

1932 Kenya

No. 1074 (Part 1.)

SUBJECT C0533/422

Magadi Soda Company Ltd.

Previous

17058/A/31

Subsequent

Part 2

Copies of copies between
Mr H. F. Marriott & Mr C. J. Mackenzie-Fraser
Dec. 1931.

2. Note of interview with Mr Marriott
by Mr Brewster on 26/2/32

3. Imperial Chemical Industries (I.C.I.) — 16/2/32
Mr Marriott states the scheme in connection
with the Magadi Soda Company must remain
in abeyance unless & until the question of a
compromise is again raised. — must leave
it to the Magadi Co. to initiate further negotiation
with the Kenya Govt.

4. Magadi Soda Company Ltd — 16/2/32
In view of the breakdown of negotiations
with I.C.I., propose to operate the concessions
but it is essential that they re-open negotiations
with Kenya Govt with a view to securing some
modification of the terms of the leases.

I understand these are to
be discussed with Mr Marriott on
Monday 10 by C. D. Stott only do we now

10/1/32
Mr Marriott has telephoned 12/3/32
saying that, owing to pressure on his time,
and to the fact that there is a
Magadi Soda Co. Board meeting tomorrow
he would like to discuss the business
before the Board meeting,
but would prefer to wait
till after Easter. That can be

1. City of Cones between
Mr H. H. Marriott & Mr C. Mackenzie-Fraser
Dec. 1931.

2. Waka Soda ^{with Marriott} _{on 26/2/32}

3. Imperial Chemical Industries Ltd. — 16/2/32
Mr Marriott states the scheme in connection
with the Magadi Soda Company must remain
in compliance unless & until the question of a
compromise is again raised. — must leave
it to the Magadi Co to initiate further negotiations
with the Kenya Govt.

N.B. See 5. 22. 1931
see 1931

4. Magadi Soda Company Ltd. — 16/3/32
In view of the breakdown of negotiations
with I.C.I. in purpose to operate the concessions,
but it is essential that they re-open negotiations
with Kenya Govt with a view to some
modification of the terms of the lease.

Sanjivastan has not
been discussed with Mr Marriott on
Monday 10. Mr Chatterly also see now

Mr Allen 12/3/32
Mr Marriott has telephoned 12/3/32
saying that, owing to pressure on his time,
and to the fact that there is a
Magadi Soda Co. Board meeting tomorrow
he would like to postpone his mission.
He will call upon the Board meeting,
but cannot come before to wait
till after Easter. That can be

Considered to be done
The letter has been sent
Wed
21.3.32

I prepared the letter to Sir J. Byrne, of which I annex a copy, before Mr. Marriott called, and I added the postscript in discussion with him, but the main part of our talk took place after the airmail had gone.

It appeared that No.4 was written with the idea of further bargaining with the Government but that since it was written the position in the Japanese market for British soda, whether from Magadi or from Cheshire, has become so much worse that Magadi cannot afford to put up any money in order to make the continuance of the industry more attractive to the Government.

I do not minute on the details of the discussion beyond recording that we evolved a formula which could be put to the Governor representing in an intelligible form the terms as regards railway rates on which the industry could be continued for a time and Mr. Marriott said that he would discuss it with the Vice-Chairman of the Company. It was definitely understood that it would not be put to them as an arrangement that the Colonial Office would be prepared to put to the Governor or as an arrangement which Mr. Marriott would back in his capacity of Government Director. It was simply, as I have said, to make the position intelligible.

Possibly Mr. Marriott would be able to take no action before Easter and in that case I think I must send a supplementary letter to Sir J. Byrne

by the next airmail.

Wed
23.3.32
Mr Allen, who was present at the discussion, summarized his account of it in the attached note.
Wed
23.3.32

I have written further (copy attached) by this week's airmail.

Wed. 29.3.32
done

Mr. Marriott
4/4/32
of which suggested basis for further arrangements.

Mr. Marriott
40 - 5/4/32
DESTROYED UNDER STATUTE *Customs No 8.*

10 To Moore. (enc 8) - cons - do. - 5 April 1932
11 Tel. notes for Perrenial - 5 April 1932

11/6/32
attached

175
 Mr. Kanga. Tol (Personal) 19/4/32
 These modifications desirable in the
 'provisional agreement' if efforts to
 secure such modifications not successful,
 then the proposal in No 8 should be
 accepted.

Sir C. B. ...

8) Mayale Soda Company
 1/6 royalty per ton - no minimum
 On a basis of £40,000 tons the
 would yield per annum £ 3,000
 18/6 royalty on a minimum
 of 20,000 tons - per annum £ 5,700

12) Kanga's counter-proposal is
 1/6 royalty on a minimum of
 50,000 tons £ 3,750
 18/6 royalty on a minimum of
 50,000 tons £ 6,250

of which £ 2,500 should be paid
 before 1st April 1932, if the transaction
 occurs on loan at 4 1/2% to
 Mayale Soda Company - deposited
 in its bank account

The Director came over to discuss the Kanga
 offer, of which I gave him a copy
 Tomorrow afternoon he will see Mr
 Nicholson (Deputy-Chairman of Mayale),
 and get to know the Kanga's counter-
 proposal. Mr. Harcourt suggested and
 agreed that the Kanga's counter-
 proposal be more parallel to the Mayale Board
 (which meets on Thursday 20th) if the

(on a basis of 40,000 tons
 actually shipped)

additional £750 royalty demanded by Kanga's offer if
 treated in the same way as the additional
 £9250 royalty, i.e. left on loan with
 the Company till more proposals come

I promised Mr. Harcourt that I would
 let his meeting occur by 12 noon tomorrow
 whether you had any comments to make
 before his meeting with Mr. Nicholson on the
 afternoon.

J. P. ...
 19/4

Very much more should be
 said for though, but it would be
 proposed to be done with
 modification should be made if
 it will meet the object. Let Mr.
 Harcourt accordingly.
 I am very anxious about the

circumstances of the financial position
 of the 50,000 tons royalty is the
 case of the royalty rates on that of the
 railway freight is one of the first
 and the best is more burdensome
 than the Railway Council.

19/4/32

What is in line further from the Director
 I am willing that Kanga's offer
 be considered in a preliminary
 meeting of the Board and that the
 made

made the 50,000 tons haul
impossible. Mr. Marriott
at once fell back on the
authority in the last para
of the telegram that is
the basis which will be
put before the Board tomorrow.

Wait.

Oct. 10 4 32

13

Mogadi Soda Co Ltd 28/4/32
2000 Submit definite proposals for
a temporary modification of the terms
of the Mogadi Company's leases

Mr. Allen.

These proposals differ from those
outlined in No. 9 (to which the Governor
agreed in the last sentence of No. 12) in one
particular. The new suggestion is that in
calculating the 237,000 tons which it is to pay
annually as railway freightage, the Company
may include such amounts as it may have paid
on soda hauled from Mogadi to destinations
other than Kilindini. Under Mr. Marriott's
original proposals, the minimum was to be the
cost of hauling 40,000 tons at 18/6d. per ton
to Kilindini. Under the new scheme, the total of
237,000 tons may be made up, say, by 30,000 tons at
Kilindini (= 227,750) plus 7,400 tons at
25/- a ton to the Highlands (= 29,250).

(It may be noted that 18/6d. is a
specially

17/8/32

5

specially low rate for the regular haul from
Mogadi to Kilindini; according to the K.U.R.
tariff book 18/60 cts. is the ordinary charge for
hauling one ton of soda ash for 237 miles only, and
the freight of one ton from Mogadi to Nairobi
would be 28/23 cts.) The amount of this local
traffic is at present inconsiderable, but there
are signs that it may increase. It appears that
the Company wish to regard as a make-weight what
the High Commissioner would no doubt prefer to treat
as a windfall, but Mr. Marriott, with whom we
discussed the point last night, is most reluctant
that the local authorities should be given any lead
in the direction of resisting the new proposal.
It will therefore be enough to write as in the
draft herewith; it seems desirable to transfer the
correspondence at this stage to the official plane.

Draft also submitted (very much for
consideration) of an accompanying semi-official
letter to Sir Joseph Byrne and of an interim
reply to the Company to the terms of which Mr.
Marriott attaches considerable importance.

A. Macdonald
26/4

J. M. Allen

I have handed the draft to the High Commissioner and
to the best of my power.

Both the High Commissioner and
Sir S. Wilson for information -
has been impossible to send
them on the day during the

The legal work as after
 arrangements were made
 has not yet been completed.
 I hope that the necessary
 work is avoided - they take
 much time.

G.C.S.
 26.4.32

14 I think so (13 and

26/4/32 } 15 to Govt Conf (3) - Com
 (1/CS 13 & 14) } 26 APR 1932

16 to Sir Byrne - 20 APR 1932

17 to Munnick (2 copies 14 9.16) s.o. 27/4/32
 (See note on
 also attached)
 26/4/32

for Kenya.
 HA Transport. } - Govt Conf.
 7/5/32

DESTROYED UNDER STATUTE

I agree with the Company's drafts
 in their letter of 25 April.

The reason is a week if in
 for it by the head office from
 9/5 1932

With regard to the probable stamp
 duty on the new Deed, I rang up Messrs. Sutton, Omganey
 and Oliver, and asked to speak to a partner. No
 partner was there to-day, but the clerk referred me
 to Mr. Shebbeare, of 5, New Square, Lincoln's Inn, who
 is drafting the deed.

The latter told me that, as the deed
 would merely vary the leases in question, he thought
 that the English stamp duty would probably not be
 more than ten shillings, but he could not say for
 certain, off-hand. Mr. Shebbeare also said that he had
 not really got enough information for purposes of
 drafting the deed, and asked if someone from the
 Colonial Office could go up this morning and explain
 the position to him more fully.

Mr. Freeston said he could go and
 see Mr. Shebbeare at 12.0 this morning. I accordingly
 arranged an appointment for that hour with
 Mr. Shebbeare's clerk. I also explained the position
 to Messrs. Sutton, Omganey and Oliver on the telephone,
 and told them of the appointment which had been made.

21st May, 1932.

A. Duncan

I spent an hour or a half with Mr. Shebbeare.
 The draft should have been in Messrs. Sutton
 Omganey's hands on Monday morning.
 Circulate in red when recd.

24/5/32

25. Notice of Annual General Meeting
2 Magadi Soda Co.
26/5/52

26. Crown Agents 24/5/52

Two 4 copies of draft Agreement
received from Sutton Ommanney Office.

(1) Mr. Bingham, Assistant Legal Adviser to the Imperial Chemical Industries, called at my request last night. He took away a copy of the draft with the intention of going through it and meeting me again at 12 noon to-day.

(2) This morning Mr. Duncan was good enough to go through the draft with me. The amendments suggested are shown in pencil on the copy marked 'A' (in pocket); in addition to these it appeared that Clause b of the draft does not give full effect to the intentions on page 2 in No. 13 on file.

Later we saw Sir C. Bottomley who accepted Mr. Duncan's view that the proper course would be for the draft to be revised by Mr. Bingham and Messrs Sutton, Ommanney in conjunction (with the assistance, if necessary, of someone from H.A. Dept. 1, and for the latter to submit a fresh draft to the C.O. This would necessarily entail delay, and the idea must be abandoned of letting Mr. Marriott have a copy of the present draft to take to tomorrow's Board meeting.

(3) I have told Mr. Bingham by telephone of the procedure now suggested, and he has undertaken to get into touch with Messrs Sutton,

Sutton, Ommanney. I also asked the Crown Agents (Mr. Ransom) to inform Messrs Sutton, Ommanney by telephone. Mr. Marriott has also been informed of what has taken place, and has no objection to offer. He suggests, however, that the draft, when agreed, should be communicated to him for presentation to the Board of Magadi Soda.

Mr. Ransom
25/5

Mr. Marriott has now telephoned to say that today's Board Meeting passed satisfactorily. The 100 nominees were all elected (though not without the use of two proxy votes) & the new arrangements were accepted.

There is a meeting to be held with the Librarian-Holder, but they have been agreed in advance.

Mr. R. will send a copy of the Chairman's report at yesterday's meeting in due course.

W. D. Ransom
25/5

W. R. Allen
26/5
at once

W. D. Ransom
26/5
at once

Crown Agents

Forward copy with the Section Chairman together with 2 copies of the amended draft deed.

After discussion with Mr. Allen, I have written to Mr. Marriott as in draft of letter

Revised on a Monday

Director

2 P. H. Marriott
(copy new draft deed)

4/6/32
Cms.

Mr. Allen.

Mr. Marriott called yesterday afternoon and discussed the draft Deed. The only point calling for comment is in Clause C (red ink insert). Though the words in the text are consistent with the terms of the Corporation Order of the 26th of April (No. 13 para. 2 clause 2) which has been accepted by the Governor (No. 13) yet in Mr. Marriott's view, it is desirable to restrict the category of goods relied to restrictions other than Kilmain, the charges on which can be reckoned towards the £57,000, to "soda goods" only. The necessary verbal amendments (shown in pencil on draft) are embodied in the accompanying draft letter to the Crown Agents. Mr. Marriott undertakes to obtain the Company's concurrence in these slight changes. He had this morning ^{called} to say that they

The right to produce & dispose of common salt was created in 1886
H. of 16 Aug 1922
- No 14 of 1925/28
1920

(i.e. Mr. J.S. Nicholson, the Deputy Chairman) agreed provided that "common salt" is specifically mentioned as being included in the term "soda goods". Mr. Marriott tells me that this point was raised in conversation with the Colonial Office some years ago and that it was agreed that sodium chloride could properly be regarded as a soda product for the purpose of the interpretation clause in the leases.

The formal concurrence of the Karadi Soda Company must await the next Board meeting on June 16th; the Crown Agents can thereafter be instructed to go ahead with the Deed.

Drafts herewith for concn. As the Solicitors are agreed, it seems unnecessary to trouble Mr. Duncan. In copy of the deed on being ready, for the enclosure, Mr. Marriott would also like a copy sent before Thursday next.

Director 9/1

By Chatterley, dated now ca.

10/1/32

19/6/32

I have explained the draft deed as to explain why it follows the draft with the previous reference to

19/6/32

(By Air Mail)
15 June 1932

29 To Mr J. Byrne - (1/20 of draft deed)
Magadi Soda Co. () - 24 and
C.A. - (1/100 of draft deed) - 27

DESTROYED UNDER STATUTE

3
6
52

To N. S. Manniatt - (1/10 of draft deed) - 15-6-32
DESTROYED UNDER STATUTE

33 Mr H. T. Manniatt 15/6/32
Reports on the proceedings of the
7th Annual General Meeting of the Magadi Co.,
& encloses copies of the Report of
Director & Balance Sheet for 1931. Copies
will be submitted to the Court & Official report
of the proceedings.

This had better stand over until
the action indicated in 29 is being
taken. The funds in the
acceptance of the deed at today's
Board meeting vide Mr Director's
minute of 9/6.

Mr. P. P. P.
14/6/32
etc

Magadi Soda Co. 18th June.
States that the Draft Deed has been approved by
the Directors and requests that steps should be
taken for its engrossment and execution.

DESTROYED UNDER STATUTE

34 with reference to Mr Director's
minute of 9/6.
Now write to C.A.s regarding
then to proceed with the engrossment
and execution of the deed, in forming
them that it has been approved by
the directors.
Shen move for despatch to forward

Having reference to Company Officially
No 29 and enclosing a copy
of 33 without enclosures for info
add 34/5 applying with the necessary
steps are being taken by the
C.A.s for the engrossment and
execution of the Deed.

Mr. P. P. P.
22/6/32

Draft as at A. B. Then move:
to proceed. As to 33 Manniatt
called today said he was a
little with the debenture holders
as a point as to the resolution
of interest redemption being
temporary - enters to be a good
share in the profits after tax
for years. He proposes to take the
line that by such arrangement
was transfer the directors in
negotiating a continuance of the
existing arrangement with the
S.A. after 31st Dec. 32 &
however not as Joint Director - as
S.A. Director leaves stringly
object but does not seem to

Gremont as Sat Director of
 Affairs of Finance as the
 has the Sat was taken in
 such an event since the attitude
 has habit to see that the
 arrangements with the debenture
 holders is a domestic one. In
 fact A represents the situation
 which ~~was~~ ~~at~~ ~~an~~
 suggestion then to ask my
 friend Allen

21/6

Allen

25
 DESTROYED UNDER STATUTE
 30
 To Magadi Poda 00 - 34 amdt. } 24
 } 6
 } 30

DESTROYED UNDER STATUTE
 Submit a draft as promised in
 the second para of 29.

H. P. M. Allen

27/6/32

Allen

28/6 amdt

37 To Sat Conf. (w/1/32 draft done
 + copy SS of that submitt)
 (8 amdt)

AMT

Th. Marriott called. On Monday he will be
 writing in officially, we have may have
 to send out copies of his letter by Wednesday
 arrived.

Consult quickly when his letter is
 recd

Allen
 8/7/32

28 To Marriott 14/7/32
 This notice of a meeting of debenture holders
 of the Magadi Co (held 8/July), containing a
 Resolution to vary the conditions imposed by
 the Trust Deed, and copy letter sent to
 debenture holders with the notice.
 Reports the proceedings of the meeting.

H. P. M. Allen
 19/7/32

Allen
 19/7/32

15.7.32

[We have still to receive the
 Sub T. D. then executed. Then, on
 later, I think a letter of thanks is
 due to Mr Marriott: perhaps
 later, because

- (a) if it would be thank letter
 if the initiative came from the
 other side +
- (b) I should like the thanks to be
 from the J. off: is same and
 not in the impersonal form
 necessary in his absence. Z

Wed. 15/7/32

39 To Mr. Marriott - 31/10/20 - 7/31
DESTROYED UNDER STATUTE

DESTROYED UNDER STATUTE (info 29/1922) - 20/1/1922

By am 8/2/17

4/1 Mr. J. Byrne - 4/1 - 29/6/22

DESTROYED UNDER STATUTE
Re receipt of No 29 & refers to
loyalty on common salt

See S. C. Bottomley's note on envelope

Noted by 19th Sept for action of reminder
to Gov. that the temporary arrangement
expire on 31. Oct. reminder removed before
that date. Such a reminder may
perhaps be sent S.O. & may include
a ref to the point in L. about
salt - which is not clear.

20/7/22

C. A. Allen
Has been written for that Dept and we
sending copies immediately.

1/11/22

See Part 7

H.D.
13/17
C. A. Allen
13/17

To Magadi Soda Co
DESTROYED UNDER STATUTE

To S. C. Bottomley (7/19)

DESTROYED UNDER STATUTE

Magadi Soda Co

Rekt No. 19.

16th May 1922

DESTROYED UNDER STATUTE

Mr. Allen

Please see the minutes of 5th and 6th November
on 1705BA/31, where we were definitely advised that
a Deed would be necessary to give legal effect to
the moratorium on the leases which was then under
consideration, also my minute of the 11th November
recording the I.C.I. agreement with this view.

The moratorium proposal is dead; but the
arrangements outlined in 13 and accepted in 19
on this paper are in principle just as much a
modification of the leases of 1924 as the moratorium
would have been.

I suggested to Mr. Marriott some days ago
(before I had seen Sir C. Bottomley's minute of the
26th April above) that a Deed would be necessary to
give legal effect to the new proposals if accepted.
He promised to sound the Magadi Soda Company on
the point as soon as the proposals had been agreed.
On the receipt of No. 20 yesterday morning he saw the
Secretary of Magadi Soda Company (Mr. Gawlor) who
consulted the Legal Adviser to the I.C.I.
(Mr. E. A. Bingen) and subsequently authorised

TELEPHONE WATERLOO 2221-2.

14. WATERLOO PLACE,
LONDON, S.W.1.

14th July 1932

The Under-Secretary of State,
Colonial Office,
Downing Street,
S. W. 1.

REC'D
15 JUL
OL OE

Sir,

Haradi Soda Company

I have the honour to enclose in triplicate a notice of a meeting of the Debenture holders of the Haradi Soda Company Limited, since held on 8th July, embodying a Resolution to vary the conditions imposed by the Trust Deed on the Company.

I also enclose in triplicate copy of a letter which was sent to the Debenture holders with this notice, setting forth the modifications as desired, and the reasons therefore.

Shortly, these modifications are :-

1. That the interest normally due on the Debentures at the rate of 6% per annum is to be reduced, during the next five years to 4% per annum.
2. That the annual redemption of Debentures is to be suspended for a like period.

The relief in both these cases is granted for 50

1932. 20. 7. 32
1932. 20. 7. 32
1932. 20. 7. 32

38
12

long during the period of five years as the Company is unable to make profits sufficient to meet the full charges.

This relief from immediate cash disbursement will enable the Company to conserve its present cash reserves and carry on through the present non-profitable times for a much longer period than would otherwise have been the case.

The Meeting was held and accepted the new conditions and passed the Resolution unanimously.

The Company is continuing to have great difficulties in marketing its product, particularly in view of the falling market in Japan, owing to the increased internal production of soda in that country.

It is anticipated, however, that it will be possible to send approximately 40,000 tons over the Uganda Railway during the present twelve months under the current agreement.

I have the honour to remain,

Your Obedient Servant,

W. L. 2 March

IMPORTANT NOTE.

In view of the proposals contained in this Circular the warrants for the half-year's Debenture interest due on the 30th June will be held over until after the Debenture-holders meeting to be held on the 8th July next when their decision as to the rate of interest will be known. Interest warrants will be sent out to Debenture-holders within seven days of such meeting and will be made out at the appropriate rate according to the resolution passed at the meeting.

THE MAGADI SODA COMPANY LIMITED.

IMPERIAL CHEMICAL HOUSE,
MILLBANK,
LONDON, S.W.1.

29th June 1932.

DEAR SIR or MADAM,

**PROPOSED MODIFICATION OF THE RIGHTS OF THE
6 PER CENT. DEBENTURES ISSUED BY THE COMPANY.**

I am instructed to inform you that owing to the decline in the profits of The Magadi Soda Company Limited, and the apparent unlikelihood of any immediate improvement in the trading position, the provision of cash for the payment of Debenture interest and redemption at the rates imposed by the Trust Deed has proved, and is likely to continue to prove, an excessive strain upon the Company's cash resources.

It will be remembered that, consequent upon the rejection by the Debenture-holders of the offer made by Imperial Chemical Limited in December last, it became necessary to call up part of the uncalled capital of the Company. Of the £200,000 of capital then uncalled, £140,000 has now been called up for the purpose of paying off loans, paying the Debenture interest which fell due on 31st December 1931, and for ordinary trading purposes; and apart from requirements for Debenture interest and redemption, the Company now has sufficient cash in hand to carry on for the time being without the necessity of calling up any part of the £60,000 uncalled capital still outstanding.

To provide for the service of the Debentures, the Company has to set aside annually a cash sum of £49,079 to be applied first in the payment of 6 per cent. interest on the outstanding Debentures, and as to the balance (which increases annually as Debentures are redeemed) in the purchase on the market of Debentures for cancellation, or in the redemption of Debentures by drawings at 105 per cent. The service fund has been provided in full to 31st December 1931; and after taking credit for certain excess appropriations thereto in the years 1929, 1930 and 1931, the Company is liable to provide in cash approximately £45,000 for Debenture service in 1932 and hereafter the full sum of £49,079 annually.

Under present trading conditions, the Company is unable to earn even its Debenture interest; and by the end of 1933 at the latest, if trading conditions do not meanwhile improve, the provision of the full service fund for the Debentures will exhaust the whole of the cash available including the amounts remaining uncalled upon the share capital.

In these circumstances, some modification of these onerous terms is obviously necessary, if the Company is to be given a reasonable chance to survive the present acute and world-wide depression in trading conditions; and that such a chance should be given to the Company is in the interests of the Debenture-holders themselves, since any attempt to realise the Company's properties under present conditions would infallibly result in the Debenture-holders losing the major part of the capital represented by their Debentures.

You will therefore find enclosed hereto convening a general meeting of the Debenture-holders, to be held on the 8th day of July 1932, for considering and if thought fit passing an Extraordinary Resolution approving the following modifications of the rights of the Debenture-holders, *namely*:-

(1) For a period of five years from the 1st January 1932, the fixed rate of interest on the Debentures, payable half-yearly, as at present, on the 15th June and 15th December, to be reduced from 6 per cent. per annum to 4 per cent. per annum, the first payment of interest in respect of which the reduced rate will apply being the half-year's interest due on the 15th June 1932.

(2) The remaining 2 per cent. interest on the Debentures for such five years to be payable fully as and when and to the extent to which the profits of the Company remaining after payment of the fixed interest on the Debentures (i.e. at the rate of 4 per cent. per annum until the 15th December 1936 and thereafter at a per cent. per annum) are sufficient to provide the same, such deferred interest to be cumulative and to be paid in full either before or after the expiration of the said five years before any dividend or bonus is paid on any shares in the Company's capital. The profits of the Company for this purpose to be arrived at after allowing 2 1/2 per cent. for depreciation and obsolescence on buildings and 5 per cent. on plant and machinery in accordance with the Company's present practice, but before making any appropriations to reserves, and the certificate of the Company's Auditors for the time being as to the amount of available profits (if any) to be binding on the Company and the Debenture-holders. The interest so deferred to be paid to the Debenture-holders (to the extent to which there are profits available

THE MAGADI SODA COMPANY LIMITED.

Notice is hereby given that a meeting of the holders of the 6 per cent. Debentures of THE MAGADI SODA COMPANY LIMITED will be held at Winchester House, Old Broad Street, London, E.C.2, on Friday, the 8th day of July 1932, at 11.30 o'clock in the forenoon, for considering and, if thought fit, passing, with or without modification, the subjoined Resolution as an Extraordinary Resolution binding upon all the Debenture-holders pursuant to the provisions of the Trust Deed securing the said Debentures, *namely*:-

RESOLUTION.

"That this meeting of the holders of the Debentures of The Magadi Soda Company Limited constituted by Trust Deed dated the 2nd March 1925 and made between the Company of the one part and the Royal Exchange Assurance as Trustees of the other part hereby approves and sanctions the draft Supplemental Trust Deed submitted to this meeting and for the purposes of identification signed by the Chairman thereof and all modifications of the rights of such Debenture-holders against the Company or its property and of the provisions of the said Trust Deed expressed to be affected thereby or involved therein and authorises and directs the Trustees to enter with the Company in executing a Supplemental Trust Deed in the form of the said draft with such, if any, modifications of detail as the Trustees may approve and declares that the Supplemental Trust Deed so executed shall be binding upon all the Debenture-holders."

Dated the 20th day of June 1932.

By Order of the Board.

A. E. GAWLIN,

Secretary.

NOTE.—The draft Supplemental Trust Deed above referred to may be inspected during business hours at the Company's registered office on any day before the day of meeting.

16

to pay the same) within one month from the date on which the accounts of the Company for each year (commencing with the year 1932) are submitted to the Company in General Meeting, except that any profits or balance of profits in any year insufficient to pay $\frac{1}{4}$ per cent. interest on the Debentures will be carried forward to the next year's accounts. In addition the deferred interest will not be paid in respect of any Debentures which are redeemed by the Company while such deferred interest is still outstanding.

