TATA CHEMICALS MAGADI LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2022

REGISTERED NUMBER: 00202712

TATA CHEMICALS MAGADI LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

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TATA CHEMICALS MAGADI LIMITED

CORPORATE INFORMATION

MANAGEMENT

Subodh Srivastav*
Mukundan Ramakrishnan*
Dr. Yashwant Thorat*
Zarir Langrana*
Kanwar Bir Singh Anand*
Titus Tukero Naikuni
Dr. Stephen Santamo Moiko
John Mulhall**
Nandukumar Tirumalai* Appointed 27 October 2021

*Indian **British

COMPANY SECRETARY

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

HEADQUARTERS

Magadi, Kenya

REGISTERED OFFICE

Natrium House, Winnington Lane, Northwich
Cheshire CW8 4GW UK

AUDITOR

KPMG LLP
8 Princess Parade Liverpool
L3 1QH England

BANKERS

Absa Bank Kenya PLC
Barclays Plaza Branch
Nairobi, Kenya

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

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

Bank of India
Kenyatta Avenue Branch
Nairobi, Kenya

LEGAL ADVISORS

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

Oraro & Company Advocates
P.O. Box 51236 – 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 Wales and is headquartered in Magadi, Kenya.

The Company turnover for the year to 31 March 2022 was USD 77,570,000 (2021 – USD 55,382,000) and the profit on ordinary activities before taxation was USD 12,660,000 (2021 – Profit USD 3,768,000). The directors do not recommend the payment of a dividend in respect of the year (2021 – USD Nil).

The turnover for the year under review shows an increase of 40.06% compared to the year ended 31 March 2021 due to significantly improved sales volume at 317.1 Kt versus prior year 232.5 Kt. The geographical distribution of sales was 27.29% to SEA-South East Asia (2021 –29.33%), 33.64% to ISC-Indian Sub-Continent (2021 – 31.41 %), 34.76% to Africa (2021 – 34.62%), 2.31% to Middle East (2021 – 1.47%) and 2.0% to Americas (2021 – 3.17 %). There was an increase in Standard Ash Magadi (SAM) prices during the year; prices increased to USD 213.7/metric tonne (2021 – USD 202.6/metric tonne).

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

The total expenses increased by 25.79 % to USD 64.91 million in the current year from USD 51.6 million in the previous year mainly due to:

- Increase in the power price at KShs 15.65 /Kwh (2021 – KShs 14.64 / Kwh) primarily attributable to general inflation rate in the country.
- The annual quantity of energy consumed resulting from the purchase of electricity by the company use was 33,857 MWh (2021 – 32,063 MWh) reflecting a growth in the Standard Ash Magadi (SAM) production at 282.7 Ktes (2021 263.6 Ktes) while Global Crushed Refined Soda (CRS) was flat at production and sales of 57.5 Ktes (2021 – 56.4 Ktes)

Future outlook

The Directors are confident that the company has stabilized and will continue to generate positive EBITDA and profits which will result in a sustainable and successful future for the business.
The management have prepared forecasts of the Company's profitability and cash generation for the 12 months from the date of the signing of these financial statements (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 are dependent on Tata Chemicals Limited, the ultimate parent company providing additional financial support during that period. Tata Chemicals Limited has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. For this reason, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Other key points going forward for the industry include:

Management continues to actively monitor the economic situation post the ease of COVID 19 restrictions and continues to engage with customer and other stakeholders to ensure safe sustainable operations.

Further the management have assessed the impact of the Russia-Ukraine conflict to the entity's operations and priced in the risks in the business financial projections in the near term and continues to monitor the likely impact of the unfolding events

TATA CHEMICALS MAGADI LIMITED

STRATEGIC REPORT (CONTINUED)

Future outlook (Continued)

The Soda Ash Demand and selling prices remained high in all the markets across the global and the company will maximize on high net returns markets.

The Management have reviewed its operations and near-term objectives to improve the profitability and ensure generations of cash from operations and cash preservations. They include the following

- Continued customer relations to build confidence and trust amongst customers
- Sustaining sales volumes on the back of positive market demand and better prices expected in the year.
- Target fixed costs expenditure of 5% (appr $ 1.0 M) mainly towards plant maintenance works (planned shutdown for plant, Washery and Dredges). This will be done in line with prudent cash flow management
- Targeted capital expenditure programs of $ 6.8M aimed at improving the healthcare of the plant for sustained operations
- Improving and sustenance of dredges availability and recovery, and Washeries performance. This will improve and Sustain feed to the SAM plant. The Company is expected to increase production volumes by 6.2% in the year 2022 to 300,148 metric tonne from 282,744 metric tonne in 2022 (2021 – 263,577 metric tonne)
- The HFO price has been hedged at $549.53/m³ for the period April 2022 to October 2022 for total quantity of 12,000 MT. This will minimize the HFO price fluctuations and exposures. The management key driver to the above efforts is better working capital management biased to sufficient cash generation from operations with the aim of cash preservation

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 HFO fixed price with the oil suppler Total Kenya for approximately 70% of its budgeted demand. Interest rate risk arises primarily from borrowings as disclosed in Note 22. The Company's borrowings are primarily on a variable rate basis and are pegged to the Secured Overnight Financing Rate (SOFR), previously 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.

Management continues to actively monitor the economic situation post the ease of COVID 19 restrictions and continues to engage with customer and other stakeholders to ensure safe sustainable operations.

Further the management have assessed the impact of the Russia-Ukraine conflict to the entity's operations and priced in the risks in the business financial projections in the near term and continues to monitor the likely impact of the unfolding events

In addition, the management strive to sustain the current improved performance through continuous prudent cost control & containment measures and focused maintenance works, plant optimization and other process improvements across the business operations. With improved cash inflows, the management will invest on targeted capital expenditure programs aimed at improving the healthcare of the plant for sustained operations with emphasized safety obligations and environmental stewardship responsibilities

TATA CHEMICALS MAGADI LIMITED

STRATEGIC REPORT (CONTINUED)

Financial risk management (Continued)

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% (2021 – 5.5%) per annum. Utilisation as at 31 March 2021 for this facility was USD Nil (2021 – Nil).

Management monitor cash to ensure that the business continues as a viable going concern; operating cash flows during the year have been positive USD 20,508,000 (2020 – USD 6,948,000) and cash at year end was USD 6,846,000(2019 – USD 1,822,000). The Rabo Bank loan repayment reserve as at 31 March 2022 stood at USD 5.09 million (2020 – USD 7.24 million).

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.

Section 172 (1) Statement

The directors act in good faith to promote the success of the company taking, inter alia, the following into account:
- the likely consequences of any decision in the long-term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company.

These factors influenced the strategies followed and decisions made during the year. Details of the group's key stakeholders and how we engage with them are set out below:

TATA CHEMICALS MAGADI LIMITED

STRATEGIC REPORT (CONTINUED)

Shareholders

The Company's immediate parent undertaking is Tata Chemicals Africa Holdings Limited a Company incorporated in England. The Company is a subsidiary undertaking of Homefield Pvt UK Limited and ultimately Tata Chemicals Limited, a company incorporated in India and quoted on the BSE. Board and Audit Committee Meetings are held quarterly at the company level and these meetings provide shareholders with the opportunity to review the actual and forecast financial performance, strategy, risk management, governance, sustainability and ethical standards of the business. These formal meetings are supplemented by regular discussions and updates on a wide range of topics.

