

**TATA CHEMICALS MAGADI LIMITED**

**REPORT AND  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
31 MARCH 2015**

TATA CHEMICALS MAGADI LIMITED  
REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2015

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# TATA CHEMICALS MAGADI LIMITED

## CORPORATE INFORMATION

MANAGEMENT	Jackson Muchira Mbui Michael Fredrick Kingsley Odera Mukundan Ramakrishnan Titus Tukero Naikuni Prof. Bernard Chege Waruingi De Lyle Bloomquist Prashant Kumar Ghose Eknath Atmaram Kshirsagar John Joseph Kerrigan Zarir Langrana Dr. Stephen Moiko	Managing Director    (Resigned on 17 September 2014) (Resigned on 28 October 2014)   (Appointed on 28 October 2014) (Appointed on 2 December 2014)
COMPANY SECRETARY	Livingstone Associates P O Box 30029, 00100 Nairobi	
HEADQUARTERS	Magadi, Kenya	
REGISTERED OFFICE	Mond House, Winnington Northwich Cheshire, CW8 4DT England	
AUDITORS	Deloitte & Touche Certified Public Accountants (Kenya) Deloitte Place, Waiyaki Way, Muthangari P O Box 40092, 00100 Nairobi, Kenya	
BANKERS	Barclays Bank of Kenya Limited Barclays Plaza Branch Nairobi, Kenya  Standard Chartered Bank of Kenya Limited Kenyatta Avenue Branch Nairobi, Kenya  Co-operative Bank of Kenya Limited Enterprise Road Branch Nairobi, Kenya  CfC Stanbic Bank Limited Kenyatta Avenue Branch Nairobi, Kenya  Bank of India Kenyatta Avenue Branch Nairobi, Kenya	
LEGAL ADVISORS	Kaplan & Stratton Williamson House P O Box 40111 - 00100 Nairobi, Kenya	

# TATA CHEMICALS MAGADI LIMITED

## REPORT OF THE MANAGEMENT

Management presents its report together with the audited financial statements of Tata Chemicals Magadi Limited (the "company") for the year ended 31 March 2015.

### INCORPORATION

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

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

### ACTIVITIES

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

RESULTS FOR THE YEAR	2015 Sh 'm	2014 Sh'm
Loss before taxation	(2,118)	(6,040)
Taxation credit	-	-
	<hr/>	<hr/>
Loss for the year	<u>(2,118)</u>	<u>(6,040)</u>

### AUDITORS

Deloitte & Touche, having expressed their willingness, continue in office.



Managing Director

11<sup>th</sup> June 2015

TATA CHEMICALS MAGADI LIMITED

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Management is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results of the company for that year. Management is also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. It is also responsible for safeguarding the assets of the company.

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal controls as it determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards. Management is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results. Management further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

As disclosed in note 3 to the financial statements, management acknowledge that the continued existence of the company as a going concern depends on the success of the various strategic measures that management have put in place to return the company to profitability. The management is confident that the company will return to profitability in the near future. Accordingly, management consider that the going concern assumption is appropriate.



Director of Finance

11<sup>th</sup> June 2015



Managing Director

11<sup>th</sup> June 2015

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Tata Chemicals Magadi Limited set out on pages 6 to 41 which comprise the statement of financial position at 31 March 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Managements' Responsibility for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal controls as the management determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the company's preparation of the financial statements that give a true and fair view in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the accompanying financial statements give a true and fair view of the state of financial affairs of the company as at 31 March 2015 and of its loss and cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### *Emphasis of matter*

Without qualifying our opinion, we draw your attention to note 3 to the financial statements which gives disclosures on the going concern basis of the financial statements.

*The engagement partner responsible for the audit resulting in this independent auditors' report is CPA Anne Muraya – (P/No: 1697).*

*Deloitte & Touche*

**Certified Public Accountants (Kenya)  
Nairobi, Kenya**

*11 June 2015*

TATA CHEMICALS MAGADI LIMITED

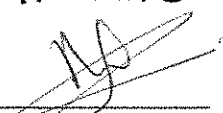
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2015

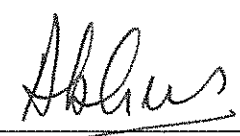
	Note	2015 Sh 'm	2014 Sh 'm
SALES	6	7,799	9,048
COST OF SALES		(3,429)	(9,161)
GROSS PROFIT/(LOSS)		4,370	(113)
DISTRIBUTION COSTS		(2,840)	(3,457)
ADMINISTRATIVE EXPENSES		(2,023)	(2,284)
FOREIGN EXCHANGE (LOSS)/GAIN		(868)	246
FINANCE COSTS	7	(757)	(432)
LOSS BEFORE TAXATION	8	(2,118)	(6,040)
TAXATION	10	-	-
LOSS FOR THE YEAR		(2,118)	(6,040)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(2,118)	(6,040)

TATA CHEMICALS MAGADI LIMITED  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2015

	Note	2015 Sh 'm	2014 Sh 'm
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	1,454	1,709
Deferred taxation asset	14	731	731
		<u>2,185</u>	<u>2,440</u>
<b>Current assets</b>			
Inventory	15	810	1,257
Trade and other receivables	16	2,461	2,590
Derivative assets	17	5	2
Cash and bank balances	23(b)	86	2
		<u>3,362</u>	<u>3,851</u>
<b>TOTAL ASSETS</b>		<u><u>5,547</u></u>	<u><u>6,291</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	18	134	134
Revenue deficit		(7,944)	(5,826)
Shareholders deficit		<u>(7,810)</u>	<u>(5,692)</u>
<b>Non-current liabilities</b>			
Borrowings	19	5,448	3,991
Preference shares	20	3,916	3,666
		<u>9,364</u>	<u>7,657</u>
<b>Current liabilities</b>			
Trade and other payables	21	2,441	3,235
Borrowings	19	1,172	979
Derivative liabilities	17	273	5
Taxation payable	10	107	107
		<u>3,993</u>	<u>4,326</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>5,547</u></u>	<u><u>6,291</u></u>