(3) The sums required to be set aside for the purchase or redemption of Debentures during the same period of five years from the 1st January 1932 to be also set aside only as and when and to the extent to which the profits of the Company (as above defined) remaining after prior payment thereof of the deferred interest at the rate of 2 per cent. per annum on the Debentures are sufficient to provide the same, but such annual appropriations also to be cumulative and to be provided in full either before or after the expiration of the said five years before any dividend or bonus is paid on any class of shares of the Company.

(4) The foregoing arrangements to cease and the deferred interest, so far as accrued to date, to become immediately payable, whether profits have been earned or not, should the security constituted by the Trust Deed become enforceable and steps be taken to enforce such security.

The Director desires to state that, as the result of recent negotiations, the Kenya Government has agreed in effect that for the current Concession Lease Year (ending 31st October 1932) it will claim railway freight on a minimum of 40,000 tons of soda goods, instead of on a minimum of 100,000 tons as laid down in the leases, and that it will claim royalties only on such tonnage as is actually railed. In addition, the Government has signified its willingness to review the Company's position from year to year and to consider sympathetically any proposed extension of the revised terms that may be required by the Company's then trading position, thereby indicating its willingness to give the Company every reasonable assistance in carrying on its operations.

For further information as to the position and prospects of the Company, the Debenture-holders are referred to the Reports and Accounts for 1931 and the speech made by the Chairman at the Annual General Meeting of the Company held on 26th May 1932, copies of both of which have already been circulated to the Debenture-holders.

The proposals have been submitted to your Trustees, who consider that the Debenture-holders should give them the most careful consideration, as in their opinion some such scheme is inevitable in view of the adverse circumstances in which the Company finds itself. The proposals have also been submitted to and are approved by an influential body of the Debenture-holders, and they are recommended by the Directors as being essential for the well-being of the Company.

In order to carry the proposals into effect, the requisite Resolution in the form set out in the accompanying notice of meeting must be carried by a three-fourths majority in value of the persons voting in person or by proxy at the meeting. If, therefore, you will be unable to attend the meeting personally, you are requested to complete and despatch the enclosed form of proxy, so as to reach this office not later than first post on Wednesday, the 6th July next.

By Order of the Board,

A. E. GAWLER,

Secretary.

The proposals have been submitted to your Trustees, who consider that the Debenture-holders should give them the most careful consideration, as in their opinion some such scheme is inevitable in view of the adverse circumstances in which the Company finds itself. The proposals have also been submitted to and are approved by an influential body of the Debenture-holders, and they are recommended by the Directors as being essential for the well-being of the Company.

In order to carry the proposals into effect, the requisite Resolution in the form set out in the accompanying notice of meeting must be carried by a three-fourths majority in value of the persons voting in person or by proxy at the meeting. If, therefore, you will be unable to attend the meeting personally, you are requested to complete and despatch the enclosed form of proxy, so as to reach this office not later than first post on Wednesday, the 6th July next.

By Order of the Board,

A. E. GAWLER,

Secretary.

C. O.

37 17

- Mr. Priestman 27/6
- Mr. ~~Dr. ...~~
- Mr. ~~...~~ 28/6
- Mr. Parkinson
- Mr. Tomlinson
- Sir C. Bottomley
- Sir J. Smeckburgh
- Perm. U.S. of S.
- Party. U.S. of S.
- Secretary of State

18074/32 Kenya.

Recd. 45

C. O.
28 JUN
U 29

30 June, 1932.

DRAFT. *Case*

KENYA

Conf. Sec
607

(No. 16)

Self deal
(3 copies - already owing'd)
15/6
23) receipt of sub call (paid)

Sir,

I have etc. to refer to your telegram No. 81 Confidential of the 7th of May in which you ^{agreed to} approved the proposals of the Magadi Soda Co. Ltd. as set out in their letter of the 25th ~~1932~~ for a temporary modification of the terms of their leases in Kenya.

2. I was advised that it was desirable, in order to give legal effect to the temporary arrangements abovementioned, that these arrangements should be embodied in an indenture to be executed between the Crown Agents for the

Colonies

C. O. 7

37

Mr. Priestman 2/6

Mr. ~~Dr. ...~~

Mr. ~~...~~ 28/5

Mr. ~~...~~

Mr. Tomlinson

Sir C. Hensley

Sir J. Shackburgh

Parlt. U.S. of S.

Parly. U.S. of S.

Secretary of State

18074/32 Kenya

Recd. 45

C.D.
28 JUN
U 29

30 June, 1932.

Sir,

DRAFT. C.O.

KENYA.

Capt. A
607

(No. 16)

I have etc. to refer to your telegram No. 61 Confidential of the 7th of May in which you ^{agreed to} approved the proposals of the Magadi Soda Co. Ltd. as set out in their letter of the 25th April for a temporary modification of the terms of their leases in Kenya.

Full deal
(3 copies - already sent)

28) rest of subcell (paid)

2. I was advised that it was desirable, in order to give legal effect to the temporary arrangements above-mentioned, that these arrangements should be embodied in an indenture to be executed between the Crown Agents and the Colonies

Colonies, acting on behalf of Kenya

and the Magadi Soda Company.

Steps were accordingly taken for the drafting of the necessary document by Messrs. Sutton, Curraney and Oliver and drafted the original leases in consultation with the Crown Agents and with the Legal Adviser of the Magadi Soda Co., and the agreement of the Company was obtained to their defraying the collector's charges incurred in this connection.

~~Now enclosed for your~~

~~information a copy of the draft lease~~

~~giving effect to the agreed modifications.~~

~~which was formally accepted by the~~

~~directors of the Company at a meeting~~

~~held on Thursday, the 10th of June.~~

~~lest any alteration for the~~

~~price in the soda market might upset~~

~~the agreement. I consider it~~

~~desirable to authorize the Crown Agents~~

for

Colonies, acting on behalf of Kenya,
and the Lagadi Soda Company.

3. Steps were accordingly
taken for the drafting of the necessary
document by Messrs. Sutton, ~~Osman~~ Osmani
and Oliver who drafted the original
leases in consultation with the Crown
Agents and with the Legal Adviser of
the Lagadi Soda Company and the agreement
of the Company was obtained to their
defraying the solicitors' charges incurred
in their construction.

~~Information is given~~
information a copy of the draft lease
giving effect to the agreed modifications, which ^{has} ~~has~~ ^{been} ~~been~~ ^{submitted} ~~submitted~~ ^{for} ~~for~~ ^{approval} ~~approval~~
was formally accepted by the
Directors of the Company at a meeting
held on Thursday, the 10th of June.

lest any alteration for the
scope in the spot market might affect
the arrangement, I consider it
desirable to ~~submit~~ ^{submit} the same to the Crown Agents
for

for the Colonies to proceed with
the execution of the draft Deed,
without waiting to obtain your
final consent to its terms.

6. You will, however, observe
^{the draft}
that it follows closely the terms
of the Company's letter, which were
approved in your telegram under
reference ^{to report in} above.

7. You mentioned in para. 6
of the draft Deed ^{that} ~~the~~ ^{company} ~~salt~~
as a ^{product} ~~product~~ ^{is justified by}
the correspondence terminating with
Sir J. Bath's telegram No. 150 of
the 8th of May, 1929.

8. The final clause binds the
Company to pay the Kenya Stamp Duty
only if they decide to have the
Deed registered locally, ^{but I}
understand that the English Stamp

Duty.

(No. 18 in
15565/29)

for the Colonies to proceed with the execution of the draft Deed without waiting to obtain your final consent to its terms.

& 5 You will, however, observe ^{the draft} that it follows closely the terms of the Company's letter, which were approved in your telegram under reference above.

* You mentioned in para 6 of the draft Deed ^{that} common salt ^{is} a soda product ^{is qualified by} the correspondence terminating with Sir J. Bath's telegram No. 150 of the 8th of May, 1929.

(No. 18 in 15565/29)

B. The final clause binds the Company to pay the Kenya Stamp Duty only if they decide to have the Deed registered locally, but I understand that the English Stamp Duty

Duty will be 10/- only, and I assume that any duty payable in Kenya would also be a small amount.

9. The new arrangements are, of course, purely temporary as they expire unless renewed on the 31st of October this year.

10. I take this opportunity to enclose, for your information, a copy of a letter dated the 15th of June from Mr. Marriott, without enclosures, regarding the future prospects of the Company.

(No. 33)

I have, etc.

(Sd.) P. CUNLIFFE-LISTER.

Duty will be 10/- only, and I assume that any duty payable in Kenya would also be a small amount.

9. The new arrangements are, of course, purely temporary as they expire unless renewed on the 31st of October this year.

6. I take this opportunity to enclose, for your information, a copy of a letter dated the 15th of June from Mr. Marriott, without enclosures, regarding the future prospects of the Company.

(No. 33)

I have, etc.

(Sd.) P. CUNLIFFE-LISTER.

Hugh F. Maxwell
Consulting Engineer

19

TELEPHONE 1318 SPEEDWELL,
TELEGRAMS OYHARI, LONDON.

"SPANIARDS FIELD,
WILDWOOD RISE,
N.W. 11.
(Kempston & Co. Ltd.)

15th June 1932

Minister-Secretary of State,
Parliamentary Office,
Whitehall Street,
London, W.C. 1.

1001 - FIOE

PC 4/11/32

30 JUN 1932

Copy of 11202 sent to your Comf. 30 JUN 1932

Sir,

Special Chemical Industries

I have to inform you that the Seventh Annual General Meeting of this Company was held at Brompton, 10th June, 1932, Sir Harry Underhill, B.S., Chairman of the Company and Chairman of the Special Chemical Industries, Ltd., being in the Chair.

This was the first public meeting at which all classes of shareholders were entitled to be present and the Special Chemical Industries acquired control of the Company. The various classes of shareholders had the right to take part in the proceedings by means of the Internet and as their agents and to vote in advance for a period longer than the specified time.

The Special Chemical Industries Limited also took this opportunity of placing the whole position of the Company before the shareholders and of giving them

W. & A. GOSWAMI
H. F. MARILL
W. & A. GOSWAMI
W. & A. GOSWAMI

32 33
19

TELEPHONE 1316 SPEEDWELL,
TELEGRAMS OTMARI, LONDON.

"SPANIARDS FIELD,
WILDWOOD RISE,
N.W. II.
(Hampstead, N. Lond.)

15th June 1937

The Under-Secretary of State,
Colonial Office,
Downing Street,
London, W.C.2.

RECEIVED
15 JUN 1937
COLONIAL OFFICE

PC 1747

30 JUN 1937

Sir,

Masani Soda Company.

I have to inform you that the Seventh Annual General Meeting of this Company was held on Thursday, May 26th, 1937, Sir Harry McGowan, K.B.E., Chairman of the Company and Chairman of the Imperial Chemical Industries, Ltd., being in the Chair.

The meeting was first public meeting at which all classes of shareholders were entitled to be present and the Imperial Chemical Industries acquired control of the Company. The various classes of shareholders had the right to take part in the proceedings through the proxies: use of their shares had been in arrears for a period longer than the specified time.

The Imperial Chemical Industries Limited also took this opportunity of placing the financial position of the Company before the shareholders and of giving them

Copy of report to Mr. G. H. F. Marshall & Co. Ltd.

the opportunity of showing their confidence in the I.C.I.'s method of running the business or alternatively of placing it in other hands.

This alternative was obviously out of the question to all who knew the working of the soda business.

The I.C.I., however, preferred to make their continuance of control subject to a free vote of the shareholders, in consequence of their recent experience when the Debenture-holders turned down their proposals for reorganisation of the Company's finances after having informally accepted them.

The result, as was expected, was that the majority of the I.C.I. Directors on the Legal Board were re-elected and the Board remains as previously constituted.

The Debenture-holders have now realized the position more clearly and negotiations are in progress for the modification of the onerous terms imposed on the Company under the Debenture Trust Deed, which was framed for more prosperous times.

As soon as the proposed new financial arrangements have been agreed with the more prominent Debenture-holders, a formal meeting of the Board will be called to ratify the same. I will inform you in due course of the decisions arrived at.

The generous concessions granted by the Governor of Kenya Colony, supplemented by the proposed relief in Debenture interest and redemption, should leave the Company in sufficient funds to carry on its business and so enable the operations to be continued for ~~some~~ years to come.

It has not been an easy matter to steer the various negotiations through to successful completion, but despite the general depression in trade, the outlook for the Company is now, at any rate, brighter than would have been the case had the business been concluded on the basis of the moratorium proposal adopted some months ago.

I enclose for your information copies of the Report of the Directors and Balance Sheet for the year 1931, together with copies of the Chairman's speech as issued at the Meeting and the official report of the proceedings at the Meeting issued subsequently.

I have the honour to remain,

Your obedient Servant,

W. J. Morrison

THE MAGADI SODA COMPANY, LIMITED.

Directors:

SIR HARRY MCGOWAN, K.B.E. (*Chairman*).
J. G. NICHOLSON (*Deputy Chairman*).
P. F. FLETCHER.
W. F. LUTYENS.
H. F. MARRIOTT.
D. MARSH.
C. G. SAUNDERS.

Secretary:

A. E. GAWLER.

REPORT OF THE DIRECTORS.

We present herewith the Balance Sheet as at 31st December, 1931, together with the Auditors' Report thereon, and the Profit and Loss Account for the year ended 31st December, 1931.

After providing £1,377 7s. 9d. for Obsolescence and £25,542 for Preference Interest, the Profit and Loss Account shows a loss for the year amounting to £42,213 7s. 5d., and the Directors therefore regret that dividends can be paid for the year under review.

Under its leases from the Kenya Government the Company was called upon to despatch by railway a minimum quantity of 50,000 tons of soda ash yearly from November 1st, 1926, to October 31st, 1931, and, although this obligation was met up to October 31st, 1930, there was a shortage in the year ended October 31st, 1931, of between eight and nine thousand tons. The Kenya & Uganda Railway Administration have the right to demand by way of penalty the railway freight payable on this shortage, and a sum of £8,000, representing the full amount of their claim, has been provided for in the Trading Account for the year.

In this connection the Directors remind shareholders that as and from the 1st November, 1931, the leases call for minimum despatches of 100,000 tons per year, failing which a penalty equivalent to the railway freight and royalty payable on the tonnage short despatched is incurred. The Board however are pleased to state the matter has been taken up with the Kenya Government and that an agreement temporarily modifying the Lease conditions has been arrived at in principle.

During the year it has been necessary to call up 1s. 3d. per share on the 12½ per cent. Preferred Ordinary Shares and 10s. per share on the Ordinary Shares of the Company. The calls were not actually due for payment until early in 1932 and the amounts received before the year end have therefore been shown under a new heading on the Liabilities side of the Balance Sheet.

On the Assets side of the Balance Sheet it will be observed that capital expenditure during the year amounted to only £2,484 4s. 2d.—a considerable reduction on previous years—and that stocks show a decrease of about £25,000. These savings are the direct result of the Board's policy of conserving cash resources.

The Directors regret to report that Sir Ernest K. Allen, the Director nominated by the Trustees for Debenture holders, has resigned from the Board owing to ill-health, but they are pleased to state that the Trustees, the Royal Exchange Assurance, have appointed Mr. Peveril F. Fletcher to fill this vacancy.

The Directors report that they have received the resignations, to take effect as from the 26th May, 1932, of their Chairman, Sir Harry McGowan, K.B.E., Mr. D. Marsh and Mr. C. G. Saunders, and also of Mr. J. G. Nicholson and Mr. W. F. Lutyens, who are due to retire under the Clause in the Articles of Association dealing with the rotation of Directors.

The Directors regret that Sir Harry McGowan has intimated that owing to the calls upon his time he will not seek re-election.

Mr. Nicholson, Mr. Lutyens, Mr. Marsh and Mr. Saunders, who were all nominated to the Board of your Company either by Brunner Mond & Co. Limited or by Imperial Chemical Industries Ltd., are willing to be re-elected if the shareholders at the Annual General Meeting express the desire that they shall continue in office.

The Auditors, Messrs. Price, Waterhouse & Co., retire, and, being eligible, offer themselves for re-election.

By Order of the Board

A. F. GAWLER

Secretary

IMPERIAL CHEMICAL HOUSE,

MILBANK, S.W.1.

15th May, 1932.

On the Assets side of the Balance Sheet it will be observed that capital expenditure during the year amounted to only £2,484 4s. 2d. a considerable reduction on previous years—and that stocks show a decrease of about £25,000. These savings are the direct result of the Board's policy of conserving cash resources.

The Directors regret to report that Sir Ernest K. Allen, the Director nominated by the Trustees for Debenture (1922-23), resigned from the Board owing to ill-health, but they are pleased to state that the Trustees, the London & Lancashire Assurance, have appointed Mr. Peveril F. Fletcher to fill this vacancy.

The Directors report that they have received the resignations, to take effect as from the 26th May, 1932, of their Chairman, Sir Harry McGowan, K.B.E., Mr. D. Marsh and Mr. C. G. Saunders, and also of Mr. J. G. Nicholson and Mr. W. F. Lutyens, who are due to retire under the Clause in the Articles of Association dealing with the rotation of Directors.

The Directors regret that Sir Harry McGowan has intimated that owing to the calls upon his time he will not seek re-election.

Mr. Nicholson, Mr. Lutyens, Mr. Marsh and Mr. Saunders, who were all nominated to the Board of your Company either by Brunner Mond & Co. Limited or by Imperial Chemical Industries Ltd., are being to be re-elected if the shareholders at the Annual General Meeting express the desire that they shall continue in office.

The Auditors, Messrs. Price, Waterhouse & Co., retire, and, being eligible, offer themselves for re-election.

By Order of the Board,

A. E. CAWLER,

Secretary.

IMPERIAL CHEMICAL HOUSE,

MILBANE, S.W.1.

16th May, 1932

THE MAGADI SODA COMPANY, LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31st December, 1931

23

	£	s.	d.
To Trading Loss for Year			2,857 14 11
" Head Office Salaries and Audit			3,370 5 1
" General Charges			1,420 1 2
" Directors' Fees			2,256 3 5
" Royalty on Soda Ash			3,333 0 1
" Trustees' Fees			105 0 0
" Interest			5,670 4 6
" Debenture Interest			25,542 0 0
			£44,654 18 2

	£	s.	d.
By Miscellaneous Receipts, including Rents...			2,502 8 3
" Transfer Fees			39 2 8
" Balance, being loss for the year...			42,213 7 5

BALANCE SHEET as at 31st December, 1931.

LIABILITIES.

	£	s.	d.	£	s.	d.
AUTHORIZED CAPITAL—						
250,000 6% Cumulative Preference Shares of £1 each	250,000	0	0			
1,320,000 8% Second Cumulative Preference Shares of 5s. each	330,000	0	0			
600,000 12½% Preferred Ordinary Shares of 5s. each...	150,000	0	0			
100,000 Ordinary Shares of £1 each	100,000	0	0			
	£830,000	0	0			
ISSUED CAPITAL—						
219,094 6% First Cumulative Preference Shares of £1 each, fully paid	219,094	0	0			
1,312,190 8% Second Cumulative Preference Shares of 5s. each, fully paid	328,047	10	0			
600,000 12½% Preferred Ordinary Shares of 5s. each, ls. paid	30,000	0	0			
100,000 Ordinary Shares of £1 each, 4s. paid	20,000	0	0			
AMOUNT PAID UP IN ADVANCE ON CALLS DUE ON 10TH JANUARY, 1932, AND 2ND FEBRUARY, 1932—				597,141	10	0
" of 12½% Preferred Ordinary Shares	23,066	8	9			
" in respect of Ordinary Shares	50,000	0	0			
6% MORTGAGE DEBENTURES REDEMPTIBLE 1st JANUARY, 1932 (Secured on all assets)	120,500	0	0			
" Less redeemed in 1931 during 1931	800	0	0			
DEBTS TO IMPERIAL CHEMICAL INDUSTRIES LTD.				425,700	0	0
SUNDRY CREDITORS AND PROVISION FOR DEBTORS AND CONTINGENCIES				10,104	4	10
UNPRESENTED DEBENTURE INTEREST AND DIVIDEND WARRANTS				42,910	15	10
OBSCURITY RESERVE as at 1st January, 1931				8,111	18	11
" Add amount provided during 1931, less amounts written off	48,022	1	6			
	16,300	10	4			
				£4,631	11	10

ASSETS.

	£	s.	d.	£	s.	d.
BUILDINGS, PLANT, MACHINERY, RAILWAY, ETC., IN EAST AFRICA and elsewhere—						
As at 1st January, 1931						
At cost, less amounts written off				998,277	8	6
Additions during the year at cost				2,484	4	2
Less transfers and amounts written off during year				1,000,761	12	8
FURNITURE, ROLLING STOCK, ETC.						
At cost, less amounts written off				999,894	3	6
TRADE MARKS, at cost				14,281	5	6
STOCKS OF Manufactured Products, Repairs and Constructional Materials valued by the Company's Officials...				416	16	0
SUNDRY DEBTORS, less Reserve				95,188	5	0
CASH—						
At Bankers and in hand in England and East Africa...				29,420	0	2
PRELIMINARY EXPENSES—						
At cost, less amounts written off				10,351	12	0
STAMP DUTIES ON EAST AFRICAN LEASES, at cost				6,000	0	0
PROFIT AND LOSS ACCOUNT—						
Debit balance as at 31st December, 1930, brought forward				9,480	11	0
Loss for year ended 31st December, 1931				42,213	7	5
				£1,099	19	2

Notes.—During December, 1931, the following unpaid capital was called up—

(a) On 600,000 12½% Preferred Ordinary Shares ls. 2d. per share, due 15th January, 1932 = £22,500, of which £21,436 ls. 9d. was received up to 31st December, 1931.

(b) On 100,000 Ordinary Shares 5s. one share, due 15th January, 1932, and 5s. per share due 2nd February, 1932 = £50,000, which was received by 31st December, 1931.

£1,222,495 15 2

H. MCGOWAN,
PEVERIL F. FLETCHER, } Directors.

£1,222,495 15 2

AUDITORS' REPORT.

To the Members of THE MAGADI SODA COMPANY, LIMITED.

We report that we have examined the above Balance Sheet with the books of the Company in England and with the audited Returns received from East Africa and that we have obtained all the information and explanations we have required. In our opinion the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as at 31st December, 1931, according to the best of our information and the explanations given to us and as shown by the books of the Company in England and the audited Returns from East Africa.

2, FREDERICK'S PLACE,
OLD JEWRY, LONDON, E.C.2 17th May, 1932.

PRICE, WATERHOUSE & CO.,
Chartered Accountants.

THE MAGADI SODA COMPANY, LIMITED.

PROFIT AND LOSS ACCOUNT for the year ended 31st December, 1931

To Trading Loss for Year	£	s.	d.
.. Head Office Salaries and Audit	2,857	14	11
.. General Charges	3,370	5	1
.. Directors' Fees	1,459	1	2
.. Royalty on Soda Ash	2,258	3	5
.. Trustees' Fees	3,333	9	1
.. Interest	105	0	0
.. Debenture Interest	5,870	4	6
	2,000	0	0
	<u>£44,554</u>	<u>18</u>	<u>2</u>

By Miscellaneous Receipts, including Rents	£	s.	d.
.. Transfer Fees	2,302	8	3
.. Balance, being loss for the year	39	2	6
	<u>£42,213</u>	<u>7</u>	<u>5</u>

BALANCE SHEET as at 31st December, 1931.

	£	s.	d.	£	s.	d.
AUTHORIZED CAPITAL						
250,000 8% First Cumulative Preference Shares of £1 each	250,000	0	0			
1,230,000 6% Second Cumulative Preference Shares of 5s. each	330,000	0	0			
600,000 12% Preferred Ordinary Shares of 5s. each	150,000	0	0			
100,000 Ordinary Shares of £1 each	100,000	0	0			
	<u>£830,000</u>	<u>0</u>	<u>0</u>			
ISSUED CAPITAL						
219,094 8% First Cumulative Preference Shares of £1 each, fully paid	219,094	0	0			
1,312,190 6% Second Cumulative Preference Shares of 5s. each, fully paid	328,047	10	0			
600,000 12% Preferred Ordinary Shares of 5s. each, 1s. paid	20,000	0	0			
100,000 Ordinary Shares of £1 each, 4s. paid	20,000	0	0			
	<u>£579,141</u>	<u>10</u>	<u>0</u>			
AMOUNT PAID UP IN ADVANCE OF CALLS ON 12% PREFERRED ORDINARY SHARES, 1932, AND 2ND FEBRUARY, 1932						
In respect of 12% Preferred Ordinary Shares	23,688	8	0			
In respect of Ordinary Shares	50,000	0	0			
	<u>73,688</u>	<u>8</u>	<u>0</u>			
6% MORTGAGE DEBENTURES REDEMABLE 1ST JANUARY, 1945, at 105% (Secured on all assets)						
Less redeemed by purchase during 1931	426,500	0	0			
	<u>800</u>	<u>0</u>	<u>0</u>			
	<u>£425,700</u>	<u>0</u>	<u>0</u>			
AMOUNT DUE TO IMPERIAL CHEMICAL INDUSTRIES LTD.				10,104	4	10
SUNDY CREDITORS AND PROVISION FOR TAXATION AND CONTINGENCIES				43,910	16	10
UNREPRESENTED DEBENTURE INTEREST AND UNPAID WARRANTS				8,111	13	11
OBSCURE RESERVE (see note 1) at 31st Dec. 1931	48,022	1	6			
Add amount provided during 1931, less amounts written off	16,309	10	4			
	<u>64,331</u>	<u>11</u>	<u>10</u>			
	<u>£1,222,495</u>	<u>5</u>	<u>2</u>			

	£	s.	d.	£	s.	d.
BUILDINGS, PLANT, MACHINERY, RAILWAY, ETC., IN EAST AFRICA and elsewhere						
As at 1st January, 1931	998,277	8	6			
Less amounts written off	2,484	4	2			
Additions during the year at cost	1,000,761	12	8			
Less transfers and amounts written off during year	867	9	3			
	<u>999,694</u>	<u>3</u>	<u>6</u>			
FURNITURE, ROLLING STOCK, ETC.						
At cost, less amounts written off	14,261	5	6			
TRADE MARKS, at cost	415	16	0			
STOCKS OF MANUFACTURED PRODUCTS, REPAIRS AND CONSTRUCTIONAL MATERIALS, AS VALUED BY THE COMPANY'S OFFICIALS	95,168	5	2			
SUNDRY DEBTORS, less Reserve	22,430	9	4			
CASH						
At Bankers and in hand in England and elsewhere	10,351	12	0			
PREPAID TAXES						
At cost, less amounts written off	6,000	0	0			
STAMP DUTY ON EAST AFRICAN LEASES, at cost	13,283	14	0			
PROFIT AND LOSS ACCOUNT						
Debit balance as at 31st Dec. 1930, brought forward	9,486	11	0			
As for year to 31st December, 1931	42,213	7	5			
	<u>51,699</u>	<u>18</u>	<u>5</u>			

H. MCGOWAN,
PERVERIL F. FLETCHER, } Directors.

AUDITORS' REPORT

To the Members of THE MAGADI SODA COMPANY, LIMITED.

We report that we have examined the above Balance Sheet with the books of the Company in England and with the audited Returns received from East Africa and that we have obtained all the information and explanations we have required. In our opinion the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as at 31st December, 1931, according to the best of our information and the explanations given to us and as shown by the books of the Company in England and the audited Returns from East Africa.

3, FREDERICK'S PLACE,
OLD NEWY, LONDON, E.C.2. 17th May, 1932.

