

1933.

Kenya.

C0533/436

No. 3200.



0 SUBJECT

Mazadi Soda Company Ltd.

Previous

18074/32.

Subsequent

23073/34.

1. H. F. Merrill 26 May 33
Trans: 2 copies of Report of Director & Balance Sheet 1932
& Proceedings of 8th Annual General Meeting of the Nagasaki
Soda Co. & Japanese Soda Co. on the trade relations.

7. W. J. ... and of an ...
3 ... in original to Gov. House. LF
for ...

Merrill 29/5

I have held this up, pending efforts to get into
touch with Mr. Merrill, which have hitherto
failed.

The Prof. Nagasaki Soda ^{has promised} will send as
further copies of each envelope; from of
each shall be included in the LF.

Done

Merrill
13/5/33

2 To Soc. H29 (1/10/40 - each) 11/15 June 1933
w/enc.

WJ

RECEIVED
27 MAY 1933
C. O. REGD

613, AUSTRALIA HOUSE,
STRAND,
LONDON, W.C.2.

26th May 1933.

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

P.C.
ACKD. BY P.C.

Sir, Magadi Soda Co., Ltd.

I have the honour to enclose for your information two copies of the Report of the Directors and Balance Sheet for the year ended 31st December 1932, and two copies of the Proceedings at the 5th Annual General Meeting of the Company held on 13th April 1933.

Owing to the indisposition of the Chairman, I took the Chair at the Annual Meeting.

I am pleased to report that owing to a temporary amelioration of the conditions in Japan, the output for the first six months of the current production year has considerably exceeded the estimates and the tonnage shipped during the six months, about 22,000 tons, is sufficient to reach the minimum requirements for the year under the present arrangement.

It is quite possible that some of this tonnage

Encl.

Encl.

copy of 4 copies enclosed to Gov (2)

will be required to offset the lesser output next year and the affairs in the East generally as regards soda sales are such that we may regard ourselves as fortunate in having done good business, but we cannot count on disposing of soda on a similar scale in the future and can only hold ourselves in readiness to seize opportunities as they occur in the available markets.

I am,

Your Obedient Servant,



Hugh F. Marriott.

TELEPHONE: VICTORIA 4444.
TELEGRAMS: SOGAGADI, LONDON.

WORKS { MAGADI, KENYA COLONY.
KILINDINI.

The Magadi Soda Company Limited.

Directors:-
A. S. HICKLING (Chairman),
G. F. FLETCHER,
W. F. LUTHER,
J. F. WARRICK,
J. HARRIS,
C. BRADSHAW

OUR REFERENCE: _____

YOUR REFERENCE: _____

Imperial Chemical House,

Millbank,

London, S.W.1.

13th June 1933

L. B. Freston,
Colonial Office,
Whitehall, S.W.1.

Dear Sir,

As requested over the telephone this morning I am enclosing herewith 6 copies of the Annual Accounts for 1932 and 6 copies of the Proceedings at the Annual General meeting held on 13th April 1933.

Yours faithfully,
For THE MAGADI SODA COMPANY LIMITED.

J. Parlane
Secretary.

6

THE MAGADI SODA COMPANY
LIMITED.

PROCEEDINGS

AT THE

EIGHTH ORDINARY
GENERAL MEETING

of the Company held at

CAXTON HALL, WESTMINSTER,
S.W.1.

On *Thursday, 13th April, 1933.*

H. F. MARRIOTT, ESQ.,

is the Clerk.

THE MAGADI SODA COMPANY LIMITED

The Eighth Ordinary General Meeting of The Magadi Soda Company Limited was held on Thursday, April 13th, 1933, at the Caxton Hall, Westminster, London, S.W. 1, Mr. H. F. MARRIOTT presiding, in the absence of Mr. J. G. NICHOLSON.

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

Ladies and Gentlemen:—I first have to transmit to you apologies from Mr. Nicholson, your Chairman, who unfortunately is just in for a short bout of minor illness, and his doctor refuses to allow him to leave his house. I am sure we all regret he is not here on the first occasion that he should have taken the Chair. He has asked me at the last moment if I would do so for him, and that of course I am only too pleased to do.

Mr. Nicholson having prepared his speech, I am proposing to read it exactly as he wrote it. So will you consider, please, the words I am now reading to you as his and not mine; that is to say, not mine individually, because I have noticed in reading through the speech there is a rather eulogistic remark about myself, and you must not think that I have put it in.

