TATA CHEMICALS MAGADI LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2019

REGISTERED NUMBER: 00202712

TATA CHEMICALS MAGADI LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

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TATA CHEMICALS MAGADI LIMITED

CORPORATE INFORMATION

MANAGEMENT

Harish Nair Rajendran*	Appointed 31st August 2018
Mukundan Ramakrishnan*	
Titus Tukero Naikuni	
John Mulhall**	
Dr. Yashwantrao Shankarrao Thorat*	
Zarir Langrana*	
Dr. Stephen Moiko	
Jackson Muchira Mbui	Resigned 31st August 2018

*Indian **British

COMPANY SECRETARY
Oakwood Corporate Secretary Limited
3rd Floor, 1 Ashley Road
Altrincham
Cheshire, WA14 2DT
United Kingdom

HEADQUARTERS
Magadi, Kenya

REGISTERED OFFICE
Mond House, Winnington
Northwich
Cheshire, CW8 4DT, England

AUDITOR
KPMG LLP
8 Princes Parade
Liverpool, L3 1QH England

BANKERS
Barclays Bank of Kenya Limited
Barclays Plaza Branch
Nairobi, Kenya

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

Cooperatieve Rabobank U.A.
Hongkong Branch,
Hongkong

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

Bank of India
Kenyatta Avenue Branch
Nairobi, Kenya

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

Walker Kontos
Hakika House, Bishops Road
P O Box 60680 - 00200
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 is headquartered in Magadi, Kenya.

The Company's turnover for the year to 31 March 2019 was USD 73,786,000 (2018 – USD 76,542,000) and the profit on ordinary activities before taxation was USD 2,663,000 (2018 – USD 6,198,000). The directors do not recommend the payment of a dividend in respect of the year (2018 – USD Nil).

The turnover for the year under review shows a decrease of 3.6% compared to the year ended 31 March 2018 on account of lower volumes compared to previous year. The geographical distribution of sales was 30.27% percentage to SEA-South East Asia (2018 –35.1%), 25.1% to Africa (2018 –24.5%), 42.69% to ISC-Indian Sub-Continent (2018 –38.1%) and 1.93% to Middle East (2018 – 2.3%). There was a moderate increase in Standard Ash Magadi ("SAM") prices during the year; prices increased to USD 227.3/tonne (2018 – USD 205.1/ tonne).

Distribution costs increased during the year mainly due to increase in transportation costs.

The total expenses increased by 0.59% to USD 68.2 million in the current year from USD 67.7 million in the previous year mainly due to:

- Higher heavy fuel oil (HFO) price at USD 574.9/Metric Tonne (2018 – USD 465.0/Metric Tonne) primarily attributable to rise in crude oil prices.
- The quantities of HFO used in the current period were 15.75 million litres (2018 –17.4 million litres). As at close of the period the Company realised a fuel hedge gain of USD 0.032 million (2018 gain of USD 0.823 million).

Future outlook

The management has 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 has 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.

TATA CHEMICALS MAGADI LIMITED

STRATEGIC REPORT (CONTINUED)

Future outlook (continued)

Other key points going forward for the industry include:

- Although the economic outlook is estimated to be lower than 2018 at 2.9% GDP growth forecasted for 2019, there are significant price increases reported from all regions of the world.
- Customer relations remained the focal point of our sales strategy as we also took advantage to revise prices for all lapsed contracts.
- The global soda ash market is well balanced and will remain largely unchanged through 2019
- Improve and sustain plant availabilities and efficiencies.
- Optimization of working capital to generate cash from our operations.
- Successful completion of high purity SAM pilot plan.

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 Fuel 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 19. 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 are 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 5.5% (2018– 5.5%) per annum. Utilisation as at 31 March 2019 for this facility was USD Nil (2018 – USD Nil).

Management monitors cash to ensure that the business continues as a viable going concern; operating cash flows during the year have been positive USD 9,170,000 (2018 – USD 13,001,000) and cash at year end was USD 3,159,000 (2018 – USD 672,000).The Rabo Bank loan repayment reserve as at 31 March 2019 stood at USD 0.5 million (2018 – USD 10.3 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.

Harish Nair
Executive Director and Chief Operating Officer

Date: 24 June 2019
Magadi, Kenya

TATA CHEMICALS MAGADI LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2019

The directors present their annual report on the affairs of the Company, together with the audited financial statements for the year ended 31 March 2019.

1. Incorporation

The Company is incorporated in England, 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.

The financial statements are presented in United States Dollars (USD), which is the Company's functional currency.

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 (2018 – USD Nil).

4. Matters covered in Strategic Report

Details of future developments are contained in the 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 (2018 – USD Nil).

TATA CHEMICALS MAGADI LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

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. 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.

8. 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 2(b)).

9. Auditor

The auditors, KPMG LLP, will be proposed for re-appointment in accordance with Section 487 of the Companies Act 2006.

10. Post balance-sheet events

Refer note no. 28 to the Financial Statements.

11. Qualifying Third Party Indemnity Provisions

During the year, and at the date of signing this report, the Company maintained liability insurance and third party indemnification provisions for its directors, under which the Company has agreed to indemnify the directors to the extent permitted by law in respect of all liabilities to third parties arising out of, or in connection with, the execution of their powers, duties and responsibilities as directors of the Company and any of its associated companies.

12. Statement of disclosure to the auditor

Each person who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that they ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

TATA CHEMICALS MAGADI LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

13. Approval of Financial Statements

The financial statements were approved and authorised for issue by the Board of Directors on 24 June 2019.