PRICE, WATERHOUSE & CO.,
Chartered Accountants, Auditors.

£1,222,495 5 2

**THE MAGADI SODA
COMPANY, LIMITED.**

IMPERIAL CHEMICAL HOUSE,
MILBANK, LONDON, S.W.1.

REPORT OF THE DIRECTORS

AND

Balance Sheet

AND

Accounts

FOR THE YEAR ENDED 31st December, 1931.

**THE MAGADI SODA
COMPANY, LIMITED.**

LOVELL CHEMICAL HOUSE,
MILBANK, LONDON, S.W.1.

REPORT OF THE DIRECTORS

AND

Balance Sheet

AND

Accounts

For the year ended 31st December, 1931.

24

THE MAGADI SODA COMPANY
LIMITED.

SEVENTH ANNUAL
GENERAL MEETING

Thursday, May 26th, 1952.

SIR HARRY McGOWAN, K.P.E.,
Chairman.

CHAIRMAN'S SPEECH

25

THE MAGADI SODA COMPANY LIMITED

Chairman's Speech

LADIES AND GENTLEMEN,

This year for the first time since the Statutory Meeting held in 1925, we have a General Meeting of the Company which is representative of all classes of shareholders and it is perhaps hardly necessary to remind you that this is because the 1st and 2nd Preference shareholders have acquired the right of attendance by reason of the fact that their dividends are now more than six months in arrears.

The presence of many of you here today, therefore, has of necessity been brought about by circumstances which can hardly be agreeable to you, but my colleagues and I nevertheless welcome this opportunity of meeting you and explaining to you the very difficult conditions in which your Company is now operating. I need accordingly make no apology for giving you a detailed exposition of the situation in which we find ourselves at the present time.

I will first ~~make~~ briefly to the history of the Company to the extent of reminding you that your Company was formed at the end of 1924 in order to take over the business of the former Company of the same name which was then in compulsory liquidation. The old Company was not in any way connected with Brunner Mond & Co. Ltd., and it failed after a chequered existence of some twelve years.

The reconstruction scheme which eventually resulted in the formation of your Company was, as you know, sponsored by Brunner Mond & Co. Ltd., and I believe I am correct in saying that it was preferred both by the shareholders and by the creditors to an alternative scheme, simply because it meant future co-operation with a strong ally instead of competition. The management of your Company was vested in Brunner Mond & Co. Ltd., who agreed to work the Magadi concessions to the best economic capacity, and they also agreed to subscribe for all the Ordinary Shares in your Company and for any balance of the Preferred Ordinary Shares not taken up by the Second Preference shareholders. The total obligation of Brunner Mond & Co. Ltd. on these two accounts amounted to about £192,500.

26

At the same time new leases for the Magadi concessions were granted to your Company by the Kenya Government, which, in addition to imposing a general obligation to work to the best economic capacity, stipulated a minimum output of 50,000 tons for each of the years 1920-1931 and 100,000 tons per annum thereafter with penalties (amounting to about 20s. per ton) for any default on these minima.

On taking over the management from the Liquidator early in 1925, Brunner Mond & Co. Ltd. decided that pending further investigation into possible improvements the then existing process should be carried on for the time being. As however this was a purely mechanical process, which, owing to the impurities in the raw material, turned out a grade of soda ash which was inferior to that manufactured synthetically, it was realised that the market for such a grade of soda might eventually be limited, and that only by improving the quality (which was at that time regarded as technically and economically feasible) would it be possible to ensure the sale of 100,000 tons per annum, the ultimate minimum prescribed by the Leases.

Consequently Brunner Mond's technical resources were mobilised to tackle the problem of purification, and continuous research has been carried on at ever-increasing expense to that Company.

Meanwhile by means of very vigorous marketing it was found possible to sell sufficient of the existing product to meet the lower (50,000 tons) commitment under the leases. This was done principally through the overseas marketing companies of Brunner Mond & Co. Ltd. with little sacrifice to Brunner Mond's own output, and resulted in the establishment of regular markets for Magadi Soda in Japan, China, India, Australia and South America.

During the years 1925 to 1928 deliveries increased until in the latter year they reached a figure of over 20,000 tons. Since then there has been a continual decline and in 1931 the tonnage sold was under 44,000 tons.

As I told the shareholders last year, the decline, although to some extent accounted for by a general contraction in all markets, is principally due to decreased sales in Japan, your Company's biggest consumer, owing to the growth of local manufacture. The Japanese makers have rapidly increased their productive capacity to 80 per cent. or more of their own domestic requirements whereas formerly this percentage was for many years well below 30 per cent., and the resulting disability to your own undertaking was hardly to be over-estimated. Indeed, it is only by accepting extremely low prices that your Company has been able to maintain its existing tonnage in that country.

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This position, though serious enough in any circumstances, would not, however, have been the decisive factor in your Company's prosperity that it has in fact become, had it been possible by means of an improved process at Magadi to produce a more readily marketable soda. By the research work referred to the chemical and physical data bearing upon the Magadi problem were reduced to very simple elements, but the closest examination of these factors in the light of practical manufacturing experience and of existing knowledge has failed to show any purification process which is economically feasible when regard is had to the capital and production costs involved. Consequently although some improvements have been made, the process and product are still substantially the same to-day as they were in 1925.

The first effect of these developments was to indicate to your Directors that the attainment of 100,000 tons annual output by 1932 was a practical impossibility and towards the end of 1930 steps were taken to approach the Kenya Government for a remission or modification of this tonnage obligation. These were the negotiations to which I referred in my last year's speech but they unfortunately fell through.

In these circumstances it became clear that if the Leases were to be strictly enforced the situation was serious and the only course open to your Board was to notify the Kenya Government that your Company would be unable to comply with its contractual obligations as regards output tonnage in the immediate future. Following this notification, further negotiations were opened up which eventually resulted in the Kenya Government tentatively agreeing to a complete moratorium on output at Magadi in exchange for a guaranteed payment by Imperial Chemical Industries Ltd. in lieu of rent and royalties, of £10,000 per annum over a period of years.

This brings me to the matter which many of you have probably already seen referred to in newspaper reports, namely, an offer by Imperial Chemical Industries Ltd. of a compromise of the rights of the Magadi Debenture Holders. This offer was made possible by the agreement arrived at with the Kenya Government and by the following considerations.

It is a fact that the soda manufactured by Imperial Chemical Industries Ltd. is a better commercial product and costs less to produce than Magadi soda. Consequently, it is obvious that if the Magadi works were to cease production and the Magadi tonnage were transferred to English works there would be a manufacturing advantage to Imperial Chemical Industries Ltd. I will be quite frank with you and say further that Imperial Chemical Industries Ltd. recognised that the retention of the Magadi undertaking under its control would yield an additional safeguard; not because Magadi was to be feared

as a competitor, but because even a possibility of a further disturbance of markets was worth guarding against in present world conditions. When therefore it was seen that your Company's prospects were so precarious, the idea suggested itself to Imperial Chemical Industries Ltd. that some scheme might be devised to make this position serve the interests of all concerned.

After examining all the factors involved, including the contingency of further substantial restrictions of the Magadi markets, and the obligations to be entered into with the Kenya Government, Imperial Chemical Industries Ltd. worked out a scheme for acquiring all the outstanding interests in your company, which seemed to offer the Debenture holders and shareholders a prospect of saving some part at least of the investment which, so far as could be seen, they might lose entirely if their Company was allowed to carry on in such unpromising circumstances.

The position and prospects of your Company made it obvious that any offer by Imperial Chemical Industries Ltd. to the Debenture holders and shareholders could only be made at a heavy discount, and, in view of their prior position, the Debenture holders were the first to be approached. In their case Imperial Chemical Industries Ltd. offered 40 £1 7 per cent. Cumulative Preference shares of Imperial Chemical Industries Ltd. in exchange for each £100 (nominal) of Debentures, and the meeting to consider this offer was held on December 10th, 1941. In the opinion of your Board these terms were fair and equitable and I am in a position to say that had this scheme been accepted by the Debenture holders it would have been followed by an offer from Imperial Chemical Industries Ltd. to the shareholders.

Unfortunately some opposition developed and this was organised in such a way that the necessary resolution was defeated even before the proceedings had commenced, and in the circumstances the offer was withdrawn and the whole scheme abandoned.

I have already referred to the special marketing facilities which Brunner Mond & Company, and subsequently Imperial Chemical Industries Ltd. extended to your Company, and, in addition, your Company was indebted to Imperial Chemical Industries Ltd. in a large sum of money in respect of advances made to them by way of loan. As a result of the rejection by the Debenture holders of the offer made to them, Imperial Chemical Industries Ltd. considered it incumbent upon them to modify these marketing facilities in so far as they involved Imperial Chemical Industries Ltd. in any loss, and to call in their loans, which they accordingly did.

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In order to pay off these loans and to provide working capital it became necessary to make calls on the uncalled capital, and at the end of 1931 two calls of 5s. each were made on the Ordinary Shares and one call of 1s. 3d. per share on the Preferred Ordinary Shares.

I will refer again to this matter of calls when dealing with the accounts in detail, but before passing on from the subject of Imperial Chemical Industries relations with your Company I should like to place on record that your Directors are wholly satisfied that, in the first instance, Brunner Mond & Company and subsequently Imperial Chemical Industries Ltd., after its formation, have more than discharged, both in spirit and letter, such obligations as Brunner Mond & Company may have undertaken under the Scheme of Arrangement of 1924 when your Company was incorporated.

To revert to the position consequent upon the rejection by the Debenture holders of the offer made to them, your Directors considered that the only course open was to continue to carry on your Company as far as practicable on existing lines and to open up further negotiations with the Kenya Government for a modification of the terms of the Leases.

I am pleased to be able to inform you that an agreement has now been arrived at in which whereby in effect the minimum tonnage for the current lease year temporarily been reduced from 100,000 tons to 40,000 tons. In addition, the Kenya Government have intimated that they are prepared to review and consider sympathetically the Company's position from year to year.

You will see therefore that the heavy penalties payable under the original lease provisions have for all practical purposes been remitted for the time being, and I think that, bearing in mind the minimum needs of the Kenya Uganda Railway Administration for keeping the Magadi Branch Line open, the Government have met us generously and have thus given an earnest of their desire to help the Company as much as possible.

An influential group of the Debenture holders is now considering a proposal to ease the burden of Debenture redemption and interest, which if agreed to at a meeting shortly to be convened, should further assist in conserving our Cash resources. Finally, the further economies in operating costs to which I alluded last year are now being realised, and these may be added to by further retrenchment which is in course of being carried out.

You will observe, therefore, that everything that is humanly possible is being done to keep your enterprise in active shape but in spite of this I cannot conceal from you my own opinion that these times are critical indeed, and that even all these endeavours will not adequately compensate for the loss to be expected in Japan or for the failure to find an economic punctuation process.

I will now deal with the Balance Sheet and Accounts for the year ended December 31st, 1931:

On the *Liabilities* side of the Balance Sheets I invite your special attention to the following:

(1) *Amount paid up in respect of calls*—This item represents the amount received in advance in December, 1931, on account of our call of 12 1/2 sh. on the Preferred Ordinary shares and two calls of 5 sh. each on the Ordinary shares, all of which sums were not actually due for payment until early in 1932. Practically all of the amount here shown represents payments in advance by Imperial Chemical Industries Ltd. as holders of all the Ordinary Shares and about 62 per cent. of the Preferred Ordinary shares, such payments in advance having been made in order to assist in clearing off your Company's loan balances as quickly as possible and to provide sufficient additional cash to meet the Debenture interest due on December 31st and for ordinary trading requirements.

There was ~~also~~ retained as at December 31st a sum of £122,500 uncalled on these two classes of shares of which the proportion due from Imperial Chemical Industries Ltd. was about 70 per cent. and further calls upon this outstanding balance have been and will be made as occasion requires.

(2) *Debentures Redemption*—The small amount redeemed represents the last purchase under the Board's policy (which was discontinued early in 1931) of purchasing as many debentures as possible at or below the then current market rate. As the result of this policy sufficient debentures were purchased to cover the requirements of the annual redemption cash quota for a little over twelve months ahead.

(3) *Amount due to Imperial Chemical Industries Ltd.*—The amount shown of £1,004,481 10s. is the balance outstanding at 31st December last, and this was wiped out very early in the present year.

(4) *Contingencies Reserve*—The sum provided is in accordance with our usual scale of 2 1/2 per cent. on buildings and about 5 per cent. for plant and machinery, and I should like to take an opportunity here of dealing with a criticism voiced at the recent Debenture holders' meeting, namely that an Obsolescence Reserve is unnecessary concurrently with

a redemption of Debentures. Careful consideration shows that these two factors bear very little practical relation to one another. An Obsolescence fund should be built up from reserves set aside out of profits and should be represented by cash or other resources, out of which the Company can renew buildings and plant that become worn out or obsolete. Debenture redemption on the other hand means a depletion of the Company's cash resources by using them to repay part of a mortgage debt. A company spends cash on redeeming debentures, but accumulates cash or its equivalent to establish an obsolescence fund.

On the *Assets* side there is little of special note except the fact that stocks of goods and materials have been reduced in value by £25,000 representing the results of our endeavour to conserve the Company's cash resources by keeping stocks as low as possible.

Turning now to the Profit and Loss Account, I would ask you to observe firstly that we show a trading loss for the year of £2,857 14s. 11d. as compared with a trading profit in 1930 of £23,016 8s. 4d. and as the tonnage sold in both years is much about the same this calls for some further explanation. Let me say therefore that the great bulk of this difference is made up of the two following items

- (a) By lower realisations ... £14,000 approx
- (b) By Penalties for short delivery ... £ 8,000

The lower realisation is entirely due to market conditions, while the penalty of £8,000 is the sum for which we are liable to the Kenya Government on account of salvage and royalty on the tonnage short despatched for the last year ended October 31st, 1931. You have already been told that up to that date the leases of the Company's concessions specify a minimum output of 50,000 tons per annum and 100,000 tons per annum thereafter or penalties in default. Owing to general trading conditions we have thus made default on our last 50,000 tons minimum of something like 8,500 tons and the penalty thus incurred has now been paid.

Last year I referred to the economies which were being put into force and I am pleased to inform you that the actual costs of production have shown a substantial reduction, but in the present accounts this benefit has been discounted by the comparatively high opening stock valuations, and by special expenditure which is inseparable from re-organisation.

I will conclude my remarks on the Accounts by drawing your attention to the fact that the Head Office expenses, and Directors' fees amount to £5,500, which

represents the ~~to~~ charge to your Company for its Head Office administration, including the services of your Directors, the secretarial, administrative and registration staffs, with the necessary office accommodation, and technical and other expert services.

The smallness of this figure is due to the fact that the majority of these services is at present provided by Imperial Chemical Industries Ltd., free of cost to your Company.

That, Ladies and Gentlemen, completes my survey of the accounts, and I regret that in present conditions the position which they disclose is far from reassuring.

As I told you earlier, I personally believe that future prospects are as unpromising as they well can be, for the reason that the world of your Company's affairs has undergone a fundamental and, in some respects, an irrevocable change. Markets have not merely been temporarily depressed; they are in some cases disappearing altogether, while in Japan the realisable price is to-day lower than it was in 1923/4 when the former Company went into liquidation. On the other hand, no further substantial economy in manufacture can be looked for, and there is little doubt that the concessions now made by the Kenya Government will be insufficient to bridge any further gap between cost and realisation.

It therefore follows that only a very considerable improvement in price and expansion of markets can restore your Company reasonable security, and the prospect of an eventuality are so problematical as to make any attempt at prophecy nothing less than pure speculation. My colleagues and I, therefore, cannot at the present time, urge you to do more than accept my assurance that everything possible has been and will be done by them to further your Company's interests.

At the present time the control of your Company is for all practical purposes vested in Imperial Chemical Industries Ltd., as the successors of Brunner Mond & Co., Ltd., and your Directors, with the exception of Mr. Marriott and Mr. Fletcher, who represent the Governor of Kenya and the Trustees for the Debenture holders respectively, are all elected on the nomination of Imperial Chemical Industries Ltd.

This arrangement conforms to the conditions laid down in the Scheme of Arrangement which governed the constitution of your Company, but I, and those of my colleagues on the Board who have been nominated by Imperial Chemical Industries Ltd. now feel that in view of the present position of your Company the time has arrived when the general body of shareholders, other than Imperial Chemical Industries Ltd., should be put in the position of either passing a vote of confidence in the existing Board or of being free to elect their own nominees.

As you know, Imperial Chemical Industries Ltd. is the largest individual shareholder in your Company, but it is in a minority opposite the general body of shareholders where voting rights are concerned. In view, however, of the possibility that there may not be a sufficient number of the general body of shareholders present to-day to constitute a majority as against Imperial Chemical Industries Ltd., I have received an intimation from Imperial Chemical Industries that they do not propose to vote on the question of the reconstitution of your Board. As you will have seen from the Directors' Report already in your hands, all your Directors who have been elected to the Board on the nomination of Brunner Mond & Co. Ltd. or of Imperial Chemical Industries Ltd. have tendered their resignations with effect as from to-day's date, with the object of leaving the decision as to their re-election or otherwise in the hands of the general body of shareholders.

As far as I personally am concerned my ever-increasing responsibilities and the calls upon my time as Chairman of Imperial Chemical Industries will make it impossible for me to give the detailed attention to your business that it is a Chairman's duty to give; and I cannot therefore see my way to offer myself for re-election. As regards the other Directors nominated by Imperial Chemical Industries Ltd., they are prepared to resume office if the shareholders wish them to do so.

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THE MAGADI SODA COMPANY
LIMITED.

PROCEEDINGS

AT THE

SEVENTH ANNUAL
GENERAL MEETING

Thursday, May 26th, 1932.

SIR HARRY MCGOWAN, K.B.E.,
Chairman.

THE MAGADI SODA COMPANY LIMITED

The Seventh Annual General Meeting of The Magadi Soda Company Limited was held on Thursday, May 26th, 1932, at the Caxton Hall, Westminster, London, S.W. 1, the Chairman, Sir HARRY MCGOWAN, K.B.E., presiding.

The Secretary having read the notice convening the meeting and the Auditors' Report, THE CHAIRMAN addressed the meeting and said :—

"This year for the first time since the Statutory Meeting held in 1925, we have a General Meeting of the Company which is representative of all classes of shareholders: and it is perhaps hardly necessary to remind you that this is because the 1st and 2nd Preference shareholders have acquired the right of attendance by reason of the fact that their dividends are now more than six months in arrears.

The presence of many of you here to-day, therefore, has of necessity been brought about by circumstances which can hardly be agreeable to you, but my colleagues and I nevertheless welcome this opportunity of meeting you and explaining to you the very difficult conditions in which your Company is now operating. I need accordingly make no apology for giving you a detailed exposition of the situation in which we find ourselves at the present time.

I will first allude briefly to the history of the Company with a view to reminding you that your Company was formed at the end of 1924 in order to take over the business of the former Company of the same name which was then in compulsory liquidation. The old Company was not in any way connected with Brunner Mond & Co. Ltd., and it failed after a chequered existence of some twelve years.

The reconstruction scheme which eventually resulted in the formation of your Company was, as you know, sponsored by Brunner Mond & Co. Ltd., and I believe I am correct in saying that it was preferred both by the shareholders and by the creditors to an alternative scheme, simply because it meant future co-operation with a strong ally instead of competition. The management of your Company was vested in Brunner Mond & Co. Ltd., who agreed to work the Magadi concessions to the best economic capacity, and they also agreed to subscribe for all the Ordinary Shares in your Company and for any balance of the Preferred Ordinary Shares not taken up by the Second Preference shareholders. The total obligation of Brunner Mond & Co. Ltd. on these two accounts amounted to about £192,500.

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On taking over the management from the Liquidator early in 1925, Brunner Mond & Co. Ltd decided that pending further investigation into possible improvements, the then existing process should be carried on for the time being. As, however, this was a purely mechanical process, which owing to the impurities in the raw material, turned out a grade of soda ash which was inferior to that manufactured synthetically, it was realised that the market for such a grade of soda might eventually be limited, and that only by improving the quality (which was at that time regarded as technically and economically feasible) would it be possible to ensure the sale of 100,000 tons per annum, i.e., the ultimate minimum prescribed by the Leases.

Consequently Brunner Mond's technical resources were mobilised to tackle the problem of purification, and continuous research has been carried on at ever-increasing expense to that Company.

Meanwhile by means of very vigorous marketing it was found possible to sell sufficient of the existing product to meet the lower (50,000 tons) commitment under the Leases. This was done principally through the various marketing companies of Brunner Mond & Co. Ltd., at no little sacrifice to Brunner Mond's own output, and resulted in the establishment of regular markets for Magadi Soda in Japan, China, India, Australia and South America.

During the years 1925 to 1928, sales increased until in the latter year they reached a figure of over 78,000 tons. Since then there has been a continual decline and in 1934 the tonnage sold was under 50,000 tons.

As I told the shareholders last year, the decline, although to some extent accounted for by a general contraction in all markets, is principally due to decreased sales in Japan, your Company's biggest consumer; owing to the growth of local manufacture. The Japanese makers have rapidly increased their productive capacity to 80 per cent. or more of their own domestic requirements whereas formerly this percentage was for many years well below 50 per cent., and the resulting disability to your own undertaking can hardly be over-estimated. Indeed, it is only by accepting extremely low prices that your Company has been able to maintain its existing tonnage in that country.

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The first effect of these developments was to indicate to your Directors that the attainment of 100,000 tons annual output by 1932 was a practical impossibility, and towards the end of 1930 steps were taken to approach the Kenya Government for a revision or modification of this tonnage obligation. These were the negotiations to which I referred in my last year's speech but they unfortunately fell through.

In these circumstances it became clear that if the Leases were to be strictly enforced the situation was serious and the only course open to your Board was to notify the Kenya Government that your Company would be unable to comply with its contractual obligations as regards output (tonnage) in the immediate future. Following this notification, further negotiations were opened up which eventually resulted in the Kenya Government tentatively agreeing to a complete moratorium on output at Magadi in exchange for a guaranteed payment by Imperial Chemical Industries Ltd. of £10,000 per annum over a period of years.

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In these circumstances it became clear that the Leases were to be strictly enforced and that the situation was serious and the only course open to your Board was to notify the Kenya Government that your Company would be unable to comply with its contractual obligations as regards output tonnage in the immediate future. During this notification, further negotiations were opened up which eventually resulted in the Kenya Government tentatively agreeing to a complete moratorium on output at Magadi in exchange for a guaranteed payment by Imperial Chemical Industries Ltd., in lieu of rent and royalty of 10,000 per annum over a period of years.

This brings me to the matter which many of you have probably already seen referred to in newspaper reports, namely, an offer by Imperial Chemical Industries Ltd. of a compromise of the rights of the Magadi Debenture Holders. This offer was made possible by the agreement arrived at with the Kenya Government and by the following considerations.

It is a fact that the soda manufactured by Imperial Chemical Industries Ltd. is a better commercial product and costs less to produce than Magadi soda. Consequently, it is obvious that if the Magadi works were to cease production and the Magadi tonnage were transferred to English works there would be a manufacturing advantage to Imperial Chemical Industries Ltd. I will be quite frank with you and say further that Imperial Chemical Industries Ltd. recognised that the retention of the Magadi undertaking under its control would yield an additional safeguard; not because Magadi was to be feared

as a competitor, but because even a possibility of a further disturbance of markets was worth guarding against in present world conditions. When therefore it was seen that your Company's prospects were so precarious, the idea suggested itself to Imperial Chemical Industries Ltd. that some scheme might be devised to make this position serve the interests of all concerned.

After examining all the factors involved, including the contingency of further substantial restrictions of the Magadi markets, and the obligations to be entered into with the Kenya Government, Imperial Chemical Industries Ltd. worked out a scheme for acquiring all the outstanding interests in your company, which seemed to offer the Debenture holders and shareholders a prospect of saving some part at least of the investment which, so far as could be seen, they might lose entirely if their Company was allowed to carry on in such unpromising circumstances.

The position and prospects of your Company made it obvious that any offer by Imperial Chemical Industries Ltd. to the Debenture holders and shareholders could only be made at a heavy discount, and, in view of their prior position, the Debenture holders were the first to be approached. In their case Imperial Chemical Industries Ltd. offered 40 £1 7 per cent Cumulative Preference shares of Imperial Chemical Industries Ltd. in exchange for each £100 (nominal) of Debentures, and the meeting to consider this offer was held on December 10th, 1931. In the opinion of your Board these terms were fair and equitable and I am in a position to say that had this scheme been accepted by Debenture holders it would have been followed by an offer from Imperial Chemical Industries Ltd. to the shareholders.

Unfortunately some opposition developed and this was organised in a way that the necessary resolution was defeated even before the proceedings had commenced and in the circumstances the offer was withdrawn and the whole scheme abandoned.

I have already referred to the special marketing facilities which Brunner Mond & Company and subsequently Imperial Chemical Industries Ltd. extended to your Company, and, in addition, your Company was indebted to Imperial Chemical Industries Ltd. in a large sum of money in respect of advances made to them by way of loan. As a result of the rejection by the Debenture holders of the offer made to them Imperial Chemical Industries Ltd. considered it incumbent upon them to modify these marketing facilities in so far as they involved Imperial Chemical Industries Ltd. in any loss, and to call in their loans, which they accordingly did.

In order to pay off these loans and to provide working capital it became necessary to make calls on the uncalled capital, and at the end of 1931 two calls of 5s. each were made on the Ordinary Shares and one call of 1s. 3d. per share on the Preferred Ordinary Shares.

I will refer again to this matter of calls when dealing with the accounts in detail, but before passing on from the subject of Imperial Chemical Industries relations with your Company I should like to place on record that your Directors are wholly satisfied that, in the first instance, Brunner Mond & Company and subsequently Imperial Chemical Industries Ltd., after its formation, have more than discharged, both in spirit and letter, such obligations as Brunner Mond & Company may have undertaken under the Scheme of Arrangement of 1924 when your Company was incorporated.

To revert to the position consequent upon the rejection by the Debenture holders of the offer made to them, your Directors considered that the only course open was to continue to carry on your Company as far as practicable on existing lines and to open up further negotiations with the Kenya Government for a modification of the terms of the Leases.

I am pleased to be able to inform you that an agreement has now been arrived at in principle, whereby in effect the minimum tonnage for the current year has temporarily been reduced from 100,000 tons to 40,000 tons. In addition, the Kenya Government have intimated that they are prepared to review and consider sympathetically the Company's position from year to year.

You will see therefore that the heavy penalties payable under the original lease provisions have for all practical purposes been remitted for the time being, and I think that, bearing in mind the minimum needs of the Kenya Uganda Railway Administration for keeping the Magadi Branch Line open, the Government have met us generously and have thus given an earnest of their desire to help the Company as much as possible.

An influential group of the Debenture holders is now considering a proposal to ease the burden of Debenture redemption and interest, which if agreed to at a meeting shortly to be convened, should further assist in conserving our Cash resources. Finally, the further economies in operating costs to which I alluded last year are now being realised, and these may be added to by further retrenchment which is in course of being carried out.

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An influential group of the Debenture holders is now considering a proposal to ease the burden of Debenture redemption and interest, which if agreed to at a meeting shortly to be convened, should further assist in conserving our Cash resources. Finally, the further economies in operating costs to which I alluded last year are now being realised, and these may be added to by further retrenchment which is in course of being carried out.