The financial statements on pages 6 to 41 were approved and authorised for issue by management on  
11<sup>th</sup> June 2015 and were signed by:

  
Managing Director

  
Director of Finance



TATA CHEMICALS MAGADI LIMITED

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2015

	Share capital Sh 'm	Revenues deficit Sh 'm	Total Sh 'm
At 1 April 2013	134	214	348
Total comprehensive loss for the year	-	(6,040)	(6,040)
	<hr/>	<hr/>	<hr/>
At 31 March 2014	<u>134</u>	<u>(5,826)</u>	<u>(5,692)</u>
At 1 April 2014	134	(5,826)	(5,692)
Total comprehensive loss for the year	-	(2,118)	(2,118)
	<hr/>	<hr/>	<hr/>
At 31 March 2015	<u>134</u>	<u>(7,944)</u>	<u>(7,810)</u>

TATA CHEMICALS MAGADI LIMITED  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED 31 MARCH 2015

	Note	31 March 2015 Sh 'm	31 March 2014 Sh 'm
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash (used in)/generated from operating activities	23(a)	(433)	80
Interest and other charges paid		(757)	(432)
		<hr/>	<hr/>
<b>Net cash used in operating activities</b>		<b>(1,190)</b>	<b>(352)</b>
		<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of plant and equipment	11	(234)	(358)
		<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Borrowings received	19	5,297	153
Repayment of borrowings	19	(3,508)	-
Preference shares issued	20	-	488
		<hr/>	<hr/>
<b>Net cash generated from financing activities</b>		<b>1,789</b>	<b>641</b>
		<hr/>	<hr/>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>365</b>	<b>(69)</b>
Cash and cash equivalents at the beginning of the year		(977)	(908)
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year	23(b)	<u>(612)</u>	<u>(977)</u>

# TATA CHEMICALS MAGADI LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 1 ACCOUNTING POLICIES

#### Statement of compliance

The financial statements are prepared in accordance and comply with International Financial Reporting Standards. The principal accounting policies adopted in the preparation of these financial statements remain unchanged from the previous years and are set out below:

#### Application of new and revised International Financial Reporting Standards (IFRSs)

(i) *New standards and amendments to published standards effective for the year ended 31 March 2015*

The following new and revised IFRSs were effective in the current year and had no material impact on the amounts reported in these financial statements.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities	The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. The amendments require retrospective application.
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The application of the amendment had no effect on the company's financial statements as the company did not have any offsetting arrangements in place.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets	The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements. The amendments require retrospective application
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The application of the amendment has not had any impact on the disclosures or the amounts recognised in these financial statements as the company does not have any goodwill or other intangible assets with indefinite useful lives

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities	The amendments to IFRS 10 define an investment entity and introduce an exception from the requirement to consolidate subsidiaries for an investment entity. In terms of the exception, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss. The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities.
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# TATA CHEMICALS MAGADI LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1 ACCOUNTING POLICIES (Continued)

#### Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(i) *New standards and amendments to published standards effective for the year ended 31 March 2015 (Continued)*

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is an investment entity when it:

- obtains funds from one or more investors for the purpose of providing them with investment management services;
- commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measures and evaluates performance of substantially all of its investments on a fair value basis.

Consequential amendments to IFRS 12 and IAS 27 have been made to introduce new disclosure requirements for investment entities.

The application of the amendment has not had any impact on the disclosures or the amounts recognised in these financial statements as the company is not an investment entity.

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. The amendments require retrospective application.

The application of the amendment has not had any impact on the disclosures or the amounts recognised in the company financial statements.

IFRIC 21 Levies

IFRIC 21 addresses the issue of when to recognise a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period. IFRIC 21 requires retrospective application

The application of the new standard has not resulted to changes in the disclosures or the amounts recognised in the company financial statements.

TATA CHEMICALS MAGADI LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

**Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)**

(ii) *Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 31 March 2015*

<i>New and Amendments to standards</i>	<i>Effective for annual periods beginning on or after</i>
IFRS 9	1 January 2018
IFRS 14, Regulatory Deferral Accounts	1 January 2016
IFRS 15, Revenue from Contracts with Customers	1 January 2017
Amendments to IAS 19	1 July 2014
Amendments to IAS 16 and IAS 38	1 January 2016
Amendments to IFRS 11	1 January 2016
Amendments to IAS 27	1 January 2016
Amendments to IFRS 10 and IAS 28	1 January 2016
Amendments to IAS 1	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28	1 January 2016
Annual improvements 2011- 2013 cycle	1 July 2014
Annual improvements 2010- 2012 cycle	1 July 2014
Annual improvements 2012- 2014 cycle	1 July 2016

(iii) *Impact of new and amended standards and interpretations on the financial statements for the year ended 31 March 2015 and future annual periods*

**IFRS 9 Financial Instruments (2014)**

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement.

The standard contains requirements in the following areas:

**Classification and measurement.**

Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

**Impairment.**

The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

**Hedge accounting.**

The standard introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures

**Derecognition.**

The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The impact of implementation of this standard can only be determined after a thorough review has been carried out.

# TATA CHEMICALS MAGADI LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1 ACCOUNTING POLICIES (Continued)

#### **Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)**

- (iii) *Impact of new and amended standards and interpretations on the financial statements for the year ended 31 March 2015 and future annual periods (Continued)*

#### **IFRS 15, Revenue from Contracts with Customers**

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede the following revenue Standards and Interpretations upon its effective date:

- IAS 18 *Revenue*;
- IAS 11 *Construction Contracts*;
- IFRIC 13 *Customer Loyalty Programmes*;
- IFRIC 15 *Agreements for the Construction of Real Estate*;
- IFRIC 18 *Transfers of Assets from Customers*; and
- SIC 31 *Revenue-Barter Transactions Involving Advertising Services*.