BY ORDER OF THE BOARD

Harish Nair Rajendran

Director

Date: 24 June 2019

TATA CHEMICALS MAGADI LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

KPMG

KPMG LLP
8 Princes Parade
Liverpool
L3 1QH
United Kingdom

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TATA CHEMICALS MAGADI LIMITED

Opinion

We have audited the financial statements of Tata Chemicals Magadi Limited ("the company") for the year ended 31 March 2019 which comprise the Statement of profit and loss and other comprehensive income, Statement of financial position, Statement of changes in equity, Statement of cash flows, and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TATA CHEMICALS MAGADI LIMITED (continued)

Strategic report and directors' report

The directors are responsible for the Strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal controls as they determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TATA CHEMICALS MAGADI LIMITED (continued)

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Will Baker (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
8 Princes Parade
Liverpool
L3 1QH

25 June 2019

TATA CHEMICALS MAGADI LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 USD '000	2018 USD '000
Revenue	7	73,786	76,542
Cost of sales		(31,504)	(29,810)
Gross profit		**42,282**	**46,732**
Distribution costs		(27,073)	(26,038)
Administrative expenses		(9,615)	(11,838)
		(36,688)	(37,876)
Operating profit		**5,594**	**8,856**
Other gains and losses	18(a)	32	823
Finance costs	8	(2,963)	(3,481)
Profit on ordinary activities before taxation	9	**2,663**	**6,198**
Tax charge on ordinary activities	11	-	-
Profit for the financial year		**2,663**	**6,198**
Items that may be reclassified subsequently to profit or loss			
Net fair value (loss) / gain on hedging instruments entered into for cash flow hedges	18(b)	(389)	203
Total comprehensive income for the year		**2,274**	**6,401**

The notes set out on pages 16 to 53 form an integral part of these financial statements.

All results arose from continuing operations.

TATA CHEMICALS MAGADI LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Note	2019	2018
		USD '000	USD '000
ASSETS			
Non–current assets			
Property, plant and equipment	13	16,440	18,136
Current assets			
Inventories	15	9,926	9,186
Trade and other receivables	16	16,815	18,600
Derivative assets	18(c)	122	324
Short term deposits	25	501	10,282
Cash and Cash Equivalents	24(b)	3,159	672
		30,523	39,064
TOTAL ASSETS		**46,963**	**57,200**
EQUITY AND LIABILITIES			
Equity			
Share capital	21	44,175	44,175
Cash flow hedging reserves	22	(206)	183
Accumulated losses		(70,908)	(73,571)
Equity attributable to owners of the Company		**(26,939)**	**(29,213)**
Non-current liabilities			
Interest-bearing loans and borrowings	19	47,540	35,400
		47,540	**25,100**
Current liabilities			
Trade and other payables	17	24,207	25,913
Derivative liabilities	18(d)	155	-
Interest-bearing loans and borrowings	19	2,000	25,100
		26,362	51,013
Total liabilities		**73,902**	**86,413**
TOTAL EQUITY AND LIABILITIES		**46,963**	**57,200**

The financial statements on pages 11 to 52 were approved and authorised for issue by the directors on 24.June..2019 and were signed on behalf of board of Directors by:

Harish Nair
Executive Director and Chief Operating Officer

The notes set out on pages 16 to 53 form an integral part of these financial statements.

TATA CHEMICALS MAGADI LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

	Share Capital USD'000	Cashflow hedging reserves USD'000	Reserve Deficit USD'000	Total USD'000
At 1 April 2017	1,763	(20)	(80,490)	(78,747)
Total comprehensive income for the year				
Profit for the year	-	-	6,198	6,198
Other comprehensive income				
Other comprehensive gain	-	203	-	203
Transactions with owners recorded directly in equity				
Preference shares	42,412	-	-	42,412
Dividend write back (Note 26)	-	-	551	551
Forex adjustment on dividend – prior year (Note 26)	-	-	170	170
At 31 March 2018	**44,175**	**183**	**(73,571)**	**(29,213)**
At 1 April 2018	44,175	183	(73,571)	(29,213)
Total comprehensive income for the year				
Profit for the year	-	-	2,663	2,663
Other comprehensive income				
Other comprehensive gain	-	(389)	-	(389)
At 31 March 2019	**44,175**	**(206)**	**(70,908)**	**(26,939)**

The notes set out on pages 16 to 53 form an integral part of these financial statements.

TATA CHEMICALS MAGADI LIMITED

STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 USD '000	2018 USD '000
Cash generated from operating activities	24	**9,170**	**13,001**
Interest and other charges paid	8	(2,963)	(3,481)
Other gains and losses	18(a)	32	823
Net cash generated from operating activities		**6,239**	**10,343**
Cash flows from investing activities			
Purchase of plant and equipment	13	(2,625)	(3,121)
Proceeds on disposal of plant and equipment		53	57
Net cash used in investing activities		**(2,572)**	**(3,064)**
Cash flows from financing activities			
Borrowings received	19	48,040	-
Fixed deposit savings – Bank of India (BOI)	25	(501)	(10,282)
Fixed deposit withdrawals (BOI)		10,281	-
Repayment of borrowings	19	(59,000)	(500)
Net cash generated used in financing activities		**(1,180)**	**(10,782)**
Increase/(decrease) in cash and cash equivalents		2,487	(3,503)
Cash and cash equivalents at the beginning of the year		672	4,175
Cash and cash equivalents at the end of the year		**3,159**	**672**

The notes set out on pages 16 to 53 form an integral part of these financial statements.

TATA CHEMICALS MAGADI LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

1. REPORTING ENTITY

The Company is incorporated as a private company limited by shares, having its registered office situated in England registered by the registrar of Companies of England and Wales under the Companies Act 2006. The Company's principal activity is production and 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.

