	203	-	203
At 31 March 2018	**44,175**	**183**	**(73,571)**	**(29,213)**

The notes set out on pages 15 to 58 form an integral part of these financial statements.

TATA CHEMICALS MAGADI LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 USD '000	2017 USD '000
Cash generated from operating activities		**13,001**	**5,901**
Interest & other charges paid		(3,481)	(19)
Other gains and losses	21(a)	823	(602)
Net cash generated from operating activities		**10,343**	**5,280**
Cash flows from investing activities			
Purchase of plant and equipment	16	(3,121)	(4,510)
Proceeds on disposal of plant and equipment		57	-
Net cash used in investing activities		**(3,064)**	**(4,510)**
Cash flows from financing activities			
Borrowings received		-	1,000
Fixed deposit savings (BOI)	28	(10,282)	
Repayment of borrowings	22	(500)	-
Net cash generated from /(used in) financing activities		**(10,782)**	**1,000**
Increase in cash and cash equivalents		(3,503)	1,770
Cash and cash equivalents at the beginning of the year		4,175	2,405
Cash and cash equivalents at the end of the year		**672**	**4,175**

The notes set out on pages 15 to 58 form an integral part of these financial statements.

1. REPORTING ENTITY

The Company is incorporated as a private Company limited by shares, having its registered office situated in England and Wales registered by the registrar of Companies of England and Wales under the Companies Act 2006. The Company's principal activity is the sale of soda ash (Sodium carbonate) and salt.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and therefore the Company's financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

The Company's results have been presented in US dollars, the presentational and functional currency of the Company.

(b) Going concern

The Company made a profit of USD 6.2 million during the year ended 31 March 2018 (2017 – Profit USD 1.1 million). At 31 March 2017 the Company was funded by a USD 59 million long term loan provided by Rabo Bank and USD 1.5 million Overdraft Loan from Bank of India. The loan from Rabo Bank matures after five years while the overdraft facility is due in the next one year. It also has a Cash Overdraft facility from Standard Chartered Bank for USD 12 million which is used partially as and when the need arises. Utilisation as at 31 March for this facility was Nil and available on need basis. The Company register positive cash flow in the year with USD 0.67 million at the reporting date compared to USD 4.2 million the previous year. The company opened a fixed deposit with Bank of India earning an interest at 1.25% pa to accumulate funds for repayment of Rabo Bank instalments which stood at USD 10.3million as at 31 March 2018. The Company received refunds amounting to USD 2.7 million from KRA during the year ended 31 March 2018 (2017 USD 5.3 million). VAT receivables at the close of the year was USD 4.4 million (2017 – USD 3.9 million).

The management have prepared forecasts of the Company's profitability and cash generation for the 12 months from the date of the Auditor's Report (the "forecasts"), taking into account the sensitivity of business performance to reasonably possible changes in market conditions and because of the current economic climate. These forecasts indicate that the loan and/or overdraft facilities should be sufficient to support the Company's funding during the year. In making, their assessment management have also considered the net liability position of the Company. The majority of this deficit arises from accumulated losses of past years.

The Company is also taking a number of long-term measures to improve cash generation as follows:

2. BASIS OF PREPARATION (Continued)

(d) Going concern (continued)

(i) Utilisation of the Premium Ash Magadi (PAM) Washery on Standard Ash Magadi (SAM) product to ensure stock build-up. Management decided to use the washer previously used in PAM in order to increase factory efficiencies and enhance stock build up to reduce instances of shortages. Consequently, the Company is expected to increase production volumes by 2.4% in the year to 326,770 metric tonnes in 2018 from 323,614 metric tonne in 2018 (2017 – 300,026 metric tonnes)

(ii) The Company has implemented lean six sigma program to involve the workforce in identifying productivity improvement and cost saving initiatives in order to improve business profitability. The implementation of the program is now internal and is ongoing, with champions in each department with an aim of removing bottle necks and improving quality, safety and efficiency. In addition, the Company has established a reward and innovation initiative to encourage employees to contribute to the overall efficiency and cost saving initiatives.

(iii) Mapping of the lake and proactively plan areas to be drilled so that the quality of SAM can be assessed prior to commencement of full drilling operation. The Company has already requisitioned lake-mapping equipment in preparation for this.

(iv) The Company plans to diversify to coal gasification for use in place of Heavy Furnace Oil (HFO), with an aim of reducing production costs. HFO is a major cost element in the manufacturing process, and thus, any fluctuations in the global prices affect production costs significantly. The plans to diversify into coal gasification are scheduled to take off in the coming years. Challenges of import logistics and transportation of the same are some of the issues being looked into before conclusion of the plans.

After reviewing the forecasts, considering reasonably possible uncertainties, the management see no material uncertainty related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. The company management has neither the intention, nor the need, to liquidate or curtail materially the scale of its operations. The current year performance shows positive trend, which will be sustained and will continue in operational existence for the foreseeable future.

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For this reason, the management continue to adopt the going concern basis of accounting in preparing the annual financial statements. Therefore, the financial statements have been prepared on the going concern basis

2. BASIS OF PREPARATION (Continued)

(c) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The estimates and assumptions are based on the Directors' best knowledge of current events, actions, historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in Note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

(i) the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

(ii) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(iii) the amount of revenue can be measured reliably;

(iv) it is probable that the economic benefits associated with the transaction will flow to the entity; and

(v) the costs incurred or to be incurred in respect of the transaction can be measured reliable.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery or collection of the goods.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Foreign currency transactions

Transactions in foreign currencies are initially recorded by the Company at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are revalued at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the profit and loss account.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

(c) Taxation

(i) Current taxation

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date. Current income tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in the statement of profit or loss and other comprehensive income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred tax

Deferred tax is provided in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Taxation (continued)

(i) Current taxation - continued

Deferred tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in the statement of profit or loss and other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(d) Investments in subsidiary companies

The investments in subsidiary companies are accounted for at cost in the Company's statement of financial position less any provisions for impairment losses. Where in the opinion of the Directors, there has been an impairment of value of an investment; the loss is recognised as an expense in the period in which the impairment is identified.

(e) Financial instruments

Financial instruments are recognised in the Company's financial statements when, and only when, the Company becomes a party to the contractual provisions of the instrument.

(i) Classification

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise.

These are classified as follows:

Financial assets at fair value through profit or loss: This category has two subcategories; financial assets held for trading, and those designated at fair value through profit or loss at inception. Financial instruments reclassified in this category are those that the Company holds principally for the purpose of short-term profit taking.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. These include short-term deposits and cash and cash equivalents.

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that the Company has positive intent and ability to hold to maturity.

Were the Company to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

Available-for-sale assets are the non-derivative financial assets that are designated as available for sale or are not classified as held for trading purposes, loans and receivables or held to maturity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (continued)

(ii) Recognition

The Company recognises financial assets held for trading and available-for-sale assets on the date it commits to purchase the assets. From this date, any gains and losses arising from changes in fair value of the assets are recognised in profit or loss and other comprehensive income respectively.

Held-to-maturity, loans and receivables are recognised on the date they are transferred to the Company.

(iii) Measurement

Financial instruments are measured initially at fair value, including transaction costs.

