



Tata Chemicals South Africa Proprietary Limited

(Registration number: 1996/004273/07)

Audited annual financial statements

for the year ended 31 March 2018

Tata Chemicals South Africa Proprietary Limited

(Reg. No. 1996/004273/07)

Annual financial statements

for the year ended 31 March 2018

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Level of assurance

These financial statements have been audited in compliance with Section 30 of the Companies Act of South Africa (Act No. 71 of 2008).

Prepared by

The financial statements have been prepared by Sally Govender (Financial Manager).

Tata Chemicals South Africa Proprietary Limited

Statement of directors' responsibility for financial reporting

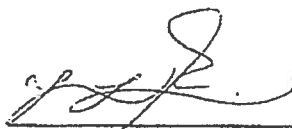
The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The financial statements have been prepared in accordance with International Financial Reporting Standards and the Companies Act of South Africa. The company's independent external auditors, KPMG Inc., have audited the financial statements of the company and their unqualified report appears on pages 5 and 6.

The directors are also responsible for the systems of internal control. These controls are designed to provide reasonable but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for assets, to record liabilities and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

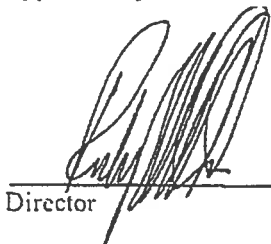
The financial statements of the company are prepared on a going concern basis, since the directors believe that the company has adequate resources in place to continue in operation for the foreseeable future.

Directors' approval of the financial statements

The financial statements of the company as set out on pages 7 to 32, were approved by the Board of Directors on 02 May 2018 and are signed on its behalf by:



Director



Director

Tata Chemicals South Africa Proprietary Limited

Directors' report

for the year ended 31 March 2018

The directors have pleasure in submitting their report, which forms part of the financial statements for the year ended 31 March 2018.

Nature of operations

The company derives its income from the purchase, packaging and resale of sodium carbonate ("soda ash") and related products.

Financial results

The company's financial results are fully disclosed in the financial statements accompanying this report.

Holding company

The company's holding company is Tata Chemicals Africa Holdings Limited, a company incorporated in the United Kingdom. The company's ultimate holding company is Tata Chemicals Limited, a company incorporated in India.

Dividends

Dividends declared and paid during the year Rnil (2017 – Rnil).

International financial reporting standards

The company's financial statements were prepared in terms of International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and are consistent with those applied in the previous year.

Share capital

There have been no changes to the authorised and issued share capital during the year under review.

Related parties

Related parties consist of all entities where there is a common shareholding or directorship. The directors are considered key entity personnel. Related party transactions have been disclosed in note 19 to the financial statements.

Directors

The directors in office at the end of the year and at the date of this report are:

Z Langrana	(Indian)
R Lodha	(Indian)
Z Schneider	(South African)
R Mpofu	(South African)

Tata Chemicals South Africa Proprietary Limited

Directors' report

for the year ended 31 March 2018 (continued)

Secretary

The company has not appointed a secretary.

Registered office and postal address

140 Johnstone Road
Maydon Wharf
Durban
4001

Going concern

The directors consider that the company has adequate resources to continue operating for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the company's financial statements.

Subsequent events

The directors are not aware of any matter or circumstance which is material to the financial affairs of the company, which has occurred between the reporting date and date of approval of the financial statements, that has not been otherwise dealt with in the financial statements.

Auditors

KPMG Inc. was appointed as auditors of the company for 2018.

At the annual general meeting, the shareholders will be requested to reappoint KPMG Inc. as the independent external auditors of the company and to confirm Marileen De Wet as the designated lead audit partner for the 2019 financial year.



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Independent auditor's report

To the shareholder of Tata Chemicals South Africa Proprietary Limited

Opinion

We have audited the financial statements of Tata Chemicals South Africa Proprietary Limited set out on pages 7 to 32, which comprise the statement of financial position as at 31 March 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Tata Chemicals South Africa Proprietary Limited as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa and the Directors' Responsibility Statement. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

KPMG Inc. is a company incorporated under the South African Companies Act and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG Inc. is a Registered Auditor, in public practice, in terms of the Auditing Profession Act, 26 of 2005.