You will observe, therefore, that everything that is humanly possible is being done to keep your enterprise in active shape, but in spite of this I cannot conceal from you my own opinion that these times are critical indeed, and that even all these endeavours will not adequately compensate for the loss to be expected in Japan or for the failure to find an economic purification process.

I will now deal with the Balance Sheet and Accounts for the year ended December 31st, 1931.

On the *Liabilities* side of the Balance Sheets I invite your special attention to the following:—

(a) *Amount paid up in respect of calls.*—This item represents the amount received in advance in December, 1931, on account of one call of 1s. 3d. on the Preferred Ordinary shares and two calls of 5s. each on Ordinary shares, all of which sums were not actually due for payment until early in 1932. Practically all of the amount here shown represents payments in advance by Imperial Chemical Industries Ltd. as holders of all the Ordinary Shares and about 61 per cent. of the Preferred Ordinary shares, such payments in advance having been made in order to assist in clearing off your Company's loan balances as quickly as possible and to provide sufficient additional cash to meet the Debenture interest due on December 31st and for ordinary trading requirements.

There still remained as at December 31st a sum of £122,500 uncalled on these two classes of shares of which the proportion due from Imperial Chemical Industries Ltd. was about £81,000, and further calls upon this outstanding balance have been and will be made as occasion requires.

(b) *Debenture Redemption.*—The small amount redeemed represents the last purchase under the Board's policy (which was discontinued early in 1931) of purchasing as many Debentures as possible at or below the then current market rate. As the result of this policy sufficient Debentures were purchased to cover the requirements of the annual redemption cash quota for a little over twelve months ahead.

(c) *Amount due to Imperial Chemical Industries Ltd.*—The amount shown of £10,104 4s. 10d. is the balance outstanding at 31st December last, and this was wiped out very early in the present year.

(d) *Obsolescence Reserve.*—The sum provided is in accordance with our usual scale of 2½ per cent. on buildings and about 5 per cent. for plant and machinery, and I should like to take an opportunity here of dealing with a criticism voiced at the recent Debenture holders' meeting, namely that an Obsolescence Reserve is unnecessary concurrently with

a redemption of Debentures. Careful consideration shows that these two factors bear very little practical relation to one another. An Obsolescence fund should be built up from reserves set aside out of profits and should be represented by cash or other resources out of which the Company can renew buildings and plant that become worn out or obsolete. Debenture redemption on the other hand means a depletion of the Company's cash resources by using them to repay part of a mortgage debt. A company spends cash on redeeming debentures, but accumulates cash or its equivalent to establish an obsolescence fund.

On the *Assets* side there is little of special note except the fact that stocks of goods and materials have been reduced in value by £25,000 representing the results of our endeavour to conserve the Company's cash resources by keeping stocks as low as possible.

Turning now to the Profit and Loss Account, I would ask you to observe firstly that we show a trading loss for the year of £2,857 14s. 11d. as compared with a trading profit in 1930 of £23,016 £s. 4d. and as the tonnage sold in both years is much about the same this calls for some further explanation. Let me say therefore that the great bulk of this difference is made up of the two following items:

(a) By lower realisations	£14,000 approx.
(b) By Penalties for short delivery	£ 8,000

The lower realisation is entirely due to market conditions, while the penalty of £8,000 is the sum for which we are liable to the Kenya Government on account of railage and royalty on the tonnage short despatched for the lease year ended October 31st, 1931. You have already been told that up to that date the Leases of the Company's concessions specify a minimum output of 50,000 tons per annum and 100,000 tons per annum thereafter or penalties in default. Owing to general trading conditions we have thus made default on our last 50,000 tons minimum of something like 8,500 tons and the penalty thus incurred has now been paid.

Last year I referred to the economies which were being put into force and I am pleased to inform you that the actual costs of production have shown a substantial reduction, but in the present accounts this benefit has been discounted by the comparatively high opening stock valuations, and by special expenditure which is inseparable from re-organisation.

I will conclude my remarks on the Accounts by drawing your attention to the fact that the Head Office expenses, and Directors' fees amount to £3,656, which

You will observe, therefore, that everything that is humanly possible is being done to keep your enterprise in active shape, but in spite of this I cannot conceal from you my own opinion that these times are critical indeed, and that even all these endeavours will not adequately compensate for the loss to be expected in Japan or for the failure to find an economic purification process.

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There still remained as at December 31st a sum of £112,500 unpaid on these two classes of shares of which the proportion due from Imperial Chemical Industries Ltd. was about £81,000, and further calls upon this outstanding balance have been and will be made as occasion requires.

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a redemption of Debentures. Careful consideration shows that these two factors bear very little practical relation to one another. An Obsolescence fund should be built up from reserves set aside out of profits and should be represented by cash or other resources out of which the Company can renew buildings and plant that become worn out or obsolete. Debenture redemption on the other hand means a depletion of the Company's cash resources by using them to repay part of a mortgage debt. A company spends cash on redeeming debentures, but accumulates cash or its equivalent to establish an obsolescence fund.

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The lower realisation is entirely due to market conditions, while the penalty of £8,000 is the sum for which we are liable to the Kenya Government on account of railway tonnage charges despatched for the lease year ended October 31st, 1931. You have already been told the up to that date the Leases of the Company's concessions specify a minimum output of 50,000 tons per annum and 100,000 tons per annum thereafter or penalties in default. Owing to general trading conditions we have thus made default on our last 50,000 tons minimum of something like 8,500 tons and the penalty thus incurred has now been paid.

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I will conclude my remarks on the Accounts by drawing your attention to the fact that the Head Office expenses, and Directors' fees amount to £5,000, which

represents the total charge to your Company for its Head Office administration, including the services of your Directors, secretarial, administrative and registration staffs, with the necessary office accommodation, and technical and other expert services.

The smallness of this figure is due to the fact that the majority of these services is at present provided by Imperial Chemical Industries Ltd., free of cost to your Company.

That, Ladies and Gentlemen, completes my survey of the accounts, and I regret that in present conditions the position which they disclose is far from reassuring.

As I told you earlier, I personally believe that future prospects are as unpromising as they well can be, for the reason that the world of your Company's affairs has undergone a fundamental and, in some respects, an irrevocable change. Markets have not merely been temporarily depressed; they are in some cases disappearing altogether, while in Japan the realisable price is to-day lower than it was in 1923/4 when the former Company went into liquidation. On the other hand, no further substantial economy in manufacture can be looked for, and there is little doubt that the concessions now made by the Kenya Government will be insufficient to bridge any further gap between cost and realisation.

It therefore follows that only a very considerable improvement in price and expansion of markets can justify to your Company reasonable security, and the prospects of such an eventuality are so problematical that to make any attempt at prophecy nothing less than pure speculation. My colleagues and I, therefore, cannot at the present time ask you to do more than accept the assurance that everything possible has been and will be done by them to further your Company's interests.

At the present time the control of your Company is for all practical purposes vested in Imperial Chemical Industries Ltd., as the successors of Brunner Mond & Co. Ltd. and your Directors, with the exception of Mr. Marriott and Mr. Fletcher, who represent the Governor of Kenya and the Trustees for the Debenture holders respectively, are all elected on the nomination of Imperial Chemical Industries Ltd.

This arrangement conforms to the conditions laid down in the Scheme of Arrangement which governed the constitution of your Company, but I, and those of my colleagues on the Board who have been nominated by Imperial Chemical Industries Ltd. now feel that in view of the present position of your Company the time has arrived when the general body of shareholders, other than Imperial Chemical Industries Ltd., should be put in the position of either passing a vote of confidence in the existing Board or of being free to elect their own nominees.

As you know, Imperial Chemical Industries Ltd. is the largest individual shareholder in your Company, but it is in a minority opposite the general body of shareholders where voting rights are concerned. In view, however, of the possibility that there may not be a sufficient number of the general body of shareholders present to-day to constitute a majority as against Imperial Chemical Industries Ltd., I have received an intimation from Imperial Chemical Industries that they do not propose to vote on the question of the reconstitution of your Board. As you will have seen from the Directors' Report already in your hands, all your Directors who have been elected to the Board on the nomination of Brunner Mond & Co. Ltd. or of Imperial Chemical Industries Ltd. have tendered their resignations with effect as from to-day's date, with the object of leaving the decision as to their re-election or otherwise in the hands of the general body of shareholders.

As far as I personally am concerned my ever-increasing responsibilities and calls upon my time as Chairman of Imperial Chemical Industries will make it impossible for me to give the detailed attention to your business that it is a Chairman's duty to give, and I cannot therefore see my way to offer myself for re-election. As regards the other Directors nominated by Imperial Chemical Industries Ltd., they are prepared to resume office if the shareholders wish them to do so.

THE CHAIRMAN then moved the adoption of the Report and Accounts. This was seconded by Mr. P. F. Fletcher, and after questions by shareholders had been replied to, the resolution was put to the meeting and carried unanimously.

Messrs. Price Waterhouse & Co. were re-appointed as Auditors.

The re-election of Mr. J. G. Nicholson, Mr. W. F. Lutyens, Mr. D. Marsh and Mr. C. G. Saunders as Directors of the Company was proposed by Mr. H. F. Marriott and seconded by Mr. P. F. Fletcher and carried unanimously.

Mr. A. S. MAY proposed the election of Mr. A. P. Pennell as a Director of the Company, but the resolution was negatived by a show of hands, and subsequently by a poll taken at Mr. Pennell's request.

C. O.

31 40

Mr. Preston. 7/16/32.

Mr. Allen 10/6

Mr.

Mr. Parkinson.

Mr. Tomlinson.

Sir C. Bottomley. 10.6/6

Sir J. Shuckburgh.

Perm. U.S. of S.

Parly. U.S. of S.

Secretary of State.

18074/32. Kenya.

DOWNING STREET,

13 June, 1932.

Gentlemen,

I am etc. to

3 DRAFT. D. 650:4 minutes

THE CROWN AGENTS
FOR THE COLONIES.

acknowledge the receipt of your

(27) letter of the 2nd of June

(O/Kenya 31A) and to state that

he approves of the draft Deed

submitted by Messrs. Sutcliffe

Ommanney and Oliver, varying

the covenants of the leases

held in Kenya by the Magadi

Soda Company, subject to the

following further amendments in

Clause 6:-

Line 7 of red ink draft -
"goods" (including common salt) "other goods"
substituto

Line 8 - insert "other"
between "any" and "destination"

Line 20 - delete "and other"

between "soda" and "goods"
and add "(including common salt)" after "goods"

One orig. copy of draft
Does enc. in No. 28.

2 fair copies of draft
embossing red ink and
pencil amendments.

3 dft

A.

That

clearly the terms of the letter 41
 which you address in your
 telegram to: 81 Confidential,
 and, with the utmost very
 anxious, lest the wording
 of the said matter should
 affect the whole arrangement,
~~and~~
 be felt that you cannot hold
 absolute ~~final~~ ^{final} consent.

The intention of ~~the~~
 said in a said matter
 is justified by the 1929

Confidential)
 accordance - as stated
 in S. H. S. Telegram of May 16th
 1929, ~~also~~

John

2942

Mr. Freeston. 9/6/32.

16074/32. Kenya.

Mr. Mun 10/6

Mr.

Mr. Parkinson.

Mr. Tompkinson.

Sir C. Bottomley 106-32 f

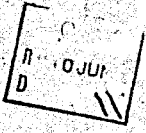
Sir J. Shuckburgh

Perm. U.S. of S.

Parly. U.S. of S.

Secretary of State.

TO GO BY AIR MAIL OF JUNE 15th.



DOWNING STREET.

13 June, 1932.

S.O. FOR SIR C. BOTTOMLEY'S SIG.

3 DRAFT. 8. Cas: 16 minutes

BRIGADIER-GENERAL

SIR JOSEPH BYRNE, K.C.M.G., K.B.E.

C.B.

[Handwritten signature]

My dear Byrne.

One more semi-official

letter about Lagadi, which I hope

will be the last for some time to

come.

The lawyers have now

produced a draft Deed to give

effect to the new arrangements:

copies are enclosed. We have good

reasons to suppose that it will be

formally accepted by the Company

at their next board meeting on

Thursday, June 16th. We shall then

be in a position to write to you

officially and to proceed with the

execution of the Deed. *It follows*

2 fair copies
embassy red ink and
pencil arrangements.

(already made)

345

John A

H.P.

You will notice that the last

Clause binds the Company to pay

the Kenya Stamp Duty only if they

decide to have the Deed registered

locally. They have unpleasant

recollections of the enormous sums

charged on this account in 1928.

We are assured, however, that the

English Stamp Duty will be 10/- only,

and we have assumed that the ^{tax charge} ~~tax~~

ⁱⁿ ~~any~~ Kenya ^{will also be} ~~revenue~~ will not

~~exceed this figure~~
of small amount

new arrangements are

of course, purely temporary, as the

arrangements expire unless renewed on

the 31st of October this year, but it

is satisfactory to know that, thanks

largely to Marriott's good offices, the

Railway is assured of a minimum of £37,000

from this source in 1932.

I am sure that ~~the~~ ^{the} ~~arrangement~~ ^{arrangement}

Yours sincerely,

has again been most helpful in the further negotiations

Don't let. If you have been a better bargain than the novation is it not due to the debenture holders?

H.P.

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the Kenya Stamp Duty only if they

decide to have the Deed registered

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and we have assumed that ^{any charge} ~~the 10/-~~

~~is payable to Kenya revenues~~ ^{would also be} ~~will not~~

~~exceed this figure.~~ ^{of small amount}

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of course, purely temporary, as the

arrangements expire unless renewed on

the 31st of October this year. ^{But} it

is satisfactory to know that, thanks

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Railway is assured of a minimum of £37,000

from this source in 1932.

I should like to add that Marriott
has again been most

Yours sincerely,

W. G. Bottomley
Mystic

Out [?]. If we now have
a better bargain than the
novatorum, it is not due
to the debenture holders!

W. G. BOTTOMLEY

THIS DEED made the _____ day of _____ 1932
 BETWEEN THE CROWN AGENTS FOR THE COLONIES (hereinafter
 called the Crown Agents) acting for and on behalf of the
 Government of the Colony and Protectorate of Kenya (hereinafter
 referred to as the Government) of the one part and THE
 MAGADI SODA COMPANY LIMITED a Company incorporated pursuant to
 the laws of England under the Companies Acts 1908 to 1917 and
 having their registered office situate at Imperial Chemical
 House, Millbank, in the City of Westminster (hereinafter
 referred to as the Lessees which expression shall where the
 context so admits include their successors and permitted
 assigns) of the other part

WHEREAS THIS DEED IS SUPPLEMENTAL to the following
 documents (1) a Lease (hereinafter called the Magadi Lease)
 dated the 20th day of March 1928 made between the same parties
 as are parties hereto and in the same order whereby certain
 lands at Lake Magadi and Lake Natron in the Magai Province of
 the Kenya Colony and Protectorate were demised to the Lessees
 for a term of 99 years from the 1st day of November 1924
 subject to the payment of the rent and royalties thereby
 reserved and the covenants on the part of the Lessees and the
 conditions therein contained for the purpose of working the
 Magadi Soda deposits as therein defined (2) a Lease
 (hereinafter called the Railway Lease) also dated the 20th
 day of March 1928 and made between the same parties as are
 parties hereto and in the same order but executed after the
 Magadi Lease whereby the railway commencing at Magadi Junction
 on the Kenya and Uganda Railway and thence passing to a
 terminus near Lake Magadi together with all lands which had
 been provided by the Government for the purpose of the
 construction

THIS DEED made the _____ day of _____ 1932
 B E T W E E N THE CROWN AGENTS FOR THE COLONIES (hereinafter
 called the Crown Agents) acting for and on behalf of the
 Government of the Colony and Protectorate of Kenya (hereinafter
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 having their registered office situate at Imperial Chemical
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 referred to as the Lessee, which expression shall where the
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IN WITNESS WHEREOF THIS DEED IS SUPPLEMENTAL to the following
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 been provided by the Government for the purpose of the
 construction

44

construction and working of the said Railway were devised to the Lessees for a term of 99 years from the 1st day of November 1924 subject to the payment of the rent and royalties thereby reserved and the covenants on the part of the Lessees and the conditions therein contained for the purpose of working the said Railway and (3) a Lease (hereinafter called the Port Lease) also dated the 20th day of March 1923 and made between the same parties as are parties hereto and in the same order but executed after the Railway Lease whereby the Depot Works at Shimani near Kilindini known as the Magadi Depot and the Branch Railway Line leading from the Kenya and Uganda Railway at Kilindini to the said Depot Works and the Conveyor plant and apparatus used in connection therewith and the Pier adjacent thereto were devised to the Lessees for a term of 99 years from the 1st day of November 1924 subject to the payment of the rent thereby reserved and the covenants on the part of the Lessees and conditions therein contained.

AND WHEREAS the Government and the Lessees are desirous of making for the period hereinafter mentioned such modifications and variations in the covenants contained in the Magadi Lease and the Railway Lease as are hereinafter expressed.

AND WHEREAS the Crown Agents acting for and on behalf of the Government and the Lessees hereby mutually covenant and agree and IT IS HEREBY DECLARED as follows:-

1. The provisions herein contained shall be deemed to have come into force as on and from the 1st day of November 1931 and shall remain in force until the 31st day of October 1932. Is from the latter date the provisions herein contained shall cease to have effect unless before such latter date the Crown Agents and the Lessees agree either by supplemental deed or

memorandum

memorandum endorsed hereon or by letters exchanged between the parties that the period of the operation of such provisions shall be extended for some further period.

2. The royalties payable under the Magadi Lease shall be deemed to be at the rate of sh.1.50 in respect of every ton of raw soda, and in respect of every ton of soda, soda products or soda contained in manufactured soda (as in the Magadi Lease defined) transported from Lake Magadi (whatever the aggregate tonnage may be) and sub-clauses (i) (ii) and (iii) of Clause 4 of the Magadi Lease shall cease to have effect.

3. The Lessees shall on or before the 31st day of December 1932 pay to the Government or as the Government shall direct royalties at the rate aforesaid on all such goods so transported and such royalties shall in the Magadi Lease be deemed to be the royalties therein referred to as thereby reserved.

4. Except for the proviso in the last paragraph of Clause 5(v) of the Magadi Lease the provisions of Clause 5 (v) of the Magadi Lease shall cease to have effect and the reference in that proviso to a royalty shall be deemed a reference only to such royalty as is payable under the provisions of this Deed.

5. Except for the proviso in the last paragraph of Clause 4 (iv) of the Railway Lease the provisions of Clause 4 (iv) of the Railway Lease shall cease to have effect and the reference in that proviso to freight shall be deemed a reference only to such freight as is payable under the provisions of this Deed.

6. Clauses 10 and 12 of the Railway Lease shall cease to have effect and in substitution for the provisions therein contained the following provision shall have effect namely -

The rate of freight chargeable on soda goods (as in the railway lease defined) consigned by the Lessees direct from

Lake

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Lake Nagadi or any other point on the Railway to the Nagadi Pier and Depot works at Kilindini by the Railway to Nagadi Junction and thence over the Kenya and Uganda Railway shall be Sh.18.50 per ton on the actual tonnage consigned Provided always that if the aggregate amount payable by the Lessees in respect of soda goods so consigned to Kilindini and in respect of any Soda goods (including common salt) consigned outwards from Lake Nagadi to any other destination (for which the Lessees shall pay the scale charged from time to time in force on the Kenya and Uganda Railway as provided by Clause 11 of the Railway Lease) shall amount to less than £37,000 in the period of twelve months covered by this agreement the Lessees shall make good to the High Commissioner for Transport the difference between the aggregate amount payable by the Lessees on goods actually consigned and the fixed sum of £37,000. For the purpose of securing the said minimum payment of £37,000, the Lessees shall pay to the High Commissioner for Transport the sum of £3,083.6.8. at the end of each calendar month, or such greater sum as shall be due, having regard to the tonnage rate above provided, in respect of consignments made from Lake Nagadi during the month in question provided always that if the amount payable in any month in respect of soda goods (including common salt) so consigned shall amount to more than £3,083.6.8. no payment in excess of the said fixed sum shall be made to the High Commissioner for Transport until credit has been given to the Lessees for the amount by which the fixed payments in previous months have exceeded the amounts payable in such months by virtue solely of the tonnage consigned from Lake Nagadi in such months. In order to give effect to the foregoing the Lessees shall immediately on the execution of these presents pay to the High Commissioner for

Transport

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Transport such a sum as shall be due under the provisions of this Clause in respect of the period from the 1st November last to the date hereof.

7. The sums payable for freight as hereinbefore provided shall in the Railway Lease be deemed to be the charges therein referred to as the charges for freight therein specified.

8. The Magadi Lease and the Railway Lease and the covenants conditions and provisions therein respectively contained shall during the subsistence of the agreement hereby made operate and have effect as if the modifications and variations hereby made in them respectively had been embodied in the Lease which the provisions have been hereby modified and varied but otherwise and in all other respects the Magadi Lease the Railway Lease and the Port Lease shall remain in full force and unaffected by any provision herein contained.

9. The provision for Arbitration contained in Clause 14 of the Magadi Lease and Clause 30 of the Railway Lease shall apply to this Deed as if the provisions herein contained were contained in the Lease of which the provisions are hereby varied and as if the construction meaning or effect of this Deed were for all purposes within the clauses.

10. The costs of the preparation execution and stamping of this Deed (including the cost of stamping the same and effecting entries relating thereto in the Registry of Titles for the Colony of Kenya if the Lessees shall decide so to do) shall be borne by the Lessees.

IN WITNESS etc.

Deaning Street,
4 June, 1932

Dear Mr. Harriott,

I now enclose for your perusal and comment the draft of the new Nagadi Deed which has been agreed by the I.C.I. Solicitors and referred to us for approval.

After a hasty inspection here, the only modification which it occurs to us to suggest is that in the 7th line of the redrafted portion of Clause 6 the word "other" should be omitted. You will notice also from the final clause that the Company are prepared to undertake the stamp duties in Kenya only if they shall decide that registration locally is necessary.

Perhaps you will be good enough to telephone to us on Monday evening whether, and if so when, you would care to see and discuss the draft.

Yours sincerely,

CP

R.F. [unclear], [unclear]

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48
Deming Street,

4 June, 1932

Dear Mr. Harriett,

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Perhaps you will be good enough to telephone to us tomorrow saying whether, and if so when, you would care to sign and stamp the draft.

Yours sincerely,

CP

L.F. HARRIS, INC.

As you know, Imperial Chemical Industries Ltd. is the largest individual shareholder in your Company, but it is in a minority opposite the general body of shareholders where voting rights are concerned. In view, however, of the possibility that there may not be a sufficient number of the general body of shareholders present to-day to constitute a majority as against Imperial Chemical Industries Ltd., I have received an intimation from Imperial Chemical Industries that they do not propose to vote on the question of the reconstitution of your Board. As you will have seen from the Directors' Report already in your hands, all your Directors who have been elected to the Board on the nomination of Brunner Mond & Co. Ltd. or of Imperial Chemical Industries Ltd. have tendered their resignations with effect as from to-day's date, with the object of leaving the decision as to their re-election or otherwise in the hands of the general body of shareholders.

As far as I personally am concerned my ever-increasing responsibilities and the calls upon my time as Chairman of Imperial Chemical Industries will make it impossible for me to give the detailed attention to your business that it is a Chairman's duty to give, and I cannot therefore see my way to offer myself for re-election. As regards the other Directors nominated by Imperial Chemical Industries Ltd., they are prepared to resume office if the shareholders wish them to do so.

THE CHAIRMAN then moved the adoption of the Report and Accounts. This was seconded by Mr. P. F. Fletcher, and after questions by shareholders had been replied to, the resolution was put to the meeting and carried unanimously.

Messrs. Price, Waterhouse & Co. were re-appointed as Auditors.

The re-election of Mr. J. G. Nicholson, Mr. W. F. Lutyens, Mr. D. March and Mr. C. G. Saunders as Directors of the Company was proposed by Mr. H. F. Marriott and seconded by Mr. P. F. Fletcher and carried unanimously.

Mr. J. MAY proposed the election of Mr. A. P. Pennell as a Director of the Company, but the resolution was negatived by a show of hands, and subsequently by a poll taken at Mr. Pennell's request.

G. O.

31 40

Mr. Freeston.

9/16/32.

18074/32. Kenya.

Mr. ~~Allen~~ 10/6

Mr.

Mr. Parkinson.

Mr. Tomlinson.

Sir C. Bollowley. 10.6 f

Sir J. Shackburgh.

Parlt. U.S. of S.

Parly. U.S. of S.

Secretary of State.

DOWNING STREET,

13 June, 1932.

Gentlemen,

I am etc. to

3 DRAFT. B. 650:4 minutes

THE CROWN AGENTS

FOR THE COLONIES.

Acknowledge the receipt of your

(27) letter of the 2nd of June

(O/Kenya 31A) and to state that

he approves of the draft Deed submitted by Messrs. Catton

Ommanney and Oliver, varying

the covenants of the leases

held in Kenya by the Magadi

Soda Company, subject to the

following further amendments in

Clause 6:

Line 7 of red ink draft -
"substitute" (including common salt) for "other goods"

Line 8 - insert "other" between "any" and "destination"

Line 20 - delete "and other" between "soda" and "goods"

One orig. copy of draft Deed enc. in No. 28.

2 fair copies of draft embodying red ink and pencil amendments.

346

A

That
 clearly the terms of the letter 41
 which you approved in your
 telegram 20:81 Corp. Dec 28,
 and, with Plaintiff very
 anxious, lest the covering
 of the soda market should
 upset the whole arrangement,
 independent of
 the fact that you must have

representation of your
 final course, &
 by mention of Plaintiff
 set in a soda market
 is justified by the 1929-30

(Confidential) — accordance — whereas
 the 5th of February of May 16 &
 1929.

Tom

as a competitor, but because even a possibility of a further disturbance of markets was worth guarding against in present world conditions. When therefore it was seen that your Company's prospects were so precarious, the idea suggested itself to Imperial Chemical Industries Ltd. that some scheme might be devised to make this position serve the interests of all concerned.

After examining all the factors involved, including the contingency of further substantial restrictions of the Magadi markets, and the obligations to be entered into with the Kenya Government, Imperial Chemical Industries Ltd. worked out a scheme for acquiring all the outstanding interests in your company, which seemed to offer the Debenture holders and shareholders a prospect of saving some part at least of the investment which, so far as could be seen, they might lose entirely if their Company was allowed to carry on in such unpromising circumstances.

The position and prospects of your Company made it obvious that any offer by Imperial Chemical Industries Ltd. to the Debenture holders and shareholders could only be made at a heavy discount, and, in view of their prior position, the Debenture holders were the first to be approached. In their case Imperial Chemical Industries Ltd. offered 40 £1 7 per cent Cumulative Preference shares of Imperial Chemical Industries Ltd. in exchange for each £100 (nominal) of Debentures, and the meeting to consider this offer was held on December 10th, 1931. In the opinion of your Board these terms were fair and equitable and I am in a position to say that had this scheme been accepted by Debenture holders it would have been followed by an offer from Imperial Chemical Industries Ltd. to the shareholders.

Unfortunately some opposition developed and this was organized in such a way that the necessary resolution was defeated even before the proceedings had commenced and in the circumstances the offer was withdrawn and the whole scheme abandoned.