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 (USD), the presentational and functional currency of the Company.

(b) Going concern

At 31 March 2019, the Company was funded by a fully drawn down USD 48 million Term loan (2018: USD 59 million) provided by Rabobank and USD 2 million loan (2018: USD 1.5 million) provided by the Bank of India. The loan from Rabobank is repayable in six half-yearly equal instalments starting from July 2021 while the Bank of India loan is due in the next one year. The Company 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 USD Nil. A letter of comfort has been issued by the parent company (Tata Chemicals Limited) in respect of the facility provided by Rabobank. Further, this facility is also subject to financial covenants which are tested at the level of the Tata Chemicals Limited group ("the Ultimate Parent Group") and in the event any are breached would result in such amounts owed becoming repayable on demand.

The Company meets its day-to day working capital requirements from directly drawn amounts of $48,000,000 and $2,000,000 from the revolving credit facilities described above and through access to the cash overdraft facility of $12,000,000.

The directors of the Company have prepared forecasts of the Company's profitability and cash generation for the 24 months from the date of approval of the financial statements (the "forecasts"), taking into account the sensitivity of business performance to reasonably possible changes in market conditions, changes in oil prices, the likelihood and quantum of any amounts which may become payable if the contingent liabilities or any other matters under dispute were to crystallise, and as a result of the current economic climate. These forecasts indicate that the Company's facilities should be sufficient during the period. In addition, following enquiries with the directors of the ultimate parent company, the directors of the Company are satisfied that the Ultimate Parent Group will remain within covenant limits during the period. In making their assessment the directors of the Company have also considered the net liability position of the Company. The deficit arises primarily due to accumulated trading losses which have arisen in previous years.

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

2. BASIS OF PREPARATION (Continued)

(b) Going concern (continued)

(i) The Company has embarked on a river diversion project at a cost of USD 1.0 million to alter water flow into the lake with an aim to prevent siltation. This will then improve product quality and ensure a competitive price for the products.

(ii) 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 2020 to 312,065 metric tonne from 289,137 metric tonne in 2019 (2018– 323,614 metric tonne).

(iii) The Company has adopted culture transformation initiatives. The Company has already conducted three team building or Laiser workshops. Laiser teams have been formed which take up new projects aimed at identifying productivity improvement and cost saving initiatives in order to improve business profitability and also initiate others to adopt the Laiser philosophy.

(iv) The Company established an All Ideas Matter program, a comprehensive reward and innovation initiative to encourage employees to contribute to the overall efficiency and cost saving initiatives ranging from great ideas to providing innovative solutions to business challenges.

(v) 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.

After reviewing the forecasts, considering reasonably possible uncertainties, the directors of the Company have formed a judgment, at the time of approving the financial statements, that there is a reasonable expectation 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.

(c) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and 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 judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2. BASIS OF PREPARATION (Continued)

(c) Use of estimates and judgements

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

In particular, information about significant areas of estimation and critical judgements 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) Changes in significant accounting policies

The Company has initially applied IFRS 9 and IFRS 15 from 1 April 2018. A number of other new standards are also effective from 1 April 2018 but they do not have a material effect on the Company's financial statements.

Due to the transition methods chosen by the Company in applying IFRS 9 and IFRS 15, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

(a) IFRS 9 Financial instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

Under the new standard, trade and other receivables including amounts due from related parties and cash and cash equivalents are classified as financial assets measured at amortised cost, rather than loans and receivables as per IAS 39. There was no change in the classification of financial liabilities, as all remained under other financial liabilities.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model, causing credit losses to be recognised earlier. The new ECL, as outlined in Note 3 B (e) has been applied in calculating the provision for doubtful debts and the recoverability of related party transactions. The cumulative impact on adoption of this standard has not been significant.

As a result of the adoption of IFRS 9, there have been consequential amendments to IAS 1, which require impairment losses on financial assets to be presented in a separate line item in the statement of profit or loss and OCI where material. As impairment losses on trade receivables and contract assets are not material, they have not been presented separately.

The Company has elected to adopt the new general hedge accounting model in IFRS. This requires the Company to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. For details of the Company's accounting policy, see Note 3 B (n).

All hedging relationships designated under IAS 39 at 31 March 2018 met the criteria for hedge accounting under IFRS 9 at 1 April 2018 and are therefore regarded as continuing hedging relationships.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(A) Changes in significant accounting policies (continued)

(b) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services, which requires judgement.

The Company has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of applying the standard as at 1 April 2018. Accordingly, the information presented for the prior year has not been restated, although had it been restated there would not have been any significant difference.

A portfolio-based contract review has been performed to assess the impact of IFRS 15, with no changes to existing revenue recognition methods being required. Consequentially there is no impact on timing or amount of revenue recognised on adoption of the new standard. The Company's accounting policies for its revenue streams are disclosed in Note 3 B (a).

(B) Significant accounting policies

(a) Revenue recognition

Operating revenue is derived from the sale of soda ash (Sodium Carbonate), salt and related products. In accordance with IFRS 15, revenue from the sale of goods is recognised only when the performance obligation is met, when delivered in accordance with the customer's contractual agreements, and at an amount to which the Company expects to be entitled. However, when an uncertainty arises about the collectability of an amount already included in revenue, the uncollectible amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an expense, rather than as an adjustment to the amount of revenue originally recognised.

(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).