Subsequent to initial recognition all trading instruments and all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

All non-trading financial liabilities, loans and receivables and held-to-maturity assets are measured at amortised cost less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Gains and losses arising from a change in the fair value of available-for-sale assets are recognised in other comprehensive income and presented within equity until the instrument is derecognised or impaired, at which time the cumulative gain or loss is recognised in profit or loss and other comprehensive income and trading instrument gains or losses are recognised in profit or loss and other comprehensive income in the period they arise.

The following explains how the various financial instruments are measured in the financial statements:

Trade and other receivables

Trade and other receivables are carried at their original invoiced amount less an estimate made for allowances for credit losses based on a review of all outstanding amounts, on an account by account and portfolio basis, at the year end.

Allowances for credit losses are written off in the year in which they are identified as irrecoverable.

Allowances for credit losses are made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible. In determining the recoverability of trade receivables, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (continued)

(iii) Measurement(continued)

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and for the purposes of the statement of cash flows, bank overdrafts. Cash and cash equivalents are measured at amortised cost.

Trade and other payables

Trade and other payables are non-interest bearing financial liabilities and are carried at amortised cost, which is measured at the contractual value of the consideration to be paid in future in respect of goods and services supplied by the suppliers, whether billed to the Company or not, less any payments made to the suppliers.

Impairment and uncollectibility of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is written down through the use of an allowance account. The amount of the loss is recognised in profit or loss.

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

When there is a decline in the fair value of an available-for-sale financial asset whose fair value gains and losses have been recognised in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been accumulated in equity is removed from equity and recognised through other comprehensive income into profit or loss even though the financial asset has not been derecognised. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale are not reversed.

(iv) De-recognition

Financial assets (or a portion thereof) are de-recognised when the Company's rights to the cash flows expire or when the company transfers substantially all the risks and rewards related to the financial asset or when the Company loses control of the financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (continued)

(iv) De-recognition (continued)

Financial liabilities (or a portion thereof) are de-recognised when the obligation specified in the contract is discharged, cancelled or expires.

On de-recognition, the difference between the carrying amount of the financial liability, including related un-amortised costs and amounts paid for it, are included in profit or loss.

(f) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit and loss account as incurred.

Property, plant & equipment is depreciated on a straight-line basis over its expected useful life, as follows:

Buildings	10%
Furniture, fittings and equipment	20%
Plant & machinery	12.5%
Computer equipment	33.33%
Motor vehicles - heavy	10%
Motor vehicles - light	20%
Locomotives, rail and wagons	12.50%

Assets under construction and land are not depreciated.

(g) Leases

Finance leases which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit and loss account.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Work-in-progress

Work-in-progress represents costs incurred in acquisition/installation of an item of property, plant and equipment which is not in use. Work-in-progress is not depreciated until the assets are completed and brought into use but tested for impairment when there is an indicator for impairment.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less estimated costs of completion and the estimated costs necessary to make the sale. Provision is made for obsolete, slow-moving or defective items where appropriate.

(j) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and 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.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared ly for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the profit and loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Employee benefits

The Company operates a defined contribution retirement benefits scheme for its non-unionised employees. For the unionised employees, the Company operates a gratuity scheme.

(i) Defined contribution plan

A defined contribution plan is a post-employment benefit plan which an entity pays fixed contribution into an entity and has no legal or constructive obligation to pay further amounts. The expense is recognised in profit or loss.

Contributions from the Company, at a rate of 12.5% of the basic salary of each employee, are expensed in the year the services are rendered and paid over to a trustee administered fund.

The Company also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute. The Company's contributions to the above schemes are charged to profit or loss in the year to which they relate.

(ii) Other entitlements- short term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid 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.

(l) Provisions

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as an asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss account net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Restructuring

Restructuring provisions are only recognised when general recognition criteria for provisions are fulfilled. Additionally, the Company needs to have in place a detailed formal plan about the business or part of the business concerned, the location and a valid expectation that the restructuring is being carried out or the implementation has been initiated already.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Finance income and expense

Finance income comprises interest income on funds invested.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.
Foreign currency gains and losses are reported on a net basis.

(n) Dividends

Dividends payable to the Company's shareholders are recognised as a liability in the period in which they are declared.

(o) Related party transactions

The Company discloses the nature, volume and amounts outstanding at the end of each financial year from transactions with related parties, which include transactions with the Directors, executive officers and Group or related companies. The related party transactions are conducted at arm's length.

(p) Cash flow hedges

The Company has implemented hedge accounting with effect from 1st October 2015. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other costs' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

(q) Retained earnings

Retained earnings represents cumulative profits or losses net of dividends paid and other adjustments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Operating profit

Operating profit is stated after charging Selling and distribution expenses, Administrative expenses and other operating income but before finance income and finance costs and exceptional items if any.

(s) Investments

Investments in subsidiaries are shown at cost less provision for impairment.

(t) Comparatives

Where necessary, comparative figures have been restated to conform to changes in presentation in the current year.

(u) New standards and interpretations

(i) New standards, amendments and interpretations effective and adopted during the year

The Company has adopted the following new standards and amendments during the year ended 31 March 2018, including consequential amendments to other standards with the date of initial application by the Company being 1 April 2017. The nature and effects of the changes are explained below:

New standard or amendments	Effective for annual periods beginning on or after
— Disclosure Initiative (Amendments to IAS 7)	1 January 2017
— Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	1 January 2017
— Annual improvements cycle (2014-2016) – (Amendments to IFRS 12 Disclosure of Interest in Other Entities)	1 January 2017

— *Disclosure Initiative (Amendments to IAS 7)*

The amendments in Disclosure Initiative (Amendments to IAS 7) come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The International Accounting Standards Board (IASB) requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The IASB defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities". It also stresses that the new disclosure requirements also relate to changes in financial assets if they meet the same definition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) New standards and interpretations (continued)

(i) New standards, amendments and interpretations effective and adopted during the year - continued

— *Disclosure Initiative (Amendments to IAS 7)- continued*

The amendments state that one way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.

The adoption of these changes did not have an impact on the financial statements of the Company.

— *Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)*

The amendments in Recognition of Deferred Tax Assets for Unrealised Losses clarify the following aspects:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The standard was effective for annual periods beginning on or after 1 January 2017 with early application permitted. As transition relief, an entity may recognise the change in the opening equity of the earliest comparative period in opening retained earnings on initial application without allocating the change between opening retained earnings and other components of equity. The Board has not added additional transition relief for first-time adopters.

The adoption of these changes did not have an impact on the financial statements of the Company.

— *Annual improvements cycle (2014-2016) – (Amendment to IFRS 12 – Disclosure of Interest in Other Entities)*

The disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution. The adoption of these changes did not have an impact on the financial statements of the Company since the Company does not have Interest in Other Entities.
The adoption of these changes did not have a significant impact on the financial statements of the Group and Company.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) New standards and interpretations (continued)

(i) New and amendments standards and interpretations in issue but not yet effective for the year ended 31 March 2018

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2018, and have not been applied in preparing these Financial Statements

New standard or amendments	Effective for annual periods beginning on or after
— IFRS 15 Revenue from Contracts with Customers	1 January 2018
— IFRS 9 Financial Instruments (2014)	1 January 2018
— Classification and Measurement of Share-based Payment transactions (Amendments to IFRS 2)	1 January 2018
— Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)	1 January 2018
— IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
— IFRS 17 Insurance Contracts	1 January 2021
— IAS 40 Transfers of Investment Property	1 January 2018
— IFRS 9 Prepayment Features with Negative Compensation	1 January 2019
— IAS 28 Long-term Interests in Associates and Joint Ventures	1 January 2019
— IFRS 16 Leases	1 January 2019
— IFRIC 23 Income tax exposures	1 January 2019
— Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS10 and IAS 28)	To be determined

All standards and interpretations will be adopted at their effective date (except for those standards and interpretations that are not applicable to the entity).