As suggested by the title of new Revenue Standard, IFRS 15 will only cover revenue arising from contracts with customers. Under IFRS 15, a customer of an entity is a party that has contracted with the entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration. Unlike the scope of IAS 18, the recognition and measurement of interest income and dividend income from debt and equity investments are no longer within the scope of IFRS 15. Instead, they are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* (or IFRS 9 *Financial Instruments*, if IFRS 9 is early adopted)

As mentioned above, the new Revenue Standard has a single model to deal with revenue from contracts with customers. Its core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

The management of the company do not anticipate that the application of the standard will have a significant impact on the company's financial statements.

# TATA CHEMICALS MAGADI LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1 ACCOUNTING POLICIES (Continued)

#### **Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)**

- (iii) *Impact of new and amended standards and interpretations on the financial statements for the year ended 31 March 2015 and future annual periods (Continued)*

#### **Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)**

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- When the intangible asset is expressed as a measure of revenue. Provided that the contract specifies a fixed total amount of revenue to be generated on which amortisation is to be determined, the revenue that is to be generated might be an appropriate basis for amortising the intangible asset; or
- When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

The directors of the company do not anticipate that the application of the amendment will have a significant impact on the company's financial statements

#### **Amendments to IAS 1 Disclosure Initiative**

Amends IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:

clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply.

clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

The directors of the company do not anticipate that the application of the amendment will have a significant impact on the company's financial statements.

# TATA CHEMICALS MAGADI LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1 ACCOUNTING POLICIES (Continued)

#### Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(iii) *Impact of new and amended standards and interpretations on the financial statements for the year ended 31 March 2015 and future annual periods (Continued)*

##### Annual Improvements 2010-2012 Cycle

The annual improvements 2010-2012 cycle makes amendments to the following standards:

- IFRS 2 — Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.
- IFRS 3 — Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.
- IFRS 8 — Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.
- IFRS 13 — Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).
- IAS 16 and IAS 38 — Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.
- IAS 24 — Clarify how payments to entities providing management services are to be disclosed.

##### Annual Improvements 2011-2013 Cycle

Makes amendments to the following standards:

- IFRS 1 — Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).
- IFRS 3 — Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- IFRS 13 — Clarify the scope of the portfolio exception in paragraph 52.
- IAS 40 — Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

##### Annual Improvements 2012-2014 Cycle

Makes amendments to the following standards:

- IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.
- IFRS 7 — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.
- IAS 9 — Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.
- IAS 34 — Clarifying the meaning of 'elsewhere in the interim report' and require a cross-reference property.

These IFRS improvements are effective for accounting periods beginning on or after 1 January 2015. The management of the company do not anticipate that the application of these improvements to IFRSs will have a significant impact on the company's financial statements.

(iv) *Early adoption of standards*

The company did not early-adopt any new or amended standards in the year.



# TATA CHEMICALS MAGADI LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1 ACCOUNTING POLICIES (Continued)

#### **Basis of preparation**

The financial statements are prepared under the historical cost basis of accounting except for the measurement at fair value of certain financial instruments.

#### **Revenue recognition**

Revenue represents the fair value of the consideration receivable for sales of goods and services, and is stated net of value-added tax (VAT), rebates and discounts. Sales of goods are recognised in the period in which the company delivers products to the customer (for export customers on issuance of bill of lading) and collectability of the related receivables is reasonably assured.

#### **Foreign currencies**

The company's functional currency is the US dollar which is the currency in which funds from financing activities are usually generated and receipts from operating activities are usually retained. The presentation currency in these financial statements is the Kenya shilling.

Transactions denominated in foreign currencies are recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At the end of each reporting period foreign currency monetary items are translated using the closing rate while non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise. At the end of each reporting period, assets and liabilities are translated to the presentation currency at the closing rate while income and expenses are translated at exchange rates ruling at the dates of the transactions. All resulting exchange differences are recognised in profit or loss.

#### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

##### *(i) Current tax*

Taxable profit differs from profit as reported in the profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

##### *(ii) Deferred tax*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

# TATA CHEMICALS MAGADI LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1 ACCOUNTING POLICIES (Continued)

#### **Taxation (Continued)**

##### *(iii) Deferred tax (Continued)*

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

##### *(iv) Current and deferred tax for the year*

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

#### **Investments in subsidiaries**

A subsidiary is an enterprise which the company controls through governing the financial and operating policies of the entity so as to obtain benefits from its activities. Investments are stated at cost less accumulated impairment.

The results of the dormant subsidiary company, Magadi Railway Company Limited, have not been consolidated because, in the management's opinion, consolidation of this subsidiary would be of no real value to the membership in view of the immateriality of the amounts involved given the investment is fully impaired.

#### **Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation, less any impairment losses. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

The estimated useful lives are as follows:

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

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any change in estimate accounted for on a prospective basis. The gain or loss arising on disposal of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### **Leasehold land**

Payments to acquire leasehold interest in land are treated as prepaid operating lease rentals and are amortised on straight line basis over the period of the lease.

# TATA CHEMICALS MAGADI LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1 ACCOUNTING POLICIES (Continued)

#### **Inventory**

Inventory is stated at the lower of cost and net realisable value. Cost is arrived at on a weighted average method and includes cost of purchases, cost of production and other cost incurred in bringing inventory to their present location and condition. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Provision is made for obsolete, slow moving and defective stocks as and when determined.

#### **Financial instruments**

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### **Financial assets**

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

##### *(i) Financial assets at fair value through profit or loss*

This category has two sub-categories: Financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Gains and losses arising from changes in fair value are recognised in the profit or loss.

##### *(ii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

##### *(iii) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated as Available-for-sale financial assets or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The company has investments in debt securities that are traded in an active market and are stated at fair value at the end of each reporting period. The fair value of available-for-sale debt securities is determined by reference to published price quotations in an active market. Interest income calculated using the effective interest method is recognised in profit or loss except for interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets which is deducted from the borrowing costs eligible for capitalisation.