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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) Financial instruments

Financial instruments include balances with banks, trade and other receivables, balances due from and to related parties and trade and other payables.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial instruments (Continued)

(i) Financial assets

Policy applicable from 1 April 2018

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

A financial instrument is a contract that gives rise to both a financial asset for one enterprise and a financial liability of another enterprise.
On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial instruments (Continued)

(i) Financial assets (Continued)

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for de-recognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial instruments (Continued)

(i) Financial assets (Continued)

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Policy applicable before 1 April 2018

Classification

A financial asset or liability is recognised when the Company becomes party to the contractual provisions of the instrument. The Company classifies its financial assets into the following IAS 39 Categories: loans and receivables. Management determines the appropriate classification of its investments at initial recognition.
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company advances unsecured, non-collateral based loans primarily to civil servants. It also provides personal loans on a smaller scale to employees working with private companies. Repayments are deducted at source by the relevant Government department in order to mitigate against default. Loans and advances are recognised when cash is advanced to borrowers. The Company's loans and receivables include trade receivables, cash and cash equivalents and amounts due from related parties.

Recognition and derecognition of financial assets

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership.
Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of "financial assets at fair value through profit or loss" are included in profit or loss in the period in which they arise.
Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated in the revaluation reserve, until the financial asset is derecognised or impaired, at which time the cumulative gain or loss in the revaluation reserve is transferred to retained earnings through profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial instruments (Continued)

(ii) Financial liabilities

Policy applicable from 1 April 2018

Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Policy applicable before 1 April 2018

Classification, subsequent measurement and gains and losses

After initial recognition, the Company measures all financial liabilities including customer deposits other than liabilities held for trading at amortised cost. Liabilities held for trading (financial liabilities acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin) are subsequently measured at their fair values.

(iii) De-recognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial instruments (Continued)

(iii) De-recognition(Continued)

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when the Company has an enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Fair value of financial assets and liabilities

Fair value of financial assets and financial liabilities is the price that would be received to sell an asset or paid to transfer a liability respectively in an orderly transaction between market participants at the measurement date.

(e) Impairment of assets
Financial assets
Policy applicable from 1 April 2018

The Company recognises a loss allowance for expected credit losses on trade and other receivables and related party receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.
The "incurred loss" model is replaced by the "expected credit loss" model in IFRS 9. This applies to all financial assets not held at fair value through profit and loss (FVTPL).

For financial assets carried at amortised cost (including loans and other receivables such as trade debtors), impairment losses should be recognised under the "expected loss model", building up a debtors' provision / allowance account against credit losses over the life of the financial asset (including an estimate of initial credit risk), rather than the "incurred loss model" used under IAS 39, where a loss was recognised only if there was a specific event (such as default) triggering an impairment review.

Under the impairment approach in IFRS 9 it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, the Company will account for expected credit losses, and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

that the application of IFRS 9's impairment requirements at 1 April 2018 results in an additional/reduction in the allowance for impairment. This is described in note 4.

Additional information about how the Group measures the allowance for impairment is described in Note 5(a).

Policy applicable before 1 April 2018

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

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

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss and reflected in an allowance account.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost that are debt securities, the reversal is recognised in profit or loss.

Non-financial assets

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 and 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.

(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 and is 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.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Inventories (Continued)

Provision is made for obsolete, slow-moving or defective items where appropriate.

(j) Employee benefits

The Company operates a defined contribution retirement benefits scheme for its permanent employees.

(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 7.5% 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.

(k) Provisions and contingencies

From time to time, the Company is subject to legal proceedings, the ultimate outcome of each being subject to uncertainties inherent in litigation. A provision for litigation is made when it is considered probable that a payment will be made and the amount can be reasonably estimated. Significant judgment is required when evaluating the provision including, the probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of potential loss. Litigation provisions are reviewed at each accounting period and revisions made for the changes in facts and circumstances. Contingent liabilities are disclosed in the notes forming part of the financial statements. Contingent assets are not disclosed in the consolidated financial statements unless an inflow of economic benefits is probable.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) 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.

(m) 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.

(n) 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.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Retained earnings

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

(q) 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.

(r) Comparatives

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

(C) Standards issued but not yet effective

IFRS 16: Leases

The Company is required to adopt IFRS 16, Leases from 1 April 2019. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. It replaces existing leases guidance, IAS 17, Leases. The Company is in the process of completing its detailed assessment and quantitative impact of adoption of IFRS 16 on the financial statements in the period of initial application is not reasonably estimable as at present.

Leases in which the Company is a lessee

The Company will recognise new assets and liabilities for its operating leases of offices, warehouse and factory facilities. The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

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;

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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

4. USE OF ESTIMATES AND JUDGEMENTS

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.

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.

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:
(i) Credit risk (ii) Liquidity risk (iii) 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:

	2019 USD'000	2018 USD'000
Trade receivables	5,274	9,690
Due from related parties	2,682	2,529
Cash and cash equivalents	3,159	672
Short-term deposits	501	10,282
Derivative assets	122	324
	11,738	23,497

5. FINANCIAL RISK MANAGEMENT(Continued)

The ageing of gross receivables at the reporting date was

		31 March 2019	
	Gross USD '000	Impairment USD '000	Net USD '000
0-30 days	7,189	-	7,189
30-60 days	392	-	392
61-90 days	28	-	28
91-120 days	138	-	138
> 120 days	225	(16)	209
	7,972	**(16)**	**7,956**

Exposure to credit risk

		31 March 2018	
	Gross USD '000	Impairment USD'000	Net USD '000
0-30 days	11,310	-	11,310
30-60 days	235	-	235
61-90 days	117	-	117
91-120 days	146	-	146
> 120 days	474	(63)	411
	12,282	**(63)**	**12,219**