Colleagues

The measures we have taken to establish and improve employee engagement and the directors' regard for the interests of employees are described in the Directors' Report.

Customers

We aim to provide the highest possible level of customer service by delivering high quality products on time and in full and resolving any customer complaints both promptly and fairly. We undertake an annual customer satisfaction survey and use the feedback from this process to improve the service we offer.

Suppliers

We develop strategic relationships with our key suppliers in order to build mutually beneficial and lasting partnerships. Engagement with suppliers is primarily through regular contract reviews which take into account not only the supply of products and services but also compliance with the governance requirements of the UK Bribery Act and the Modern Slavery Act.

Communities

The Company has been a leader in Corporate Social Responsibility in Kenya scooping various awards for showing leadership and best practice in support of the community through water delivery, health and HIV/Aids, education, employment, transport & communication as well as micro enterprise development and programmes. The corporate social responsibility programs are prioritized by the community under SWOT which has been sustained over years through monthly meetings among the Politicians, Administrators, Group Ranches, Company Management, NGOs, Opinion leaders, Youth & Women

External regulators and other stakeholders

The measures we have taken to ensure adherence to our environmental responsibilities, energy usage and carbon emissions are described in the Directors' Report. We engage with the government and government regulators through a range of industry consultations and meetings, together with our membership of the Kenya Association of Manufacturers, Kenya Private Sector Alliance and Kenya Chamber of Mines.
The company operates a defined contribution provident fund which is legally separated from the group and responsibility for its governance lies with the independent board of trustees. The company maintains regular contact with the trustees to ensure that interests of the fund members are safeguarded and the requirements of the Pensions Regulator are met

On behalf of the Board of Directors.

Subodh Srivastav
Managing Director & CEO

Date: 26 May 2022

TATA CHEMICALS MAGADI LIMITED

DIRECTORS REPORT
FOR THE YEAR ENDED 31 MARCH 2022

The Directors present their annual report on the affairs of the Company, together with the audited financial statements for the year ended 31 March 2022.

1. Incorporation

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

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 (2021 – 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 (2021 – USD Nil).

TATA CHEMICALS MAGADI LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

8. Environment

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

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

9. Energy use and carbon emissions

The annual quantity of emissions in tonnes of carbon dioxide equivalent resulting from activities for which the company is responsible involving the combustion of gas or the consumption of fuel for the purposes of transport was 58,108 tonnes (2021 – 51,447 tonnes).

The annual quantity of emissions in tonnes of carbon dioxide equivalent resulting from the purchase of electricity by the company for its own use was 11,093 tonnes (2021 – 10,374 tonnes).

The aggregate of:

- the annual quantity of energy consumed from activities for which the company is responsible involving the combustion of gas or the consumption of fuel for the purposes of transport; and
- the annual quantity of energy consumed resulting from the purchase of electricity by the company for its own use was 33,752 MWh (2021 – 32,063 MWh).

The methodology used by the company to calculate this information is the IPCC guidelines, DEFRA 2019 and Kenyan Grid Electrical ERC guideline. The carbon emissions per tonne of Soda Ash produced were 0.5 tonnes (2021 – 0.5 tonnes).

The data covers our sites such Magadi, Kajiado and Mombasa.

During the financial year the company has invested $0.019 M for an online Continuous Emission Monitoring System (CEMS) for pollution monitoring. Some the initiatives and projects undertaken to reduce energy included ; installation of Variable Frequency drives SAM, Dredges and installation of boiler burner for efficient combustion, Installation and commissioning of CEMS to ensure accurate real-time monitoring, Fuel Management System for Locomotives and Install pipeline and pump station to recycle & recirculate treated oil to SAM IDO tank

10. Going concern

The Directors have concluded that the Company will receive adequate support from its parent company to continue in operational existence for the foreseeable future despite there being material uncertainty over the going concern assumption of the entity due to the potential crystallization of the contingent liabilities detailed in Note 30 (iv), net liabilities of $12,211,000 as at 31 March 2022 and a profit for the year then ended of $12,660,000. For this reason, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements (Note 2b).

TATA CHEMICALS MAGADI LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

11. Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

12. Post balance-sheet events

Refer note no. 31 to the financial statements

13. 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

14. Statement of disclosure to the auditor

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

(i) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

(ii) 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.

15. Approval of financial statements

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

26 May 2022

BY ORDER OF THE BOARD

Subodh Kumar Srivastav

Director

Natrium House, Winnington Lane,
Northwich,
Cheshire CW8 4GW UK

Date: 26 May 2022

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 Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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 international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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 control as they determine is 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 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 2022 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the 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 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with the UK-adopted international accounting standards; 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.

Material uncertainty related to going concern

We draw attention to Note 2b to the financial statements which indicates that the company's ability to continue as a going concern is dependent on financial support from its ultimate parent company, Tata Chemicals Limited. In the event of the contingent liabilities in relation to claims against the company crystallizing, the company would not have sufficient resources to meet the potential liability and in this scenario it is uncertain that Tata Chemicals Limited would provide support to the company. These events and conditions, along with the other matters explained in Note 2b, constitute a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Going concern basis of preparation

The directors have prepared the financial statements on the going concern basis. As stated above, they have concluded that a material uncertainty related to going concern exists.

Our conclusion based on our financial statements audit work: we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

Independent auditor's report to the members of Tata Chemicals Magadi Limited (Continued)

- Enquiring of directors, the Tata Chemicals Magadi Limited audit committee and internal audit and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit committee minutes.
- Considering remuneration incentive schemes and performance targets for management, directors and sales staff.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, our overall knowledge of the control environment and the challenges faced by the entity in response to the COVID-19 pandemic, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that component management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as impairment of non-financial assets, completeness of tax payables and completeness of provisions.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual offset accounts when posted to revenue, those posted to accounts linked to a fraud risk, those posted to unusual offset accounts when posted to cash and borrowing accounts, and those posted to accounts containing complex or unusual transactions.
- Assessing significant accounting estimates for bias, including estimates related to the impairment of non-financial assets.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Independent auditor's report to the members of Tata Chemicals Magadi Limited (Continued)

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, and corporate crime law. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach

For the land case matter discussed in note 30 (iv) we assessed disclosures against our understanding from legal correspondence and progression of the case.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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

Independent auditor's report to the members of Tata Chemicals Magadi Limited (Continued)

- 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 9, 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 control as they determine is 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.