I have already referred to the special marketing facilities which Brunner Mond & Company, and subsequently Imperial Chemical Industries Ltd., extended to your Company, and, in addition, your Company was indebted to Imperial Chemical Industries Ltd. in a large sum of money in respect of advances made to them by way of loan. As a result of the rejection by the Debenture holders of the offer made to them, Imperial Chemical Industries Ltd. considered it incumbent upon them to modify these marketing facilities in so far as they involved Imperial Chemical Industries Ltd. in any loss, and to call in their loans, which they accordingly did.

In order to pay off these loans and to provide working capital it became necessary to make calls on the uncalled capital, and at the end of 1931 two calls of 5s. each were made on the Ordinary Shares and one call of 1s. 3d. per share on the Preferred Ordinary Shares.

I will refer again to this matter of calls when dealing with the accounts in detail, but before passing on from the subject of Imperial Chemical Industries relations with your Company I should like to place on record that your Directors are wholly satisfied that, in the first instance, Brunner Mond & Company and subsequently Imperial Chemical Industries Ltd., after its formation, have more than discharged, both in spirit and letter, such obligations as Brunner Mond & Company may have undertaken under the Scheme of Arrangement of 1924 when your Company was incorporated.

To revert to the position consequent upon the rejection by the Debenture holders of the offer made to them, your Directors considered that the only course open was to continue to carry on your Company as far as practicable on existing lines and to open up further negotiations with the Kenya Government for a modification of the terms of the Lease.

I am pleased to be able to inform you that an agreement has now been arrived at in principle, whereby in effect the minimum tonnage for the current lease year has temporarily been reduced from 100,000 tons to 40,000 tons. In addition, the Kenya Government have intimated that they are prepared to review and consider sympathetically the Company's position from year to year.

You will see therefore that the heavy penalties payable under the original lease provisions have for all practical purposes been remitted for the time being, and I think that, bearing in mind the minimum needs of the Kenya Uganda Railway Administration for keeping the Magadi Branch Line open, the Government have met us generously and have thus given an earnest of their desire to help the Company as much as possible.

An influential group of the Debenture holders is now considering a proposal to ease the burden of Debenture redemption and interest, which if agreed to at a meeting shortly to be convened, should further assist in conserving our Cash resources. Finally, the further economies in operating costs to which I alluded last year are now being realised, and these may be added to by further retrenchment which is in course of being carried out.

You will observe, therefore, that everything that is humanly possible is being done to keep your enterprise in active shape, but in spite of this I cannot conceal from you my own opinion that these times are critical indeed, and that even all these endeavours will not adequately compensate for the loss to be expected in Japan or for the failure to find an economic purification process.

I will now deal with the Balance Sheet and Accounts for the year ended December 31st, 1932.

On the *Liabilities* side of the Balance Sheets I invite your special attention to the following:—

(a) *Amount paid up in respect of calls.*—This item represents the amount received in advance in December, 1931, on account of one call of 1s. 3d. on the Preferred Ordinary shares and two calls of 5s. each on the Ordinary shares, all of which sums were not actually due for payment until early in 1932. Practically all of the amount here shown represents payments in advance by Imperial Chemical Industries Ltd. as holders of all the Ordinary Shares and about 61 per cent. of the Preferred Ordinary shares, such payments in advance having been made in order to assist in clearing off your Company's loan balances as quickly as possible and to provide sufficient additional cash to meet the Debenture interest due on December 31st and for ordinary trading requirements.

There still remained as at December 31st a sum of £112,500, uncalled on these two classes of shares of which the proportion due from Imperial Chemical Industries Ltd. was about £81,000, and further calls upon this outstanding balance have been and will be made as occasion requires.

(b) *Debenture Redemption.*—The small amount redeemed represents the last purchase under the Board's policy (which was discontinued early in 1931) of purchasing as many Debentures as possible at or below the then current market rate. As the result of this policy sufficient Debentures were purchased to cover the requirements of the annual redemption cash quota for a little over twelve months ahead.

(c) *Amount due to Imperial Chemical Industries Ltd.*—The amount shown of £10,104 4s. 10d. is the balance outstanding at 31st December last, and this was wiped out very early in the present year.

(d) *Obsolescence Reserve.*—The sum provided is in accordance with our usual scale of 2½ per cent. on buildings and about 5 per cent. for plant and machinery, and I should like to take an opportunity here of dealing with a criticism voiced at the recent Debenture holders' meeting, namely that an Obsolescence Reserve is unnecessary concurrently with

a redemption of Debentures. Careful consideration shows that these two factors bear very little practical relation to one another. An Obsolescence fund should be built up from reserves set aside out of profits and should be represented by cash or other resources out of which the Company can renew buildings and plant that become worn out or obsolete. Debenture redemption on the other hand means a depletion of the Company's cash resources by using them to repay part of a mortgage debt. A company spends cash on redeeming debentures, but accumulates cash or its equivalent to establish an obsolescence fund.

On the *Assets* side there is little of special note except the fact that stocks of goods and materials have been reduced in value by £25,000 representing the results of our endeavour to conserve the Company's cash resources by keeping stocks as low as possible.

Turning now to the Profit and Loss Account, I would ask you to observe firstly that we show a trading loss for the year of £2,847 14s. 11d. as compared with a trading profit in 1930 of £23,016 8s. 4d., and as the tonnage sold in both years is much about the same this calls for some further explanation. Let me say therefore that the great bulk of this difference is made up of the two following items:—

- | | |
|-----------------------------------|-----------------|
| (a) By lower realisation | £14,000 approx. |
| (b) By penalty for short delivery | £ 8,000 |

The lower realisation is entirely due to market conditions, while the penalty of £8,000 is the result of which we are liable to the Kenya Government on account of rillage and royalty on the tonnage short despatched for the lease year ended October 31st, 1931. You have already been told that up to that date the Leases of the Company's concessions specify a minimum output of 50,000 tons per annum and 100,000 tons per annum thereafter or penalty in default. Owing to general trading conditions we have thus made default on our last 50,000 tons minimum of something like 8,500 tons and the penalty thus incurred has now been paid.

Last year I referred to the reconcoates which were being put into force and I am pleased to inform you that the actual costs of production have shown a substantial reduction, but in the present accounts this benefit has been discounted by the comparatively high opening stock valuations and by special expenditure which is inseparable from re-organisation.

I will conclude my remarks on the Accounts by drawing your attention to the fact that the Head Office expenses, and Directors' fees amount to £5,646, which

You will observe, therefore, that everything that is humanly possible is being done to keep your enterprise in active shape, but in spite of this I cannot conceal from you my own opinion that these times are critical indeed, and that even all these endeavours will not adequately compensate for the loss to be expected in Japan or for the failure to find an economic purification process.

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There still remained as at December 31st a sum of £112,500 uncalled on these two classes of shares of which the proportion due from Imperial Chemical Industries Ltd. was about £81,000, and further calls upon this outstanding balance have been and will be made as occasion requires.

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On the Assets side there is little of special note except the fact that stocks of goods and materials have been reduced in value by £25,000 representing the results of our endeavour to conserve the Company's cash resources by keeping stocks as low as possible.

Turning now to the Profit and Loss Account, I would ask you to observe firstly that we show a trading loss for the year of £2,855 14s. 11d. as compared with a trading profit in 1930 of £25,000 10s. 4d., and as the tonnage sold in both years is much about the same this calls for some further explanation. Let me say therefore that the great bulk of this difference is made up of the two following items:—

- (a) By lower realisations ... £14,000 approx.
- (b) By Penalties for short delivery ... £ 8,500

The lower realisation is entirely due to market conditions, while the penalty of £8,000 is the sum for which we are liable to the Kenya Government on account of railways and royalty on the tonnage short delivered for the lease year ended October 31st, 1931. You have already been told that up to that date the Leases of the Company's concessions specify a minimum output of 50,000 tons per annum and 200,000 tons per annum thereafter or penalties in default. Owing to general trading conditions we have thus made default on our last 50,000 tons' minimum of something like 8,500 tons and the penalty thus incurred has now been paid.

Last year I referred to the economies which were being put into force and I am pleased to inform you that the actual costs of production have shown a substantial reduction, but in the present accounts this benefit has been dissipated by the comparatively high opening stock valuations, and by special expenditure which is inseparably from re-organisation.

I will conclude my remarks on the Accounts by drawing your attention to the fact that the Head Office expenses, and Directors' fees amount to £5,620, which

represents the total charge to your Company for its Head Office administration, including the services of your Directors, the secretarial, administrative and registration staffs, with the necessary office accommodation, and technical and other expert services.

The smallness of this figure is due to the fact that the majority of these services is at present provided by Imperial Chemical Industries Ltd., free of cost to your Company.

That, Ladies and Gentlemen, completes my survey of the accounts, and I regret that in present conditions the position which they disclose is far from reassuring.

As I told you earlier, I personally believe that future prospects are as unpromising as they well can be, for the reason that the world of your Company's affairs has undergone a fundamental and, in some respects, an irrevocable change. Markets have not merely been temporarily depressed; they are in some cases disappearing altogether, while in Japan the realisable price is to-day lower than it was in 1923/4 when the former Company went into liquidation. On the other hand, no further substantial economy in manufacture can be looked for, and there is little doubt that the concessions now made by the Kenya Government will be insufficient to bridge any further gap between cost and realisation.

It therefore follows that only a very considerable improvement in price and expansion of markets can restore to your Company reasonable security, and the prospects of such an eventuality are so problematical as to make any attempt at prophecy nothing less than pure speculation. My colleagues and I, therefore, cannot at the present time ask you to do more than accept our assurance that every thing possible has been and will be done by them to further your Company's interests.

At the present time the control of your Company is for all practical purposes vested in Imperial Chemical Industries Ltd., as the successors of Brunner Mond & Co. Ltd. and your Directors, with the exception of Mr. Marriott and Mr. Fletcher, who represent the Governor of Kenya and the Trustees for the Debenture holders respectively, are all elected on the nomination of Imperial Chemical Industries Ltd.

This arrangement conforms to the conditions laid down in the Scheme of Arrangement which governed the constitution of your Company, but I, and those of my colleagues on the Board who have been nominated by Imperial Chemical Industries Ltd. now feel that in view of the present position of your Company the time has arrived when the general body of shareholders, other than Imperial Chemical Industries Ltd., should be put in the position of either passing a vote of confidence in the existing Board or of being free to elect their own nominees.

As you know, Imperial Chemical Industries Ltd. is the largest individual shareholder in your Company, but it is in a minority opposite the general body of shareholders where voting rights are concerned. In view, however, of the possibility that there may not be a sufficient number of the general body of shareholders present to-day to constitute a majority against Imperial Chemical Industries Ltd., I have received an intimation from Imperial Chemical Industries that they do not propose to vote on the question of the reconstitution of your Board. As you will have seen from the Directors' Report already in your hands, all your Directors who have been elected to the Board on the nomination of Brunner Mond & Co. Ltd. or of Imperial Chemical Industries Ltd. have tendered their resignations with effect as from to-day's date, with the object of leaving the decision as to their re-election or otherwise in the hands of the general body of shareholders.

As far as I personally am concerned my ever-increasing responsibilities and the calls upon my time as Chairman of Imperial Chemical Industries will make it impossible for me to give the detailed attention to your business that it is a Chairman's duty to give, and I cannot therefore see my way to offer myself for re-election. As regards the other Directors nominated by Imperial Chemical Industries Ltd., they are prepared to resume office if the shareholders wish them to do so.

THE CHAIRMAN then moved the adoption of the Report and Accounts. This was seconded by Mr. Fletcher, and after questions by shareholders had been replied to, the resolution was put to the meeting and carried unanimously.

Messrs. P. Waterhouse & Co. were re-appointed as Auditors.

The re-election of Mr. J. G. Nicholson, Mr. W. F. Lüryens, Mr. D. Marsh and Mr. C. G. Saunders as Directors of the Company was proposed by Mr. H. F. Marriott and seconded by Mr. P. F. Fletcher and carried unanimously.

Mr. A. S. MAY proposed the election of Mr. A. P. Pennell as a Director of the Company, but the resolution was negatived by a show of hands, and subsequently by a poll taken at Mr. Pennell's request.

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39

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Mr. A. S. MAY proposed the election of Mr. A. P. Pennell as a Director of the Company, but the resolution was negatived by a show of hands, and subsequently by a poll taken at Mr. Pennell's request.

C. O.

31 40

Mr. Freeston. 9/16/32.

18074/32. Kenya.

Mr. Allen 10/6

Mr.

Mr. Parkinson.

Mr. Tomlinson.

Sir C. Bottomley. 10.6 f

Sir J. Shackburgh.

Form. U.S. of S.

Part. U.S. of S.

Secretary of State.

DOWNING STREET.

13 June, 1932.

Gentlemen,

I am etc. to

3 DRAFT. n. Geo: n minutes

THE CROWN AGENTS

FOR THE COLONIES.

(27)

acknowledge the receipt of your

letter of the 2nd inst.

(of the C.A.) and to state that

he approves of the draft Deed

submitted by Messrs. Sutton,

Omanoy and Oliver, varying

the covenants of the leases

held in Kenya by the Magadi

Soda Company, subject to the

following further amendments in

Clause 6:-

Line 7 of red ink draft -
"substitute" (including common salt) for "other goods"

Line 8 - insert "other"

between "any" and "destination"

Line 20 - delete "and other"

between "soda" and "goods";
and add "including common salt" after "soda"

One orig. copy of draft
Deed enc. in No. 28.

2 fair copies of draft
embodying red ink and
pencil amendments.

3 dft.

41
Read
closely the terms of the letter
which you approved in your
telegram to: 81 Corp. Secretariat,
and, with kindest very
sincerely best the working
of the code matter should

respect the whole arrangement,
with
independence
to further and used
discussion of the
final course.

The attention of
is a good product
is justified by the 1929

Confidential

is a good product
1929, when
of May 16th

John

C. O.

29 42

Mr. Prooston. 9/5/32.

12074/32. Kenya.

Mr. *Mun 1076*

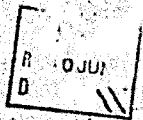
Mr.

Mr. Parkinson.

TO GO BY AIR MAIL ON JUNE 15th.

Mr. Tomlinson.

Sir C. Bottomley. *106-32 f*



DOORING STREET.

Sir J. Shackburgh

19 June, 1932.

Permd. U.S. of S.

Party. U.S. of S.

S.O. FOR SIR C. BOTTOMLEY'S SIG.

Secretary of State.

3 DRAFT. c. *Cus*
U. manuals

My dear Byrne.

One more semi-official

BRIGADIER-GENERAL

SIR JOSEPH BYRNE, K.C.M.G., K.C.B., *Letter about Messrs. which I hope*

C.B. *will be the last for some time to*

[Handwritten signature]

The lawyers have

received a draft deed to give

effect to the new arrangements;

copies are enclosed. To have

records to approve that it will be

formally accepted by the Company

at their next Board meeting on

Thursday, June 16th; we shall then

be in a position to write to you

officially and in proceed with the

execution of the deed. *Yours faithfully*

*2 fair copies
embaying red ink and
pencil annotations.
(already made)*

147

N.P.

You will notice that the last

Clause binds the Company to pay
the Kenya Stamp Duty only if they
decide to have the Deed registered
locally. They have unpleasant
recollections of the enormous sums
charged on this account in 1928!

We are assured, however, that the
English Stamp Duty will be 10/- only

and we have assumed that ^{any charge} the law
in Kenya ^{would also be} will not
of small amount
except this point.

The new arrangements are
purely temporary, as the
arrangements will be renewed on
the 31st of October this year. [but it

is satisfactory to know that, thanks
largely to Harriott's good offices, the
Railway is assured of a minimum of £37,900
from this source in 1932.]

out of. It is now been
a better bargain than the
novation is it not
to the debenture holders!

I should like to add that Harriott
has again been most
helpful in this matter.
Yours sincerely,
Myobatis

Signed W/O BOTTOMLEY

H.P.

You will notice that the last

Clause binds the Company to pay

the Kenya Stamp Duty only if they

decide to have the Deed registered

locally. They have unpleasant

recollections of the enormous sums

charged on this account in 1928.

We are assured, however, that the

English Stamp Duty will be 10/- only.

and we ~~have~~ assumed that ~~the~~ ^{any charge}

~~charge~~ to Ken. Revenue will not ^{be} ~~of small amount~~ ^{exceed the figure}

The new arrangements are

of course, purely temporary, as the

arrangements expire unless renewed on

the 31st of October this year. It

is satisfactory to know that, thanks

largely to Marriott's good offices, the

Railway is assured of a minimum of £37,000

from this source in 1932.

*I should like to add that Kenneth
has again been most
helpful in this matter.
Yours sincerely,
W. C. BOTTOMLEY*

*Out of it. If you have
a better bargain than the
provision is it not due
to the debenture holders?*

W. C. BOTTOMLEY

THIS DEED made the _____ day of _____ 1932
 BETWEEN THE CROWN AGENTS FOR THE COLONIES (hereinafter
 called the Crown Agents) acting for and on behalf of the
 Government of the Colony and Protectorate of Kenya (hereinafter
 referred to as the Government) of the one part and THE
 MAGADI SODA COMPANY LIMITED a Company incorporated pursuant to
 the laws of England under the Companies Acts 1908 to 1917 and
 having their registered office situate at Imperial Chemical
 House, Millbank, in the City of Westminster (hereinafter
 referred to as the Lessees which expression shall where the
 context so admits include their successors and permitted
 assigns) of the other part

WHEREAS THIS DEED IS SUPPLEMENTAL to the following
 documents (1) a Lease (hereinafter called the Magadi Lease)
 dated the _____ day of March 1928 made between the same parties
 as are parties hereto and in the same order whereby certain
 lands at Lake Magadi and Lake Malira in the Masai Province of
 the Kenya Colony and Protectorate were demised to the Lessees
 for a term of 99 years from the 1st day of November 1924
 subject to the payment of the rent and royalties thereby
 reserved and the covenants on the part of the Lessees and the
 conditions therein contained for the purpose of working the
 Magadi Soda deposits as therein defined (2) a Lease
 (hereinafter called the Railway Lease) also dated the _____
 day of March 1928 and made between the same parties as are
 parties hereto and in the same order but executed after the
 Magadi Lease whereby the railway commencing at Magadi Junction
 on the Kenya and Uganda Railway and thence passing to a
 terminus near Lake Magadi together with all lands which had
 been provided by the Government for the purpose of the
 construction

THIS DEED made the _____ day of _____ 1932
 BETWEEN THE CROWN AGENTS FOR THE COLONIES (hereinafter
 called the Crown Agents) acting for and on behalf of the
 Government of the Colony and Protectorate of Kenya (hereinafter
 referred to as the Government) of the one part and THE
 MAGADI SODA COMPANY LIMITED a Company incorporated pursuant to
 the laws of England under the Companies Acts 1908 to 1917 and
 having their registered office situate at Imperial Chemical
 House, Millbank, in the City of Westminster (hereinafter
 referred to as the Lessee which expression shall where the
 context so admits include their successors and permitted
 assigns) of the other part

THIS DEED IS SUPPLEMENTAL to the following
 documents (1) a Lease (hereinafter called the Magadi Lease)
 dated the 30th day of March 1933 made between the same parties
 as are parties hereto and in the same order whereby certain
 lands at Lake Magadi and Lake Katron in the District Province of
 the Kenya Colony and Protectorate were demised to the Lessee
 for a term of 99 years from the 1st day of November 1934
 subject to the payment of the rent and royalties thereby
 reserved and the covenants on the part of the Lessee and the
 conditions therein contained for the purpose of working the
 Magadi Soda Deposits as therein defined (2) a Lease
 (hereinafter called the Railway Lease) also dated the 31st
 day of March 1933 and made between the same parties as are
 parties hereto and in the same order but executed after the
 Magadi Lease whereby the railway commencing at Magadi Junction
 on the Kenya and Uganda Railway and thence passing to a
 terminus near Lake Magadi together with all lands which had
 been provided by the Government for the purpose of the
 construction

construction and working of the said Railway were demise to the Lessees for a term of 99 years from the 1st day of November 1924 subject to the payment of the rent and royalties thereby reserved and the covenants on the part of the Lessees and the conditions therein contained for the purpose of working the said Railway and (3) a Lease (hereinafter called the Port Lease) also dated the 20th day of March 1923 and made between the same parties as are parties hereto and in the same order but executed after the Railway Lease whereby the Depot Works at Shimani near Kilindini known as the Magadi Depot and the Branch Railway Line leading from the Kenya and Uganda Railway at Kilindini to the said Depot Works and the Conveyor plant and apparatus used in connection therewith and the Pier adjacent thereto were demise to the Lessees for a term of 99 years from the 1st day of November 1924 subject to the payment of the rent thereby reserved and the covenants on the part of the Lessees and conditions therein contained

AND WHEREAS the Government and the Lessees are desirous of making for the period hereinafter mentioned such modifications and variations in the covenants contained in the Magadi Lease and the Railway Lease as are hereinafter expressed

B O W the Crown Agents acting for and on behalf of the Government and the Lessees hereby mutually covenant and agree and IT IS HEREBY DECLARED as follows:-

1. The provisions herein contained shall be deemed to have come into force as on and from the 1st day of November 1931 and shall remain in force until the 31st day of October 1932. As from the latter date the provisions herein contained shall cease to have effect unless before such latter date the Crown Agents and the Lessees agree either by supplemental deed or

memorandum

memorandum endorsed hereon or by letters exchanged between the parties that the period of the operation of such provisions shall be extended for some further period.

- 2. The royalties payable under the Magadi Lease shall be deemed to be at the rate of sh.1.50 in respect of every ton of raw soda, and in respect of every ton of soda, soda products or soda contained in manufactured soda (as in the Magadi Lease defined) transported from Lake Magadi (whatever the aggregate tonnage may be) and sub-clauses (i) (ii) and (iii) of Clause 4 of the Magadi Lease shall cease to have effect.
- 3. The Lessees shall on or before the 31st day of December 1932 pay to the Government or as the Government shall direct royalties at the rate aforesaid on all such goods so transported and such royalties shall in the Magadi Lease be deemed to be the royalties therein referred to as thereby reserved.
- 4. Except for the proviso in the last paragraph of Clause 5 (v) of the Magadi Lease the provisions of Clause 5 (v) of the Magadi Lease shall cease to have effect and the reference in that proviso to a royalty shall be deemed a reference only to such royalty as is payable under the provisions of this Deed.
- 5. Except for the proviso in the last paragraph of Clause 4 (iv) of the Railway Lease the provisions of Clause 4 (iv) of the Railway Lease shall cease to have effect and the reference in that proviso to freight shall be deemed a reference only to such freight as is payable under the provisions of this Deed.
- 6. Clauses 10 and 12 of the Railway Lease shall cease to have effect and in substitution for the provisions therein contained the following provision shall have effect namely -
The rate of freight chargeable on soda goods (as in the railway lease defined) consigned by the Lessees direct from

Lake

46

Lake Ugadi or any other point on the Railway to the Ugadi Pier and Depot Works at Kilindini by the Railway to Ugadi Junction and thence over the Kenya and Uganda Railway shall be Sh.18.50 per ton on the actual tonnage consigned Provided always that if the aggregate amount payable by the Lessees in respect of soda goods so consigned to Kilindini and in respect of any Soda goods (including common salt) consigned outwards from Lake Ugadi to any other destination (for which the Lessees shall pay the scale charged from time to time in force on the Kenya and Uganda Railway as provided by Clause 11 of the Railway Lease) shall amount to less than £37,000 in the period of twelve months covered by this agreement the Lessees shall make good to the High Commissioner for Transport the difference between the aggregate amount payable by the Lessees on goods actually consigned and the fixed sum of £37,000. For the purpose of securing the said minimum payment of £37,000, the Lessees shall pay to the High Commissioner for Transport the sum of £3,083.6.8. at the end of each month, or such greater sum as shall be due, having regard to the tonnage rate above provided, in respect of consignments made from Lake Ugadi during the month in question provided always that if the amount payable in any month in respect of soda goods (including common salt) so consigned shall amount to more than £3,083.6.8. no payment in excess of the said fixed sum shall be made to the High Commissioner for Transport until credit has been given to the Lessees for the amount by which the fixed payments in previous months have exceeded the amount payable in such months by virtue solely of the tonnage consigned from Lake Ugadi in such months. In order to give effect to the foregoing the Lessees shall immediately on the execution of these presents pay to the High Commissioner for

Transport

Transport such a sum as shall be due under the provisions of this Clause in respect of the period from the 1st November last to the date hereof.

7. The sums payable for freight as hereinbefore provided shall in the Railway Lease be deemed to be the charges therein referred to as the charges for freight therein specified.

8. The Magadi Lease and the Railway Lease and the covenants conditions and provisions therein respectively contained shall during the subsistence of the agreement hereby made operate and have effect as if the modifications and variations hereby made in them respectively had been embodied in the Lease which the provisions have been hereby modified and varied but otherwise and in all other respects the Magadi Lease the Railway Lease and the Port Lease shall remain in full force and unaffected by any provision herein contained.

9. The provision for Arbitration contained in Clause 14 of the Magadi Lease and Clause 30 of the Railway Lease shall apply to this Deed as if the provisions herein contained were contained in the Lease of which the provisions are hereby varied and as if the construction meaning or effect of this Deed were for all purposes within those Clauses.

10. The costs of the preparation execution and stamping of this Deed (including the cost of stamping the same and effecting entries relating thereto in the Registry of Titles for the Colony of Kenya if the Lessees shall decide so to do) shall be borne by the Lessees.

I H J I T N E S S etc.

28
48

Denning Street,

4 June, 1932

Dear Mr. Harriell,

I now enclose for your perusal and comment the draft of the new Magadi-Beed which has been agreed by the I.C.F. Solicitors and referred to us for approval.

After a hasty inspection here, the only modification which it occurs to us to suggest is that in the 7th line of the redrafted portion of Clause 5 the word "where" should be omitted. You will notice also from the final clause that the company are prepared to undertake the stamp duties in Kenya only if they themselves decide that registration locally is necessary.

Perhaps you will be good enough to telephone to us on Monday saying whether, and if so when, you wish time to call and discuss the draft.

Yours sincerely,

CP

L.F. HARRIELL, Esq.

Denning Street,
4 June, 1932

Dear Mr. Harriott,

I now enclose for your perusal and comment the draft of the new Magadi Deed which has been agreed by the I.C.I. Solicitors and referred to us for approval.

After a hasty inspection here, the only modification which it occurs to us to suggest is that in the 7th line of the redrafted portion of Clause 6 the word "where" should be omitted. You will notice also in the 11th clause that the Company are prepared to undertake the stamp duties in Kenya only if they themselves decide that registration locally is necessary.

Perhaps you will be good enough to telephone to us on Monday saying whether, and if so when, you would care to sign and approve the draft.

Yours sincerely,

(Signature)

L.S. HARRIOTT, ESQ.

27/49



ALL COMMUNICATIONS TO BE ADDRESSED TO THE CROWN AGENTS FOR THE COLONIES. THE FOLLOWING REFERENCE AND THE DATE OF THIS LETTER BEING QUOTED.

4 MILLBANK, WESTMINSTER, LONDON. S.W.1

O/Kenya 31A.

TELEGRAMS: "CROWN LONDON." TELEPHONE: 7730 VICTORIA.