Registration number 1999/021543/21

Chief Executive: N Dlomu

Directors: Full list on website

The company's principal place of business is at KPMG Crescent, 85 Empire Road, Parktown, where a list of the directors' names is available for inspection.



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Inc.

Per Marileen De Wet
Chartered Accountant (SA)
Registered Auditor
Director

02 May 2018

Tata Chemicals South Africa Proprietary Limited

Statement of financial position

at 31 March 2018

	Notes	2018 ZAR	2017 ZAR
Assets			
Non-current assets			
Property, plant and equipment	6	435 381	774 422
Intangible asset	7	510 600	537 600
Deferred taxation	13	57 470	36 185
		<u>1 003 451</u>	<u>1 348 207</u>
Current assets			
Cash and cash equivalents	8	29 616 824	19 483 911
Trade and other receivables	9	77 861 280	88 959 368
Inventories	10	74 968 340	65 260 861
Taxation receivable	11	2 392 043	–
		<u>184 838 487</u>	<u>173 704 140</u>
Total assets		<u>185 841 938</u>	<u>175 052 347</u>
Equity and liabilities			
Equity			
Share capital	12	600	600
Share premium	12	1 699 500	1 699 500
Accumulated profit		86 959 972	63 431 734
		<u>88 660 072</u>	<u>65 131 834</u>
Current liabilities			
Trade and other payables	14	97 181 866	109 597 160
Taxation payable	11	–	323 353
		<u>97 181 866</u>	<u>109 920 513</u>
Total equity and liabilities		<u>185 841 938</u>	<u>175 052 347</u>

Tata Chemicals South Africa Proprietary Limited

Statement of profit or loss and other comprehensive income

for the year ended 31 March 2018

	Notes	2018 ZAR	2017 ZAR
Revenue	2	418 573 509	408 566 728
Cost of sales		<u>(370 297 018)</u>	<u>(369 996 782)</u>
Gross profit		48 276 491	38 569 946
Operating (expenses)/income		<u>(17 132 709)</u>	<u>1 372 361</u>
Profit before interest and taxation	3	31 143 782	39 942 307
Finance costs	4	–	(1 232)
Finance income	4	<u>1 539 317</u>	<u>1 330 235</u>
Profit before taxation		32 683 099	41 271 310
Taxation	5	<u>(9 154 861)</u>	<u>(11 564 534)</u>
Net profit for the year		23 528 238	29 706 776
Other comprehensive income for the year		<u>–</u>	<u>–</u>
Total comprehensive income for the year		23 528 238	29 706 776
Attributable to: Tata Chemicals Africa Holdings Limited		<u>23 528 238</u>	<u>29 706 776</u>

Tata Chemicals South Africa Proprietary Limited

Statement of changes in equity

for the year ended 31 March 2018

	Share capital ZAR	Share premium ZAR	Accumulated profit ZAR	Total ZAR
Balance at 31 March 2016	600	1 699 500	33 724 958	35 425 058
Total comprehensive income for the year	—	—	29 706 776	29 706 776
Balance at 31 March 2017	600	1 699 500	64 431 734	65 131 834
Total comprehensive income for the year	—	—	23 528 238	23 528 238
Balance at 31 March 2018	600	1 699 500	86 959 972	88 660 072

Tata Chemicals South Africa Proprietary Limited

Statement of cash flows

for the year ended 31 March 2018

	<i>Notes</i>	2018 ZAR	2017 ZAR
Cash flows from operating activities			
Cash generated/(utilised) from operations	15	20 493 909	(23 174 717)
Finance income		1 539 317	1 330 235
Finance costs		–	(1 232)
Taxation paid	16	<u>(11 891 542)</u>	<u>(7 275 621)</u>
Net cash inflow/(outflow) from operating activities		<u>10 141 684</u>	<u>(29 121 335)</u>
Cash flows from investing activities			
Additions to plant and equipment		<u>(8 771)</u>	<u>(153 288)</u>
Net cash outflow from investing activities		<u>(8 771)</u>	<u>(153 288)</u>
Net increase/(decrease) in cash and cash equivalents		10 132 913	(29 274 623)
Cash and cash equivalents at beginning of year		<u>19 483 911</u>	<u>48 758 534</u>
Cash and cash equivalents at end of year	8	<u>29 616 824</u>	<u>19 483 911</u>

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements

for the year ended 31 March 2018

1. Significant accounting policies

1.1 Reporting entity

Tata Chemicals South Africa (Pty) Ltd ("The Company") is domiciled in South Africa. The company's registered office is 140 Johnstone road, Maydon Wharf, Durban. The company is primarily involved in the importation and distribution of Sodium Carbonate ("Soda Ash").