IFRS 9: Financial Instruments (2014)

It replaces parts of IAS 39 - Financial Instruments, Recognition and Measurement that relates to classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified, at initial recognition as either measured at fair value or at amortised cost. The classification depends on the entity’s business model for managing its financial instruments and the characteristics of the contractual cash flows of the instrument. For financial liabilities, the standard retains most of the requirements of IAS 39.

The main change is that, in cases where the fair value option is applied for financial liabilities, the part of a fair value change arising from a change in an entity’s own credit risk is recorded in other comprehensive income rather than in the profit or loss, unless this creates an accounting mismatch.

The Company is currently evaluating the impact of the new standard on the financial statements. The standard is effective for periods beginning on or after 1 January 2018.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) New standards and interpretations (continued)

(ii) New and amendments standards and interpretations in issue but not yet effective for the year ended 31 March 2018 - continued

IFRS 15 Revenue from Contracts with Customers (Effective 31 December 2018)

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.
The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time.

The standard specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers in recognising revenue being: Identify the contract(s) with a customer; Identify the performance obligations in the contract; Determine the transaction price; Allocate the transaction price to the performance obligations in the contract; and recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is assessing the impact of IFRS 15 on its financial statements.

Transfers of Investment property (Amendments to IAS 40)

The IASB has amended the requirements in IAS 40 Investment property on when a company should transfer a property asset to, or from, investment property.

The adoption of this standard will not have an impact on the financial statements of the Company.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

The amendments clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

The adoption of these changes will not affect the amounts and disclosures of the Company's financial statements.

The amendments apply for annual periods beginning on or after 1 January 2019 with retrospective application, early adoption is permitted.

Long-term Interests in Associates and Joint Ventures (Amendment to IAS 28)

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate and joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The adoption of these changes will not affect the amounts and disclosures of the Company's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) New standards and interpretations (continued)

(ii) New and amendments standards and interpretations in issue but not yet effective for the year ended 31 March 2018 - continued

Long-term Interests in Associates and Joint Ventures (Amendment to IAS 28) - continued

The amendments apply for annual periods beginning on or after 1 January 2019. Early adoption is permitted.

All standards and interpretations will be adopted at their effective date (except for those standards and interpretations that are not applicable to the entity).

IFRS 16: Leases
On 13 January 2016 the IASB issued IFRS 16 Leases which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The standard defines a lease as a contract that conveys to the customer ('lessee') the right to use an asset for a period of time in exchange for consideration. A company assesses whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time.

The standard eliminates the classification of leases as either operating leases or finance leases for a lessee and introduces a single lessee accounting model.

All leases are treated in a similar way to finance leases. Applying that model significantly affects the accounting and presentation of leases and consequently, the lessee is required to recognise:

assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A company recognises the present value of the unavoidable lease payments and shows them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments;

(i) depreciation of lease assets and interest on lease liabilities in profit or loss over the lease term; and
(ii) separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (typically presented within either operating or financing activities) in the statement of cash flows.

The standard eliminates the classification of leases as either operating leases or finance leases for a lessee and introduces a single lessee accounting model.

All leases are treated in a similar way to finance leases. Applying that model significantly affects the accounting and presentation of leases and consequently, the lessee is required to recognise:

(i) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A company recognises the present value of the unavoidable lease payments and shows them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments;

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) New standards and interpretations (continued)

(ii) New and amendments standards and interpretations in issue but not yet effective for the year ended 31 March 2018 - continued

IFRS 16: Leases - continued

(ii) depreciation of lease assets and interest on lease liabilities in profit or loss over the lease term; and

(iii) separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (typically presented within either operating or financing activities) in the statement of cash flows.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, compared to IAS 17, IFRS 16 requires a lessor to disclose additional information about how it manages the risks related to its residual interest in assets subject to leases.

The standard does not require a Company to recognise assets and liabilities for:

(i) short-term leases (i.e. leases of 12 months or less), and;

(ii) leases of low-value assets

The new Standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted insofar as the recently issued revenue Standard, IFRS 15 Revenue from Contracts with Customers is also applied).

The Company is currently assessing the impact of this standard on its financial statements.

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

The following clarifications and amendments are contained in the pronouncement:

— *Accounting for cash-settled share-based payment transactions that include a performance condition*

Up until this point, IFRS 2 contained no guidance on how vesting conditions affect the fair value of liabilities for cash-settled share-based payments. IASB has now added guidance that introduces accounting requirements for cash-settled share-based payments that follows the same approach as used for equity-settled share-based payments.

— *Classification of share-based payment transactions with net settlement features*

IASB has introduced an exception into IFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) New standards and interpretations (continued)

(ii) New and amendments standards and interpretations in issue but not yet effective for the year ended 31 March 2018 - continued

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2) - continued

— *Accounting for modifications of share-based payment transactions from cash-settled to equity-settled.*

Up until this point, IFRS 2 did not specifically address situations where a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions. The IASB has introduced the following clarifications:

- On such modifications, the original liability recognised in respect of the cash-settled share-based payment is derecognised and the equity-settled share-based payment is recognised at the modification date fair value to the extent services have been rendered up to the modification date.

Any difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date would be recognised in profit and loss immediately.

The amendments are effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments are to be applied prospectively. However, retrospective application if allowed if this is possible without the use of hindsight. If an entity applies the amendments retrospectively, it must do so for all of the amendments described above.

The adoption of these changes is not expected to have a significant impact on the financial statements of the Company as the Company does not have a share-based payment scheme.

The amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)

The amendments in Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4) provide two options for entities that issue insurance contracts within the scope of IFRS 4:

— an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;

— an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) New standards and interpretations (continued)

(ii) New and amendments standards and interpretations in issue but not yet effective for the year ended 31 March 2018 - continued

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4) - continued

An entity applies the overlay approach retrospectively to qualifying financial assets when it first applies IFRS 9. Application of the overlay approach requires disclosure of sufficient information to enable users of financial statements to understand how the amount reclassified in the reporting period is calculated and the effect of that reclassification on the financial statements.

An entity applies the deferral approach for annual periods beginning on or after 1 January 2018. Predominance is assessed at the reporting entity level at the annual reporting date that immediately precedes 1 April 2016. Application of the deferral approach needs to be disclosed together with information that enables users of financial statements to understand how the insurer qualified for the temporary exemption and to compare insurers applying the temporary exemption with entities applying IFRS 9. The deferral can only be made use of for the three Periods following 1 January 2018. Predominance is only reassessed if there is a change in the entity's activities.

The adoption of these changes is not expected to have a significant impact on the financial statements of the Company since the Company does not issue insurance contracts within the scope of IFRS 4.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised.

The effective date for these changes has now been postponed until the completion of a broader review.

The adoption of these changes is not expected to have a significant impact on the financial statements of the Company since the Company does not have any associates or joint ventures.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

This Interpretation applies to a foreign currency transaction (or part of it) when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income (or part of it).