# TATA CHEMICALS MAGADI LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1 ACCOUNTING POLICIES (Continued)

#### **Financial Instruments (continued)**

##### *(iii) Available-for-sale financial assets (Continued)*

Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on available for sale (AFS) equity instruments are recognised in profit or loss when the company's right to receive the dividends is established

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

##### *(iv) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

##### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

##### *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For available-for-sale debt securities, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

# TATA CHEMICALS MAGADI LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1 ACCOUNTING POLICIES (Continued)

#### **Financial Instruments (continued)**

#### **Financial assets (continued)**

#### *Impairment of financial assets (continued)*

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

#### *Derecognition of financial assets*

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

# TATA CHEMICALS MAGADI LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1 ACCOUNTING POLICIES (Continued)

#### **Financial Instruments (Continued)**

##### *Derecognition of financial assets (Continued)*

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the company retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the company retains control), the company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

##### *Classification as debt or equity*

Debt and equity instruments issued by the company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### *Equity instruments*

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

Repurchase of the company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

#### **Financial liabilities**

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or 'other financial liabilities'.

##### *Other financial liabilities*

Other financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

# TATA CHEMICALS MAGADI LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1 ACCOUNTING POLICIES (Continued)

#### **Financial Instruments (continued)**

#### **Financial liabilities (Continued)**

##### *Derivative financial instruments*

The company holds derivative financial instruments to hedge its interest rate risk and fuel price risk exposure. These derivatives are initially recognised at fair value plus transaction costs. They are subsequently carried at fair value since this approximates amortised cost due to the short term nature of the financial instrument. A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities. They 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.

##### *Derecognition of financial liabilities*

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

##### *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### **Provisions**

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

Provision for the expected cost of warranty obligation is recognised at the date of sale of the goods at the best estimate of the expenditure required to settle the company's obligation.

#### **Employee benefits**

##### *(i) Company's defined contribution plan*

The company operates a defined contribution provident scheme for eligible employees. The scheme is administered independently of the company's assets and is funded by contributions from both the company and employees. Contributions to the defined contribution plan are charged to profit or loss in the year to which they relate.

##### *(ii) Statutory defined contribution pension scheme*

The company also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute and are currently limited to Sh 200 per employee per month. The company's contributions to the above schemes are charged to profit or loss in the year to which they relate.

##### *(iii) Other employee entitlements*

Entitlements to annual leave are recognised when they accrue to employees. Provision is made for the estimated liability in respect of annual leave accrued at the end of the reporting period.

# TATA CHEMICALS MAGADI LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1 ACCOUNTING POLICIES (Continued)

#### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

#### **Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with banks net of bank overdrafts.

#### **Comparatives**

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

### 2 CRITICAL ACCOUNTING ESTIMATES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the entity's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These are dealt with below:

#### *Property, plant and equipment*

The company performs an assessment at the end of each reporting period whether there is any indication that property, plant and equipment may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

In performing this assessment, the company considers the following indications:

- a) An asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- b) significant changes with an adverse effect on the company have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the company operates or in the market to which an asset is dedicated.
- c) market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
- d) evidence is available of obsolescence or physical damage of an asset.
- e) significant changes with an adverse effect on the company have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date
- f) evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

#### *Other assets*

At each end of the reporting period, the company reviews the carrying amounts of its other assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.



## TATA CHEMICALS MAGADI LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 3 GOING CONCERN

The company incurred a loss of Sh 2,118 million during the year ended 31 March 2015 (2014 – Sh 6,040 million). In addition, the company has had to rely on its overdraft facility to meet working capital demands. The bank overdraft stood at Sh 698 million (US\$ 8.298 million) as at the reporting date. The ability of the company to continue as a going concern and be able to pay its liabilities as they fall due for the foreseeable future depends on the success of the various strategic measures the management have put in place to return the company to profitability as outlined below:

The company negotiated a finance facility to discount the VAT receivables currently standing at Sh 1,092 million (2014 – Sh 1,476 million) in order to free up cash held in delayed refunds by the Kenya Revenue Authority (KRA). The company received refunds amounting to Sh 903 million from KRA during the year ended 31 March 2015 (2014 Sh 671 million). The company also received Sh 538 million during the year from the parent company for plant production process improvements.

The company restructured its operations that led to mothballing of the Premium Ash Plant (PAM) by discontinuing its operations on 18 July 2014. This resulted in voluntary early retirement of 221 staff from the company. The company spent Sh 883 million (US\$ 10 million) during the restructuring exercise. The restructuring effort is expected to have positive changes in costs management going forward.

The confidence of the key suppliers has improved following paying off at least 50% of long outstanding debts. The plant reconfiguration forced the company to seek initial funding of Sh 1,754 million (US\$ 19 million) from external sources to clear the VER program, and subsequent Mothballing of PAM plant.

The ongoing operations (mainly SAM) have improved and production levels are gradually on the rise. In an effort to increase production and subsequent sales of Soda Ash, the company plans to increase the capacity of the SAM plant by 200 MTPA. The expansion will cost Sh 2,954 million (US\$ 32 million) and is expected to be complete by year 2018.

The positive global economic outlook driven by unprecedented reduction in world oil prices is expected to have a positive impact on the costs of doing business across the operations

In view of these strategic measures, the management consider it appropriate to prepare the financial statements on the going concern basis.