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

W. Meredith

William Meredith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
8 Princes Parade
Liverpool
L3 1QH
26 May 2022

TATA CHEMICALS MAGADI LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 USD '000	2021 USD '000
Revenue	7	77,570	55,382
Cost of sales	8	(29,227)	(25,749)
Gross profit		**48,343**	**29,633**
Sale and distribution costs	9	(25,872)	(19,684)
Administrative expenses	10	(7,756)	(4,819)
		(33,628)	(24,503)
Operating profit		**14,715**	**5,130**
Other gains and losses	21(a)	-	1,109
Finance costs	11	(2,055)	(2,471)
Profit before taxation	14	**12,660**	**3,768**
Taxation	15	-	-
Profit for the financial year		**12,660**	**3,768**
Items that may be reclassified subsequently to profit or loss net fair value gain/(loss) on hedging instruments entered into for cash flow hedges	21(b)	-	-
Total comprehensive income for the year		**12,660**	**3,768**

The notes set out on pages 18 to 62 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 2022

	Note	31st March 2022	31st March 2021
ASSETS		**USD '000**	**USD '000**
Non-current assets			
Property, plant and equipment	16	10,687	12,745
Right of use	17	2,715	3,185
		13,402	**15,930**
Current assets			
Inventory	18	7,064	9,377
Trade and other receivables	19	23,075	18,008
Derivative assets	21(a)	-	-
Short term deposits	28	5,086	7,237
Cash and bank balances	27(b)	6,846	1,822
		-	-
		42,071	**36,444**
TOTAL ASSETS		**55,473**	**52,374**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	24	44,175	44,175
Cashflow hedging reserves	25	-	-
Retained earnings		(56,386)	(69,046)
Equity attributable to owners of Company		**(12,211)**	**(24,871)**
Non-current liabilities			
Borrowings	22	35,655	47,732
Lease liability	29	2,565	3,257
		38,220	**50,989**
Current liabilities			
Trade and other payables	20	27,901	23,539
Borrowings	22	500	1,944
Lease liability	29	1,063	773
Derivative liabilities	21 (b)	-	-
		29,464	**26,256**
TOTAL LIABILITIES		**67,684**	**77,245**
TOTAL EQUITY AND LIABILITIES		**55,473**	**52,374**

The financial statements on pages 14 to 62 were approved and authorised for issue by Directors on 26 May 2022 and were signed on behalf of board of Directors by:

Subodh Srivastav
Managing Director & CEO

The notes set out on pages 18 to 62 form an integral part of these financial statements.

TATA CHEMICALS MAGADI LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

	Share capital USD 000	Cashflow hedging Reserves USD 000	Revenues deficit USD 000	Total USD 000
2021				
Balance at 1 April 2020	44,175	(1,045)	(71,769)	(28,639)
Total comprehensive income for				
Profit for the year	-	-	3,768	3,768
Other comprehensive (Loss)	-	1,045	(1,045)	-
Balance at 31 March 2021	**44,175**	**-**	**(69,046)**	**(24,871)**
2022				
Balance 1 April 2021	44,175	-	(69,046)	(24,871)
Total comprehensive income for				
Profit for the year	-	-	12,660	12,660
Other comprehensive Gain	-	-	-	-
Balance at 31 March 2022	**44,175**	**-**	**(56,386)**	**(12,211)**

The notes set out on pages 18 to 62 form an integral part of these financial statements.

TATA CHEMICALS MAGADI LIMITED

STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 MARCH 2022

		2022	2021
		USD 000	USD 000
Cash generated from operating activities	27(a)	20,509	6,948
Interest and other charges paid	11	(2,055)	(2,471)
Other gains and losses	21(a)	-	64
Net cash generated from operating activities		**18,454**	**4,541**
Cash flows from investing activities			
Purchase of plant and equipment	16	(1,389)	(1,387)
Proceeds on disposal of equipment		39	9
Net cash used in investing activities		**(1,350)**	**(1,378)**
Cash flows from financing activities			
Borrowings received	22	-	944
Fixed deposit savings – Bank of India (BOI)	28	2,151	(3,634)
Fixed deposit withdrawals (BOI)	28	-	-
Repayment of borrowings	22	(13,444)	(1,298)
Lease payments	29	(787)	(1,052)
Net cash generated (used in) from financing activities		**(12,080)**	**(5,040)**
Increase in cash and cash equivalents		5,024	(1,877)
Cash and cash equivalents at the beginning of the year		1,822	3,699
Cash and cash equivalents at the end of the year	27(b)	**6,846**	**1,822**

The notes set out on pages 18 to 62 form an integral part of these financial statements.

TATA CHEMICALS MAGADI LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

1. REPORTING ENTITY

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

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with international accounting standards and in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs").

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

Notwithstanding net liabilities of $12,211,000 as at 31 March 2022 and a profit for the year then ended of $12,660,000, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

At 31 March 2021, the Company was funded by a $36,000,000 long term loan provided by Rabo Bank and $500,000 Overdraft Loan from Bank of India. The loan from Rabo Bank matures in July 2024 while the overdraft facility is due within one year. The company also has an undrawn Cash Overdraft facility from Standard Chartered Bank for $12,000,000, which is used partially as and when the need arises.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, excluding the crystallization of contingent liabilities, the company will have sufficient funds, through its term loan and overdraft facility and in downside cases funding from its ultimate parent company, Tata Chemicals Limited, to meet its liabilities as they fall due for that period.

Tata Chemicals Limited has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

2. BASIS OF PREPARATION (Continued)

(b) Going concern (continued)

However, is possible that the intention of Tata Chemicals Limited to continue to provide this support may depend on the outcome of the land rates case explained in Note 30(iv) where a contingent liability has been disclosed. In the event of the contingent liability crystallising, the company might not have sufficient resources to settle the liability and in this scenario, it is uncertain that Tata Chemicals Limited would provide support to the company. However, the group will reassess its intention regarding the continued support of the entity once the outcome of the case is more certain.

Based on these indications the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

(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.

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

In particular, information about significant areas of estimation and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in Note 5.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue recognition

The accounting policy below is related to IFRS 15 Revenue from contract with customers.

Classes of revenue

The Company derives its revenue from mainly sales of Soda Ash and Salt products.

TATA CHEMICALS MAGADI LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue recognition (Continued)

Classes of revenue (Continued)

Soda Ash

The primary industrial activity of the company is the extraction and purification of soda ash from the naturally occurring trona. The soda ash from the calciners passes through rotary drum coolers before entering the grinding and screening plant, where the oversize material is removed. The screened soda is then conveyed to silos, from which it can be packed into 50kg woven polyproylene sacks or loaded directly into specially designed bulk rail hopper wagons carrying 40 tons or 45 tons each. Soda Ash produced is transported by road and rail to regional customers (East Africa) and Mombasa export office respectively. The company exports 90% of its soda ash to various markets across the world such as; South East Asia, the Middle East, the Indian Subcontinent and rest of Africa

Salt

The company also sells salt produced from salt brine or liquor. The thin layer of salt produced is then brushed and scraped into piles by manual means, and then transported to the salt plant where it can be further treated if necessary, or packed for sale in its industrial state. Most of the bulk salt is used within Kenya for livestock consumption or for industrial purposes

Determination of product price

The management applies Cost plus margin approach in setting product prices. The product prices are determined as either FOB (Free on Board) or CFR (Cost plus Freight).

Recognition of revenue

Revenue from the sale of goods is recognised when the ownership of the goods has passed to the buyer, upon delivery or collection of the goods. The paragraphs below sales Order Processing.

(a) The company receives an order for product from its customer indicating the volume of goods required and the shipping preference (i.e. whether it should be shipped at once or over a certain period of time)

(b) The customer either provide cash on order, make an advance payment or provide a Letter of Credit, Bank guarantee and/or corporate before despatches of the goods

Once all requirements are made, the company marketing team confirms a sales order (through a Local Purchase Order – LPO) and provides this to the supply chain department to facilitate product dispatches

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Foreign currency transactions (Continued)

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

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

(c) Taxation

(i) Current taxation

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date. Current income tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in the statement of profit or loss and other comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate

(ii) Deferred tax

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

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Taxation (Continued)

(ii) Deferred tax

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, derivatives, trade and other payables.