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

	Neither past due nor impaired USD '000	Past due but not impaired USD '000	Impaired USD '000	Total USD '000
At 31 March 2019				
Trade receivables	4,899	359	16	5,274
Due from related companies	2,682	-	-	2,682
Short term deposits	501	-	-	501
Bank balances	3,159	-	-	3,159
Derivative assets	122	-	-	122
	11,363	**359**	**16**	**11,738**

5. FINANCIAL RISK MANAGEMENT(Continued)

	Neither past due nor impaired USD '000	Past due but not impaired USD '000	Impaired USD '000	Total USD '000
At 31 March 2018				
Trade receivables	9,016	263	411	9,690
Due from related companies	2,529	-	-	2,529
Short term deposits	10,282			10,282
Bank balances	672	-	-	672
Derivative assets	324	-	-	324
	22,823	**263**	**411**	**23,497**

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.

(b) 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	6 – 12 months USD '000	1 – 5 years USD '000	Above 5 years USD '000	Total USD '000
At 31 March 2019					
Trade payables	6,956	-	-	-	6,956
Due to related parties	47	-	-	-	47
Borrowings	2,000	-	47,540	-	49,540
Derivative liabilities	155	-	-	-	155
	9,158	**-**	**47,540**	**-**	**56,698**

5. **FINANCIAL RISK MANAGEMENT(Continued)**

	1 – 6 Months USD '000	6 – 12 months USD '000	1 – 5 years USD '000	Above 5 years USD '000	Total USD '000
At 31 March 2018					
Trade payables	6,780	-	-	-	6,780
Due to related parties	107	-	-	-	107
Borrowings	13,300	11,800	35,400	-	60,500
Derivative liabilities	-	-	-	-	-
	20,187	**11,800**	**35,400**	**-**	**67,387**

(c) 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 (note 19). 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.

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 2019 and 2018 financial years

2019	Effective interest Rate %	On demand USD '000	Due between 1 – 6 Months USD '000	Due between 6 - 12 Months USD '000	Due between 1 - 5 years USD '000	Due after 5 years USD '000	Total USD '000
BOI loan	7.0%	-	2,000	-	-	-	2,000
Rabo Bank loan	5.3%	-	-	-	47,540	-	47,540
		-	**2,000**	**-**	**47,540**	**-**	**49,540**

2018	Effective interest Rate %	On demand USD '000	Due between 1 – 6 Months USD '000	Due between 6 - 12 Months USD '000	Due between 1 - 5 years USD '000	Due after 5 years USD '000	Total USD '000
BOI loan	7.0%	-	1,500	-	-	-	1,500
Rabo Bank loan	5.3%	-	11,800	11,800	35,400	-	59,000
		-	**13,300**	**11,800**	**35,400**	**-**	**60,500**

Sensitivity analysis on interest rates

An increase in one percentage point in the interest rate at the reporting date would have increased/(decreased) profit and loss by the amounts shown below. This analysis is performed on the same basis for 2018.

5. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market risk management (continued)

(i) Interest rate risk - continued

Sensitivity analysis on interest rates - continued

	Profit and loss	
Effect in thousands	**2019**	**2018**
	USD '000	**USD '000**
BOI Loan	20	15
Rabo Bank Loan	476	590
	496	605

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	**2019 USD '000**	**2018 USD '000**
Commodity swaps	+(-)5%	+(-)55	+(-)52

(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 100.75/$ compared to 31 March 2018 at KShs 100.85/$. 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 2019			
Financial assets			
Trade receivables	3,093	2,181	5,274
Due from related parties	2,682	-	2,682
Prepayments	939	-	939
Derivative asset	122	-	122
Short Term Deposits	501	-	501
Cash and bank balances	2,543	616	3,159
As at 31 March 2019	**9,880**	**2,797**	**12,677**

5. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market risk management (continued)

(iii) Currency risk - continued

Financial liabilities	US Dollars USD '000	KShs USD '000	Total USD '000
Trade payables	155	6,409	6,564
Advances from customers	439	-	439
Borrowings	49,540	-	49,540
Derivative liabilities	155	-	155
As at 31 March, 2019	**50,289**	**6,409**	**56,698**
Net foreign currency liability	40,410	3,612	44,022

At 31 March 2018	US Dollars USD '000	KShs USD '000	Total USD '000
Financial assets			
Trade receivables	6,872	2,818	9,690
Due from related parties	2,529	-	2,529
Prepayments	861	-	861
Derivative asset	324	-	324
Short Term Deposits	10,282		10,282
Cash and bank balances	372	300	672
As at 31 March 2018	**21,240**	**3,118**	**24,358**

Financial liabilities			
Trade payables	631	5,973	6,604
Advances from customers	283	-	283
Borrowings	60,500	-	60,500
Derivative liabilities	-	-	-
As at March 2018	**61,414**	**5,973**	**67,387**
Net Foreign currency liability	40,174	2,855	43,029

5. FINANCIAL RISK MANAGEMENT (Continued)

Sensitivity analysis on exchange rates

Effect in USD	Profit and loss 2019 USD '000	2018 USD '000
Financial assets 3% change	296	637
Financial liabilities 3% change	(1,506)	(1,842)
	(1,210)	**(1,205)**

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

	Level 1 USD '000	Level 2 USD '000	Level 3 USD '000	Total USD '000
At 31 March 2019				
Derivative assets	-	122	-	122
Derivative liabilities		(155)		(155)
Net position	-	**(33)**	-	**(33)**
At 31 March 2018				
Derivative assets	-	324	-	324
Derivative liabilities	-	-	-	-
Net position	-	**324**	-	**324**

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 Fuel 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.