#### 4 FINANCIAL RISK MANAGEMENT

The management has overall responsibility for the establishment and oversight of the company's risk management framework, including implementation and monitoring of these policies.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

- Credit risk
- Liquidity risk
- Market risk

TATA CHEMICALS MAGADI LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 FINANCIAL RISK MANAGEMENT (Continued)

(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:

	2015 Sh 'm	2014 Sh 'm
Trade receivables	577	472
Due from related parties	373	135
Derivative assets	5	2
Bank balances	85	1
	<u>1,040</u>	<u>610</u>

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

	Neither past due nor impaired Sh 'm	Past due but not impaired Sh 'm	Impaired Sh 'm	Total Sh 'm
<b>At 31 March 2015</b>				
Trade receivables	419	158	13	590
Due from related companies	373	-	-	373
Derivative assets	5	-	-	5
Bank balances	86	-	-	86
Less trade receivables impairment provision	-	-	(13)	(13)
	<u>883</u>	<u>158</u>	<u>-</u>	<u>1,041</u>

TATA CHEMICALS MAGADI LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (continued)

	1 – 6 Months Sh 'm	6 – 12 months Sh 'm	1 – 5 years Sh 'm	Above 5 years Sh 'm	Total Sh 'm
<b>At 31 March 2014</b>					
Trade payables	2,182	-	-	-	2,182
Due to related parties	358	-	-	-	358
Borrowings	979	385	3,758	-	5,122
Preference shares	-	-	-	3,666	3,666
Derivative liabilities	5	-	-	-	5
<b>Total financial liabilities (contractual maturity dates)</b>	<b>3,524</b>	<b>385</b>	<b>3,758</b>	<b>3,666</b>	<b>11,333</b>

(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 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 is advantageous to the company. Where necessary, management considers the use of available instruments such as swap arrangements in mitigating the company's exposure.

As at the end of the reporting period, an increase/decrease of 3 percentage points on interest rates would have resulted in a decrease/increase in pre-tax profit of Sh 19,050,000 (2014 – Sh 8,010,000). In addition, an increase/decrease of 3 percentage points on interest rates would have resulted in a decrease/ increase in equity of Sh 13,335,000 (2014- Sh 5,607,000).

(ii) Price risk

The company does not have any financial instruments that are subject to price risk.

(iii) Currency risk

The company undertakes certain transactions denominated in foreign currencies, mainly the US dollar. 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.

As at the end of the reporting period, an increase/decrease of 3 percentage points on exchange rates would have resulted in an decrease/increase in pre-tax profit of Sh 184,950,000 (2014 – Sh 131,340,000). In addition, an increase/decrease of 3 percentage points on exchange rates would have resulted in a decrease/ increase in equity of Sh 129,465,000 (2014- Sh 91,938,000).

TATA CHEMICALS MAGADI LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk management (continued)

(iii) Currency risk (Continued)

The carrying amount of the company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting date is:

	Kshs Sh 'm	Others Sh 'm	Total Sh 'm
<b>At 31 March 2015</b>			
<b>Financial assets</b>			
Trade receivables	229	348	577
Due from related parties	-	373	373
Prepayments	-	344	344
Derivative asset	-	5	5
Cash and bank balances	57	29	86
	<u>286</u>	<u>1,099</u>	<u>1,385</u>
<b>Financial liabilities</b>			
Trade payables	562	307	869
Advances from customers	-	64	64
Borrowings	-	6,620	6,620
Derivative liabilities	-	273	273
	<u>562</u>	<u>7,264</u>	<u>7,826</u>
Net foreign currency liability	<u>276</u>	<u>6,165</u>	<u>6,441</u>
<b>At 31 March 2014</b>			
<b>Financial assets</b>			
Trade receivables	167	305	472
Due from related parties	-	135	373
Prepayments	-	450	450
Derivative asset	-	2	2
	<u>167</u>	<u>892</u>	<u>1,059</u>
<b>Financial liabilities</b>			
Trade payables	1,905	277	2,182
Advances from customers	-	18	18
Borrowings	-	4,970	4,970
Derivative liabilities	-	5	5
	<u>1,905</u>	<u>5,270</u>	<u>7,175</u>
Net foreign currency liability	<u>928</u>	<u>4,378</u>	<u>5,306</u>

TATA CHEMICALS MAGADI LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 FINANCIAL RISK MANAGEMENT (Continued)

(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 bank considers relevant and observable market prices in its valuations where possible.

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

	Level 1 Sh 'm	Level 2 Sh 'm	Level 3 Sh 'm	Total Sh 'm
<b>At 31 March 2015</b>				
Derivative assets	-	5	-	5
Derivative liabilities	-	(273)	-	(273)
Net position	<u>-</u>	<u>(268)</u>	<u>-</u>	<u>(268)</u>
<b>At 31 March 2014</b>				
Derivative assets	-	2	-	2
Derivative liabilities	-	(5)	-	(5)
Net position	<u>-</u>	<u>(3)</u>	<u>-</u>	<u>(3)</u>

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

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

5 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.

TATA CHEMICALS MAGADI LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 CAPITAL RISK MANAGEMENT (Continued)

The gearing ratio as at the end of the year was in an adverse position 1,338% (2014 – 1,517%). The gearing ratio has been primarily affected by the loss in the current year, unrealised foreign exchange loss on the US dollar borrowings as well as borrowings obtained in the year. As indicated in note 3, the company has put in place several measures aimed at reducing reliance on external borrowings 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:

	2015 Sh 'm	2014 Sh 'm
Share capital	134	134
Revenue deficit	(7,944)	(5,826)
	<hr/>	<hr/>
Equity	(7,810)	(5,692)
	<hr/>	<hr/>
Borrowings	6,620	4,970
Preference shares	3,916	3,666
Less cash and bank balances	(86)	(2)
	<hr/>	<hr/>
Net debt	10,450	8,634
	<hr/>	<hr/>
Gearing	>100%	>100%
	<hr/> <hr/>	<hr/> <hr/>

6 REVENUE

Premium ash magadi (PAM)	1,494	3,600
Standard ash magadi (SAM)	5,934	5,216
Crushed refined soda (CRS)	161	97
Salt	178	134
Other income	32	1
	<hr/>	<hr/>
	7,799	9,048
	<hr/> <hr/>	<hr/> <hr/>

Other income relates to revenue from goods hauled on behalf of Rift Valley Railways.