Ladies and Gentlemen, you will recollect that at the last Annual General Meeting of this Company Sir Harry McGowan, who was then your Chairman, intimated that owing to the many other calls upon his time he was unable to continue to act in that capacity. His interest in your Company, however, has in no degree abated, and his advice and help continue to be freely at the disposal of his former colleagues on this Board.

My co-directors have done me the honour of electing me to succeed Sir Harry McGowan in the Chair, and it is my duty to give you to-day the customary annual survey of your Company's activities. I accordingly propose to deal briefly and solely with affairs directly affecting the Company, and I shall make no attempt to elaborate them by any analysis of world economic factors, a subject which to-day commands the study and attention of all of us in a varying degree.

Output and shipments (including local deliveries) for the last three years have been as follows :—

	Production		Shipments	
	Tons.	Tons.	Tons.	Tons.
1930	43,172	44,478		
1931	43,072	43,836		
1932	43,642	40,790		

It will be noted from these figures that production has been fairly constant during a three years' period, and I am pleased to say that we have been able to fulfil our 1932 minimum obligation (40,000 tons) to the Kenya Government. The decline in shipments in 1932 compared with the previous year is mainly accounted for by the fact that stocks in Japan have been considerably reduced, but if allowance is made for this liquidation of stocks the actual 1932 deliveries to customers are well up to the previous standard.

In the year under review a continued improvement in manufacturing costs has taken place, the credit for which is largely due to the unsparing efforts of your General Manager and his staff at Lake Magadi, and the results are reflected in the improved trading results shown in the Profit and Loss Account. Last year we showed a loss on trading of £2,857 odd, after deducting £8,000—being the penalty paid to the Kenya Government on account of short deliveries. This year our Trading Profit is £6,423 17s. 5d., so that leaving out of account the special payment just mentioned the real improvement during 1932 is some £1,281, which we consider is not unsatisfactory bearing in mind that, owing to competition with the Japanese product, very low realisations have been obtained in Japan during the greater part of the year. Obsolescence amounting to £16,380 17s. 2d. has been provided on our customary scale and though absorbed in Trading Account, is shown as an addition to the Reserve in the Balance Sheet.

The Profit and Loss Account has been improved to no small extent by the decision of your Debenture Holders at a meeting held on July 8th to agree to accept a reduction of interest of 2 per cent. (i.e., from 6 per cent. to 4 per cent.) and to suspend redemption of capital, subject, however, to a prior right to recoup from future profits both the 2 per cent. interest remitted and the sinking fund appropriations in arrears. A note of this arrangement appears on the Balance Sheet.

The only other points of interest in the Profit and Loss Account are a reduction of £805 in Head Office and General expenses (which we hope will be still further reduced this year) and the re-introduction of the entirely reasonable charge made by I.C.I. for office rent, accommodation and other assistance. Miscellaneous Receipts are reduced by £1,118 owing

to the termination of the joint operation of our oil installation with our Fuel Oil suppliers. This apparent loss has, however, been recouped indirectly in other ways.

As regards the Balance Sheet, I would direct your attention particularly to the following. During 1932 further calls of 9d. per share on the Preferred Ordinary Shares and 6s. per share on the Ordinary Shares were made. The former, which are of the nominal value of 5s., are now 3s. paid, and the latter, which are of the nominal value of 20s., are now fully paid. The funds received from these calls were necessary to finance general trading operations, but towards the end of the year an increase in the amounts remitted from Overseas left a cash surplus which enabled your Directors to purchase £19,650 of 3 per cent. Treasury Bonds.

The full amount of these calls is now included in the issued capital, and is subject to adjustment only on account of calls in arrear and a forfeiture of shares in respect of a bankrupt estate. As stated in the Directors' Report, the arrears are wholly due from Preferred Ordinary Shareholders, of whom a considerable number owe small amounts. Legal remedies involve expense; in many cases the amounts to be gained scarcely justify the necessary expenditure involved. In other cases the debtors are either untraceable or are under legal disability, while in certain instances of hardship time is being allowed in which to complete payments. Although, therefore, it is hoped ultimately to obtain the greater part of the amount outstanding, it is certain that some proportion will prove to be irrecoverable. It is not intended to forfeit shares in such instances until after the final call has been made, as the Company has no claim to calls made after forfeiture.

On the Assets side I would first draw your attention to the note in respect of Leasehold property, which has been inserted in order to show the amount of Plant, Buildings, etc., situated on our concessions from the Kenya Government. Generally a 99 years' lease may be regarded as almost equivalent to freehold, but in view of the conditional nature of the leases, and the fact that these conditions have been and may again be the subject of negotiations, it is deemed advisable to make this distinction now.