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 directors' strategic report, 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:

	2019 USD'000	2018 USD'000
Share capital	44,175	44,175
Cashflow hedging reserve	(206)	183
Retained losses	(70,908)	(73,571)
Shareholders' deficit	**(26,939)**	**(29,213)**
Borrowings	49,540	60,500
Less short term deposit	(501)	(10,282)
Less cash and bank balances	(3,159)	(672)
Net debt	**45,880**	**49,546**
Gearing	(1.7)	(1.7)

7. REVENUE

	2019 USD'000	2018 USD'000
7(a) **By product**		
Soda ash and related products	70,614	73,727
Salt	3,009	2,636
Other	163	179
	73,786	**76,542**
7(b) **By region**		
South East Asia	22,336	26,785
Indian Sub-Continent	31,500	29,176
Middle East	1,428	1,821
Africa	18,522	18,760
	73,786	**76,542**

8. FINANCE COSTS

	2019 USD'000	2018 USD'000
Interest payable and similar charges:		
Interest on borrowings	2,473	2,951
Other finance costs	490	530
	490	**530**
Total financial costs	**2,963**	**3,481**

9. PROFIT BEFORE TAXATION

	2019 USD'000	2018 USD'000
Profit before taxation is arrived at after charging:		
Gain on disposal of equipment	53	57
Depreciation of tangible assets (Note 13)	(4,305)	(4,276)
Operating lease rentals	(1,012)	(724)
Auditor's remuneration;		
Auditor's fees for audit of Company's financial statements	(57)	(47)
Auditor's fees for audit tax compliance	(68)	(63)

10. STAFF COSTS

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

	2019 No.	2018 No.
Production and operations	268	302
Distribution and sales	194	178
Administration	196	183
	658	**663**

	2019 USD '000	2018 USD '000
The aggregate remuneration comprised:		
Wages and salaries	11,104	10,703
Social security costs	23	19
Other pension costs	303	302
	11,430	**11,024**

	2019 USD '000	2018 USD '000
Directors' remuneration comprised of:		
Directors' emoluments	1,059	649
The number of directors who are members of a defined benefit contribution scheme	-	1

The aggregate value of Company contributions paid to a provident fund in respect of Director's qualifying services is USD 8,657 (2018 – USD 21,451). As at 31 March 2019 retirement benefits were accruing under defined contribution scheme for no Directors (2018 – one).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

11. TAXATION

The components of tax for the years ended 31 March 2019 and 2018 are:

		2019	2018
(a)	**Income tax expense**	**USD '000**	**USD '000**
	Current tax Expense		
	Current tax charge	506	1,178
	Deferred tax Expense		
	Relating to origination and reversal of temporary differences	(506)	(1,178)
	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:

		2019	2018
		USD '000	**USD '000**
(b)	**Reconciliation of expected tax based on accounting profit**	2,663	6,19
	Tax on profit on ordinary activities at the average UK corporation tax rate for the year 19% (2018 – 19%)	506	1,178
	Tax effects of:		
	Expenses not deductible for tax purposes	346	199
	Expired tax loss (note 12)	(4,436)	-
	Other temporary differences	3,584	(1,377)
	Tax for the year	-	-

The standard rate of corporation tax applied to reported profit is 19% (2018: 19%) following the substantive enactment of the Finance Act 2017. The UK government latest legislation sets the headline rate of UK corporation tax at 19% until 31 March 2020 and 17% from 1 April 2020.

12. DEFERRED TAX

Deferred income taxes are calculated on all temporary differences under the liability method using the current tax rate of 17%. The net deferred tax asset is made up as follows:

Deferred tax

Unrecognized deferred tax	**Balance 1 April**	**Movement during the year**	**Expired Tax loss**	**Balance 31 March**
2019	**USD'000**	**USD '000**		**USD '000**
Property plant and equipment	1,597	(156)	-	1,441
Provisions	1,279	(34)	-	1,245
Unrealized exchange differences	2,743	(356)	-	2,387
Tax Losses	12,391	(1,626)	(4,436)	6,329
Derivatives	7	(7)	-	-
	18,017	**(2,179)**	**(4,436)**	**11,402**

12. DEFERRED TAX (Continued)

Unrecognized deferred tax	**Balance 1 April**	**Movement during the year**	**Balance 31 March**
2018	**USD '000**	**USD '000**	**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**

A potential deferred tax asset of USD 14,621,000 (2018 – USD 18,017,000) has not been provided.

The Company had made losses in the previous years, which resulted in a deferred tax asset largely arising out of tax losses carried forward.

The current business scenario remains very competitive and the ongoing volatility in the oil prices might impact the business performance. As indicated in note 2(b), management is taking steps to ensure that Company is on a positive profitable trajectory. The management has considered it prudent to not recognise deferred tax at the close of the year and review the deferred tax position within one to two years considering the recoverability of this amount against future taxable profits of the Company.