(i) Financial assets

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial instruments (continued)

(i) Financial assets – continued

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

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.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss, except derivative instruments designated as hedges.
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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial instruments (continued)

(i) Financial assets – continued

Classification - Continued

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. 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

On initial recognition, a financial asset is measured at amortised cost: FVOCI - debt investment/Equity investment or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the company change its business model for managing financial assets.

The financial asset is initially measured at fair value plus or minus, for an item not at FVPTL, a transaction costs are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price. 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

Financial assets are measured at amortized cost using effective interest method. The amortised cost is reduced by impairment losses. The foreign exchange gains or losses and impairment are recognized in profit and loss. Any gain or loss on derecognition is recognised in profit or loss. The Financial asset measured at FVOCI, the foreign exchange gains or losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition is recognised in profit or loss

(ii) Financial liabilities

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial instruments (continued)

Payables

Payables are stated at their fair value on initial recognition and then amortised cost.

(iii) De-recognition

Financial assets

The Company derecognizes 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 derecognizes 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.

On de-recognition 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) Derivative financial instruments and hedge accounting

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss

(vi) Fair value of financial assets and liabilities

Fair value of financial assets and financial liabilities is the price that would be

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(vi) Fair value of financial assets and liabilities (Continued)

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 financial assets

(i) Non-derivative financial assets

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

The company has assessed the exposure to credit risk on specific customers as at reporting date. Average default rates per time bucket are based on a "roll rate" method showing the probability of a receivable progressing through the stages of delinquency to actual loss over the past three years. The resultant loss allowance was not significant hence no expected loss is provided in the year.

(ii) Write offs

The gross carrying amount of a financial asset is written off when the company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For all customers, the company has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. The company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the company's procedures for recovery of amounts due

(iii) 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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Impairment of financial assets (continued)

(iii) Non-financial assets

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.

(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%
Fixtures, furniture and equipment	20%
Plant and machinery	12.5%
Computer equipment	33.33%
Motor vehicles – heavy	10%
Motor vehicles – light	20%
Rail equipment	12.50%

Assets under construction and land are not depreciated.

Right of use assets	**Lease term from inceptions**
Leasehold land	38 Yrs
KPA Office and Storage-Shed 9	28 Yrs. 4 months
KPA Storage – Shed 10	5 Yrs
KPA Equipment	28 Yrs. 4 months
Wagons and Hoppers	10 Yrs
Mavoko Depot	2 Yrs
Kisumu Depot	3 Yrs
Land for communication equipment	28 Yrs
Magadi land lease	50 Yrs
Kajiado Land Lease and Railway Line Land	50 Yrs

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leases

The company has applied IFRS 16 using the retrospective approach.

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether

— the contract involves the use of an identified asset this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified
— the company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
— the company has the right to direct the use of the asset. The company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the company has the right to direct the use of the asset if either
    - the company has the right to operate the asset; or
    - the company designed the asset in a way that predetermines how and for what purpose it will be used.

The company has applied this approach to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leases

Lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognises the lease payments associated with these leases as an expense 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 but tested for impairment when there is an indicator for impairment.

(i) Inventories

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

(j) Impairment of non-financial assets

The 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of non-financial assets (continued)

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.

(k) Employee benefits

(i) Defined contribution plan

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

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.

(l) Provisions

(i) General

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) Provisions (continued)

(i) General – continued

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as an asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the profit and loss account net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(ii) Restructuring

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

(m) Finance income and expense

Finance income comprises interest income on funds invested.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(n) Dividends

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

(o) Related party transactions

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

(p) Cash flow hedges

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Cash flow hedges

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

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

(q) Retained earnings

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

(r) Operating profit

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

(s) Borrowings

The Company maintains overdraft facilities to meet its working capital requirements and borrows long term loans from external financial institutions at a lower cost of capital to finance major projects.

(t) Comparatives

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

(u) New standards, amendments and interpretations

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

The Company have adopted the following new standards and amendments during the year ended 31 March 2022, including consequential amendments to other standards with the date of initial application by the Company being 1 April 2020.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) New standards, amendments and interpretations (continued)

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

Standard	**Effective for periods beginning on or after**
— IFRS 3 Definition of a Business	1 January 2020
— Amendments to references to the Conceptual Framework in IFRS Standards	1 January 2020
— Amendments to IAS 1 and IAS 8 Definition of Material	1 January 2020
— Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020
— COVID-19-Related Rent Concessions (Amendments to IFRS 16)	1 June 2020

The new standards did not have an impact on the Company financial statements.

(ii) New and amended standards and interpretations not yet effective for the year ended 31 March 2022

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2022 and have not been applied in preparing these financial statements

The Company does not plan to adopt these standards early. These are summarised below.

The standards and amendments are not expected to have a significant impact on the financial statements of the Company. These are summarised below;

Standard	**Effective for periods beginning on or after**
— Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
— Annual Improvements to IFRS Standards 2018-2020	1 January 2022
— Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
— Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
— Classification of Liabilities as Current or Non-current (Amendments IAS 1)	1 January 2022
— IFRS 17 Insurance Contracts	1 January 2023
— Sale or Contribution of Assets between an Investor and its Associate or Company (Amendments to IFRS	To be determined

10 and IAS 28).	

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.

Impairment loss – financial assets

At the end of each reporting period, the Group and Company reviews the carrying amounts of its financial assets to determine whether there is any indication that those assets have suffered an impairment loss. An Expected Credit Loss (ECL) model to assess any need for impairment of financial assets. Under the ECL model, the Company calculates the allowance for credit losses by considering on a discounted basis, the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring.

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. The Company's assessment of the probability for litigation and subsequent cash outflow with respect to taxes is set out in Note 30.

4. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Critical accounting estimates and assumptions (Continued)

Land Rates

The Company was granted a lease by the Government of Kenya, which expires on 1st November 2053.The Lease grants the company extractive rights; hence the land is not rateable. The entered into mutual agreement with the Kajiado County Government on land rates for the total acreage leased over the past years, with last agreed rate of Kenya shillings 120 per acre of total leased land in 2014. However, the Kajiado County Government raised land rates demand in 2018 which is before the court of appeal. The Company does not consider the liability to be probable at this stage and it has been disclosed as a contingent liability (see note 30iv).

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

(a) Credit risk
(b) Liquidity risk
(c) 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.

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

Exposure to credit risk – continued

The maximum exposure to credit risk as at the end of the reporting period was as follows:

	2022 USD '000	2021 USD '000
Trade receivables	3,628	2,645
Due from related companies	2,877	663
Cash and bank balances	6,846	1,822
Short term deposits	5,086	7,237
	18,437	**12,367**

The ageing of gross receivables at the reporting date was:

		31-Mar-22	
	Gross USD'000	Impairment USD'000	Net USD'000
0-30 days	6,168	-	6,168
30-60 days	25	-	25
61-90 days	12	-	12
91-120 days	168	-	168
> 120 days	132	-	132
	6,505	**-**	**6,505**

		31-Mar-21	
	Gross USD'000	Impairment USD'000	Net USD'000
0-30 days	3,145	-	3,145
30-60 days	95	-	95
61-90 days	48	-	48
91-120 days	0	-	0
> 120 days	20	-	20
	3,308	**-**	**3,308**

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

At 31 March 2022	Neither past due nor impaired USD '000	Past due but not impaired USD '000	Impaired USD '000	Total USD'000
Trade receivables (Note 19)	3,316	312		3,628
Due from related companies (Note 26)	2,877	-	-	2,877
Short term deposits (Note 28)	5,086	-	-	5,086
Bank balances (Note 27 b)	6,846	-	-	6,846

	18,125	**312**	**-**	**18,437**

5. INANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

Exposure to credit risk – continued

At 31 March 2021	Neither past due nor impaired USD '000	Past due but not impaired USD '000	Impaired USD '000	Total USD'000
Trade receivables (Note 19)	2,577	68		2,645
Due from related companies (Note 26)	663	-	-	663
Short term deposits (Note 28)	7,237	-	-	7,237
Bank balances (Note 27 b)	1,822	-	-	1,822
	12,299	**68**	**-**	**12,367**

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 company follow up on the impaired debt, through pursuit of the debtors, debt collectors as well as through legal action.