This Interpretation stipulates that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) New standards and interpretations (continued)

(ii) New and amendments standards and interpretations in issue but not yet effective for the year ended 31 March 2018 - continued

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration - continued

This Interpretation does not apply to income taxes, insurance contracts and circumstances when an entity measures the related asset, expense or income on initial recognition:

(a) at fair value; or

(b) at the fair value of the consideration paid or received at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability arising from advance consideration (for example, the measurement of goodwill applying IFRS 3 Business Combinations).

The amendments apply retrospectively for annual periods beginning on or after 1 January 2018, with early application permitted.

The adoption of these changes will not have a significant impact on the amounts and disclosures of the Company's financial statements.

IFRIC 23 Clarification on accounting for Income tax exposures

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency.

IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority.

If an entity concludes that it is probable that the tax authority will accept an uncertain tax treatment that has been taken or is expected to be taken on a tax return, it should determine its accounting for income taxes consistently with that tax treatment. If an entity concludes that it is not probable that the treatment will be accepted, it should reflect the effect of the uncertainty in its income tax accounting in the period in which that determination is made. Uncertainty is reflected in the overall measurement of tax and separate provision is not allowed.

The entity is required to measure the impact of the uncertainty using the method that best predicts the resolution of the uncertainty (that is, the entity should use either the most likely amount method or the expected value method when measuring an uncertainty).

The entity will also need to provide disclosures, under existing disclosure requirements, about

(a) judgments made;
(b) assumptions and other estimates used; and
(c) potential impact of uncertainties not reflected.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2019, with early application permitted.

The Company is assessing the impact of this standard on its financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) New standards and interpretations (continued)

(ii) New and amendments standards and interpretations in issue but not yet effective for the year ended 31 March 2018 - continued

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. An entity shall apply IFRS 17 Insurance Contracts to:

(a) insurance contracts, including reinsurance contracts, it issues;
(b) reinsurance contracts it holds; and
(c) investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts

IFRS 17 requires an entity that issues insurance contracts to report them on the statement of financial position as the total of:

(a) the fulfilment cash flows—the current estimates of amounts that the entity expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those amounts; and the contractual service margin—the expected profit for providing insurance coverage. The expected profit for providing insurance coverage is recognised in profit or loss over time as the insurance coverage is provided.

IFRS 17 requires the entity to update the fulfilment cash flows at each reporting date, using current estimates of the amount, timing and uncertainty of cash flows and of discount rates. The entity:

(a) accounts for changes to estimates of future cash flows from one reporting date to another either as an amount in profit or loss or as an adjustment to the expected profit for providing insurance coverage, depending on the type of change and the reason for it; and
(b) chooses where to present the effects of some changes in discount rates—either in profit or loss or in other comprehensive income.

IFRS 17 also requires disclosures to enable users of financial statements to understand the amounts recognised in the entity's statement of financial position and statement of profit or loss and other comprehensive income, and to assess the risks the company faces from issuing insurance contracts.

IFRS 17 replaces IFRS 4 *Insurance Contracts*. IFRS 17 is effective for financial periods commencing on or after 1 January 2021. An entity shall apply the standard retrospectively unless impracticable.

A company can choose to apply IFRS 17 before that date, but only if it also applies IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers.*

The adoption of this standard will not have a significant impact on the Company's financial statements as the Company does not issue insurance contracts.

4. USE OF ESTIMATES AND JUDGMENTS

(a) Critical accounting estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or a cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense by this time recorded. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the Company's domicile. As the Company assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognised.

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5. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk, liquidity risk and operational risk. The Directors review and agree policies for managing these risks.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

5. FINANCIAL RISK MANAGEMENT (Continued)

Risk management is carried out by management under policies approved by the Board of Directors. Management identifies evaluates and manages financial risks in close cooperation with various departmental heads.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. The credit risk on liquid funds and derivative assets is limited because the counterparties are financial institutions with high credit ratings. The Company has policies in place to ensure that invoices for goods provided to customers are collected within an appropriate time period and that loss to the Company is minimised in the event of default. The collateral held for trade receivables include guarantees from reputable banks recommended by the Company.

Exposure to credit risk

The carrying value of the Company's financial assets represents its maximum exposure to credit risk. The maximum exposure to credit risk as at the end of the reporting period was as follows:

	2018 USD'000	2017 USD '000
Trade receivables	9,690	7,813
Due from related parties	2,528	1,223
Bank balances	10,954	4,175
Derivative assets	324	30
	23,496	**13,241**

The ageing of gross receivables at the reporting date was

	31 March 2018		
	Gross USD'000	Impairment USD'000	Net USD'000
0-30 days	11,309	-	11,309
30-60 days	235	-	235
61-90 days	117	-	117
91-120 days	146	-	146
> 120 days	474	(63)	411
	12,281	**(63)**	**12,218**

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

Exposure to credit risk

	31 March 2017		
	Gross USD‘000	**Impairment USD‘000**	**Net USD‘000**
0-30 days	7,101	-	7,101
30-60 days	563	-	563
61-90 days	321	-	321
91-120 days	623	-	623
> 120 days	405	-	405
	9,013	**-**	**9,013**

(b) Credit risk

The table below represents the categorisation of the Company’s financial assets as at the reporting date.

	Neither past due nor impaired USD '000's	**Past due but not impaired USD '000's**	**Impaired USD '000's**	**Total USD '000's**
At 31 March 2018				
Trade receivables	9,016	263	411	9,690
Due from related companies	2,528	-	-	2,528
Bank balances	10,954	-	-	10,954
Derivative assets	323	-	-	323
	22,821	263	411	23,495

	Neither past due nor impaired USD '000's	**Past due but not impaired USD '000's**	**Impaired USD '000's**	**Total USD '000's**
At 31 March 2017				
Trade receivables	6,440	1,349	-	7,789
Due from related companies	1,224	-	-	1,224
Bank balances	4,167	-	-	4,167
Derivative assets	30	-	-	30
	11,861	**1,349**	**-**	**13,210**

The customers under the neither past due nor impaired category are paying their debts as they continue trading. The default rate is low. The debt that is impaired has been fully provided for. However, the finance department is following up on the impaired debt, through pursuit of the debtors, debt collectors as well as through legal action.

5. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages its cash position and future outflows on an ongoing basis. The Company ensures that it has sufficient cash on demand to meet expected operational expenses and liabilities as they fall due. The following are the contractual maturities of financial liabilities, including interest payments, and excluding the impact of netting arrangements:

	1 – 6 Months USD '000's	**6 – 12 months USD '000's**	**1 – 5 years USD '000's**	**Above 5 years USD '000's**	**Total USD '000's**
At 31 March 2018					
Trade payables	6,887	-	-	-	6,887
Due to related parties	107	-	-	-	107
Borrowings	13,300	11,800	35,400	-	60,500
Derivative liabilities	-	-	-	-	-
	20,294	11,800	35,400	-	67,494

	1 – 6 Months USD '000's	**6 – 12 months USD '000's**	**1 – 5 years USD '000's**	**Above 5 years USD '000's**	**Total USD '000's**
At 31 March 2017					
Trade payables	6,711	-	-	-	6,711
Due to related parties	343	-	-	-	343
Borrowings	2,000	-	59,000	42,412	103,412
Derivative liabilities	734	-	-	-	734
	9,788	**-**	**59,000**	**42,412**	**111,200**

(d) Market risk management

Market risk is the risk arising from changes in market prices, such as interest rate and foreign exchange rates which will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Company's management.