	2015 Sh 'm	2014 Sh 'm
7 FINANCE COSTS		
Interest on bank overdraft	5	9
Interest on borrowings	630	258
Interest on swap derivative	(3)	6
Discounting interest	21	62
Other bank charges	104	97
	<hr/>	<hr/>
	757	432
	<hr/> <hr/>	<hr/> <hr/>

TATA CHEMICALS MAGADI LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2015 Sh 'm	2014 Sh 'm
8	LOSS BEFORE TAXATION	
	Loss before taxation is arrived at after charging:	
	1,046	1,305
	488	4,238
	2	2
	82	423
	2	2
	2	2
	<u>1,046</u>	<u>1,305</u>
9	STAFF COSTS	
	1,008	1,246
	36	57
	2	2
	<u>1,046</u>	<u>1,305</u>
10	TAXATION	
(a)	Taxation credit	
	-	-
	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
	Reconciliation of expected tax based on accounting loss to taxation credit	
	(2,118)	(6,040)
	<u>(2,118)</u>	<u>(6,040)</u>
	(635)	(1,812)
	26	314
	609	1,498
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

TATA CHEMICALS MAGADI LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2015	2014
	Sh 'm	Sh 'm
10 TAXATION (Continued)		
(a) Reconciliation of expected tax based on accounting loss to taxation credit		
Accounting loss before taxation	(2,118)	(6,040)
Tax at the applicable rate of 30%	(635)	(1,812)
Tax effect of expenses not allowable for tax	26	314
Deferred tax assets not recognised (note 14)	609	1,498
	-	-
(b) Taxation payable		
At start and end of the year	107	107

The tax payable of Kshs 107 million relates to the tax provision as at 1 April 2010 that was in respect of a corporation tax demand by the Kenya Revenue Authority (KRA) for the years 2003 to 2005. In 2003, the Minister for Finance granted the company a corporation tax deferral for the period 2003 to 2005 under section 123 of the Income Tax Act, Cap 470 of the Laws of Kenya, in support of the pure ash plant project. By a letter dated 18 July 2003, KRA issued a directive to the company to the effect that the corporation tax for the period 2003 to 2005 shall not be demanded and that the company should file a consolidated tax computation for the period 2003 to 2006 incorporating the tax allowances arising on commissioning of the pure ash plant. The company complied with the KRA directives and filed a 2003 to 2006 consolidated tax computation reflecting an adjusted tax loss.

On 19 March 2008 KRA raised a demand for Kshs 771 million of the tax previously deferred and notified the company that KRA is of the view that the corporation tax for the period 2003 to 2005 is payable. Management disputed this claim and the matter was referred to the High court which subsequently passed a consent order on 31st March 2009 to offset the amount payable to KRA from VAT claims refundable (included in other debtors) to Magadi from KRA which are in excess of the amount demanded. An out of court agreement was reached between the company and KRA setting the company's tax liability at Kshs 771,464,156 to be offset against VAT recoverable from KRA and this was done in entirety in the year ended 31 March 2013.

Management has considered it prudent to retain the residual provision in this account pending a ministerial waiver on interest and penalties after which any residual balances will be written back to profit or loss.



TATA CHEMICALS MAGADI LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 PROPERTY AND EQUIPMENT

	Land & buildings Sh 'm	Plant & machinery Sh 'm	Motor vehicles Sh 'm	Fixtures, furniture & equipment Sh 'm	Capital work in progress Sh 'm	Total Sh 'm
<b>COST</b>						
At 1 April 2013	850	13,609	306	273	951	15,989
Additions	-	-	-	-	358	358
Write off*	-	-	-	-	(925)	(925)
Transfers from WIP	22	76	26	6	(130)	-
Disposals	-	-	(8)	-	-	(8)
At 31 March 2014	872	13,685	324	279	254	15,414
At 1 April 2014	872	13,685	324	279	254	15,414
Additions	-	-	-	-	234	234
Transfers from WIP	-	275	80	10	(365)	-
Disposals	-	-	-	(6)	-	(6)
At 31 March 2015	872	13,960	404	283	123	15,642
<b>DEPRECIATION</b>						
At 1 April 2013	650	8,308	255	262	-	9,475
Charge for the year*	20	4,185	26	7	-	4,238
Disposals	-	-	(8)	-	-	(8)
At 31 March 2014	670	12,493	273	269	-	13,705
At 1 April 2014	670	12,493	273	269	-	13,705
Charge for the year	31	426	27	4	-	488
Disposals	-	-	-	(5)	-	(5)
At 31 March 2015	701	12,919	300	268	-	14,188
<b>NET BOOK VALUE</b>						
At 31 March 2015	171	1,041	104	15	123	1,454
At 31 March 2014	202	1,192	51	10	254	1,709

Locomotives and wagons included in plant and machinery have been charged to secure loan facilities as disclosed under note 19.

\* In 2014, the company recognised an impairment charge on the PAM plant assets and its related infrastructure amounting to Sh 2,992 million resulting from the decommissioning and mothballing of the PAM plant. The PAM plant was closed on 18 July 2014. Additionally the company wrote off capital work in progress and critical spares relating to the PAM plant assets amounting to Sh 925 million in the year ended 31 March 2014.

TATA CHEMICALS MAGADI LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2015 Sh 'm	2014 Sh 'm
<b>12 PREPAID OPERATING LEASE RENTALS</b>		
<b>COST</b>		
At 1 April and 31 March	18	18
	<u>18</u>	<u>18</u>
<b>AMORTISATION</b>		
At 1 April	18	14
Charge for the year	-	4
	<u>18</u>	<u>18</u>
At 31 March	18	18
	<u>18</u>	<u>18</u>
<b>NET BOOK VALUE</b>		
At 31 March	-	-
	<u><u>-</u></u>	<u><u>-</u></u>
<b>13 INTANGIBLE ASSETS - Computer software</b>		
<b>COST</b>		
At 1 April and 31 March	14	14
	<u>14</u>	<u>14</u>
<b>AMORTISATION</b>		
At 1 April and 31 March	14	14
	<u>14</u>	<u>14</u>
<b>NET BOOK VALUE</b>		
At 31 March	-	-
	<u><u>-</u></u>	<u><u>-</u></u>