Expected credit loss assessment for customers

The company uses an allowance matrix to measure the ECLs of trade receivables from customers, which comprise a very large number of small balances

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Loss rates are based on actual credit loss experience over the past three years collected and current conditions over the expected lives of the receivables. The company considered the length of relationships, security provided and related party status in arriving at the loss allowances. In ECL assessment the company does not consider the related party receivables and those secured by confirmed letter of credit. The company has therefore assessed the credit loss on the domestic customers.

The following table provides information about the exposure to credit risk and ECLs for domestic trade receivables from customers as at 31 March 2022

Values in US$	Weighted average loss rate	Gross carrying amount	Loss allowances	Credit impaired
Current (Not due)	0.11%	1,133,386	1,295	No
0-090 days	0.34%	24,551	83	No
090-180 days	5.82%	(42)	(2)	No
180-270 days	16.51%	0	0	No
270-360 days	45.45%	0	0	No
More than 360	100.00%	-	-	
		1,157,895	**1,376**	

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

Expected credit loss assessment for customers (Continued)

The following table provides information about the exposure to credit risk and ECLs for domestic trade receivables from customers as at 31 March 2021

Values in US$	Weighted average loss rate	Gross carrying amount	Loss Allowances	Credit impaired
Current (Not due)	0.11%	884,246	1,011	No
0-090 days	0.34%	48,296	163	No
090-180 days	5.82%	(183)	(11)	No
180-270 days	16.51%	(2,899)	(479)	No
270-360 days	45.45%	(43)	(19)	No
More than 360	100.00%	-	-	
		929,417	**665**	

There was an increase in the expected credit loss allowance at 31 March 2022 to US$ 1.4 thousand (2021 – US$ 0.7 thousand). The loss allowances is insignificant and the company has therefore not provided for.

Cash and cash equivalents

The Company held cash and cash equivalents of US$ 11,932 thousand at 31 March 2022 (2021: US$ 9,059 thousand). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated B2 to A+, based on [Moody & Fitch] ratings.

The ratings of cash and cash equivalent as at 31 March 2022 is summarized below;

Bank	Cash at Bank USD '000	Short term deposits USD '000	Total USD '000	Equivalent to external credit rating [moody]	Remarks
Standard Chartered Bank of Kenya Limited	6,697	-	6,697	A+	Low risks
Absa Bank Kenya PLC	76	-	76	BB-	Non- investment grade speculative
Bank of India	6	5,086	5,092	BBB-	Lower medium grade
Co-operative Bank of Kenya Limited	62	-	62	B2	Highly Speculative
Cash at hand	5	-	5	N/A	No risks
	6,846	**5,086**	**11,932**		

5. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (continued)

Cash and cash equivalents (Continued)

The ratings of cash and cash equivalent as at 31 March 2021 is summarized below;

Bank	Cash at Bank USD '000	Short term deposits USD '000	Total USD '000	Equivalent to external credit rating [Moody]	Remarks
Standard Chartered Bank of Kenya Limited	1,339	-	1,339	A+	Low risks
Absa Bank Kenya PLC	466	-	466	BB-	Non- investment grade speculative
Bank of India	6	7,237	7,243	BBB-	Lower medium grade
Co-operative Bank of Kenya Limited	7	-	7	B2	Highly Speculative
Cash at hand	4	-	4	N/A	No risks
	1,822	**7,237**	**9,059**		

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties hence no loss allowances.

Derivatives

The derivatives are entered into with bank and financial institution counterparties, which are rated BB-to A+, based on Moody Rating ratings. There were no derivatives assets at 31 March 2022. Therefore, the amount of impairment allowance at 31 March 2022 is US$ nil thousand (2021: US$ Nil thousand).

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 2022					
Trade payables (Note 20)	6,723	-	-	-	6,723
Due to related parties (Note 26)	50	-	-	-	50
Borrowings (Note 22)	500	-	35,655		36,155
Derivative liabilities (Note 21b)	-	-	-	-	0
	7,273	**-**	**35,655**		**42,928**

6. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (continued)

Derivatives (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 2021					
Trade payables (Note 20)	4,081	-	-	-	4,081
Due to related parties (Note 26)	130	-	-	-	130
Borrowings (Note 22)	1,944	-	47,732		49,676
Derivative liabilities (Note 21b)	-	-	-	-	0
	6,155	**-**	**47,732**		**53,887**

(d) Market risk management

Market risk is the risk arising from changes in market prices, such as interest rate and foreign exchange rates, which will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing 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 22. The Company's borrowings are primarily on a variable rate basis and are pegged to the London Interbank Offering Rate (LIBOR). The Company's management ensures that as far is possible, interest rates negotiated for any financing facility is advantageous to the Company. Where necessary, management considers the use of available instruments such as swap arrangements in mitigating the Company's exposure.

5. FINANCIAL RISK MANAGEMENT (Continued)

(c) 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 2022 and 2021 financial years

2022	Effective interest rate	On demand months 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%	-	500	-		-	500
Rabo Bank loan	2.4%	-	-	-	35,655	-	35,655
		-	**500**	**-**	**35,655**	**-**	**36,155**
2021							
BOI loan	7.0%	-	1,944	-		-	1,944
Rabo Bank loan	2.6%	-	7,997	-	39,735	-	47,732
		-	**9,941**	**-**	**39,735**	**-**	**49,676**

Sensitivity analysis on interest rates

An increase in one percentage point in the interest rate at the reporting date would have had an increased/(decreased) profit and loss by the amounts shown below. This analysis is performed on the same basis for 2021.

5. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk management (continued)

(i) Interest rate risk – continued

Sensitivity analysis on interest rates – continued

	Profit & loss	
Effect in thousands	**2022 USD '000**	**2021 USD '000**
BOI Loan	5	19
Rabo Bank loan	357	478
	362	497

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 did not hold derivative financial instruments to hedge its fuel price risk exposure as 31 March 2022.