(i) Interest rate risk

Interest rate risk arises primarily from borrowings as disclosed in note 12. The Company's borrowings are primarily on a variable rate basis and are pegged to the London Interbank Offering Rate (LIBOR). The Company's management ensures that as far is possible, interest rates negotiated for any financing facility is advantageous to the Company. Where necessary, management considers the use of available instruments such as swap arrangements in mitigating the Company's exposure.

5. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market risk management (continued)

(i) Interest rate risk - continued

The table below summarises the effective interest rate profile of the Company's financial asset and liabilities for the 2018 and 2017 financial years

2018	Effective interest rate %	On demand Months US$000	Due between 1 – 6 Months US$000	Due between 6 - 12 Months US$000	Due between1 - 5 years US$000	Due after 5 years US$000	Total US$000
BOI loan	7.0%	-	1,500	-	-	-	1,500
Rabo Bank loan	5.3%	-	11,800	11,800	35,400	-	59,000
		-	**13,3000**	**11,800**	**35,400**	**-**	**60,500**

2017	Effective interest rate %	On demand Months US$000	Due between 1 – 6 Months US$000	Due between 6 - 12 Months US$000	Due between1 - 5 years US$000	Due after 5 years US$000	Total US$000
BOI loan	7.0%	-	2,000	-	-	-	2,000
Rabo Bank loan	5.3%				59,000	-	59,000
		-	**2,000**	**-**	**59,000**	**-**	**61,000**

Sensitivity analysis on interest rates

An increase in one percentage point in the interest rate at the reporting date would have had an increased/(decreased) profit and loss by the amounts shown below. This analysis is performed on the same basis for 2017.

5. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market risk management (continued)

(i) Interest rate risk - continued

Sensitivity analysis on interest rates - continued

	Profit & loss	
Effect in thousands	**2018**	**2017**
	USD 000	**USD 000**
BOI Loan	15	20
Rabo Bank Loan	590	590
	605	610

A decrease in one percentage point in the interest rate at the reporting would have had an equal but opposite effect on the profit and loss, on the basis that all other variables remain constant.

(ii) Price risk

The Company holds derivative financial instruments to hedge its fuel price risk exposure.

	% change in Base	**2018 USD 000**	**2017 USD 000**
Commodity swaps	(-)	+(-)52	+(-) 39

(iii) Currency risk

The Company undertakes certain transactions denominated in foreign currencies, mainly the US dollar, Sterling pound and Euros. This results in exposures to exchange rate fluctuations. The balances impacted in this regard are the balances due to foreign suppliers, balances due from foreign debtors or denominated in foreign currency, bank balances and borrowings denominated in foreign currency. The closing exchange rate was at KShs 100.85/$ compared to 31 March 2017 at KShs 103.0/$.The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting date is:

	US Dollars USD '000	**KShs USD '000**	**Total USD '000**
At 31 March 2018			
Financial assets			
Trade receivables	6,872	2,819	9,691
Due from related parties	2,528	-	2,528
Prepayments	861		861
Derivative asset	323	-	323
Cash and bank balances	10,653	301	10,954
As at 31 March 2018	**21,237**	**3,120**	**24,357**

5. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market risk management (continued)

(iii) Currency risk - continued

	US Dollars USD '000	KShs USD '000	Total USD '000
At 31 March 2017			
Financial liabilities			
Trade payables	(631)	(5,973)	(6,604)
Advances from customers	(283)	-	(283)
Borrowings	(60,500)	-	(60,500)
Derivative liabilities	-	-	(-)
As at 31 March 2018	(61,414)	(5,973)	(67,387)
Net Exposure	**40,177**	**2,853**	**43,030**

	US Dollars USD '000	KShs USD '000	Total USD '000
At 31 March 2017			
Financial assets			
Trade receivables	3,964	3,575	7,539
Due from related parties	1,224	-	1,224
Prepayments	852		852
Derivative asset	31	-	31
Cash and bank balances	3,518	649	4,167
At 31 March 2018	**9,589**	**4,224**	**13,813**
At 31 March 2017			
Financial liabilities			
Trade payables	1,346	4,608	5,954
Advances from customers	756	-	756
Borrowings	61,000	-	61,000
Derivative liabilities	733	-	733
As at 31 March 2018	63,835	4,608	68,443
Net Exposure	**54,246**	**384**	**54,630**

Sensitivity analysis on exchange rates

	Profit & loss	
Effect in USD '000	**2018 USD '000**	**2017 USD '000**
Financial assets 3% change	637	288
Financial liabilities 3% change	(1,842)	(1,915)
	(1,205)	**(1,627)**

5. FINANCIAL RISK MANAGEMENT (Continued)

(e) Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The bank considers relevant and observable market prices in its valuations where possible.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1 USD '000's	Level 2 USD '000's	Level 3 USD '000's	Total USD '000's
At 31 March 2018				
Derivative assets	-	324	-	324
Derivative liabilities	-	-	-	
Net position	**-**	**324**	**-**	**324**
At 31 March 2017				
Derivative assets	-	30	-	30
Derivative liabilities	-	(734)	-	(734)
Net position	**-**	**(704)**	**-**	**(704)**

There were no transfers between the various levels in the year.

The fair value of the derivatives is determined by using inputs other than quoted prices that are observable for the asset or liability such as implied volatilities of Heavy Furnace Oil (HFO) prices and Libor rates.

6. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Company consists of debt, which includes borrowings, cash and cash equivalents and equity attributable to equity holders, comprising issued capital and retained earnings. Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by equity.

6. CAPITAL RISK MANAGEMENT (Continued)

The gearing level has been primarily affected by the unrealised foreign exchange loss on the US dollar borrowings. However, this has improved from prior period as a result of the profit made in the year. As indicated in note 17, the Company has put in place several measures aimed at reducing reliance on external borrowings and increasing profitability which will in turn improve the gearing ratio. The board and management monitor the capital requirements of the Company on an ongoing basis to ensure that these continue to be in line with the Company's strategic goals.