TATA CHEMICALS MAGADI LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 DEFERRED TAXATION

Deferred income taxes are calculated on all temporary differences under the liability method using the current tax rate of 30%. The net deferred tax asset is made up as follows:

	2015 Sh 'm	2014 Sh 'm
<b>Deferred tax assets:</b>		
Unutilised tax losses	2,752	2,281
Unrealised exchange loss/(gain)	156	(10)
Leave pay provision	14	7
General provisions	326	427
Excess depreciation over wear and tear allowance	308	242
	<u>3,556</u>	<u>2,947</u>
Deferred tax assets not recognised*	(2,825)	(2,216)
	<u>731</u>	<u>731</u>
The movement on the deferred income tax asset is as follows:		
At beginning and end of year	<u>731</u>	<u>731</u>

\*The company has made losses in the last several years which have resulted in a deferred tax asset largely arising out of tax losses carried forward. As indicated in note 3, management is taking steps to return the company to profitability. Management has therefore considered it prudent not to recognize an additional deferred tax asset until the steps being taken yield the expected results.

As at 31 March 2015, the company had accumulated tax losses amounting to Sh 9,174,614,515 (2014: Sh 7,602,351,519) available for future tax relief. Under the new Kenyan legislation, with effect from 1 January 2010, tax losses can only be carried forward for a maximum of four years.

15 INVENTORY

	2015 Sh 'm	2014 Sh 'm
Raw materials and consumables	678	880
Finished goods and goods for resale	104	239
Work in progress	28	138
	<u>810</u>	<u>1,257</u>

TATA CHEMICALS MAGADI LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 TRADE AND OTHER RECEIVABLES

	2015	2014
	Sh 'm	Sh 'm
Trade receivables	577	472
VAT receivable	1,092	1,476
Prepayments	344	450
Due from related parties (note 22)	373	135
Sundry receivables	75	57
	<u>2,461</u>	<u>2,590</u>

17 DERIVATIVE FINANCIAL INSTRUMENTS

<b>Derivative assets:</b>		
Fuel swaps	5	2
	<u>5</u>	<u>2</u>
<b>Derivative liabilities:</b>		
Fuel swaps	(92)	(5)
Interest rate swap	(181)	-
	<u>(273)</u>	<u>(5)</u>
Net position	<u>(268)</u>	<u>(3)</u>

The 2014 fuel swaps related to fixed price commodity swap derivative contracts entered into with Standard Chartered Bank of Kenya Limited and Barclays Bank of Kenya Limited which expired in June and October 2014. However, the company entered into two new fixed price swaps with Standard Chartered Bank of Kenya Limited and Barclays Bank of Kenya Limited expiring in December 2015 and January 2016 respectively.

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 US\$ 59 million and matches the principal of the long term borrowings. The notional amount is the principal outstanding at the points of settlement based on the initial repayment periods and amounts. The swap rate is 2.53% per annum and the floating rate is pegged to the 6-month LIBOR. The swap matures on 17 July 2020.

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. Movements in the fair values of the derivative instruments are charged/credited to profit or loss.

TATA CHEMICALS MAGADI LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 SHARE CAPITAL

	2015 Sh 'm	2014 Sh 'm
Authorised:		
2,980,000 ordinary shares of £1 each*	343	343
Issued and fully paid up:		
2,727,934 ordinary shares of £1 each*	134	134

\*The Sterling value of issued share capital has been translated to Kenya Shillings at the historical rate.

19 BORROWINGS

	2015 Sh 'm	2014 Sh 'm
<i>Loans:</i>		
Rabo Bank International	5,448	3,458
Bank of India	410	385
Homefield Pvt UK. Limited	64	148

5,922                      3,991

Standard Chartered Bank of Kenya Limited	698	979
------------------------------------------	-----	-----

6,620                      4,970

The maturity profile of borrowings is as follows:

Within one year	1,172	979
Between one and two years	-	385
Between two and five years	4,358	3,606
Over five years	1,090	-

5,448                      3,991

6,620                      4,970

The movement in loans during the year was as follows:

At 1 April	3,991	3,885
Borrowings received	5,297	153
Borrowings repaid	(3,508)	-
Interest expense	635	267
Interest paid	(635)	(267)
Currency translation	142	(47)

5,922                      3,991

# TATA CHEMICALS MAGADI LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 19 BORROWINGS (Continued)

The borrowings from Rabobank International are unsecured and are denominated in US dollars. In the current year, the company renegotiated with Rabobank International to refinance the existing loan of US\$ 40 million with a further injection of US\$ 19 million for operation, both at reduced interest rate bringing the total loan to US\$ 59 million. The additional funds were used to fund the voluntary early retirement (VER) program, paying off at least 50% of long outstanding suppliers' debts and subsequent Mothballing of PAM plant. The interest charged is LIBOR plus 1.8 % per annum. Interest and the principal are repayable half yearly commencing September 2018 in five equal instalments

The borrowings from Bank of India amounted to US\$ 4.4 million and are denominated in US Dollars. The facility is fully covered by VAT refunds due to the company from KRA.

The borrowings from Homefield Pvt UK Limited are unsecured and denominated in US dollars. The company repaid US\$ 0.5 million in the year bringing the outstanding loan to US\$ 0.7 million.

The company has an overdraft facility with Standard Chartered Bank of Kenya Limited of US\$ 12 million for purposes of financing working capital. The facility attracts interest at a rate of LIBOR plus 5% (2014 –5%) per annum. The overdraft is secured by a pari passu first ranking debenture over the company's receivables and inventories with Barclays Bank of Kenya Limited and supported by an inter-creditor agreement between Standard Chartered Bank of Kenya Limited and Barclays Bank of Kenya Limited.