	% change in Base	**2022 USD '000**	**2021 USD '000**
Commodity swaps	5%	-	-

(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 114.95/$ compared to 31 March 2021 at KShs 109.51/$. The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting date is:

At 31 March 2022	**US Dollars USD '000**	**KShs USD '000**	**Total USD '000**
Financial assets			
Trade receivables.	2,606	1,163	3,769
Due from related parties	2,877	-	2,877
Prepayments	868	-	868
Short term deposits	5,086	-	5,086
Cash and bank balances	5,960	886	6,846
At 31 March 2022	**17,397**	**2,049**	**19,446**

5. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk management (continued)

(iii) Currency risk – continued

31 March 2022	US Dollars USD '000	KShs USD '000	Total USD '000
Financial liabilities			
Trade payables	1,325	4,623	5,948
Advances from customers	826	-	826
Borrowings	36,155	-	36,155
	38,306	**4,623**	**42,929**
Net foreign currency liability As at 31 March 2022	**20,909**	**2,574**	**23,483**

At 31 March 2021	US Dollars USD '000	KShs USD '000	Total USD '000
Financial assets			
Trade receivables	1,750	946	2,696
Due from related parties	663	-	663
Prepayments	846	-	846
Short term deposits	7,237	-	7,237
Cash and bank balances	1,462	360	1,822
At 31 March 2021	**11,958**	**1,306**	**13,264**

31 March 2021	US Dollars USD '000	KShs USD '000	Total USD '000
Financial liabilities			
Trade payables	659	3,064	3,723
Advances from customers	488	-	488
Borrowings	49,676	-	49,676
	50,823	**3,064**	**53,887**
Net foreign currency liability As at 31 March 2021	**38,865**	**1,758**	**40,623**

Sensitivity analysis on exchange rates

Effect in USD	Profit & Loss 2022 USD '000	Profit & Loss 2021 USD '000
Financial assets 3% change	522	359
Financial liabilities 3% change	(1,149)	(1,525)
	(627)	**(1,166)**

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (Continued)

(e) Fair value hierarchy

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

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

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

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

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

	Level 1 USD '000	Level 2 USD '000	Level 3 USD '000	Total USD '000
At 31 March 2022				
Derivative assets	-	-	-	-
Derivative liabilities	-	-	-	-
Net position	**-**	**-**	**-**	**-**

	Level 1 USD '000	Level 2 USD '000	Level 3 USD '000	Total USD '000
At 31 March 2021				
Derivative assets	-	-	-	-
Derivative liabilities	-	-	-	-
Net position	**-**	**-**	**-**	**-**

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.

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:

		2022 USD '000	2021 USD '000
Share capital	Note (24)	44,175	44,175
Cashflow hedging reserve	Note (25)	-	(51)
Retained losses		(56,386)	(68,995)
Shareholders' deficit		**(12,211)**	**(24,871)**
Borrowings	Note (22)	36,155	49,676
Less short-term deposit	Note (28)	(5,086)	(7,237)
Less cash and bank balances	Note (27b)	(6,846)	(1,822)
Net debt		**24,223**	**40,617**

7. REVENUE

(a) By product

	2022 USD '000	2021 USD '000
Soda ash and related products	76,985	54,765
Salt	506	494
Other	79	123
	77,570	**55,382**

(b) By region

South East Asia	21,166	16,242
Indian Sub-Continent	26,094	17,395
Middle East	1,796	814
Africa	26,964	19,173
Americas	1,550	1,758
	77,570	**55,382**

TATA CHEMICALS MAGADI LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

8. COST OF SALES

	2022	2021
	USD '000	USD '000
Depreciation and impairment charge	1,638	2,125
Inventory change	7,913	5,523
Power and fuel	13,019	11,700
Repairs and maintenance	321	294
Stores and spares	2,499	2,443
Salaries	2,648	2,858
Other	1,189	806
	29,227	**25,749**

9. DISTRIBUTION COSTS

Salaries and wages	1,856	2,671
Freight, insurance and commission	5,336	3,243
Packaging and warehousing	1,843	1,184
Port charges	2,904	2,266
Customer claims	70	(341)
Transport charges	5,354	4,677
Royalties and taxes	2,876	1,812
Depreciation	1,326	1,203
Repairs and others costs	4,307	2,969
	25,872	**19,684**

10. ADMINISTRATIVE EXPENSES

Salaries and wages	3,320	4,210
Depreciation	929	1,150
Insurance	535	286
IT and communication expenses	567	506
Legal fees	177	92
Professional fees	148	164
Leasehold land	448	505
Repairs and maintenance	373	133
Stores and spares	1,423	800
Travelling expenses	48	82
Other*	(212)	(3,109)
	7,756	**4,819**

*** Fixed Costs overhead absorption reclassified to cost of sales under inventory change**

11. FINANCE COSTS

Interest payable and similar charges:		
Interest on borrowings	1,544	1,706
Other finance costs	192	400
Interest on lease liabilities	319	365
Total financial costs	**2,055**	**2,471**

TATA CHEMICALS MAGADI LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

12. PROFIT BEFORE TAXATION

	2022 USD' 000	2021 USD' 000
Profit before taxation is arrived at after charging:		
Gain on disposal of equipment	40	9
Depreciation of tangible assets (Note 16)	(3,216)	(3,800)
Amortisation of Right of Use asset (Note 17)	(697)	(699)
Auditor's remuneration;		
Auditor's fees for audit of Company's financial statements	(97)	(67)
Auditor's fees for non-audit services: tax compliance	(106)	(84)

13. STAFF COSTS

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

	2022 No.	2021 No.
Production and operations	231	305
Distribution and sales	98	113
Administration	151	166
	480	**584**

The aggregate remuneration comprised:

	2022 USD '000	2021 USD '000
Wages and salaries	7,504	9,246
Social security costs	11	14
Other pension costs	227	270
	7,742	**9,530**

Directors' remuneration comprised of:

Directors' emoluments	449	392
The number of directors who are members of a defined benefit contribution scheme	-	-

The aggregate value of Company contributions paid to a provident fund in respect of Directors' qualifying services is USD Nil (2021 – USD Nil). As at 31 March 2022 retirement benefits were accruing under defined contribution scheme for Director was Nil (2021 – Nil).

14. TAXATION

The components of tax for the years ended 31 March 2022 and 2021 are:

(a) **Income tax expense**	2022. USD '000	2021 USD '000
Current tax expense:		
Current tax charge	-	-
Deferred tax expense		
Relating to origination and reversal of temporary differences	-	-
Tax reported in the profit and loss account	-	-

TATA CHEMICALS MAGADI LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

14. TAXATION (Continued)

(a) Income tax expense (continued)

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

	2022 USD '000	2021 USD '000
(b) Reconciliation of expected tax based on accounting less to tax credit	**12,660**	**3,768**
Tax on profit on ordinary activities at the average Kenya corporation tax rate for the year 30% (2021 – 19%)	3,798	716
Tax effects of:		
Tax effect of expenses not allowable for tax	626	206
Movement in unrecognised deferred tax (Note 15)	(3,732)	-
Permanent differences as a result of change in tax rate	(670)	-
Income not taxable	(22)	-
Other temporary differences	-	(922)
Tax for the year	**-**	**-**

15. DEFERRED TAX

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:

Unrecognized deferred tax

2022	Balance 1 April USD 000	Prior Year under Provision USD '000	P/L Movement during the USD '000	Balance 31 March USD '000
Property plant and	1,562	(163)	636	2,035
Provisions	1,602	-	1,024	2,626
Unrealized exchange	3,358	64	4,951	8,373
Tax losses	8,702	-	(2,879)	5,823
Derivatives	-	-	-	-
	15,224	**(99)**	**3,732**	**18,857**

2021	Balance 1 April USD 000	OCI Movement during the year USD '000	P/L Movement during the USD '000	Balance 31 March USD '000
Property plant and	1,587	-	(25)	1,562
Provisions	1,451	-	151	1,602
Unrealized exchange	2,930	-	428	3,358
Tax losses	10,632	-	(1,930)	8,702
Derivatives	(161)	161	-	-
	16,439	**161**	**(1,376)**	**15,224**

A potential deferred tax asset of USD 18,857,000 (2021 – USD 15,224,000) has not been provided.