The constitution of capital managed by the Company is as shown below:

	2018 USD'000	2017 USD'000
Share capital	44,175	1,763
Cash flow hedging reserve	183	(20)
Retained losses	(73,574)	(80,490)
Shareholders deficit	**(29,216)**	**(78,747)**
Borrowings	60,500	61,000
Preference shares	-	42,412
Less Short Term deposit	(10,282)	-
Less cash and bank balances	(672)	(4,175)
Net debt	**49,546**	**99,237**
Gearing	>100%	>100%

7. REVENUE

	2018	2017
Soda ash and related products	73,727	57,383
Salt	2,636	2,363
Other	179	19
	76,542	**59,765**

8. COST OF SALE

	2018	2017
Depreciation and impairment charge	2,602	2,198
Inventory change	2,570	2,277
Power and fuel	12,397	10,764
Repairs & maintenance	575	543
Stores & spares	2,709	2,783
Salaries	2,996	2,796
Other	13,791	2,659
	37,639	**24,020**

9. DISTRIBUTION COSTS

	2018	2017
Salaries & wages	2,903	2,806
Freight, insurance & commission	5,469	4,420
Packaging & warehousing	1,803	1,761
Port charges	2,726	2,171
Customer claims	(79)	345
Transport charges	5,126	2,864
Royalties & taxes	2,323	1,529
Depreciation	779	924
Repairs and Others costs	(2,841)	5,211
	18,209	**22,031**

TATA CHEMICALS MAGADI LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

10. ADMINISTRATIVE EXPENSES

	2018 USD'000	2017 USD'000
Salaries & wages	5,125	4,608
Depreciation	895	729
Insurance	383	320
IT & communication expenses	438	525
Legal fees	128	81
Professional fees	121	238
Leasehold land	708	606
Repairs & maintenance	1,336	3,717
Stores & spares	286	315
Travelling expenses	271	285
Other	2,147	546
	11,838	**11,970**

11. FINANCE COSTS

Interest payable and similar charges:		
Interest on borrowings	2,951	1,874
Other finance costs:		
Profit on derivatives	-	(2,104)
Other finance costs	530	249
	530	**(1,855)**
Total financial costs	**3,481**	**19**

12. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:		
Gain on disposal of equipment	57	-
Depreciation of tangible assets (Note 16)	(4,276)	(3,798)
Operating lease rentals	(724)	(723)
Auditor's remuneration	-	-
Auditor's fees for audit of Company’s financial statements	(47)	(53)
Auditor's fees for audit tax compliance	(63)	(46)

13. STAFF COSTS

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

	2018 USD '000	2017 USD '000
Production and operations	302	203
Distribution and sales	178	132
Administration	183	347
	663	**682**
The aggregate remuneration comprised:		
Wages and salaries	10,703	9,845
Social security costs	19	19
Other pension costs	302	286
	11,024	**10,150**

13. STAFF COSTS (Continued)

	2018	2017
Directors' remuneration comprised of:	USD '000	USD '000
Directors' emoluments	21	24
The number of directors who are members of a defined benefit contribution scheme	1	1

The aggregate value of Company contributions paid to a provident fund in respect of Director's qualifying services is USD 21,451 (2017 – USD 24,826). As at 31 March 2018 retirement benefits were accruing under defined contribution scheme for one Director (2017 – one).

Remuneration of the highest paid Director

Three Directors are non-executive and are paid Directors fees. Five other Directors are executive and remunerated in the wider Group (2017 – same). However it is not possible to value the amount paid for service provided to this Company.

14. TAXATION

The components of tax for the years ended 31 March 2018 and 2017 are:

(a) Income tax expense	2018 USD '000	2017 USD '000
Current tax Expense		
Current tax charge	1,178	225
Deferred tax Expense		
Relating to origination and reversal of temporary differences	(1,178)	(225)
Tax reported in the profit and loss account	**-**	**-**

The differences between the total tax and the amount calculated by applying the average rate of UK corporation tax for the year are as follows:

	2018 USD '000	2017 USD '000
(b) Reconciliation of expected tax based on accounting less to tax credit	**6,198**	**1,123**
Tax on profit on ordinary activities at the average UK corporation tax rate for the year 19% (2017 – 20%)	1,178	225
Tax effects of:		
Expenses not deductible for tax purposes	199	121
Other temporary differences	(1,377)	(346)
Tax for the year	**-**	**-**

The UK government has substantively enacted per the Finance Bill 2016, the following reductions in the headline rate of UK corporation tax: 19% from 1 April 2017 to 31 March 2020 and 17% from 1 April 2020.

15. DEFERRED TAX

Deferred income taxes are calculated on all temporary differences under the liability method using the current tax rate of 19%. The net deferred tax asset is made up as follows:

Deferred tax

Unrecognized deferred tax **2018**	**Balance 1 April** **USD '000**	**Movement during the year** **USD '000**	**Balance 31 March** **USD '000**
Property plant and equipment	1,782	(185)	1,597
Provisions	992	287	1,279
Unrealized exchange differences	2,825	(82)	2,743
Tax Losses	14,939	(2,548)	12,391
Derivatives	147	(140)	7
	20,685	**(2,668)**	**18,017**

Unrecognized deferred tax **2017**	**Balance 1 April** **USD '000**	**Movement during the year** **USD '000**	**Balance 31 March** **USD '000**
Property plant and equipment	2,878	(1,096)	1,782
Provisions	938	54	992
Unrealized exchange differences	4,121	(1,296)	2,825
Tax losses	23,661	(8,722)	14,939
Derivatives	232	(85)	147
	31,830	**(11,145)**	**20,685**

A potential deferred tax asset of USD 18,017,000 (2017 – USD 20,685,000) has not been provided.

*The Company has made losses in the last several years which have resulted in a deferred tax asset largely arising out of tax losses carried forward.

As indicated in note 2(d), management has taken steps to return the Company to profitability with US dollars 6.2 million profit at the close of the year.

The current business scenario has become very competitive and the ongoing massive volatility in the oil prices might impact the business performance.

The introduction of additional 2M metric tonnes Soda Ash by ET Soda Company of Turkey by Dec 2018, has made the market more competitive.

The Business is on a positive profitable trajectory but to be on a conservative side,

Management has therefore considered it prudent to derecognise the entire deferred tax and review the deferred tax position within one to two years considering the recoverability of this amount against future profits of the Company.

TATA CHEMICALS MAGADI LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

16. PROPERTY AND EQUIPMENT

	Land & buildings USD '000	Fixtures, plant & machinery USD '000	Motor vehicles USD '000	furniture & equipment USD '000	Assets under construction USD'000	Total USD '000
At 31 March 2018						
Cost						
At 1 April 2017	56,616	139,469	7,037	4,615	1,986	209,723
Additions	-	-	-	-	3,121	3,121
Disposals	-	(66)	(346)	-	-	(412)
Transfers	791	1,878	248	551	(3,469)	-
At 31 March 2018	**57,407**	**141,281**	**6,940**	**5,166**	**1,638**	**212,432**
Depreciation						
At 1 April 2017	(52,807)	(129,280)	(4,604)	(3,741)	-	(190,432)
Charge for the year	(617)	(2,673)	(689)	(297)	-	(4,276)
Disposal	-	66	346	-	-	412
	(53,424)	**(131,887)**	**(4,947)**	**(4,038)**	**-**	**(194,296)**
Net book value						
At 31 March 2017	**3,983**	**9,394**	**1,993**	**1,128**	**1,638**	**18,136**
Cost						
At 1 April 2016	55,932	136,364	5,515	3,765	3,689	205,265
Additions	-	-	-	-	4,510	4,510
Disposals	-	(52)	-	-	-	(52)
Transfers	684	3,157	1,522	850	(6,213)	-
	56,616	**139,469**	**7,037**	**4,615**	**1,986**	**209,723**
Depreciation						
At 1 April 2016	(52,232)	(126,847)	(4,019)	(3,536)	-	(186,634)
Charge for the year	(575)	(2,433)	(585)	(205)	-	(3,798)
	(52,807)	**(129,280)**	**(4,604)**	**(3,741)**	**-**	**(190,432)**
Net book value	**3,809**	**10,189**	**2,433**	**874**	**1,986**	**19,291**

17. OPERATING LEASE COMMITMENTS — COMPANY AS LESSEE

The Company has entered into commercial leases on office space, shunting locomotives, certain hopper wagons and mining land area. These leases have an average life of between one, three, five, ten and ninety nine years with renewal option included in the contracts. There are no restrictions placed upon the Company by entering into these leases.
Annual commitments under non-cancellable operating leases are as follows:

	2018 USD '000	2017 USD '000
Within one year	724	735
After one year but not more than five years	1,460	1,746
More than five years	9,188	9,444
	11,372	**11,925**

18. INVENTORY

Raw materials and consumables	9,023	7,856
Finished goods and goods for resale	3,662	4,581
Work progress	209	157
Provision for obsolete stock	(3,708)	(3,381)
	9,186	**9,213**

There is no material difference between the balance sheet value of inventories and their replacement cost.