RECEIVED
5 JUN 1932
CROWN AGENTS

2nd June, 1932.

Sir,

No 26

In continuation of our letter of the 24th May, respecting an agreement between the Government of Kenya and the Magadi Soda Co. Ltd,

1.6.32.

I have the honour to transmit for the Secretary of State's consideration a copy of a letter from Messrs. Sutton, Ozmanney and Oliver, together with two copies of the ~~attached~~ draft deed.

2

I have the honour to be,

Sir,

Your obedient servant,

for Crown Agents.

Amud. 13. 6.32. (31)

The Under Secretary of State,
Colonial Office,

S.W.1.

HCR

MESSRS. SUTTON, OSMANNEY AND OLIVER TO THE CROWN AGENTS.

7 and 8, Great Winchester Street,

E.C.2.

1st June, 1932.

Gentlemen,

The Magadi Soda Company Limited.

We beg to hand you herewith two copies of the draft Deed varying the covenants in the Leases of 1928 which has been amended by the Proprietors for the Imperial Chemical Industries Limited as shown in red ink.

You will observe that the Company proposes a substantial amendment to Clause 6, upon which we shall be glad to have your observations.

With regard to Clause 10, the Company ask that the question of stamping and registering the Deed in Kenya may be left to us, and suggest that it would be unfair if they are called upon to proceed with the legal stamping and registration in the event of substantial duties being payable in Kenya.

We see no objection to the rest of the suggested amendments.

We have the honour to be,

Gentlemen,

Your obedient servants,

(Sgd.) Sutton, Osmanney and Oliver.

This

DEED made the _____ day of _____
 1932 BETWEEN THE CROWN AGENTS FOR THE COLONIES
 (hereinafter called the Crown Agents) acting for and on
 behalf of the Government of the Colony and Protectorate
 of Kenya (hereinafter referred to as the Government) of
 the one part and ^{THE} ~~the~~ MAGADI SODA COMPANY LIMITED a
 Company incorporated pursuant to the laws of England
 under the Companies Acts 1908 to 1917 and having their
 registered office situate at ^{Imperial Chemical House}
~~Broadway Buildings 50/64~~
 Millbank
~~Broadway~~ in the City of Westminster (hereinafter referred
 to as the Lessees which expression shall where the context
 so admits include their successors and permitted assigns)
 of the other part

WHEREAS THIS DEED IS SUPPLEMENTAL to the
 following documents (1) a Lease (hereinafter called the
 Magadi Lease) dated the 20th day of March 1928 made
 between the same parties as are parties hereto and in
 the same order whereby ^{certain} lands ^{at} ~~known as~~ Lake ^{Magadi} ~~Magadi~~ and Lake Natron
 were ^{demised} to the Lessees for ^{a term of} 99 years from the
 1st day of November 1924 subject to the payment of the
 rent and royalties thereby reserved and the covenants on
 the part of the Lessees and the conditions therein
 contained for the purpose of working ^{Magadi Soda deposits} ~~the deposits of~~
^{as therein defined} ~~carbonate of soda therein~~ (2) A Lease (hereinafter
 called the Railway Lease) also dated the 20th day of March
 1928 and made between the same parties as are parties
 hereto and in the same order but executed after the Magadi
 Lease whereby the railway commencing at Magadi Junction
 on the Kenya and Uganda Railway and thence passing to a
 terminus near Lake Magadi together with all lands which
 had been provided by the Government for the purpose of

* In the Masai
 Province of the
 Kenya Colony and
 Protectorate

the construction and working of the said Railway were demised to the Lessees for a term of 99 years from the 1st day of November 1924 subject to the payment of the rent and royalties thereby reserved and the covenants on the part of the Lessees and the conditions therein contained for the purpose of working the said Railway and (3) A Lease (hereinafter called the Port Lease) also dated the 20th day of March 1928 and made between the same parties as are parties hereto and in the same order but executed after the Railway Lease whereby the Depot Works at Shimanzi near Kilindini known as the Magadi Depot and the Branch Railway Line leading from the Kenya and Uganda Railway at Kilindini to the said Depot Works and the Conveyor plant and apparatus used in connection therewith and the Pier adjacent thereto were demised to the Lessees for a term of 99 years from the 1st day of November 1924 subject to the payment of the rent thereby reserved and the covenants on the part of the Lessees and conditions therein contained.

AND WHEREAS the ^{Government} ~~Crown~~ Agents and the Lessees are desirous of making for the period hereinafter mentioned such modifications and variations in the covenants contained in the Magadi Lease and the Railway Lease as ~~are~~ hereinafter expressed ^{acting for and on behalf of the Government} H O & the Crown Agents and the Lessees hereby mutually

covenant and agree and IT IS HEREBY DECLARED as follows: -
 to be deemed to have come into force as on and from the 1st day of November 1931 and shall be deemed to have come into force until the 31st day of October 1932, and shall thereafter ^{continue in force} ~~cease~~ to have effect unless ^{such letter} before that date the Crown Agents and the Lessees agree ^{either by supplemental deed or memorandum endorsed} that the period of the operation of such provisions shall be extended for some further period.

* 1st day of November 1931 and 1. shall
 4 provisions herein contained shall
 4 hereto or by letters exchanged between the parties.

The royalties payable under the Magadi Lease shall be deemed to be at the rate of sh. 1.50 per every ton (whatever of raw soda, and in respect of every ton of soda, soda products or soda ~~concentrated or manufactured soda~~) (as in the Magadi Lease defined) transported from Lake Magadi (and sub-clauses

The rate of freight chargeable on soda goods (as in the Railway lease defined) consigned by the Lessees direct from Lake Nagadi or any other point on the Railway to the Nagadi Pier and wharf, and also consigned by the Railway to Nagadi Junction and thence over the Uganda & Uganda Railway shall be Sh. 12.50 per ton on the actual tonnage consigned, provided always that if the aggregate amount payable by the Lessees for soda goods so consigned to Uganda and in respect of any ~~goods~~ consigned elsewhere from Lake Nagadi to any destination, in excess of the Lessees shall pay the scale charge from time to time of the Uganda & Uganda Railway as provided by Clause 11 of the Railway lease shall amount to less than KSh. 200 in the period of twelve months covered by this agreement the Lessees shall make good to the High Commissioner for Transport the difference between the aggregate amount payable by the Lessees on goods actually consigned and the fixed sum of KSh. 200, for the purpose of securing the said minimum payment of KSh. 200, the Lessees shall pay to the High Commissioner for Transport the sum of KSh. 200, at the end of each calendar month, or such greater sum as shall be due, having regard to the tonnage consigned above provided, in respect of consignments made from Lake Nagadi during the month in question provided always that if the amount payable in any month in respect of soda goods consigned shall amount to more than KSh. 200, no payment in excess of the said fixed sum shall be made to the High Commissioner for Transport until credit has been given to the Lessees for the amount by which the fixed payments in previous months have exceeded the amounts payable in such months by virtue solely of the tonnage consigned from Lake Nagadi in such months. In order to give effect to the foregoing the Lessees shall immediately on the execution of these presents pay to the High Commissioner for Transport such a sum as shall be due under the provisions of this clause in respect of the period from the 1st November last to the date hereof.

(i) (ii) and (iii) of clause 4 of the Magadi Lease shall cease to have effect.

3. The Lessees shall on or before the 31st day of December 1932 pay to the Government or as the Government shall direct royalties at the rate aforesaid on all such goods so transported and such royalties shall in the Magadi Lease be deemed to be the royalties therein referred to as thereby reserved.

4. Except for the proviso in the last paragraph of Clause 5 (v) of the Magadi Lease the provisions of Clause 5 (v) of the Magadi Lease shall cease to have effect and the reference in that proviso to a royalty shall be deemed a reference only to such royalty as is payable under the provisions of this Deed.

5. Except for the proviso in the last paragraph of Clause 4 (iv) of the Railway Lease the provisions of Clause 4 (iv) of the Railway Lease shall cease to have effect and the reference in that proviso to freight shall be deemed a reference only to such freight as is payable under the provisions of this Deed.

6. Clause 10 of the Railway Lease shall cease to have effect and in substitution for the provisions therein contained the following provision shall have effect namely -
~~The charge for freight for soda goods (as in the Railway Lease defined) consigned by the Lessees direct from Lake Magadi or any other point on the Railway to the Magadi Pier and Depot Works by the Railway to Magadi Junction and thence over the Uganda Railway shall be a sum of not less than £3,083.6.8. in respect of every month during the subsistence of the agreement hereby made and such sum so payable in respect of each month shall be paid before the expiration of the next following month PROVIDED NEVERTHELESS that if the sum of £3,083.6.8. paid in respect of any month~~

shall exceed such sum as would (if the amount on each ton actually transported from the Lake to the Port had been calculated at the rate of Sh.18.50 per ton and the amount on each ton actually transported from the Lake to any other destination had been calculated at the rate for the time being in force) have been payable the Lessees shall be entitled to deduct from the sum payable in respect of a subsequent month (calculated at the respective rate applicable thereto as aforesaid) the amount of such excess so long as the sum paid in respect of such subsequent month is not thereby reduced to a sum of less than £2000.0.0

7. The sums payable for freight as hereinbefore provided shall in the Railway Lease be deemed to be the charges therein referred to the charges for freight therein specified.
8. The Magadi Lease and Railway Lease and the covenants conditions and provisions therein respectively contained shall during the subsistence of the Deed hereby made operate and have effect as if the modifications and variations hereby made in them respectively had been embodied in the Lease which the provisions have been hereby modified and varied but otherwise and in all other respects the Magadi Lease the Railway Lease and the Port Lease shall remain in full force and unaffected by any provision herein contained.
9. The provision for arbitration contained in Clause 14 of the Magadi Lease and clause 30 of the Railway Lease shall apply to this Deed as if the provisions herein contained were contained in the Lease of which the provisions are hereby varied and as if the construction meaning or effect of this Deed came for all purposes within those clauses.

10. The costs of the preparation execution and stamping of this Deed (including the cost of ^{stamping the same and} effecting such entries relating thereto ~~in any~~ in the Registry of Titles for the Colony of Kenya ^{if} the Crown Agents or the Lessees ~~may require to be made~~ shall decide so to do shall be borne by the Lessees.

IN WITNESS etc.

As revised in red I approve this draft on behalf of the Magadi Soda Co. Ltd.

W. MORRIS
 Imperial Chemical House,
 Millbank,
 S.W.1.

30th May 1932.

DATED

1932.

COLONY AND PROTECTORATE OF KENYA.

THE CROWN AGENTS FOR THE COLONIES

and

THE MAGADI SOGA COMPANY LIMITED.

Copy D E E D

varying covenants in LEASES.

Sutton Cammney & Oliver,
7 & B, Great Winchester Street,
London, E.C.2.

2
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ALL COMMUNICATIONS
TO BE ADDRESSED TO THE
CROWN AGENTS FOR THE COLONIES,
THE FOLLOWING REFERENCE AND THE
DATE OF THIS LETTER BEING QUOTED.

4 MILLBANK,
WESTMINSTER.
LONDON, S.W.1.

O/Kenya 31A.

TELEGRAMS: "CROWN LONDON."
TELEPHONE: 7730 VICTORIA.

24th May, 1932.

IMMEDIATE
BY HAND.

Sir,

I have the honour to acknowledge the receipt of your letter of the 18th May, No. 18074/32, regarding an agreement between the Government of Kenya and the Magadi Soda Co. Ltd. and to enclose herewith four copies of a draft agreement which we have received from Messrs. Sutton, Commanney & Oliver to whom the correspondence was referred.

I have the honour to be,

Your obedient servant,

for Crown Agents.

The Under Secretary of State,
Colonial Office.

THIS

DEED made the _____ day of _____

1932 BETWEEN THE CROWN AGENTS FOR THE COLONIES (hereinafter called the Crown Agents) acting for and on behalf of the Government of the Colony and Protectorate of Kenya (hereinafter referred to as the Government) of the one part and the MAGADI SODA COMPANY LIMITED a Company incorporated pursuant to the laws of England under the Companies Acts 1908 to 1917 and having their registered office situate at Broadway Buildings 50/54 Broadway in the City of Westminster (hereinafter referred to as the Lessees which expression shall where the context so admits include their successors and permitted assigns) of the other part

WHEREAS THIS DEED IS SUPPLEMENTAL to the following documents (1) a Lease (hereinafter called the Magadi Lease) dated the 10th day of March 1928 made between the same parties as are parties hereto and in the same order whereby lands known as Lake Magadi were demised to the Lessees for a term of 99 years from the 1st day of November 1924 subject to the payment of the rent and royalties thereby reserved and the covenants on the part of the Lessees and the conditions therein contained for the purpose of working the deposits of carbonate of soda therein (2) A Lease (hereinafter called the Railway Lease) also dated the 20th day of March 1928 and made between the same parties as are parties hereto and in the same order but executed after the Magadi Lease whereby the railway commencing at Magadi Junction on the Kenya and Uganda Railway and thence passing to a terminus near lake Magadi together with all lands which had been provided by the Government for the purpose of

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the construction and working of the said Railway were demised to the Lessees for a term of 99 years from the 1st day of November 1924 subject to the payment of the rent and royalties thereby reserved and the covenants on the part of the Lessees and the conditions therein contained for the purpose of working the said Railway and (3) A Lease (hereinafter called the Port Lease) also dated the 20th day of March 1928 and made between the same parties as are parties hereto and in the same order but executed after the Railway Lease whereby the Depot Works at Shimani near Kilindini known as the Magadi Depot and the ~~Port~~ Railway Line leading from the Kenya and Uganda Railway at Kilindini to the said Depot Works and the Conveyor plant and apparatus used in connection therewith and the Pier adjacent thereto were demised to the Lessees for a term of ~~99~~ years from the 1st day of November 1924 subject to the payment of the rent thereby reserved and the covenants on the ~~part~~ of the Lessees and conditions therein contained.

AND WHEREAS the Crown Agents and the Lessees are desirous of making for the period hereinafter mentioned such modifications and variations in the covenants contained in the Magadi Lease and the Railway Lease as are hereinafter expressed

NOW the Crown Agents and the Lessees hereby mutually covenant and agree and IT IS HEREBY DECLARED as follows:-

1. The provisions herein contained shall remain in force until the 31st day of October 1931 and shall thereafter cease to have effect unless before that date the Crown Agents and the Lessees agree that the period of the operation of such provisions shall be extended.
2. The royalties payable under the Magadi Lease shall be deemed to be at the rate of sh. 2.00 for every ton (whatever the aggregate tonnage may be) of such goods (as in the Magadi Lease defined) transported from Lake Magadi and sub-clauses

(1) (ii) and (iii) of clause 4 of the Magadi Lease shall cease to have effect.

3. The Lessees shall on or before the 31st day of December 1932 pay to the Government or as the Government shall direct royalties at the rate aforesaid on all such goods so transported and such royalties shall in the Magadi Lease be deemed to be the royalties therein referred to as thereby reserved.

4. Except for the proviso in the last paragraph of Clause 5 (v) of the Magadi Lease the provisions of Clause 5 (v) of the Magadi Lease shall cease to have effect and the reference in ~~the~~ proviso to a royalty shall be deemed a reference only to such royalty as is payable under the provisions of this Deed.

5. Except for the proviso in the last paragraph of Clause 4 (iv) of the Railway Lease the provisions of Clause 4 (iv) of the Railway Lease shall cease to have effect and the reference in that proviso to freight shall be deemed a reference only to such freight as is payable under the provisions of this Deed.

6. Clause 10 of the Railway Lease shall cease to have effect and in substitution for the provisions therein contained the following provision shall have effect namely - The charge for freight for soda goods (as in the Railway Lease defined) consigned by the Lessees direct from Lake Magadi or any other point on the Railway to the Magadi Pier and Depot Works by the Railway to Magadi Junction and thence over the Uganda Railway shall be a sum of not less than £3083.6.8. in respect of every month during the subsistence of the agreement hereby made and such sum so payable in respect of each month shall be paid before the expiration of the next following month PROVIDED nevertheless that if the sum of £3083.6.8. paid in respect of any month

shall exceed such sum as would (if the amount on each ton actually transported from the Lake to the Port had been calculated at the rate of \$h.18.50 per ton and the amount on each ton actually transported from the Lake to any other destination had been calculated at the rate for the time being in force) have been payable the Lessees shall be entitled to deduct from the sum payable in respect of a subsequent month (calculated at the respective rate applicable thereto as aforesaid) the amount of such excess so long as the sum paid in respect of such subsequent month is not thereby reduced to a sum of less than \$1000.00.

7. The sums payable for freight as hereinbefore provided shall in the Railway Lease be deemed to be the charges therein referred to as the charges for freight therein specified.

8. The Magadi Lease and the Railway Lease and the covenants conditions and provisions therein respectively contained shall during the subsistence of the agreement hereby made operate and have effect as if the modifications and variations hereby made in them respectively had been embodied in the Lease which the provisions have been hereby modified and varied but otherwise and in all other respects the Magadi Lease the Railway Lease and the Port Lease shall remain in full force and unaffected by any provision herein contained.

9. The provision for Arbitration contained in Clause 14 of the Magadi Lease and clause 20 of the Railway Lease shall apply to this Deed as if the provisions herein contained were contained in the Lease of which the provisions are hereby varied and as if the construction meaning or effect of this Deed were for all purposes within those classes.

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10. The costs of the preparation execution and stamping of this Deed (including the cost of effecting such entries if any in the Registry of Titles for the Colony of Kenya as the Crown Agents or the Lessees may require to be made) shall be borne by the Lessees.

IN WITNESS etc.

STATE OF NEW YORK

IN SENATE

JANUARY 19, 1910

REPORT OF THE

COMMISSIONERS OF THE LAND OFFICE

THE MAGADI SODA COMPANY, LIMITED. 2565

NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting of the Shareholders of the above-named Company will be held at Caxton Hall, Caxton Street, Westminster, S.W.1, at 12 o'clock noon on Thursday, the 26th day of May, 1932, for the purpose of transacting the following ordinary and special business:

ORDINARY BUSINESS

1. To receive and consider the Balance Sheet and Statement of Accounts together with the Directors' and Auditors' Reports for the year ending on the 31st December 1931.
2. To appoint Auditors for the ensuing year.
3. To transact any business that may be transacted at an Ordinary General Meeting.

SPECIAL BUSINESS

To elect Directors in the place of Sir Harry McGowan, K.B.E., Mr. J. G. Nicholson, Mr. W. F. Lutjens, Mr. D. March and Mr. C. G. Saunders, who have tendered their resignations.

Notes: Mr. J. G. Nicholson and Mr. W. F. Lutjens, who have tendered their resignations, are also due for retirement under the clauses of the Articles of Association dealing with the retirement of Directors by rotation.

All the Directors named above are eligible and, with the exception of Sir Harry McGowan, K.B.E., are prepared to stand for re-election.

Nominations to fill the five vacancies caused by the resignations above mentioned and also the two existing vacancies (if the shareholders also desire these to be filled) must, in accordance with Article 104 of the Articles of Association, be delivered in writing to the Secretary at least three clear days before the date fixed for the General Meeting, together with notices in writing signed by the persons to be proposed as Directors of their willingness to be elected.

Dated the 18th day of May, 1932.

By Order of the Board,

A. E. GAWLER,

Secretary.

Registered Office:

IMPERIAL CHEMICAL HOUSE,
MILBANE, S.W.1.

THE MAGADI SODA COMPANY, LIMITED.

Directors

Sir HARRY McCOWAN, K.B.E. (Chairman)
J. C. NICHOLSON (Deputy Chairman)
P. F. FLETCHER
W. F. WYDES
H. F. MARRIOTT
D. MAISH
C. C. SAUNDERS

Secretary

A. I. LAWLER

REPORT OF THE DIRECTORS.

The Directors present herewith the Balance Sheet as at 31st December, 1931, together with the Auditors' Report thereon, and the Profit and Loss Account for the year ended 31st December, 1931.

After providing £11,599 to the Kenya Government and £2,582 for the Kenya Railway, the Profit and Loss Account shows a loss for the year amounting to £22,253 1s. 6d., and the Directors therefore report that no dividends can be paid for the year ending 1931.

Under an order from the Kenya Government the Company was called upon to despatch by railway a minimum quantity of 20,000 tons of soda ash yearly from December 1st, 1926, to October 31st, 1931, and, although this obligation was met up to October 31st, 1930, there was a shortage in the year ended October 31st, 1931, of between eight and nine thousand tons. The Kenya & Uganda Railway Administration have the right to demand by way of penalty the railway freight payable on the shortage, and a sum of £2,582 representing the full amount of their claim, has been provided for in the Trading Account for the year.

In the statement the Directors cannot also mention that as and from the 1st November, 1931, the losses and the minimum expenditure of £2,582 was per year, falling about a quantity equivalent to the railway freight and penalty payable on the shortage when despatched as aforesaid. The Board however are pleased to state the matter has been taken up with the Kenya Government and that an agreement temporarily modifying the latter conditions has been arrived at as aforesaid.

During the year it has been necessary to call up the 50 pence share on the 10 pence worth Preferred Ordinary Shares and the 25 pence share on the Ordinary Shares of the Company. The calls were not actually due to payments until early in 1932 and the amounts received before the year end have therefore been shown under a new heading on the Liability side of the Balance Sheet.

On the Assets side of the Balance Sheet it will be observed that capital expenditure during the year amounted to only £2,484 4s. 2d.—a considerable reduction on previous years—and that stocks show a decrease of about £25,000. These savings are the direct result of the Board's policy of conserving cash resources.

The Directors regret to report that Sir Ernest K. Allen, the Director nominated by the Trustees for Debenture holders, has resigned from the Board owing to ill-health, but they are pleased to state that the Trustees, the Royal Exchange Assurance, have appointed Mr. Peveril F. Fletcher to fill this vacancy.

The Directors report that they have received the resignations, to take effect as from the 26th May, 1932, of their Chairman, Sir Harry McGowan, K.B.E., Mr. D. Marsh and Mr. C. G. Saunders, and also of Mr. J. G. Nicholson and Mr. W. F. Lutyens, who are due to retire under the Clause in the Articles of Association dealing with the rotation of Directors.

The Directors regret that Sir Harry McGowan has intimated that owing to the calls upon his time he will not seek re-election.

Mr. Nicholson, Mr. Lutyens, Mr. Marsh and Mr. Saunders, who were all nominated to the Board of your Company either by Brunner Mond & Co. Limited or by Imperial Chemical Industries Ltd., are willing to be re-elected if the shareholders at the Annual General Meeting express the desire that they shall continue in office.

The Auditors, Messrs. Price, Waterhouse & Co., retire, and, being eligible, offer themselves for re-election.

By Order of the Board

A. E. GAWLER,

Secretary.

IMPERIAL CHEMICAL HOUSE,

MILLBANK, S.W.1.

18th May, 1932.

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By Order of the Board.

A. E. GAWLER,

Secretary.

IMPERIAL CHEMICAL HOUSE,

MILDBANK, S.W.1.

18th May, 1932.

THE MAGADI SODA COMPANY, LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31st December, 1931

Opening Loss for 1931
 General Reserve
 Reserve for Depreciation
 Reserve for Contingencies
 Reserve for Sinking Fund
 Reserve for Taxes
 Reserve for Interest
 Reserve for Dividends

£	s	d
2,857	13	11
3,370	5	1
1,420	1	2
2,556	5	5
3,333	0	1
105	0	0
5,670	4	6
25,542	0	0
144,554	18	2

By Miscellaneous Receipts, including Rents...
 Transfer Fees...
 Balance, using loss for the year...

£	s	d
2,302	8	3
39	2	6
42,213	7	5
144,554	18	2

BALANCE SHEET as at 31st December, 1931.

LIABILITIES	£	s	d
1. CAPITAL	250,000	0	0
2. RESERVE FUNDS	330,188	0	0
3. DEBTS	150,000	0	0
4. OTHER LIABILITIES	100,000	0	0
Total	830,188	0	0
5. ASSETS	210,000	0	0
6. DEBTS	50,000	0	0
7. OTHER LIABILITIES	30,000	0	0
8. RESERVE FUNDS	20,000	0	0
9. DEBTS	20,000	0	0
10. OTHER LIABILITIES	20,000	0	0
11. RESERVE FUNDS	20,000	0	0
12. DEBTS	20,000	0	0
13. OTHER LIABILITIES	20,000	0	0
14. RESERVE FUNDS	20,000	0	0
15. DEBTS	20,000	0	0
16. OTHER LIABILITIES	20,000	0	0
17. RESERVE FUNDS	20,000	0	0
18. DEBTS	20,000	0	0
19. OTHER LIABILITIES	20,000	0	0
20. RESERVE FUNDS	20,000	0	0
21. DEBTS	20,000	0	0
22. OTHER LIABILITIES	20,000	0	0
23. RESERVE FUNDS	20,000	0	0
24. DEBTS	20,000	0	0
25. OTHER LIABILITIES	20,000	0	0
26. RESERVE FUNDS	20,000	0	0
27. DEBTS	20,000	0	0
28. OTHER LIABILITIES	20,000	0	0
29. RESERVE FUNDS	20,000	0	0
30. DEBTS	20,000	0	0
31. OTHER LIABILITIES	20,000	0	0
32. RESERVE FUNDS	20,000	0	0
33. DEBTS	20,000	0	0
34. OTHER LIABILITIES	20,000	0	0
35. RESERVE FUNDS	20,000	0	0
36. DEBTS	20,000	0	0
37. OTHER LIABILITIES	20,000	0	0
38. RESERVE FUNDS	20,000	0	0
39. DEBTS	20,000	0	0
40. OTHER LIABILITIES	20,000	0	0
41. RESERVE FUNDS	20,000	0	0
42. DEBTS	20,000	0	0
43. OTHER LIABILITIES	20,000	0	0
44. RESERVE FUNDS	20,000	0	0
45. DEBTS	20,000	0	0
46. OTHER LIABILITIES	20,000	0	0
47. RESERVE FUNDS	20,000	0	0
48. DEBTS	20,000	0	0
49. OTHER LIABILITIES	20,000	0	0
50. RESERVE FUNDS	20,000	0	0
51. DEBTS	20,000	0	0
52. OTHER LIABILITIES	20,000	0	0
53. RESERVE FUNDS	20,000	0	0
54. DEBTS	20,000	0	0
55. OTHER LIABILITIES	20,000	0	0
56. RESERVE FUNDS	20,000	0	0
57. DEBTS	20,000	0	0
58. OTHER LIABILITIES	20,000	0	0
59. RESERVE FUNDS	20,000	0	0
60. DEBTS	20,000	0	0
61. OTHER LIABILITIES	20,000	0	0
62. RESERVE FUNDS	20,000	0	0
63. DEBTS	20,000	0	0
64. OTHER LIABILITIES	20,000	0	0
65. RESERVE FUNDS	20,000	0	0
66. DEBTS	20,000	0	0
67. OTHER LIABILITIES	20,000	0	0
68. RESERVE FUNDS	20,000	0	0
69. DEBTS	20,000	0	0
70. OTHER LIABILITIES	20,000	0	0
71. RESERVE FUNDS	20,000	0	0
72. DEBTS	20,000	0	0
73. OTHER LIABILITIES	20,000	0	0
74. RESERVE FUNDS	20,000	0	0
75. DEBTS	20,000	0	0
76. OTHER LIABILITIES	20,000	0	0
77. RESERVE FUNDS	20,000	0	0
78. DEBTS	20,000	0	0
79. OTHER LIABILITIES	20,000	0	0
80. RESERVE FUNDS	20,000	0	0
81. DEBTS	20,000	0	0
82. OTHER LIABILITIES	20,000	0	0
83. RESERVE FUNDS	20,000	0	0
84. DEBTS	20,000	0	0
85. OTHER LIABILITIES	20,000	0	0
86. RESERVE FUNDS	20,000	0	0
87. DEBTS	20,000	0	0
88. OTHER LIABILITIES	20,000	0	0
89. RESERVE FUNDS	20,000	0	0
90. DEBTS	20,000	0	0
91. OTHER LIABILITIES	20,000	0	0
92. RESERVE FUNDS	20,000	0	0
93. DEBTS	20,000	0	0
94. OTHER LIABILITIES	20,000	0	0
95. RESERVE FUNDS	20,000	0	0
96. DEBTS	20,000	0	0
97. OTHER LIABILITIES	20,000	0	0
98. RESERVE FUNDS	20,000	0	0
99. DEBTS	20,000	0	0
100. OTHER LIABILITIES	20,000	0	0

ASSETS	£	s	d
BUILDINGS, PLANT, MACHINERY, RAILWAY, ETC. IN EAST AFRICA and elsewhere—			
As at 1st January, 1931,	698,277	8	6
At cost, less amounts written off	2,484	4	2
Additional			
1,600,761 12			
Less transfers and amounts written off during year	867	9	3
699,894 3			
FURNITURE, ROLLING STOCK, ETC.	14,261	5	6
At cost, less amounts written off	415	16	0
TRADE MARKS, at cost			
STOCKS OF Manufactured Products, Repairs, and Constructional Materials, as valued by the Company's Officials	95,768	5	2
SUNDRY DEBITORS, less Reserve	23,430	0	2
CASH	19,361	12	0
At Bankers and in hand in East Africa			
At cost, less	6,000	0	0
STAMP DUTIES ON EAST AFRICAN LEASES, at cost	12,283	14	0
PROFIT AND LOSS ACCOUNT—			
Debit balance as at 31st December, 1930, brought forward	9,486	11	9
Loss for year to 31st December, 1931	42,213	7	5
21,699 10 2			

H. MCGOWAN,
 PEVERIL F. FLETCHER, } Directors.

11,222,495 8 2

11,222,495 8 2

AUDITORS' REPORT

We the Members of The Magadi Soda Company Limited do hereby certify that the Balance Sheet with the books of the Company in England and with the audited Returns received from East Africa and that we have obtained all the information and explanations we have required in our report on the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as at 31st December, 1931, according to the best of our information and the explanations given to us and as shown by the books of the Company in England and the audited Returns from East Africa.