15. DEFERRED TAX (Continued)

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. Under the Kenyan Income Tax Act, tax losses for a mining company are carried forward until exhausted. The Company has been on a positive tax profits in the last five years and as indicated in note 2 (d) the management has taken steps to return the Company to profitability. The company management considered it prudent to unrecognize the entire deferred tax and review the deferred tax position yearly considering the recoverability of this amount against future taxable profits of the Company.

The ageing of tax loss losses is as follows

	2022 USD '000	2021 USD '000
Prior to 2011	-	11,556
FY 2011	-	428
FY 2013	783	14,266
FY 2014	4,980	5,227
FY 2015	13,647	14,325
Total	**19,410**	**45,802**

The tax loss for 2019 & 2020 was reinstated following decision by the company to file tax returns as a mining company hence the tax losses do not expire.

16. PROPERTY, PLANT AND EQUIPMENT

At 31 March 2022	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
Cost						
At 1 April 2021	58,301	145,398	6,782	5,656	1,971	218,108
Additions	-	-	-	-	1,322	1,322
Disposals	-	-	(142)	(-)	-	(142)
Exchange difference	-	-	-	-	-	-
Transfers	1,031	431	82	1,050	(2,755)	(161)
At 31 March 2022	59,332	145,829	6,722	6,706	538	219,127
Depreciation						
At 1 April 2021	(55,398)	(138,704)	(6,113)	(5,148)	-	(205,363)
Charge for the year	(852)	(1,727)	(238)	(399)	-	(3,216)
Disposal	-	-	139	-	-	139
	(56,250)	(140,431)	(6,212)	(5,547)	-	(208,440)
Net book value						
At 31 March 2022	**3,082**	**5,398**	**510**	**1,159**	**538**	**10,687**
At 31 March 2021	**2,903**	**6,694**	**669**	**508**	**1,971**	**12,745**

17. RIGHT OF USE

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

Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since commencement date, discounted using the Company's incremental borrowing date at the date of initial application. Table below summarizes the right of use as at 31 March 2022;

	Land- right to use	**Rail equipment – right to use**	**Other buildings- right to use**	**Plant and machinery- right to use**	**Grand total**
Cost					
At 1 April 2021	**1,157**	**3,392**	**3,277**	**98**	**7,924**
New leases	160	-	67	-	**227**
Disposals	-	-	-	-	-
At 31 March 2022	**1,317**	**3,392**	**3,344**	**98**	**8,151**
Depreciation					
At 1 April 2021	919	**1,831**	**1,945**	**44**	**4,739**
Amortization charge for year	18	346	327	6	**697**
At 31 March 2022	**937**	**2,177**	**2,272**	**50**	**5,436**
Net book value					
At 31 March 2022	**380**	**1,215**	**1,072**	**48**	**2,715**
At 31 March 2021	**238**	**1,561**	**1,332**	**54**	**3,185**

17. RIGHT OF USE (Continued)

Table below summarizes the right of use as restated at 31 March 2021

	Land- right to use	Rail equipment – right to use	Other buildings- right to use	Plant and machinery- right to use	Grand total
Cost					
At 1 April 2020	**1,157**	**3,392**	**3,277**	**98**	**7,924**
New leases	-	-	-	-	**-**
Disposals	-	-	-	-	-
At 31 March 2021	**1,157**	**3,392**	**3,277**	**98**	**7,924**
Depreciation					
At 1 April 2020	903	**1,492**	**1,604**	**41**	**4,040**
Amortization charge for year	16	339	341	3	**699**
At 31 March 2021	**919**	**1,831**	**1,945**	**44**	**4,739**
Net book value					
At 31 March 2021	**238**	**1,561**	**1,332**	**54**	**3,185**
At 31 March 2020	**254**	**1,900**	**1,673**	**57**	**3,884**

18. INVENTORY

	2022 USD '000	2021 USD '000
Raw materials and consumables	8,486	8,279
Finished goods and goods for resale	3,367	5,557
Work progress	435	60
Provision for obsolete stock	(5,224)	(4,519)
	7,064	**9,377**

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

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

19. TRADE AND OTHER RECEIVABLES

	2022 USD '000	2021 USD '000
Trade receivables	3,628	2,645
VAT receivable	15,880	13,704
Prepayments	869	847
Due from related parties (Note 26)	2,877	663
Sundry receivables	(179)	149
	23,075	**18,008**

As at 31 March 2022, trade receivables with an invoice value of USD Nil (2020 – USD Nil) 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.

20. TRADE AND OTHER PAYABLES

	2022 USD '000	2021 USD '000
Trade payables	6,723	4,081
Accrued expenses	18,314	16,125
Due to related parties (Note 26)	50	130
Other payables	2,814	3,203
	27,901	**23,539**

Terms and conditions of the above financial liabilities:

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

21. DERIVATIVE FINANCIAL INSTRUMENTS

The Company has implemented hedge accounting with effect from 1 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.

21. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

Changes in fair value of the hedging instrument between designation or the last reporting date (whichever is later) and the testing date are compared with the change in fair value of the hedged item for the same period. The hedge would be effective if the offset achieved by the hedging instrument is within 100% of the change in fair value of the hedged item.

(i) Heavy Fuel Oil (HFO) hedge derivative

No HFO commodity swap contracts were entered into in the year.
The company opted for HFO fixed price with fuel supplier Total Kenya at $470/m³ for the period April 2021 to March 2022 for total quantity of 11,000 MT against a demand of 16,000 MT. An additional forward contract was made at $549/ m³ for February to October 2022 for 12,000MT.

(ii) Interest swap derivative

The interest Swap derivative expired in July 2020 and the company had opted to take advantage of prevailing low LIBOR rates.

(a) Other gains and losses

	2022 USD '000	2021 USD '000
HFO hedge derivative ineffectiveness	-	(89)
Interest swap derivative ineffectiveness	-	(26)
	(-)	(115)

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

	2022 USD '000	2021 USD '000
Interest swap derivative – OCI	-	-
HFO hedge derivative – OCI	-	(994)
	-	(994)

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.

21. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

(i) **Derivative assets**	**2022 USD ‘000**	**2021 USD ‘000**
Fuel swaps	-	-
Interest rate swap	-	-
	-	-

(ii) **Derivative liabilities**		
Fuel swaps	-	-
Interest rate swap	-	-
Net position asset/(liability)	-	-

22. BORROWINGS

Loans:		
Rabo Bank International	35,655	47,732
Bank of India	500	1,944
	36,155	**49,676**

The maturity profile of borrowings is as follows:

Within one year	500	9,941
Between one and five years	35,655	39,735
	36,155	**49,676**

The movement in loans during the year was as follows:

At 1 April	49,676	49,934
Borrowings received	-	944
Borrowings repaid	(13,444)	(1,298)
Unamortised finance cost	(77)	96
Interest expense	1,544	1,706
Interest paid	(1,544)	(1,706)
At 31 March	**36,155**	**49,676**

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 3.5 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.

22. BORROWINGS (Continued)

Part B is a long term loan of USD 46 million refinanced by Rabo Bank Limited in July 2021 guaranteed by the parent Company and repayable in five half year instalments starting July2024. However due to improved business performance the company made voluntary loan prepayment of US$ 10 Million in March 2022 bringing the outstanding loan to US$ 36 million as at 31 March 2022.