All inventory is subject to a first charge to secure the Company's bank term loan and revolving credit facility

19. TRADE AND OTHER RECEIVABLES

	2018 USD '000	2017 USD '000
Trade receivables	9,690	7,813
VAT receivable	5,334	3,843
Prepayments	861	852
Due from related parties (Note 26)	2,529	1,223
Sundry receivables	186	578
	18,600	**14,309**

As at 31 March 2018, trade receivables with an invoice value of USD 62,904 (2017 – USD 249,412, 1 April 2015 – USD 802,909) were impaired and fully provided for. The provision for doubtful debts is determined on a specific basis. The Management consider that carrying value and other receivables is approximately equal to the fair value.

20. TRADE AND OTHER PAYABLES

	2018 USD '000	2017 USD '000
Trade payables	6,780	6,368
Accrued expenses	16,126	12,306
Due to related parties (Note 26)	107	343
Other payables	2,900	1,726
	25,913	**20,743**

20. TRADE AND OTHER PAYABLES (Continued)

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled 60 days following end of month.
- Interest payable is normally settled monthly throughout the financial year.
- The carrying value approximates the fair value.

21. DERIVATIVE FINANCIAL INSTRUMENTS

The Company has implemented hedge accounting with effect from 1st October 2015. The effective portion of changes in the fair value of derivatives that are designated is recognised in other comprehensive income under cash flow hedging reserves.

The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the ‘other gains and losses’ line items.

Changes in fair value of the hedging instrument between designation or the last reporting date (whichever is later) and the testing date are compared with the change in fair value of the hedged item for the same period. The hedge would be effective if the offset achieved by the hedging instrument is within 80%-125% of the change in fair value of the hedged item.

(i) Heavy Furnace Oil (HFO) hedge derivative

The 2018 fuel swaps related to fixed price commodity swap derivative contracts entered into with Standard Chartered Bank of Kenya Limited and Barclays Bank of Kenya Limited.

However, three fixed price commodity swap with Barclays Bank of Kenya Limited expired in July 2017 and January 2018. Two Fixed Swaps with standard Chartered bank of Kenya expired in June 2017 and February 2018. Two swaps entered with Barclays Bank of Kenya Limited are set to expire in July 2018.

(ii) Interest swap derivative

To reduce the fair value risk of changing interest rates, the Company has entered into a pay-floating receive-fixed interest rate swap arrangement with Rabo bank International. The swap's notional principal is USD 59 million and matches the principal of the long-term borrowings.

The notional amount is the principal outstanding at the points of settlement based on the initial repayment periods and amounts.

The swap rate is 2.53% per annum and the floating rate is pegged to the 6-month LIBOR. The swap matures on 17 July 2020.

(a) Other gains and losses	**2018 USD '000**	**2017 USD '000**
HFO hedge derivative ineffectiveness	-	(128)
Interest swap derivative ineffectiveness	(823)	730
	(823)	**602**

This relates to HFO hedge derivative and interest swap which was ineffective in the year ended 31 March 2018.

21. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(b) Net fair value (gain)/loss on hedging instruments entered into for cash flow hedges

	2018 USD '000	2017 USD '000
Interest swap derivative – OCI	-	(299)
HFO hedge derivative – OCI	(203)	(374)
	(203)	**(673)**

This relates to HFO hedge derivatives and interest swap which were found to be effective and have thus been recognised through other comprehensive income under cash flow hedging reserves.

	2018 USD '000	2017 USD '000
(a) Derivative assets:		
Fuel swaps	234	30
Interest rate swap	90	0
	324	**30**
(b) Derivative liabilities:		
Fuel swaps	-	-
Interest rate swap	-	734
	-	734
Net position Asset/(Liability)	**324**	**(704)**

22. BORROWINGS

	USD '000	USD '000
Loans:		
Rabo Bank International	59,000	59,000
Bank of India	1,500	2,000
	60,500	**61,000**

The maturity profile of borrowings is as follows:

Within one year	25,100	2,000
Between one and five years	35,400	59,000
	60,500	**61,000**

The movement in loans during the year was as follows:

At 1 April	61,000	60,000
Borrowings received	-	1,000
Borrowings repaid	(500)	-
Interest expense	2,951	1,874
Interest paid	(2,951)	(1,874)
At 31 March	**60,500**	**61,000**

22. BORROWINGS (Continued)

Interest payable is normally settled monthly throughout the financial year
Revolving credit facility (RCF)

The RCF is financed in two parts. Short term Part A (i) is by Overdraft facility from Standard Chartered. The bank overdraft facility is secured by a Debenture charge of USD 7.5 million - a general charge over inventories and trade receivables. Part A (ii) Bank of India (BOI) loan of USD 2 million is fully covered by the charged asset due to the Company from Kenya Revenue Authority (KRA) (i.e. VAT receivable) and the Company has instructed KRA to make all payments through BOI for onwards transfer to Tata Chemicals Magadi. Part B is a long term loan of USD 59 million refinanced by Rabo Bank Limited in July 2014 and repayable in five half year instalments starting July 2018 and fully repayable by September 2020.

23. PENSION ARRANGEMENTS

Defined contribution scheme

The Company operates a defined contribution scheme, under which costs are charged to the profit and loss account on the basis of contributions payable. The contributions for the year amounted to:

	2018 USD'000	2017 USD '000
Employer contribution	(302)	(286)

24. SHARE CAPITAL

	2018	2017
Ordinary Shares		
Issued and fully paid up – 2,727,934 ordinary shares of £1 each*	1,763	1,763
Preference Shares		
Gusiute – 32,512,408 preference shares of £1 each**	32,512	-
Homefield Pvt UK Limited 998:9,900,000 preference shares of £1 each**	9,900	-
	42,412	-
	44,175	1,763

The movement in Preferences during the year was as follows:

	2018	2017
At 1 April	42,412	42,412
Preference shares issued	-	-
Currency translation	-	-
At 31 March	42,412	42,412
Gusiute	32,512	42,412
Homefield Pvt UK Limited	9,900	-
	42,412	42,412

The Company has one class of ordinary shares which carry no right to fixed income.