### 20 PREFERENCE SHARES

	2015 Sh 'm	2014 Sh 'm
Gusiute	3,395	3,178
Homefield Pvt UK Limited	521	488
	<u>3,916</u>	<u>3,666</u>
The movement in loans during the year was as follows:		
At 1 April	3,666	3,214
Preference shares issued	-	488
Currency translation	250	(36)
	<u>3,916</u>	<u>3,666</u>

In 2012, the company issued to Gusiute Holdings (UK) Limited 32,512,408 redeemable preference shares of USD 1.0 each fully paid. In 2013 and 2014, the company issued an additional 9,900,000 redeemable preference shares of USD 1.0 each to Homefield Pvt UK Limited. The preference shares are redeemable at the option of the issuer. The company shall redeem all of the preference shares on 31 March 2023.

	No of shares	Nominal value USD	Value of shares USD
Gusiute	32,512,408	1	32,512,408
Homefield Pvt UK Limited	9,900,000	1	9,900,000
	<u>42,412,408</u>		<u>42,412,408</u>

TATA CHEMICALS MAGADI LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 TRADE AND OTHER PAYABLES

	2015 Sh 'm	2014 Sh 'm
Trade payables	869	2,182
Accrued expenses	1,193	597
Due to related parties (note 22)	270	358
Dividend payable	73	73
Other payables	36	25
	<u>2,441</u>	<u>3,235</u>

22 RELATED PARTY BALANCES AND TRANSACTIONS

In the ordinary course of business, transactions are entered into with the companies related to Tata Chemicals Magadi Limited through common shareholding or common directorships. The relevant balances are shown below.

	2015 Sh 'm	2014 Sh 'm
<b>Amounts due from related companies</b>		
Tata Chemicals (SA) Limited	108	13
Tata Chemicals International Pte Ltd	206	86
Tata Chemicals Limited	59	36
	<u>373</u>	<u>135</u>
<b>Amounts due to related companies</b>		
<i>Trade and other payables</i>		
Tata Chemicals Limited	135	171
Tata Chemicals North America Ltd	135	169
Tata Chemicals Europe Limited	-	18
	<u>270</u>	<u>358</u>
<b>Sales to related companies</b>		
Tata Chemicals South Africa	186	93
Tata Chemicals International Pte Ltd	2,577	1,974
Tata Chemicals Limited	301	249
	<u>3,064</u>	<u>2,316</u>

TATA CHEMICALS MAGADI LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

**Key management compensation**

The remuneration of key members of management during the year was as follows:

	2015 Sh 'm	2014 Sh 'm
Salaries and other short-term employment benefits	66	72
<b>Directors' remuneration</b>		
Fees	3	3
Other emoluments (included in key management compensation above)	1	1
	4	4

23 NOTES TO THE STATEMENT OF CASH FLOWS

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

Loss before taxation	(2,118)	(6,040)
Adjustments for:		
Depreciation and impairment of property, plant and equipment (note 11)	488	4,238
Amortisation of prepaid operating lease (note 12)	-	4
Unrealised exchange loss on borrowings	142	(47)
Unrealised exchange loss on preference shares	250	(36)
Finance costs	757	432
Loss on disposal of furniture	1	-
Critical spares written off	-	925
Working capital changes:		
Inventory	447	(115)
Trade and other receivables	129	771
Trade and other payables	(794)	(66)
Derivative assets and liabilities	265	14
Cash (used in)/generated from operating activities	(433)	80

(b) Analysis of cash and cash equivalents

Cash and bank balances	86	2
Bank overdraft (note 19)	(698)	(979)
	(612)	(977)



TATA CHEMICALS MAGADI LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2015 Sh 'm	2014 Sh 'm
24 INVESTMENT IN SUBSIDIARY		
Shares at cost	-	-

The company holds 100% of the issued ordinary share capital of Magadi Railway Company Limited which is incorporated in Kenya. The company is a non-operating entity with no assets and liabilities.

	2015 Sh 'm	2014 Sh 'm
25 CAPITAL COMMITMENTS		
Authorised and contracted for	656	384
Authorised but not contracted for	118	689

26 OPERATING LEASE COMMITMENTS		
Within one year	71	71
Between one and five years	-	-
Between one and five years	71	71

27 CONTINGENT LIABILITIES

On 1st April 2014 Tata Chemicals Magadi Limited, were notified by the Kenyan Revenue Authority of a formal assessment for corporation tax, value added tax and withholding tax amounting to KShs 1,213 million. The company made formal objections with KRA and as a result, in October 2014 KRA vacated VAT demand of Sh 70,435,897, resulting into a net claims by KRA amounting to KShs 1,142 million. No provision for this liability has been made at year end.

28 INCORPORATION AND UTLIMATE HOLDING COMPANY

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

The smallest company in which the results of the company are consolidated is Homefield Pvt UK Limited.

The largest group in which the results of the company are consolidated is Tata Chemicals Limited, a company incorporated in India, which is the ultimate parent company of Homefield Pvt UK Limited.

29 CURRENCY

The financial statements are presented in Kenya shillings millions (Sh 'm).

## TATA CHEMICALS MAGADI LIMITED

DETAILED INCOME STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2015

	2015	2014
	Sh 'M	Sh 'M

## COST OF SALES

Depreciation and impairment charge	85	3,763
Inventory change	364	204
Power and Fuel	2,286	3,949
Professional fees	-	4
Repairs & maintenance	117	161
Stores & spares	220	507
Salaries	359	522
Other	(2)	51
	<u>3,429</u>	<u>9,161</u>

## DISTRIBUTION COSTS

Salaries & wages	231	318
Freight, insurance & commission	519	1,054
Packaging & warehousing	209	272
Port charges	215	296
Customer claims	20	14
Transport charges	461	783
Royalties & taxes	122	137
Depreciation	451	418
Other	612	165
	<u>2,840</u>	<u>3,457</u>

## ADMINISTRATIVE EXPENSES

Salaries & wages	480	466
Restructuring costs	883	-
Depreciation	39	57
Insurance	53	50
IT & communication expenses	17	68
Legal fees	33	12
Professional fees	144	318
Leasehold land	24	53
Repairs & maintenance	62	117
Stores & spares	39	71
Travelling expenses	21	25
Other	228	1,047
	<u>2,023</u>	<u>2,284</u>