23. PENSION ARRANGEMENTS

Defined contribution scheme

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

	2022 USD'000	2021 USD '000
Employer contribution	227	270

24. SHARE CAPITAL

	2022 USD'000	2021 USD '000
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 998:9,900,000 preference shares of USD1 each**	9,900	9,900
	42,412	**42,412**
	44,175	**44,175**

The movement in preferences during the year was as follows:

	2022 USD '000	2021 USD '000
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.

** 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.

25. CASHFLOW HEDGING RESERVE

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

	Interest Swap USD '000	HFO Hedge USD '000	Total USD '000
At 1 April 2021	-	-	-
Charge	-	-	-
At 31 March 2022	**-**	**-**	**-**
At 1 April 2020	-	(1,045)	(1,045)
Charge	-	(1,045)	(1,045)
At 31 March 2021	**-**	**-**	**-**

26. RELATED PARTY TRANSACTIONS AND BALANCES

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

	2022 USD ‘000	2021 USD ‘000
(a) Amounts due from related companies		
Tata Chemicals (SA) Limited	979	663
Tata Chemicals International Pte Ltd	1,704	-
Rallis	-	-
Tata Chemicals Limited	194	-
	2,877	**663**
(b) Amounts due to related companies		
Tata Chemicals Limited	**50**	**130**
(c) Sales to related companies		
Tata Chemicals (SA) Limited	3,615	1,750
Tata Chemicals International Pte Ltd	47,550	31,745
Tata Chemicals Limited	299	1,929
	51,464	**35,424**

26. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Ultimate parent

The Company's immediate parent undertaking is Tata Chemicals Africa Holdings Limited a Company incorporated in England.

The ultimate parent company and controlling party in the year to 31 March 2022 was Tata Chemicals Limited, a company incorporated in India. The largest and smallest 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.

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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 2022, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2021 – 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 13.

27. NOTES TO THE STATEMENT OF CASH FLOWS

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

	Note	2022 USD '000	2021 USD '000
(Loss)/profit before taxation		12,660	3,768
Adjustments for:			
Depreciation of property, plant and equipment	16	3,216	3,800
Amortization of leases	17	697	699
Gain on disposal of equipment		(35)	(8)
Finance costs	11	2,055	2,471
Unamortized borrowing cost	22	(77)	96
Lease interest payments	29	320	366
Lease liability Exchange difference		65	25
Hedge Ineffectiveness on cashflow hedges		-	(1,109)
Profit before working capital changes		**18,901**	**10,108**
Movement in:			
Inventory		2,313	(1,115)
Trade and other receivables		(5,067)	797
Trade and other payables		4,362	(2,777)
Derivative assets and liabilities		-	(1,110)
Cashflow hedge	21 (b)	-	1,045
Cash generated from operation		**20,509**	**6,948**

(b) Analysis of cash and cash equivalents

Cash and bank balances	**6,846**	**1,822**

28. SHORT TERM DEPOSITS

The Company is expected to repay 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 movement of FDR Savings during the year was as follows:

	2022 USD '000	2021 USD '000
At 1 April	7,237	3,500
Deposits made	10,100	3,510
Accrued Interest Income	79	227
Withdrawals	(12,330)	-
Balance as at 31 March	**5,086**	**7,237**

28. SHORT TERM DEPOSITS (Continued)

The summary below indicates the status of the FD account as at 31 March 2022.

	2022 USD '000	2021 USD '000
FD Bank of India (interest 2.5% 2022, 3% 2021)	5,007	7,010
Accrued Interest income	79	227
	5,086	**7,237**

29. LEASES

	31 March 2022	31 March 2021
(a) Right-of-use assets	**USD '000**	**USD '000**
Balance 1 April	3,185	3,884
Additions to right-of-use assets	227	-
Depreciation for the year	(697)	(699)
Balance at 31 March	**2,715**	**3,185**
(b) Amount recognised in statement of cashflows		
Lease interest payments	320	366
Principal lease payments	467	686
Total cash outflows	**787**	**1,052**
(c) Amount recognised in profit or loss		
Interest on lease liabilities	320	366
Depreciation expense	697	699
	1,017	**1,065**
(d) Lease liability		
Balance as at 1 April 2020 and 2019	4,030	4,691
New leases	0	-
Interest charged	320	366
Payments during the year	(787)	(1,052)
Revaluation adjustment	65	25
Lease liability as at 31 March	**3,628**	**4,030**
(f) The maturity of lease lability at the ended of the year was as follows:		
Within one year	1,064	773
Between one and five years	1,700	2,374
Five year and above	864	883
Lease liability as at 31 March	**3,628**	**4,030**

30. CONTINGENT LIABILITIES

(i) USD 8.17 million (KShs 894.84 million) - Pertaining to KRA assessments related to under-declared corporation taxes for the tax years 2007 – 2012.

KRA demand Kes 894 Million on 11th September 2020 and confirmed the demand by a commissioner's decision on 7 December 2020. TCML filed a notice of appeal on 6 January 2021 with the Tax Appeals Tribunal as per the Tax Procedure Act. The Statement of Facts and Memorandum of appeal was filed on 19 January 2021. KRA file their Statement of Facts and Memorandum of appeal filed on 18 February 2021. The appeal was heard and Tribunal issued a judgment on 17 September 2021 in favour of TCML and KRA has appealed to the High Court against the Tribunal decision. The matter is awaiting the court direction.

After considering the Tax laws and legal advice, the management does not consider the liability probable at this point in time and therefore disclose as a contingent liability in the financial statements.

(ii) USD 5.07 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 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 since the matter was settled out of court.

(iii) USD 1.11 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 advice, the outcome of tax claims will not give rise to any significant impact on these financial statements.

(iv) **Land Case - Demand for USD 173.19 million (KShs 17.45 Billion) -** On 3 May 2019, the High 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's judgment quashed this demand in entirety. In its judgement, the court also ordered that both parties submit themselves to a consultation process to be led by the Cabinet Secretary for Mining, supervised by the Court in order to agree on the acreage to which land rates should be levied. Following the lapse of period for negotiations as directed by the High Court, TCML proceeded to the court of appeal on the land rates issue. The appeal has several merits based on legal facts and management is convinced of high chances of success.

On 2 December 2020, the Kajiado County issued an adjusted demand of USD 93.91 million (KShs 10.28 Billion) for outstanding land rates. A similar demand was resent on 24 March 2021 which has been objected.

30. CONTINGENT LIABILITIES (CONTINUED)

(iv) Land Case - Demand for USD 173.19 million (KShs 17.45 Billion) (Continued)

In the opinion of management, after taking appropriate legal advice, does not consider the liability to be probable at this stage and hence it has been disclosed as a contingent liability.

31. SUBSEQUENT EVENTS

Management continues to actively monitor the economic situation post the ease of COVID 19 restrictions and continues to engage with customer and other stakeholders to ensure safe sustainable operations. Further the management have assessed the impact of the Russia-Ukraine conflict to the entity's operations and priced in the risks in the business financial projections in the near term and continues to monitor the likely impact of the unfolding events. In addition, the management strive to sustain the current improved performance through continuous prudent cost control & containment measures and focused maintenance works, plant optimization and other process improvements across the business operations. With improved cash inflows, the management will invest on targeted capital expenditure programs aimed at improving the healthcare of the plant for sustained operations with emphasized safety obligations and environmental stewardship responsibilities.