24. SHARE CAPITAL (Continued)

**Preference Shares. During the year the preference shares were reclassified into equity and hence re-classification of prior year balance for comparative purposes.
**In 2012, the Company issued to Gusiute Holdings (UK) Limited 32,512,408 redeemable preference shares of USD 1.0 each fully paid. In 2014 and 2015, the Company issued an additional 9,900,000 redeemable preference shares of USD 1.0 each to Homefield Pvt UK Limited. The preference shares are redeemable at the option of the issuer

25. CASHFLOW HEDGING RESERVE

The Company implemented hedge accounting with effect from 1 October 2015. The effective portion of changes in the fair value of derivatives that are designated and qualify as cashflow hedges is recognized in other comprehensive income cumulating to a hedge reserve in the statement of change in equity. The movement in cashflow hedging reserves during the year was as follows

2017	**Interest Swap**	**HFO Hedge**	**Total**
At 1 April	394	299	693
Charge	(374)	(299)	(673)
At 31 March	**20**	**-**	**20**
2018			
At 1 April	20	-	20
Charge	-	(203)	(203)
At 31 March	**20**	**(203)**	**(183)**

26. RELATED PARTY TRANSACTIONS AND BALANCES

Companies are related by virtue of common shareholding. The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

	2018 USD '000	**2017 USD '000**
Amounts due from related companies		
Tata Chemicals (SA) Limited	626	515
Tata Chemicals International Pte Ltd	1,754	452
Tata Chemicals Limited	149	256
	2,529	**1,223**
Amounts due to related companies		
Trade and other payables		
Tata Chemicals Limited	107	343
Tata Chemicals North America Ltd	-	-
Tata Chemicals Europe Limited	-	-
	107	**343**
Sales to related companies		
Tata Chemicals (SA) Limited	3,523	1,146
Tata Chemicals International Pte Ltd	32,104	25,476
Tata Chemicals Limited	1,743	1,929
	37,370	**28,551**

Ultimate parent

The Company's immediate parent undertaking is Homefield (UK) Limited, a Company incorporated in England.

The ultimate parent Company and controlling party in the year to 31 March 2018 was Tata Chemicals Limited, a Company incorporated in India. The largest group in which the results of the Company are consolidated is that of Tata Chemicals Limited.

Copies of the financial statements are available from the Company Secretary, Tata Chemicals Limited, Bombay House, Mumbai, India.

The Company is a subsidiary undertaking of Homefield Pvt UK Limited, which is incorporated in Great Britain and registered in England and Wales, and who registered office is Mond House, P O Box 4, Winnington, Northwich, Cheshire, CW8 4 DT.

The smallest Company in which the results of the Company are consolidated is Homefield Pvt UK Limited. Copies of the financial statements are available from the Registrar of Companies, Crown Way, Cardiff.

27. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of profit/(loss) before taxation to cash (used in)/generated from operations

	Note	2018 USD '000	2017 USD '000
Profit before taxation		6,198	1,123
Adjustments for:			
Depreciation of property, plant and equipment	16	4,276	3,798
Gain on disposal of equipment		(57)	-
Finance costs	11	3,481	19
Other gains and losses	21(a)	(823)	602
Forex adjustments on dividend write back		(155)	
Adjustment in fixed assets	16	-	-
Profit before working capital changes		**12,920**	**5,542**
Movements in working capital items:			
Inventory		27	(475)
Trade and other receivables		(4,291)	3,218
Trade and other payables		5,170	(928)
Derivative assets and liabilities		(1,028)	(2,115)
Provision for liabilities		-	(14)
Cash flow hedging reserves	21(b)	203	673
Cash generated from operations		**13,001**	**5,901**

(b) Analysis of cash and cash equivalents

	2018	2017
Cash and bank balances	**672**	**4,175**

28. SHORT TERM DEPOSITS

The Company is expected to amortise Rabo Bank Loan in five half yearly instalments effective July 2018.The company opened a fixed deposit with Bank of India earning an interest at 1.25% pa to accumulate funds for repayment of Rabo Bank instalments. The summary below indicates the status of the FD account as at 31 March 2018.

	2018	2017
	USD '000	USD '000
FD Bank Of India (1.25%)	10,200	-
Accrued Interest Income	82	-
	10,282	-

29. CONTINGENT LIABILITIES

In 2015, Tata Chemicals Magadi Limited (the Company) placed a deposit of USD 733,056 (KShs 75 million) with Kenya Revenue Authority (KRA) as security pending completion of KRA tax investigations and a reconciliation exercise to assess whether any additional tax liability would be imposed on the Company. KRA instructed the Company to make the deposit payment as a security pending conclusion of the tax reconciliation exercise. The reconciliation exercise appears to have been completed, but the amount deposited is yet to be refunded to the Company. Management is pursuing the refund with the KRA.

In April 2014, the Company was notified by KRA of a formal assessment for corporation tax, Value added tax (VAT) and withholding tax amounting to USD 11.85 million (KShs 1.213 billion) for the tax years 2007 - 2011. The KRA demand related to under-declared corporation taxes, withholding tax on the deemed interest on the Gusiute holdings loan and VAT in respect of works provided by Tata Chemicals Magadi to Kenya Railways Corporation Limited.

Management contested these demands and engaged independent the tax Advisors to review the assessment. Correspondence and responses were made by the independent tax advisors to KRA on the issue. In October 2014, KRA vacated VAT demand of USD 688,095 (KShs 70.4 million). Further, the Company submitted details for withholding tax on deemed interest on the Guisuite borrowing for KSh 102.3 million to KRA and no demand has been received from KRA. The effect of these submission resulted into net claims by KRA amounting to USD 10.3 Million (KShs 1.040 billion).

The Company was granted a tax holiday for the years 2003 to 2005 by the Minister of Finance, under section 123 of the Income Tax Act, Cap 470 of the laws of Kenya, in support of the construction of the Pure Ash Plant (PAM plant). By a letter dated 18 July 2003, KRA issued a directive to the Company to the effect that the corporation tax for the period 2003 to 2005 shall not be demanded and that the Company should file a consolidated tax computation for the period 2003 to 2006 incorporating the tax allowances arising on commissioning of the pure ash plant. The Company complied with the KRA directives and filed a 2003 to 2006 consolidated tax computation reflecting an adjusted tax loss. On 19 March 2008 KRA raised a demand for KShs 771 million of the tax previously deferred and notified the Company that KRA is of the view that the corporation tax for the period 2003 to 2005 is payable. Management disputed this claim and the matter was referred to the High court which subsequently passed a consent order on 31 March 2009 to offset the amount payable to KRA from VAT claims refundable (included in other debtors) to Tata Chemicals Magadi Limited from KRA which are in excess of the amount demanded.

29. CONTINGENT LIABILITIES

An out of court agreement was reached between the Company and KRA setting the Company's tax liability at USD 7.54 million (KShs 771,464,156) to be offset against VAT recoverable from KRA and this was done in entirety in the year ended 31 March 2011.In May 2015, the Company received a demand from KRA for penalties and interest on corporation taxes for the years 2003 to 2006 amounting to USD 12.05 million (KShs 1.233 billion). The Company applied for a waiver of this amount and on 27 August 2015, the KRA waived 55% of the penalty and interest amounting to USD 6.6 million (KSh 678.3 million) leaving a net claim outstanding of USD 5.4 million (KShs 555 million).

On 6 October 2015, KRA further sent a letter demanding for the immediate payment of USD 1.19 million (KShs 121.96 million) being corporation tax arrears, penalties and interest for the 2001 and 2002 years of income. The demand is beyond the seven years limit for tax purposes. The Company has contested these demands and the matter is still being pursued with KRA.

30. SUBSEQUENT EVENTS

There were no material subsequent events after the reporting date requiring disclosure in these financial statements as at the date of the financial statements approval.