FRICK, WATERHOUSE & CO.,
 Chartered Accountants, Auditors.

**THE MAGADI SODA
COMPANY, LIMITED.**

INCORPORATED IN ENGLAND
MILNERS, LONDON, E.C.4

REPORT OF THE DIRECTORS

Balance Sheet

AND
Accounts

for the year ended 31st December 1931

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**THE MAGADI SODA
COMPANY, LIMITED.**

INCORPORATED IN ENGLAND
MILNERS, LONDON, E.C.4

REPORT OF THE DIRECTORS

AND
Balance Sheet

AND
Accounts

FOR THE YEAR ENDED 31st DECEMBER 1952

THE MAGADI SODA COMPANY, LIMITED.

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NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting of the Shareholders of the above-named Company will be held at Caxton Hall, Caxton Street, Westminster, S.W.1, at 12 o'clock noon on Thursday, the 26th day of May, 1932, for the purpose of transacting the following ordinary and special business:—

ORDINARY BUSINESS.

1. To receive and consider the Balance Sheet and Statement of Accounts together with the Directors' and Auditors' Reports for the year ending on the 31st December, 1931.
2. To appoint Auditors for the ensuing year.
3. To transact any business that may be transacted at an Ordinary General Meeting.

SPECIAL BUSINESS.

To elect Directors in the place of Sir Harry McGowan, K.B.E., Mr. J. G. Nicholson, Mr. W. F. Lutyens, Mr. D. Mars and Mr. C. G. Saunders, who have tendered their resignations.

Note.—Mr. J. G. Nicholson and Mr. W. F. Lutyens, who have tendered their resignations, are also due for retirement under the clauses of the Articles of Association dealing with the retirement of Directors by rotation.

The Directors named above are eligible and, with the exception of Sir Harry McGowan, K.B.E., are prepared to stand for re-election.

Nominations to fill the five vacancies caused by the resignations above mentioned and the two existing vacancies (if the shareholders also desire these to be filled) must, in accordance with Article 104 of the Articles of Association, be delivered in writing to the Secretary at least three clear days before the date fixed for the General Meeting, together with notices in writing signed by the persons to be proposed as Directors of their willingness to be elected.

Dated the 18th day of May, 1932.

By Order of the Board,

A. E. GAWLER,

Secretary.

Registered Office:

IMPERIAL CHEMICAL HOUSE,
MILLBANK, S.W.1.

THE MAGADI SODA COMPANY, LIMITED.

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Note.—Mr. J. G. Nicholson and Mr. W. F. Lutyens, who have tendered their resignations, are also due for retirement under the clauses of the Articles of Association dealing with the retirement of Directors.

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Dated the 18th day of May, 1932.

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A. E. GAWLER,

Secretary.

Registered Office:

IMPERIAL CHEMICAL HOUSE,
MILLBANK, S.W.1.

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THE MAGADI SODA COMPANY, LIMITED.

Directors :

SIR HARRY MCGOWAN, K.B.E. (*Chairman*).

J. G. NICHOLSON (*Deputy Chairman*).

P. F. FLETCHER.

W. F. LUTYENS.

H. F. MARRIOTT.

D. MARSH.

C. G. SAUNDERS.

Secretary :

A. E. CAWLER.

REPORT OF THE DIRECTORS.

The Directors present herewith the Balance Sheet as at 31st December, 1931, together with the Auditors' Report thereon, and the Profit and Loss Account for the year ended 31st December, 1931.

After providing £16,339 7s. 6d. for Obsolescence and £25,542 for Debenture Interest, the Profit and Loss Account shows a loss for the year amounting to £42,213 7s. 6d., and the Directors therefore regret that no dividends can be paid for the year under review.

Under its leases from the Kenya Government the Company was called upon to despatch by railway a minimum quantity of 50,000 tons of soda ash yearly from November 1st, 1926, to October 31st, 1931, and, although this obligation was met up to October 31st, 1930, there was a shortage in the year ended October 31st, 1931, of between eight and nine thousand tons. The Kenya & Uganda Railway Administration have the right to demand by way of penalty the railway freight payable on this shortage, and a sum of £8,000 representing the full amount of their claim, has been provided for in the Trading Account for the year.

In this connection the Directors remind shareholders that as and from the 1st November, 1931, the leases call for minimum despatches of 100,000 tons per year, failing which a penalty equivalent to the railway freight and royalty payable on the tonnage short despatched is incurred. The Board however are pleased to state the matter has been taken up with the Kenya Government and that an agreement temporarily modifying the Lease conditions has been arrived at in principle.

During the year it has been necessary to call up 1s. 3d. per share on the 12½ per cent. Preferred Ordinary Shares and 10s. per share on the Ordinary Shares of the Company. The calls were not actually due for payment until early in 1932 and the amounts received before the year end have therefore been shown under a new heading on the Liabilities side of the Balance Sheet.

On the Assets side of the Balance Sheet it will be observed that capital expenditure during the year amounted to only £2,484 4s. 2d.—a considerable reduction on previous years—and that stocks show a decrease of about £25,000. These savings are the direct result of the Board's policy of conserving cash resources.

The Directors regret to report that Sir Ernest K. Allen, the Director nominated by the Trustees for Debenture holders, has resigned from the Board owing to ill-health, but they are pleased to state that the Trustees, the Royal Exchange Assurance, have appointed Mr. Peveril F. Fletcher to fill this vacancy.

The Directors report that they have received the resignations, to take effect as from the 20th May, 1932, of their Chairman, Sir Harry McGowan, K.B.E., Mr. D. Marsh and Mr. C. G. Saunders, and also of Mr. J. C. Nicholson and Mr. W. F. Lutyens, who are due to retire under the Clause in the Articles of Association dealing with the rotation of Directors.

The Directors regret that Sir Harry McGowan has intimated that owing to the calls upon his time he will not seek re-election.

Mr. Nicholson, Mr. Lutyens, Mr. Marsh and Mr. Saunders, who were all nominated to the Board of your Company either by Brunner Mond & Co. Limited or by Imperial Chemical Industries Ltd., are willing to be re-elected if the shareholders at the Annual General Meeting express the desire that they shall continue in office.

The Auditors, Messrs. Price, Waterhouse & Co., retire, and, being eligible, offer themselves for re-election.

By Order of the Board

A. E. GAWLER,

Secretary.

IMPERIAL CHEMICAL HOUSE,

MILLEBANK, S.W.1.

16th May, 1932.

On the Assets side of the Balance Sheet it will be observed that capital expenditure during the year amounted to only £2,484 4s. 2d.—a considerable reduction on previous years—and that stocks show a decrease of about £25,000. These savings are the direct result of the Board's policy of conserving cash resources.

The Directors regret to report that Sir Ernest K. Allen, the Director nominated by the Trustees for Debenture holders, has resigned from the Board owing to ill-health, but they are pleased to state that the Trustees, the Royal Exchange Assurance, have appointed Mr. Peveril F. Fletcher to fill this vacancy.

The Directors report that they have received the resignations, to take effect as from the 26th May, 1932, of their Chairman, Sir Harry McGowan, K.B.E., Mr. D. Marsh and Mr. C. G. Saunders, and also of Mr. J. G. Nicholson and Mr. W. F. Lutyens, who are due to retire under the Clause in the Articles of Association dealing with the rotation of Directors.

The Directors regret that Sir Harry McGowan has intimated that owing to the calls upon his time he will not seek re-election.

Mr. Nicholson, Mr. Lutyens, Mr. Marsh and Mr. Saunders, who were all nominated to the Board of your Company either by Brunner Mond & Co. Limited or by Imperial Chemical Industries Ltd., are willing to be re-elected if the shareholders at the Annual General Meeting express the desire that they shall continue in office.

The Auditors, Messrs. Price, Waterhouse & Co., retire, and, being eligible, offer themselves for re-election.

By Order of the Board,

A. E. GAWLER,

Secretary.

IMPERIAL CHEMICAL HOUSE,

MILBANK, S.W.1.

26th May, 1932

THE MAGADI SODA COMPANY, LIMITED.

PROFIT AND LOSS ACCOUNT for the year ended 31st December, 1931

10

To Trading Loss for Year
Head Office Salaries and Audit
General Charges
Directors' Fees
Royalty on Soda Ash
Trustees' Fees
Interest
Debitaire Interest

£ s. d.
2,857 16 11
2,370 3 1
1,420 1 2
2,256 3 5
3,333 9 1
105 0 0
6,870 4 8
23,543 0 0
£44,554 18 2

By Miscellaneous Receipts, including Rents...
Transfer Fees...
Balance, being loss for the year...

£ s. d.
2,302 8 3
39 2 0
42,213 7 6
£44,554 18 2

BALANCE SHEET as at 31st December, 1931.

LIABILITIES

	£	s.	d.	£	s.	d.
AUTHORIZED CAPITAL	250,000	0	0			
1,000,000 6% First Cumulative Preference Shares of £1 each	1,000,000	0	0			
1,000,000 8% Second Cumulative Preference Shares of £1 each	1,000,000	0	0			
1,000,000 11% Preferred Ordinary Shares of £1 each	1,000,000	0	0			
100,000 Ordinary Shares of £1 each	100,000	0	0			
	<u>£4,000,000</u>	0	0			
ISSUED CAPITAL						
1,112,104 6% First Cumulative Preference Shares of £1 each	1,112,104	0	0			
1,112,104 8% Second Cumulative Preference Shares of £1 each	1,112,104	10	0			
1,000,000 11% Preferred Ordinary Shares of £1 each, 1s. paid	1,000,000	0	0			
100,000 Ordinary Shares of £1 each, 4s. paid	400,000	0	0			
	<u>£3,624,208</u>	10	0			
AMOUNT PAID UP IN ADVANCE OF CALLS DUE ON 10TH JANUARY, 1932, AND 2ND FEBRUARY, 1932						
In respect of 11%, Preferred Ordinary Shares	22,248	8	8			
In respect of Ordinary Shares	50,000	0	0	72,248	8	8
	<u>£72,248</u>	8	8			
6% MONSIEUR MESSAGERIES DEPARTEMENTAIS (M.M.D.) FOR JANUARY, 1932, AT 100% (RETURNED ON ALL ACCOUNTS)	100,000	0	0			
Less deducted by periodic debits 1931	800	0	0	99,200	0	0
	<u>£99,200</u>	0	0			
AMOUNT PAID UP IN ADVANCE OF CALLS DUE ON 10TH JANUARY, 1932, AND 2ND FEBRUARY, 1932						
In respect of 11%, Preferred Ordinary Shares	22,248	8	8			
In respect of Ordinary Shares	50,000	0	0	72,248	8	8
	<u>£72,248</u>	8	8			
STOCKS, CURRENTS AND PREPAYMENTS FOR TAXATION AND CONTINGENCIES				42,819	15	10
EXPRESSLY GUARANTEED (BY SHARES AND DIVIDEND WARRANTS)				8,111	13	11
AMOUNT PAID UP IN ADVANCE OF CALLS DUE ON 10TH JANUARY, 1932, AND 2ND FEBRUARY, 1932				64,222	1	6
Less deducted by periodic debits 1931	18,308	10	4	45,914	11	10
	<u>£45,914</u>	11	10			

ASSETS

	£	s.	d.	£	s.	d.
BUILDINGS, PLANT, MACHINERY, RAILWAY, ETC., IN EAST AFRICA and elsewhere						
As at 1st January, 1931						
At cost, less amounts written off	998,277	8	6			
Accumulated depreciation at year end	2,484	2	9			
	<u>1,000,761</u>	12	6			
Less transfers and amounts written off during year	807	0	3	999,954	3	3
FURNITURE, ROLLING STOCK, ETC.						
At cost, less amounts written off				14,281	5	6
TRADE MARKS, AT COST				415	16	0
STOCKS OF MANUFACTURED PRODUCTS, REPAIRS AND CONSTRUCTIONAL MATERIALS, AS VALUED BY THE COMPANY'S OFFICIALS				65,168	5	2
DEBTORS, LESS RECEIPTS				23,480	0	2
CASH						
At Bankers and in East Africa and East Africa				10,351	1	1
At cost, less amounts written off				6,000	0	0
DEBT DEDUCTIBLE ON EAST AFRICAN LEASERS, AT COST				17,289	14	0
PROFIT AND LOSS ACCOUNT						
Balance as at 31st December, 1930, brought forward	0	480	11	0		
Loss for year to 31st December, 1931	42,213	7	6			
	<u>£42,213</u>	7	6	51,690	10	2

H. MCGOWAN,
PEVERIL F. FLETCHER, } Directors.

£1,222,405 5 2

AUDITORS' REPORT.

To the Members of The Magadi Soda Company, Limited.

We report that we have examined the above Balance Sheet with the books of the Company in England and with the audited Returns received from East Africa and that we have obtained all the information and explanations we have required. In our opinion the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as at 31st December, 1931, inasmuch as the loss of our jurisdiction and the explanations given to us and as shown by the books of the Company in England and the audited Returns from East Africa.

PRICE, WATERHOUSE & CO.,
Chartered Accountants, Auditors.

A. FAIRBANKS & CO.,
110, FLEET STREET, LONDON, E.C.4. 17th May, 1932.

**THE MAGADI SODA
COMPANY, LIMITED.**

IMPERIAL CHEMICAL HOUSE,
MILBANK, LONDON, S.W.1.

REPORT OF THE DIRECTORS

Balance Sheet

AND

Accounts

For the year ended 31st December, 1931.

THE MAGGI SODA
COMPANY, LIMITED.

IMPERIAL CHEMICAL HOUSE,
MILBANK, LONDON, S.W.1.

REPORT OF THE DIRECTORS

AND

Balance Sheet

AND

Accounts

For the year ended 31st December, 1931

2387

C. O.

- Mr. Freeston 11/6
- Mr. Mc 11/5
- Mr. Duncan 12/5/32
- Mr. Parkinson.

C.O.
 R. 13MAY
 D. 17-

18 May 1932

Mr. Tomlinson.

X Sir C. Bottomley. 13.5.32 f.

Sir J. Shuckburgh.

Permt. U.S. of S.

Partly. U.S. of S.

Secretary of State.

No. 11 on 15565/29

Gentlemen,

I am to refer to your letter of the 10th April 1929 (O/Kenya 31a) and connected correspondence regarding certain leases held by the Magadi Soda Company from the Government of Kenya, and inform you that certain modifications of the terms of those leases have now been agreed upon between the S. of S. on behalf of the Kenya Government, and the Magadi Soda Company. A copy of the relevant correspondence with the Company is enclosed.

2. It is now desired to embody these modifications, which are summarized in the Company's letter of the 25th April, in an indenture to be made between the C.A. for the C. acting on behalf of the Kenya Govt., and the Magadi Soda Company.

DRAFT

CROWN AGENTS FOR THE COLONIES

- From Magadi Soda Co.
- 25. Apl. No. file
- To ditto
- 26 April No. 14
- To ditto
- 9th May No. 19
- To ditto
- appended draft.

No. 13

2 dfts. common

23877

C.O.

- Mr. Freeston 11/6
- Mr. Mc 11/5
- Mr. Duncan 12/5/32
- Mr. Parkinson.
- Mr. Tomlinson.

C.D.
 11 13 MAY
 D 17
 18 May 1932

X Sir C. Bottomley. 13.5.32 f.s.
 Sir J. Shuckburgh.
 Permt. U.S. of S.
 Parly. U.S. of S.
 Secretary of State.

Gentlemen,

I am to refer to your letter of

the 10th April 1929 (O/Kenya 31a) and connected correspondence regarding the ~~leases~~ leases held by the Magadi Soda Company from the Government of Kenya, and to inform you that certain modifications of the terms of these leases have now been ~~made~~ upon between the S. of S. on behalf of the Kenya Government, and the Magadi Soda Company, a copy of the relevant correspondence with the Company is enclosed.

2. It is now desired to embody these modifications, which are summarized in the Company's letter of the 25th April, in an indenture to be made between the C.A. for the C. acting on behalf of the Ken Govt. and the Magadi Soda Company.

DRAFT.

CROWN AGENTS
 FOR THE COLONIES

- From Magadi Soda Co.
- 25 Apl. No. ~~in file~~
- To ditto
- 26 April No. 14
- To ditto
- 9th May No. 19
- To ditto
- appended draft.

No.13

2 dfts. common

I am to request that you will give the necessary instructions in the matter to Messrs. Sutton, Ommagey & Oliver who were responsible for drafting the leases of 20th March 1928.

3. It will be observed from the enclosed correspondence that the arrangements now proposed ^{shall be in force,} should take

effect ~~in~~ the first instance, only for the period of 12 months from the 1st ~~of~~ ^{November} ~~April~~ 1931 to 30th October 1932. ~~It~~

~~will be convenient if the indenture~~

~~provides that its effect~~

~~shall be limited to the period by means of~~

~~exchange of letters before the parties concerned.~~

4. It will no doubt be made plain in the indenture that the provisions of the 1928 instruments remain in full ^{force} power and effect except in so far as they are specifically modified by the present

indenture.

I am to request that you will give

~~the~~ necessary instructions in the

matter to Messrs. Sutton, Ommaney &

Oliver who were responsible for drafting

the leases of 20th March 1928.

3. It will be observed from the

enclosed correspondence that the

arrangements ~~now proposed~~ ^{shall be in force,} should take

effect in the first instance, only for

the period of 12 months from the 1st

~~April~~ ^{November} 1931 to 30th October 1932. ~~It~~

~~will be convenient if the indenture~~

~~provides that its effect may be pro-~~

~~longed beyond that period by means of~~

~~exchange of letters before the parties~~

~~concerned.~~

4. It will no doubt be made plain in

the indenture that the provisions of the

1928 instruments remain in full ^{force} power and

effect except in so far as they are

specifically modified by the present

indenture.

indenture.

72

5. Messrs. Sutton, Ommaney and Oliver may be informed that, if in their view, advantage would be derived from consultation with the Legal Adviser to the Magadi Soda Company (who is understood to be Mr. E.A. Bingen of Imperial Chemical House, Millbank), the S. of S. would have no objection to such a course. *it may be of value in expediting the preparation of the indenture*
You will no longer submit the draft indenture to the S. of S. for his approval in due course.

Yours, etc.

(Signed) H. T. ALLEN

indenture.

72

5. Messrs. Sutton, Ommaney and Oliver may be informed that, if in their view, advantage would be derived from consultation with the Legal Adviser to the Magadi Soda Company (who is understood to be Mr. E.A. Bingen of Imperial Chemical House, Millbank), the S. of S. would

have no objection to such a course, *and*

it may be of value in expediting the preparation of the indenture.

You will no doubt submit the draft

indenture to the S. of S. for his

approval in due course.

I am, etc.

(Signed) H. T. ALLEN

ML
22
73

C. O.

Mr. Freeston

Mr. Allen 11/8

Mr. Duncan 12/5/32

Mr. Parkinson

Mr. Tomlinson

X Sir C. Extonley 12 5 32 *6*

Sir J. Shackburgh

Perms. U.S. of S.

Parly. U.S. of S.

Secretary of State

Hand 24

18 MAY 1932

34

Sir,

With reference to the 2nd para

of the letter from this office of

No. 19

the 9th May, I am enclosed state that

he is advised that it is desirable

in order to give legal effect to the

temporary arrangements which have

been agreed to in correspondence, that

these arrangements should be embodied

in an instrument to be executed

between the Magadi Soda Company and

the Crown agents for the Colonies

acting on behalf of the Govt. of Kenya.

Steps are accordingly being taken

for the drafting of such a document

by Messrs. Cotton, Clancy & Oliver

of 3 and 4 St. Winchester Street, London.

DRAFT.

THE SECRETARY

MAGADI SODA COMPANY

Copy to CA 16 MAY 1932

The S. of S. presumes the expenses necessarily incurred in this connection will be met by the Magadi Soda Company.

I am, etc.

(Signed)

C. O.

Mr. Freedson. 26/4/32.

Mr. *Allen 26/4*

Mr.

Mr. Parkinson.

Mr. Tomlinson.

Sir C. Bottomley. *26/4 f*

Sir J. Skuckburgh.

Permt. U.S. of S.

Parly. U.S. of S.

Secretary of State.

3 DRAFT. B.

BRIGADIER GENERAL

SIR JOSEPH BYRNE, K.C.M.G.

K.B.E., G.B.

18074/38. Kenya.



DOWNING STREET.

26 April, 1932.

S.O. FOR SIR C. BOTTOMLEY'S

SIG.

My dear Sir,

Your telegram of the

18th of April reached us in

ample time for us to be

informed of its contents

before the Board meeting of the

Magadi Soda Company. Marriott

was, however, not a little

surprised to find that the

Chairman had received a cable

from Colonel Pollitt in

Nairobi giving a broad

indication of the better terms

for which you were asking and

counselling the Board to resist

them firmly. In the circumstances,

Marriott felt, quite ^{properly} naturally,

that there was no alternative but to fall back on the authority contained in the last few lines of your cable.

The despatch which accompanies this letter invites official confirmation of your acceptance of the Company's proposals.

You will notice that a slight

modification has been introduced

in calculating the £37,000 per annum,

the ^{which} ~~amounting~~ is to be permitted

of railway freightage paid on any

consignments to destinations other

than Kilimindi.

Marriott tells us that as

from June this year the Japanese Government

are imposing an additional 6/- per ton

import duty on Masani sola. This will,

I fear, depress their markets still further.

and it would be well if the present deal

them firmly. In the circumstances,
Marriott ^{probably} quite naturally.

That there was no alternative but to
back on the authority contained
in the last few lines of your cable.

The despatch which
accompanies this letter invites
official confirmation of your
acceptance of the Company's proposals.

You will notice that a slight

modification has been introduced —
in calculating the £37,000 per annum,

the ^{inclusion} ~~assumption~~ is to be permitted
of rates, freightage paid on
shipments to destinations other

than ~~the~~ ^{the} ~~initial~~.

Marriott tells us that as

from Jan. this year the Japanese Government
are imposing an additional 6/- per ton

import duty on Uragai wool. This will,

I fear, depress their markets still further,

and it would be well if the present deal

could be concluded before matters
get any worse. *It is well.*

~~Yours sincerely,~~

*That is said, and will
not any idea of
concern they can, that we
have not
of that - it is
enclosed with the ~~reference~~*

Yours sincerely

(SIGNED) W. C. BOWENLEY.

C. O.

18074/32. Kenya.

Mr. Freeston. 26 /4/32.

Mr. Allen 26/4/32

Mr. Parkinson.

Mr. Tomlinson.

Sir C. Bottomley. 26.4 f

Sir J. Shuckburgh.

Permt. U.S. of S.

Parly. U.S. of S.

Secretary of State.

Air Mail
26 April

OLDING STREET.

26 April, 1932.

Sir,

You are aware that

the depression in world-prices

of soda ash has rendered it

impossible for the Masai Soda

Company to comply strictly with

the terms of the lease

which its operations are

conducted in Kenya; and that

negotiations have for some time

been in progress with a view to

arriving at an arrangement which

should enable the Company to

continue its activities ^{in the Colony} at the

same time securing the

maximum possible return to your

Government and to the Kenya-

Branch

3 DRAFT. 8

KENYA.

CONFIDENTIAL. (2)

GOVERNOR.

Handwritten signature/initials

21.4.32

copy to Mr. Mansfield 5.0.5

(No. 13) duplicate available

20.02 (off. limits)

Take copy for Mr. Bennett
8 off. (no. copy 14)
sent to Mr. Freeston
27/4/32

Uganda Railway.

2. These negotiations have now culminated in the receipt of formal

proposals from the Magadi Company

in a letter, of which I enclose a copy. I shall be glad if these proposals receive the very

early consideration of yourself and your advisers; your reply (which should be communicated by telegram)

will no doubt express your views both as Governor of the Colony and as High Commissioner for Transport.

Yours, etc.
LIFE, etc.

(1932) P. COMMITTEE LISTER.

C. O.

Mr. Greeston, 10/4/32.

Mr. *Allen 26/4*

Mr. Parkinson.

Mr. Tomlinson.

x Sir C. Balamley, 26/4/32

Sir J. Shuckburgh.

Permt. U.S. of S.

Party, U.S. of S.

Secretary of State.

18074/32. Kenya.

1477

DOWNING STREET.

26 April, 1932.

Sir

I am etc. to

acknowledge the receipt of your letter of the 26th of April

DRAFT. s.

THE SECRETARY,

THE MAGADI SODA COMPANY LIMITED putting forward definite proposals

for a temporary modification of the terms of the Magadi Company's leases in Kenya.

2. The Secretary of State

has no reason to suppose that the arrangements now proposed will prove unacceptable to the

Governor of Kenya. A copy of your letter under acknowledgment is being sent to Nairobi by today's

air mail, and the Governor is being asked to telegraph his reply.