Stocks you will see are again reduced in value by £7,745, while the liquid asset position generally is adequate for our immediate needs.

With regard to the Company's future prospects, your attention should be directed to two important agreements which have been concluded during the past year. Under the first, Imperial Chemical Industries Limited undertakes to continue to do its best, subject to economic conditions, prices and the type of demand in each market, to allot to your Company a reasonable share of the available trade in our present export markets; this share in each case has been calculated on the basis of past performance. This agreement

will secure to your Company better prices and tonnages than could be obtained by dispensing with I.C.I. Limited's co-operation.

Under the second agreement the Kenya Government, for the two lease years ending on October 31st, 1934, in effect reduces the Company's obligation to pay railage to a figure more commensurate with to-day's production and possible outlet, while royalty is payable on actual tonnage without minimum. When it is remembered that the leases during the period in question stipulate for the payment of a minimum railage and royalty on 100,000 tons per annum, it is difficult to over-estimate the value of this concession to your Company at the present time. Not only does it allow us to continue to operate the leases without anxiety over the question of penalties, but it also gives us a breathing space wherein to turn our attention to other developments, which I shall refer to later. I therefore feel that we should not allow this occasion to pass without an expression of thanks to the Kenya Government for their appreciation of our difficulties, and for this very practical demonstration of their sympathy. A special word of thanks is also due to Mr. Marriott, who, as Government representative on the Board, conducted the negotiations throughout, and so brought both parties to a closer understanding of their mutual difficulties than circumstances had hitherto allowed.

These two arrangements will enable us, in the absence of any further economic disturbances, to carry on without, it is true; any likelihood of any immediate return to prosperity, but at least with the prospect of no very serious loss. Unfortunately, however, I am unable to give you any encouraging forecast of the possibilities of increasing your trade in Soda Ash in the near future. Both last year and the year before you were informed that, altogether apart from the restrictive effect of the economic depression, the tendency is growing among nations to regard soda manufacture as a basic industry in which they should be self-supporting, and that the loss of certain markets on this account is only a matter of time. The outstanding example of this, as you already know, is Japan, which has always been your Company's largest market. There, in spite of certain economic disadvantages, the local soda industry is not only rapidly becoming capable of supplying the entire needs of Japan, but now threatens to become an exporter of soda products as well. Indeed, soda imports would have ceased already but for the fact that the depreciated value of the Yen has stimulated the export of other Japanese manufactures and so temporarily, and somewhat unexpectedly, left a gap between the local demand and productive capacity.

Sooner or later, however, we must look upon the Japanese market as lost to us permanently, unless some unforeseen circumstance arises to alter the situation. Your Company would then have to rely entirely upon its other export markets, which cannot

yield a trade of much more than 20,000 tons per annum, unless business can be developed in new directions. Investigations are being pursued in two fields; first, the possibility of an increase of exports of soda to markets which are still available, and secondly, the development of local markets, in which I include Kenya, the other East African Dependencies, South Africa and Rhodesia.

Under the arrangement with I.C.I. Limited already referred to, your Company's general export interests will participate in any general increase in demand that may take place. There is, however, at present no likelihood of such an improvement as would result in any material increase in tonnage, and if this were the only factor to be relied on, the outlook would be discouraging indeed. Fortunately, however, local markets provide a somewhat more promising field of endeavour in an entirely new direction.

So far as Soda Ash is concerned, African markets at present offer comparatively small opportunities for large scale consumption. That is characteristic only of highly industrialised countries, whereas the territories with which we are dealing are mainly agricultural. An increase in local sales in Kenya itself must wait upon further development of the Colony, although possibilities even now exist of some expansion in this direction. The discovery of gold in Kenya does not directly affect us, as alkali is not used to any important extent in gold mining operations. Indirectly, however, we might benefit by the growth of other industries and an increase in white population, who would use more of our product. Even at best, however, such amounts would be comparatively small.

A much more promising matter is the possibility of salt production at Lake Magadi, which has been rendered feasible by the recent development of processes for salt recovery. The origin of this salt is in the Lake liquors, in which it exists in considerable concentration, and indeed actual salt deposits have from time to time been discovered on the Lake surface. These surface deposits are, however, irregular in their incidence and do not therefore afford a satisfactory basis for continuous manufacture. By using Lake liquor as the raw material and by taking advantage of the physical properties of salt and its solutions, however, it seems likely that we shall be able to produce salt of various grades at Magadi which can be sold in the local market at a profit.