During the year, the carried forward tax loss prior of 2011 of USD 62.5 million was not utilized against profits in the nine years to 31st March 2019 resulting in expired tax loss of USD 23.3 million. The tax losses carried forward on 31st March 2019 of USD 37.2 million will expire as follows (in USD):

Arising in	**Tax losses (in USD)**	**Expiring**
2011	464,772	31-Mar-20
2012	15,506,311	31-Mar-21
2013	5,681,584	31-Mar-22
2014	15,571,026	31-Mar-23
Tax losses carried forward	**37,223,693**	

13. PROPERTY, PLANT 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 2019						
Cost						
At 1 April 2018	57,407	141,281	6,940	5,166	1,638	212,432
Additions	-	-	-	-	2,625	2,625
Disposals	-	-	(254)	-	-	(254)
Exchange Diff.	-	-	-	-	(16)	(16)
Transfers	604	1,656	48	155	(2,463)	-
At 31 March 2019	**58,011**	**142,937**	**6,734**	**5,321**	**1,784**	**214,787**
Depreciation						
At 1 April 2018	(53,424)	(131,887)	(4,947)	(4,038)	-	(194,296)
Charge for the year	(700)	(2,545)	(717)	(343)	-	(4,305)
Disposal	-	-	254	-	-	254
	(54,124)	**(134,432)**	**(5,410)**	**(4,381)**	-	**(198,346)**
Net book value						
At 31 March 2019	**3,887**	**8,505**	**1,324**	**940**	**1,784**	**16,440**
At 31 March 2018	3,983	9,394	1,993	1,128	1,638	18,136

14. 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. The leases of locomotives and hopper wagons and office space have an average life of ten years whereas that of mining land area is 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:

	2019 USD '000	2018 USD '000
Within one year	1,012	724
After one year but not more than five years	3,596	1,460
More than five years	9,548	9,188
	14,156	**11,372**

15. INVENTORY

	2019 USD '000	2018 USD '000
Raw materials and consumables	9,901	9,023
Finished goods and goods for resale	3,591	3,662
Work progress	120	209
Provision for obsolete stock	(3,686)	(3,708)
	9,926	**9,186**

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.

16. TRADE AND OTHER RECEIVABLES

	2019 USD '000	2018 USD '000
Trade receivables	5,274	9,690
VAT receivable	7,090	5,334
Prepayments	939	861
Due from related parties (Note 23)	2,682	2,529
Sundry receivables	830	186
	16,815	**18,600**

As at 31 March 2019, trade receivables with an invoice value of USD 16,036 (2018 – USD 62,904) were impaired and fully provided for. The provision for doubtful debts is determined on a specific basis. Management consider that carrying value and other receivables is approximately equal to the fair value.

17. TRADE AND OTHER PAYABLES

	2019 USD '000	2018 USD '000
Trade payables	6,956	6,780
Accrued expenses	14,801	16,126
Due to related parties (Note 23)	47	107
Other payables	2,403	2,900
	24,207	**25,913**

17. 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.

18. 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.

(i) Heavy Fuel Oil (HFO) hedge derivative

The 2019 fuel swaps related to fixed price commodity swap derivative contracts entered into with Barclays Bank of Kenya Limited.

Two fixed price commodity swaps with Barclays Bank of Kenya Limited expired in July 2018. New fixed price commodity swaps for 400 MT were contracted in December 2018 to expire in November 2019. An additional fixed price commodity swap for 600 MT was contracted with Standard Chartered Bank of Kenya to run from September 2019 to August 2020.

(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 Rabobank 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 1.86 % per annum and the floating rate is pegged to the USD 6-month LIBOR. The swap matures on 17 July 2020.

(a) Other gains and losses	**2019 USD '000**	**2018 USD '000**
HFO hedge derivative ineffectiveness	-	-
Interest swap derivative ineffectiveness	(32)	(823)
	(32)	**(823)**

This relates to the interest swap derivative which was ineffective in the year ended 31 March 2019.

18. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

	2019 USD '000	2018 USD '000
Interest swap derivative – OCI	-	-
HFO hedge derivative – OCI	389	(203)
	389	**(203)**

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

		2019 USD '000	2018 USD '000
(c)	**Derivative assets:**		
	Fuel swaps	-	234
	Interest rate swap	122	90
		122	**324**
(d)	**Derivative liabilities:**		
	Fuel swaps	(155)	-
	Interest rate swap	-	-
	Net position (liability) / asset	**(33)**	**324**

19. BORROWINGS

	2019 USD '000	2018 USD '000
Loans:		
Rabo Bank International	47,540	59,000
Bank of India	2,000	1,500
	49,540	**60,500**

The maturity profile of borrowings is as follows:

	2019 USD '000	2018 USD '000
Within one year	2,000	25,100
Between one and five years	47,540	35,400
	49,540	**60,500**

The movement in loans during the year was as follows:

	2019 USD '000	2018 USD '000
At 1 April	60,500	61,000
Borrowings received	48,040	-
Borrowings repaid	(59,000)	(500)
Interest expense	2,472	2,951
Interest paid	(2,472)	(2,951)
At 31 March	**49,540**	**60,500**

The interest rate on term loan is at LIBOR + 1.8% p.a. and the rate on short-term BOI loan is 9% p.a.

19. 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 48 million refinanced by Rabo Bank Limited in Jan 2019 and for which a letter of comfort has been issued by the parent Company and is repayable in six half year instalments starting July 2021 and fully repayable by January 2024.

20. 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:

	2019 USD '000	2018 USD '000
Employer contribution	303	302

21. SHARE CAPITAL

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	32,512
Homefield Pvt UK Limited - 9,900,000 preference shares of £1 each**	9,900	9,900
	42,412	42,412
	44,175	44,175

The movement in Preference shares during the year was as follows:

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

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

21. SHARE CAPITAL (Continued)

**In 2012, the Company issued to Gusiute Holdings (UK) Limited 32,512,408 redeemable preference shares of USD 1 each fully paid. In 2014 and 2015, the Company issued an additional 9,900,000 redeemable preference shares of USD 1 each to Homefield Pvt UK Limited. The preference shares are redeemable at the option of the issuer.