You will be informed without delay

Copy to A. 18 MAY 1932
Copy to Govt Conf (2) 26 APR 1932
" Mr. Macmillan 26/4/32

When
a copy of Sir Joseph Byrne's

specification his acceptance
confirmation of the understanding of the

provisions reached is received.

I am, etc.

(Signed) H. T. ALLEN

When
as seen as Sir Joseph Byrne's

~~confirmation~~ ^{his reply,} confirmation of the understanding of the

~~provisions reached~~ is received.

I am, etc.

(Signed) H. T. ALLEN

TELEPHONE: VICTORIA 4444.
TELEGRAMS: MAGADI, LONDON.

WORKS { MAGADI, KENYA COLONY,
KILINDINI }

78

The Magadi Soda Company Limited.

DIRECTORS:
HARRY MORGAN, K.E.E. (Chairman)
J. G. WICKHOLSON (Secretary)
W. P. FLETCHER
W. G. LUTYENS
H. W. MARRIOTT
D. HARRIS
C. E. SAUNDERS

Imperial Chemical House.

Millbank.

London, S.W.1.

OUR REFERENCE

YOUR REFERENCE

RECEIVED
25 APR 1932
COL OFFICE

25th April 1932.

The Under Secretary of State,
Colonial Office,
Downing Street, S.W.1.

Sir,

With reference to my letter of March 16th I am instructed by my Directors to inform you that as the result of further discussions with Mr. Marriott they are now prepared to put forward definite proposals for a temporary modification of terms of the Magadi Company's lease, as follows:-

1. That the present Royalty of 1s/6d per ton be paid to the Government for the actual number of tons of Soda goods transported from the Lake, whatever that tonnage may happen to be.
(Note: This varies the Lake Lease provisions, in that the Royalty has hitherto been calculated on sales and/or deliveries.)
2. That the Company undertake to pay the Railway, subject to adjustment as mentioned below, a figure of not less than £3,033, 8s. 6d monthly, this sum being equivalent to £37,000 per annum, which is the Railway charge on carriage from Magadi to Kilindini of 40,000 tons of Soda goods at the rate of 18s/6d per ton.

Copy to Exec. Conf. (2) 26 APR 1932
Recd 26 APR 1932
Copy to C.A. 18 APR 1932

The Under Secretary of State,
Colonial Office.

25th April 1939.

As regards 2. the intention is that the Company should guarantee to the Railway Administration a definite minimum income on outward traffic from Lake Magadi, measured by the standard indicated. Thus if in a full year the Railway Administration's charges on all goods despatched from Magadi (calculated at the agreed rate of 18s/6d per ton on Soda goods railed to Kilindini, and at standard tariff rates on all other despatches for whatever destination) total a figure below £27,000, the Company shall nevertheless pay the full amount of £27,000. If on the other hand the Railway Administration's charges as set out above, are equal to or above £27,000, then the Company shall still pay the full amount of such charges.

In practice settlement on the above basis will be made monthly at the rate of £2,083. 6. 8d per month, but subject to adjustment of excess payments in any one month against deficiencies in any other month. For example if in say November the Railway charges for goods despatched totalled £5,000, the Company would nevertheless pay to the Railway the sum of £2,083. 6. 8d in respect of that month. If however the Railway charges for goods despatched in December totalled say £4,000, the Company would be liable for that amount less the sum of £2,083. 6. 8d paid in excess in the previous month.

The Under Secretary of State,
Colonial Office.

25th April 1932.

Such monthly adjustments shall apply only to months within the same lease year, and their cumulative effect at the end of the lease year will then be as described above.

It is proposed that the foregoing arrangement should remain in force for the current Magadi lease year commencing 1st November 1931 and ending 31st October 1932, and the arrangement will thereafter be extended or re-cast in the light of the conditions then prevailing.

It is felt that a guaranteed minimum income as set out above, coupled with the receipts from inward traffic, should ensure to the Railway Administration adequate funds for the maintenance and running of the Magadi branch line and for the transport of the Magadi traffic.

My Directors therefore trust that these proposals will commend themselves to the Kenya Government as a reasonable basis of working under the present difficult conditions.

I have the honour to be, Sir,

Your obedient servant,
FOR THE MAGADI SODA COMPANY LIMITED,


Secretary.

81

TELEGRAM from the Governor, Kenya, to the Secretary
of State for the Colonies.
Dated 18th April, 1932. Received Colonial Office,
18th April.

Personal.

Magadi. Your telegram of 5th April
Personal. My advisers from both Colony and
transport points of view are of the opinion that
an effort should be made to obtain following
modifications of "provisional agreement" (a) ~~to~~
pay to Colony during the year ending 31st October
1932 the royalty of one shilling and sixpence per
ton on a minimum tonnage of 50,000 tons and (b) to
pay to railway railage charges at eight ~~shillings~~
and 50 cents per ton on a minimum tonnage of 50,000
tons during the year ending 31st October, such
payments to be made on the following lines (1) £37,000
to be paid ~~before~~ before 1st April 1933 (see clause
4 (4) C of railway lease) and (2) £9,250
representing railage on 10,000 tons at eighteen
shillings and 50 cents per ton plus interest charges
at 4 per cent per annum this payment of £9,250 plus
interest to become due and to be payable immediately
the Company is in a position to declare a dividend
upon its ordinary shares.

Should efforts not be successful we are
of the opinion that proposal in Marriott's letter
of 4th April should be accepted.

18074 King
To go today
6.0/2
Red

C.D.
R 13
D 13

O. O.
Mr. Fisher 5/4
Mr.
Mr. Tomlinson.
Sir C. Bottomley, 5.4
Sir J. Shackelagh.
Sir G. Grindell.
Parl. U.S. of S.
Party, U.S. of S.
Secretary of State.

~~12~~

Personal. Nagaki.

Foll. from Bottomley begins
Important letter from by an
man 6 April calling for

telegraphic reply by 20th
April. in view of
reference to Dan. S. S. S. S.

Letter is being addressed to
Name who should be
placed in possession of
my personal letter of 20th
and 29th. Mail ends.

Sever.

DRAFT. Tol.

G. V. Naudin

12
12

C. O.

18074 Kemp

10th
83

Mr. Director of

Mr.

Mr.

Mr. Tomlinson.

C. D. Bottemy, Sp. Asst.

Sir J. Shackburgh.

Sir G. Grialle.

Presid. U.S. of S.

Party. U.S. of S.

Secretary of State.

Air Mail

W. for Sir C. Bottemy

5 April 1952

C. D.
11 5-APR
D

DRAFT.

H.M. Home Ex. C. 76

S

My dear Moore
This is the important
letter about Nagadi which
was referred to in the 5th of
previous telegram of April 5th
My letter to the Governor of
March 22nd and 29th will
no doubt have furnished
you with the more recent
developments.

There is a meeting of
the Nagadi Board on

April 21st. I should like to
be in a position to authorize
Narrett to ~~conclude~~ ^{before that date to say} conclude, at this
meeting, the "provisional agreement"
referred in his letter of yesterday
of which I enclose a copy;

As matters stand, neither
the ~~South~~ nor the ~~French~~ ^{French} ~~Key~~
is committed to anything,
if it is felt that further discussion
is necessary. But Narrett's view,
which I see no reason to question,
is that any further fall in the
world-price of soda (by no means
a remote possibility) would prevent
the Nagati Board from accepting

C. O.

Mr.

Mr.

Mr.

Mr. Tomlinson

Sir C. B. Clouston

Sir J. Shackelburgh

Sir G. Grenville

Parliament, U.S. of S.

Parliament, U.S. of S.

Secretary of State

DRAFT.

to the terms conditionally accepted by 84
their Vice-Chairman. ~~if the vote~~
is not clear on April 21st, the
result may be that even less
~~formally~~ ^{formally} ~~terms will~~

I hope it will be possible
on the return from Dan & Schuman
for the agreement to authorize a
telegram in time to reach us not
later than the evening of April
20th.

(Signed) W. G. BOTTOMLEY.

W. G. B.

85
Hugh F. Marriott
Consulting Engineer.
TELEPHONE WHITEHALL, 9521-2.

14. WATERLOO PLACE.
LONDON. S.W.1.

April 4th 1932.

Sir Cecil Bottomley, K.C.M.G., C.B.,
Colonial Office,
Downing Street,
S. W. 1.

My dear Bottomley

I have just returned from the Imperial Chemical Industries where I had a long interview with Mr. J. G. Nicholson, who is a Director of I.C.I. and Deputy-Chairman of Magadi Soda Company.

You will remember that, at my last meeting with him which I reported to you, he had expressed his opinion that it was impossible for the Magadi Soda Company to undertake to work to any minimum tonnage at the present time in view of the uncertain condition of the Eastern markets for soda.

As this decision appeared to me a very unsatisfactory one from the point of view of the Uganda Railway, as it left them without any possibility of forecasting their income from Magadi traffic, I raised the question again with Mr. Nicholson so as to arrive at a more assured basis of income for the Railway.

After a considerable amount of discussion we finally came to agreement on the following lines:-

5 April 1932

1. That the present Royalty of1/6 per ton should be paid to the Government for the actual number of tons transported from the Lake, whatever that tonnage may happen to be.
2. That Magadi Soda Company shall undertake to pay the Railway a fixed figure of£3,083 monthly, this sum being one-twelfth of£37,000, which is the Railway charge on carriage of 40,000 tons at the rate of18/6 a ton.

This means that 3,333 tons will be delivered to the Railway each month and paid for at the rate of18/6 a ton, and if there is a shortage of soda delivered to the Railway below this figure, the Company will nevertheless pay the total sum of£3,083 called for on the carriage of 3,333 tons, whether they send it or not.

If an excess tonnage over 3,333 tons is transported in any one month the Company will pay for the total tonnage sent at the standard rate of18/6 but they are to have the credit of any excess payments over and above the£3,083 monthly to be set off against the debit incurred in any one month when they have not reached the minimum figure.

If the tonnage transported during the whole twelve months of the year is in excess of40,000 tons the Railway, of course, gets and retains the extra payments made at the standard rate of18/6.

This arrangements to be in force for the present

Magadi year commencing 1st November 1931 and ending 31st October 1932, and the arrangement will thereafter be re-entered into anew or recast in the light of the conditions then prevailing.

I am convinced that in the very difficult position in which the Magadi Soda Company is now placed owing to the loss of its chief markets, this arrangement is the most favourable that we can hope to come to on behalf of the Government.

Indeed the outlook for soda sales is such that it is unlikely the Company will even reach the ~~.....~~ 40,000 tons limit, as in the four months that have already elapsed, if considered under this agreement, there will be an ~~.....~~ payment of some ~~.....~~ £600 odd to come to the Government.

The advantage to the Government of this arrangement will be :-

- (a) that the Magadi Soda Company will be kept as a going concern.
- (b) that the Railway will get revenues which will pay for its running charges and at least something towards its standing charges.
- (c) that the Railway will get the benefit of the up-traffic of fuel, bags and other supplies for the Company.
- (d) and that the Colony will benefit by the amount

of money spent by the Company in the country,
totalling about£7,000 a month.

I trust that the Governor will be able to agree to this arrangement without adding further conditions which may be more onerous to the Company at the present time, as I feel sure that the above arrangement is the limit to which the Company will go.

The Company is now in funds to the extent of
about£110,000.

The Debentures each year take£ 25,000

in amortisation and.....£ 25,000
subject to annual reduction, in interest.

Negotiations are in progress to reduce either one or both of these annual amounts, and a completed arrangement with the Government on the lines above set forth will have material force in conducting negotiations with the Debenture holders to this end.

Even when paying annual losses to the Railway on account of shortage of tonnage, the Company will thus be in a position to carry on its business for some years and give it a chance to tide over the present industrial depression.

I think that all things considered it is a better programme than that which included the 10 year moratorium and the annual payment of£10,000.

I am at your disposal at any time if you wish me to see that a cable drafted on the subject correctly expresses the views I wish to convey in this letter.

Yours sincerely,

M. D. Morrison

Downing Street,

27th March, 1932.

My dear Byrnes

I have really nothing to add to my letter of the 22nd March about the Magadi Soda Company except what I should have put in that letter if the air mail had closed an hour later. I added the postscript at the beginning of a talk with Harriott, but the main part of our discussion took place after my letter had gone.

It appeared ^{that, after the letter} from the letters after the date of the 16th ~~which~~ which I enclose, that the position in the world's soda markets had grown so much worse that ~~the~~ companies were unable to ~~finance~~ finance any expenditure at all. The uncalled capital, which Imperial Chemical Industries is bound to find, is enough to pay the debenture interest and redemptions for, say two years, but there is nothing left to finance a product for which no assured market can be found.

As

HIS EXCELLENCY
BRIGADIER GENERAL
SIR JOSEPH BYRNES, K.C.M.G., K.B.E., C.B.

As Imperial Chemical Industries

had no proposal to make, it was necessary, if the business was to be kept alive, to find a new basis for discussion, and Marriott was to ^{speak} ~~speak~~ to the Vice Chairman on the basis of an arrangement which it was fully understood would not commit him as Government Director, or the Secretary of State, or the Government of Kenya, but simply form a starting-off place for fresh discussion.

As brief as possible, the formula was that the Magadi Soda Company should pay what it would according to the selling price receive the Company's back. It would pay not more than the cost of ~~the~~ plus overhead expenses, value royalty, (of course) and not more than the cost of haulage, plus royalty. If the selling price would not meet even this minimum, then the difference would come out of uncalled capital, and bring the day of collapse (subject to a revival of trade) still nearer.

Either Marriott has been unable to

like

As Imperial Chemical Industries

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As briefly as possible, the formula was that the Magadi Soda Company should pay what it could according to the selling price revealed by the Company's books. It would pay not more than the cost of haulage, plus overhead expenses, plus royalty, (course), and not less than the cost of haulage, plus royalty. If the selling price would not meet even this minimum, then the difference would come out of uncalled capital, and bring the day of collection (subject to a revival of trade) still nearer.

Either Marriott has been unable to
make

make contact; owing to the holidays, or even this
very modest arrangement is presenting difficulties.

This letter will, at all events, bring
you up to date in your information.

Yours sincerely

W. B. Rowley

capital referred to.

It was decided to record the following suggestions ~~as a basis of discussion~~

- (1) The Colonial Government would, of course, receive the royalties payable on the actual output;
- (2) As regards the Railway, the working costs of carrying soda should be divided into two classes, namely -
 - (a) the actual haulage charges; and
 - (b) the overhead expenses of administration.

The Railway would estimate (a) and (b), and charge the Company not less than (a). It would charge the Company up to a maximum represented by (a) ^{plus} ~~and~~; if the selling price of Magadi soda is sufficient to enable the Company to pay that maximum. If not, the Railway would charge the Company (a), together with ~~the~~ proportion of (b) as the selling price of Magadi soda will enable the Company to pay. The Railway will be at liberty to reassess the amount of (a) at any time at three months' ~~intervals~~. If the selling price of soda should not be sufficient to cover (a), the Company will nevertheless continue to pay to the Railway the amount of (a) as a minimum, so long as their resources enable them to do so. Mr. Marriott proposed to put these suggestions to Mr. Nicholson, who is Vice Chairman of the Magadi Company and a Director of I.C.I., but, at Sir C. Bottomley's request, would not do so as representing what the Government Director regards as equitable, but as indicating the form the arrangement might take, making it clear that he was unable to indicate what the attitude of the Colonial Government would be, and that ~~it would be necessary to~~ ^{the Company would} consider

I am not sure that the reference (1) from (2), but the point has not affected the application of the formula.
W.S.
23.3.

consider to what extent they could ^{make a more better} improve upon the terms
^{offer} indicated with a view, if possible, to making ^{it} acceptable to the Colonial Govern^{ment}

Downing Street,

12 March, 1933.

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Dear Sir,

I am writing this letter in the hope that it may save, at all events, some of the expense of a telegram, which we shall not be able to send you for some days, about the Magadi Soda Company.

I am very sorry that it has not been possible to send you anything on the subject since our personal telegram of December 17th, but there has been no progress to report.

Now we hear that the negotiations between Imperial Chemical Industries and the debenture holders have entirely broken down. Harriott thinks that the debenture holders are extremely foolish to have rejected the offer of the I.C.I. who have told them, frankly enough of the business of the concern to have convinced them that there was no future for Magadi soda as an independent proposition, but they are obdurate, and we have received letters, of which

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ICHELMEY,
ICADIER GENERAL
SIR JOSEPH BYRNE, K.C.M.G., K.B.E., C.B.

I enclose copies, from the I.C.I. itself, and also from the Magadi Soda Company.

The latter are having a Board meeting this afternoon, and Harriott will ~~occure~~ tell us what has happened, but I do not think that we ^{shall} should be ripe for a full discussion to-day. However, I may be able to add something as a postscript before the mail closes.

The immediate point is the question of output. We have Harriott's definite assurance that there is no hope whatever of the 100,000 tons per annum, the liability for which has now matured under the agreement. Even the previous figure of 50,000 cannot be expected, and you will see that the Company ask that there should be no minimum tonnage (with penalties in default).

It may be possible to secure the minimum at, perhaps, 35,000 tons. Another alternative would be that the amount to be shipped should be left entirely to the Company's discretion in accordance with market conditions, freight charges on the amounts, actually transported

transported being raised to such a figure as will cover the reputed losses to the Railway. Those losses would no doubt be based on the figures which the Railway have already produced.

We are in consultation with Harriott, but the position has not yet been put to the Secretary of State, and, as Easter intervenes, I think you will have got this letter before we are in a position to consult you by telegram.

Yours sincerely,

W.S.

*P.S. Owing to the position in Japan
M. says that there is absolutely no
chance of J.C.I. coming into existence
to a minimum extent, but that there
is a chance of an arrangement being
accepted by which the Co. will pay
increased rates to help the Railway's
losses.*

TELEPHONE: VICTORIA 4444.
TELEGRAMS: SOGAGADI, LONDON.

WORKS { MAGADI, KENYA COLONY
KILINDINI 49

The Magadi Soda Company Limited.

DIRECTORS:-
SIR HARRY MCGOWAN, K.B.E. (Chairman)
J. J. CHOLMONDLEY (Deputy Chairman)
T. C. MITCHELL
W. F. LUTVENS
H. F. MARRIOTT
D. MARSH
C. B. SAUNDERS

OUR REFERENCE
YOUR REFERENCE

RECEIVED
17 MAR 1932
001

Imperial Chemical House,
Millbank.

London, S.W.1

16th March 1932.

Adv.
P.C. 17/11/32

The Under Secretary of State,
Colonial Office,
Downing Street, S.W.1.

Sir,

With reference to correspondence terminating
with our letter of December 4th 1931, we understand from
Imperial Chemical Industries Ltd. that they have now written
advising you that in consequence of the rejection of their
offer of compromise by the Debenture holders of this Company,
and in view of the fact that that decision appears to be
final, they are unable to proceed any further with the
negotiations for a moratorium with the Kenya Government.

In these circumstances we propose to continue to
operate the concessions to the best economic capacity as
heretofore, but owing to the fact that there is no prospect
whatever of our achieving the minimum stipulated output of
100,000 tons per annum nor current, it is essential that we

No 61 on
17058/17/11

Copy to Sir J. Byng 5.0
17.3.32

The Under Secretary of State,
Colonial Office.

18th March 1932.

should re-open negotiations with the Kenya Government with a view to securing some modification of the terms of the leases in this respect.

7632
N 15975/30

The main facts upon which our case rests have already been fully dealt with in previous correspondence, in particular in our letter of October 9th 1930, and the only more recent developments are an intensification of the difficulties mentioned therein.

As the result of all these factors it correctly summarises the position to say that although it is anticipated that the output will be maintained at between 40,000 and 50,000 tons for the current year, provided we can continue to sell at low prices, it is unlikely that the Company will be able to do more than barely pay its way. On the other hand any further reduction in tonnage must lead to losses, and in these circumstances it is clear that the Company is in need of the most liberal terms from the Kenya Government if its ultimate survival is to be at all possible.

It follows that it is difficult for us to frame any concrete proposals, as there are no prospective profits out of which any increased payments to the Kenya Government could be met, and we can only fall back upon the suggestion

The Under Secretary of State,
Colonial Office.

16th March 1932.

contained in our letter of October 9th 1930, namely that we should be allowed to continue working the concessions on last year's basis as to railrage rates and royalty, and that no minimum tonnage (with penalties in default) should be required.

It is suggested that these arrangements should be reviewed every twelve months, and if at any time it should prove possible to re-introduce more rigid conditions we shall be eager to co-operate to this end.

We may add that we are fully aware of the fact that the terms which we have outlined may not be attractive to the Kenya Government on economic grounds, but it is not over-rating the case to say that at the present we are concerned more with the Company's very existence than with the apportionment, as between the Kenya Government and the Company, of benefits that may derive from the concessions.

We trust therefore that these representations will be given their full value in the Kenya Government's consideration of the case.

We have the honour to be, Sir,

Your obedient servants,

FOR THE MACADI SODA COMPANY LIMITED,

Arthur
Secretary.

Gawley
Carter

IMPERIAL CHEMICAL INDUSTRIES LIMITED.

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102

FROM: THE CHAIRMAN.
(1515 EAST BROADWAY, N.Y.C.)

TELEGRAMS:
IMPKEMIX, PARL, LONDON
TELEPHONE:
VICTORIA 4444.

MILLBANK

LONDON S.W.1

RECEIVED
17 MAR 1932
1000 OFFICE

16th March, 1932.

The Under Secretary of State
for the Colonies,
Colonial Office,
S.W.1.

Act
Palmer
17/3/32

Sir,

THE MAGADI SODA CO. LTD.

With reference to your letter No. 17008/31 of 14th November last, and the correspondence leading up thereto, we now write to inform you that as our offer of a compromise of their rights was rejected by the ~~all~~ Debenture-holders at a meeting held on 10th December last, we are unable to implement our tentative moratorium proposals. It follows that the scheme must be abandoned for the present and must remain in abeyance unless and until the question of a compromise is again raised.

In these circumstances we do not think that any useful purpose would be served by discussing any further details relative to the moratorium scheme, and we must leave it to the Magadi Soda Company to initiate such further negotiations with the Kenya Government as may be necessary to arrive at a workable understanding.

Nov 17 1931/32

Copy to Sir J. Payne 5.0 22.3.32

To
The Under Secretary of State
for the Colonies

March, 1932.

We have held over the foregoing formal intimation until the present time, partly to enable Mr. Marriott to participate more actively in the matter than his recent illness has hitherto allowed, and partly to satisfy ourselves that the Debenture-holders' decision was conclusive, and we tender our apologies for any inconvenience which the delay may have caused.

We should also like to take this opportunity of thanking you and the Kenya Government for the courtesy and consideration with which our proposals have been received, and to express regret that the recent negotiations failed to provide a satisfactory solution of the difficulties of the Magadi Soda Company.

We have the honour to be,

Your obedient servants,

For IMPERIAL CHEMICAL INDUSTRIES LTD.



Chairman

London, E.C.3.

23rd December 1931.

Dear Mr. Marriott,

Magadi Soda Debenture Issue
Trust No. 1,450

I have been unable to obtain an appointment with Sir Harry McGowan since our meeting the other day, but was able yesterday afternoon to see Mr. Coates of the I.C.I. When discussing the matter with him I laid particular emphasis on the fact that the debentureholders were ~~advised~~ their decision not to accept the original offer of the I.C.I. and also that I considered the Kenya Government were insisting upon far too arduous terms in their agreement with the I.C.I. I felt that the royalty payable to the Government of £10,000 per annum ~~could~~ be reduced to say - £5,000 per annum for at least five years, after which it might gradually be restored to the original figure. This would, I understand, enable the I.C.I. to make an increased offer to our debentureholders since its net cash position would be in no way altered.

If you could see your way to putting our views before

London, E.C.3.

23rd December 1931.

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Magadi Soda Debenture Issue
Trust No. 1,450

I have been unable to obtain an appointment with Sir Harry McGowan since our meeting the other day, but was able yesterday afternoon to see Dr. Coates of the I.C.I. When discussing the matter with him I laid particular emphasis on the fact that the debentureholders were adamant in their decision not to accept the original offer of the I.C.I. and also that I considered the Kenya Government were insisting upon far too arduous terms in their agreement with the I.C.I. I felt that the royalty payable to the Government of £10,000 per annum should be reduced to say - £5,000 per annum for at least five years, after which it might gradually be restored to the original figure. This would, I understand, enable the I.C.I. to make an increased offer to our debentureholders since its net cash position would be in no way altered.

If you could see your way to putting our views before

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the Government of Kenya for its favourable consideration I should be very grateful.

I feel that in the interests of all parties this should be done at once, and I cannot think that the Government of Kenya would insist on the maximum terms in view of the world wide depression in trade. It seems that they could well afford to reduce the royalty for the time being in their own interests and in the interests of all other parties.

Yours truly,

(Signed) C. J. Mackenzie-Grieve.

Manager, Trustees Dept.

H. F. Marriott Esq.,
Staircase Field,
Wildwood Esq.,
E. 11.

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Yours truly,

(Signed) C. J. Mackenzie-Criess.
Manager, Trustees Dept.

H. F. Marriott, Esq.,
Rennards Field,
Wildwood Rise,
H. W. 11.

C. J. Mackenzie Grieve, Esq.,
Royal Exchange Assurance,
Royal Exchange,
E. C. 3.

Dear Mr. Mackenzie-Grieve,

Magadi Soda Debenture Issue.

Your letter of 23rd December. This reached me in the middle of Christmas distractions and I have only now been able to take up the question and send you reply. Please accept my apologies for the delay.

I was sorry to hear that you did not meet Sir Harry McGowan personally, as, after my interview with you when you kindly came to my house it appeared to me there was so little outstanding difference in actual fact between you.

Your description of the Preference holders as adamant in their decision is one that I read with regret as it shows me that apparently they still do not appreciate the actual position of the affairs of the Magadi Soda Company and must have an inflated idea of the break-up value of their security.

I have carefully considered your suggestion with regard to the annual sums to be payable to the Kenya Government during the period of the moratorium. The figure of £10,000 per annum was not in the first instance stipulated by the Government, but was part of an offer definitely put forward to the Government by I.C.I. in their tentative negotiations on behalf of Magadi Soda Company. to vary the terms of the lease to meet present conditions. The Government of Kenya very reluctantly agreed to this figure, which they consider an inadequate recompense for the losses they will sustain, but having in view the present depressed conditions in the commercial world, the Government finally agreed to accept the offer as made. So far as the Government are concerned this offer still stands, but I am afraid that any proposals put to them for a variation down would meet with a blank refusal.

The negotiations between Debenture holders and the Magadi Soda Company or I.C.I. are a matter of internal organisation in which the Government cannot well take any part.

If I may suggest it, from my detached point of view, I should say that, the Debenture holders having first informally approved of the I.C.I. offer and having then

formally turned it down, the next move is due from them to put forward proposals to the I.C.I.

As it is obvious that the affairs of the Company cannot improve by this delay but must steadily get worse I trust that your efforts will be continued towards inducing action on the part of the Debenture holders which will lead to the satisfactory conclusion of the present suspended negotiations.

With kind regards and best wishes for 1932,

Yours sincerely,

(Signed) Hugh F. Marriott