The available market for salt in Kenya is not much more than 10,000 tons per annum, so that even if Magadi could take over the supply of the whole of that quantity it would be unwise to expect any spectacular results. In other words, our salt enterprise will, if it is successful, recompense us to some extent for our lost soda tonnage, but can hardly do more.

A return even to moderate prosperity is therefore not yet in sight, but a rigid conservation of our resources and the best use of our markets for soda and salt should sustain our enterprise for a much longer period than at one time seemed possible.

Whether or not we shall ultimately emerge from our difficulties depends upon the turn of economic events which it is beyond the power of any of us to foretell or to control.

For the time being, my colleagues and I are naturally disappointed that we have no better results to lay before you than those which I have described, but in view of all the circumstances it is at least some small satisfaction to record no serious deterioration in the position and to indicate the possibility of improvement in some direction."

That, Ladies and Gentlemen, is the conclusion of the Chairman's speech. I would just like to add from my own point of view that I think it is satisfactory that with all the difficulties that everyone in the world has been passing through, and with a competitive business like ours in particular, Magadi has pulled through. I think that is a great thing to say in these days. Also, if you look at the Balance Sheet, you will see we are just about balancing our revenue and expenditure, if we do not take debenture service into account.

I would also like to add this. Mr. Nicholson has said that credit is due to the staff in Magadi, and I think your special thanks are due to the staff out there, who have reduced their costs below anything we have had in past years, and have enabled this fairly satisfactory position, as I call it, to have come about, although the output has been so greatly reduced and therefore the overheads have naturally become a much more important factor.

THE CHAIRMAN then moved the adoption of the Report and Accounts. This was seconded by Mr. W. F. Lutyens, and, there being no questions by shareholders, the resolution was put to the meeting and carried unanimously.

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

The re-election of Mr. D. Marsh and Mr. A. E. Gawler as Directors of the Company was proposed by the Chairman and seconded by Mr. P. F. Fletcher and carried unanimously.

THE MAGADI SODA COMPANY, LIMITED.

Directors:

J. G. NICHOLSON (Chairman)

P. F. FLETCHER

A. E. GAWLER

W. F. LUTYENS

H. F. MARRIOTT

D. MARSH

C. G. SAUNDERS

Secretary:

J. D. EARLAM

REPORT OF THE DIRECTORS.

The Directors present herewith the Balance Sheet as at 31st December, 1932, together with the Auditors' Report thereon, and Profit and Loss Account for the year ended 31st December, 1932.

After providing for Obsolescence and Debenture Interest, the Profit and Loss Account shows a loss for the year of £19,504 18s. 11d., and the Directors therefore regret that no dividends can be paid for the year under review.

£16,380 17s. 2d. has been charged during the year on account of obsolescence on buildings and plant, and the total reserve on this account at 31st December, 1932, amounted to £80,578 14s. 5d.

Debenture interest for the year has been paid and charged in the accounts at the rate of 4 per cent., in accordance with the moratorium scheme approved by the debenture holders on July 8th last. Under this scheme the debenture holders agreed to accept a reduced rate of interest at 4 per cent. per annum for a period of five years from 1st January, 1932, the remaining 2 per cent. interest for such five years to be payable only as and when and to the extent to which the profits of the Company remaining after payment of the reduced interest, are sufficient to provide the same. Such deferred interest, however, is to be reckoned as cumulative and is to be paid in full either before or after the expiration of the said five years before any dividend is distributed to the shareholders. The Debenture holders also agreed that the sums required to be set aside for the purchase or redemption of debentures during the same period of five years should be set aside only as and when the profits of the Company remaining after payment of the full 6 per cent. interest on the debentures, are sufficient to provide such amounts. The annual appropriations for the purchase or redemption of debentures are, however, to be cumulative and must be provided in full either before or after the expiration of the said five years before any dividend is distributed to the shareholders. A short note has been inserted on the face of the Balance Sheet drawing attention to these facts.

**THE MAGADI SODA
COMPANY, LIMITED.**

General Manager, Messrs
Millard, London, S.W.1.

REPORT OF THE DIRECTORS

AND

Balance Sheet

AND

Accounts

For the year ended 31st December, 1932.

PUBLIC RECORD OFFICE

END

TOTAL EXPOSURES →

PUBLIC RECORD OFFICE

C0533/436

ORDER NO. ⇒ FN/E474

CAMERA NO. ⇒ 19

OPERATOR. ⇒ MT

REDUCTION. ⇒ 12

EMULSION NO. ⇒ 321061

DATE. ⇒ 31/5/72

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