22. 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:

	Interest Swap	HFO Hedge	Total
2019	**USD'000**	**USD'000**	**USD'000**
At 1 April	-	183	183
Charge	-	(389)	(389)
At 31 March 2019		**(206)**	**(206)**
2018			
At 1 April	-	(20)	(20)
Charge	-	203	203
At 31 March 2018	-	**183**	**183**

23. RELATED PARTY TRANSACTIONS AND BALANCES

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

	2019 USD '000	2018 USD '000
Amounts due from related companies		
Tata Chemicals (SA) Limited	247	626
Tata Chemicals International Pte Ltd	2,437	1,754
Tata Chemicals Limited	(2)	149
	2,682	**2,529**
Amounts due to related companies		
Tata Chemicals Limited	**47**	**107**
Sales to related companies		
Tata Chemicals (SA) Limited	1,309	3,523
Tata Chemicals International Pte Ltd	38,212	32,104
Tata Chemicals Limited	373	1,743
	39,894	**37,370**

23. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Ultimate parent

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

The ultimate parent company and controlling party in the year to 31 March 2019 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 England and registered in England and Wales, and whose registered office is Mond House, P O Box 4, Winnington, Northwich, Cheshire, CW8 4 DT.

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding trading balances at the year end are unsecured and will be settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2019, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2018: USD Nil). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Transactions with key management personnel

There were no transactions with key management personnel in the year. Directors' remuneration is disclosed in Note 10.

24. NOTES TO THE STATEMENT OF CASH FLOWS

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

	Note	2019 USD '000	2018 USD '000
Profit before taxation		2,663	6,198
Adjustments for:			
Depreciation of property, plant and equipment	13	4,305	4,276
Gain on disposal of equipment		(53)	(57)
Finance costs	8	2,963	3,481
Other gains and losses	18(a)	(32)	(823)
Exchange Difference	13	16	-
Forex adjustments on dividend write back	26	-	(155)
Profit before working capital changes		**9,862**	**12,920**
Movements in working capital items:			
Inventory		(740)	27
Trade and other receivables		1,785	(4,291)
Trade and other payables		(1,706)	5,170
Derivative assets and liabilities		358	(1,028)
Provision for liabilities		-	-
Cash flow hedging reserves	18(b)	(389)	203
Cash generated from operations		**9,170**	**13,001**

(b) Analysis of cash and cash equivalents

		2019	2018
Cash and bank balances		**3,159**	**672**

25. SHORT TERM DEPOSITS

The Company is expected to amortise Rabo Bank Loan in five half yearly instalments effective July 2021.The Company opened a fixed deposit with Bank of India earning an interest at 3% pa to accumulate funds for repayment of Rabo Bank instalments. The summary below indicates the status of the FD account as at 31 March 2019.

	2019 USD '000	2018 USD '000
FD Bank Of India (3% 2019, 1.25% 2018)	500	10,200
Accrued Interest Income	1	82
	501	**10,282**

26. DIVIDEND WRITE BACK

The Company had approved the payment of a dividend amounting to USD 875,923 (KSh 72,701,619) payable to Brunner Mond prior to the acquisition of the Company by Tata Chemicals Africa Holdings Limited (TCAHL) in the year 2005. The nominal amount disclosed in the statutory accounts for the 31 March 2018 was USD 875,923 but the translated amount was USD 720,889. The board of Directors in March 2018 resolved and approved the write-back of the dividend amounting to USD 551,400 payable to Tata Chemicals Africa Holdings Limited. The write back was adjusted against the reserves in statement of change in equity except the yearly movement already expensed in the profit statement. The movement in Dividend write back during the year was as follows

	2019 USD '000	2018 USD '000
At 1 April	-	(706)
Currency Translation	-	155
Dividend write back	-	551
At 31 March	-	-

27. CONTINGENT LIABILITIES

(i) USD 10.3 million (KShs 1.040 billion) - Pertaining to KRA assessments related to under-declared corporation taxes for the tax years 2007 – 2012.

Management has contested these assessments and engaged independent tax advisors to review the assessments. On the basis that no formal demands have been received from the KRA and no further correspondence has been received from the KRA since last year, no liability has been recognised as management does not consider it probable that a liability will arise.

(ii) USD 5.4 million (KShs 555 million) – Pertaining to demand for interest and penalty on Corporation taxes for the period 2003 to 2005, received on 19 March, 2008.

The Company has contested these demands and the matter is still being pursued with KRA. On the basis of consultation with Company's tax lawyers / tax consultants and that the Company has received no further communications from the KRA during the year, no liability has been recognised as management do not consider it probable that a liability will arise.

(iii) USD 1.19 million (KShs 121.96 million) – Pertaining to corporation tax arrears, penalties and interest for the 2001 and 2002 years of income – letter from KRA dated 6 October, 2015.

The formal demands are beyond the seven years limit for tax purposes. The Company has contested these demands and the matter is still being pursued with KRA. On the basis that the Company has received no further communications from the KRA during the year, no liability has been recognised as management do not consider it probable that a liability will arise.

In the opinion of Directors, after taking appropriate legal advice, the outcome of tax and legal claims will not give rise to any significant impact on these financial statements.

28. SUBSEQUENT EVENTS

Subsequent to the year end on 3 May 2019, the Court delivered its judgement in respect of the petition against a demand for land rates levied on the Company by the Kajiado County Government during the year. The Court judgement quashed this demand. In its judgement, the court also ordered that both parties submit themselves to a consultation process to be led by the Cabinet Secretary and supervised by the Court in order to agree the acreage to which land rates should apply and the level of rates which should be levied. It is not possible at the current time to reliably estimate the outcome of the comprehensive consultative process, including any potential change to the amounts payable by the Company.