1.2 Basis of preparation and changes in accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Financial Reporting Standards Board using historic cost convention except for certain financial instruments that are stated at fair value.

The principle accounting policies applied in the preparation of these financial statements are set out below and are consistent with the prior year. All monetary information and figures presented in these financial statements are stated in South African Rands (ZAR) which is the company's functional currency. The basis of preparation is consistent with the prior year.

At the date of authorisation of the financial statements, the following standards and interpretations applicable were issued but not yet effective:

Effective for annual periods beginning on or after 1 January 2018

- IFRS 15 – Revenue from Contracts with Customers: Revenue recognition with respect to revenue arising from contracts with customers.
- IFRS 9 – Financial Instruments.
- IFRS 2 – Amendments to Classification and Measurement of Share-based Payment Transaction.
- IFRIC 22 – Foreign Currency Transactions and Advance considerations.

Effective for annual periods beginning on or after 1 January 2019

- IFRS 16 – Leases: specifies how an IFRS reporter will recognise, measure, present and disclose leases.

It is not anticipated that these amendments will have any material impact on the company's financial statements.

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements

for the year ended 31 March 2018 (continued)

1. Significant accounting policies (continued)

1.3 Foreign currencies

The financial statements are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and financial position are expressed in Rands, which is the functional currency of the company.

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial year end, monetary items denominated in foreign currencies are restated at the rates prevailing on the financial year end. Non-monetary items that are measured in terms of historical cost in a foreign currency are not restated.

Exchange differences arising on the settlement of monetary items, and on restatements of monetary items are included in the statement of profit or loss for the year.

In order to hedge its exposure to certain foreign exchange risks, the company enters into forward exchange contracts.

1.4 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Revenue is recognised when the significant risk and rewards of ownership has been transferred to the customer, recovery of the consideration is probable, the associated cost and possible return of goods can be estimated reliably.

There is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Revenue is derived from the sale of Sodium Carbonate. The transfer of the risk and rewards usually occurs when the Soda Ash is delivered to the customer's warehouse or loaded onto the customer's transport.

1.5 Finance income and finance cost

Finance income comprises interest income. Interest income is recognised as it accrues in profit and loss, using the effective interest rate method.

Finance costs comprise interest expense on borrowings and unwinding of discount on provisions. Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss using the effective interest rate method.

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements

for the year ended 31 March 2018 (continued)

1. Significant accounting policies (continued)

1.6 Income tax

Income tax expenses comprises of current and deferred tax and is recognised in profit and loss.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years.

The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will become available against which they can be utilised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

1.7 Inventories

Inventories are measured at the lower of cost or net realisable value. The cost of inventories are based on the weighted average principle, which comprises of all cost of purchase and other cost incurred in bringing the inventories to their present condition and location for sale.

When inventories are sold, the carrying amount of the inventories are recognised in profit or loss in the period in which the related revenue is recognised. Any write-down of inventories to net realisable value and all losses of inventories or reversals of previous write-downs or losses are recognised in cost of sales in the period in which the write down, loss or reversal occurs.

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements

for the year ended 31 March 2018 (continued)

1. Significant accounting policies (continued)

1.8 Property, plant and equipment

Items of property, plant and equipment are measured at cost which includes capitalised borrowing cost, less accumulated depreciation and any accumulated impairment losses. If significant items of Property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that future economic benefits associated with the expenditure will flow to the company.

Depreciation

Depreciation is calculated to write off the cost of the items of Property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit and loss.

The estimated useful lives of Property, Plant and equipment for current and comparative periods are as follows:

Plant and equipment	3 – 5 years
Leasehold improvements	3 – 5 years
Furniture and fittings	3 – 10 years
Motor vehicles	3 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

1.9 Intangible assets

Recognition and measurement

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets acquired separately are initially recognised at cost.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements

for the year ended 31 March 2018 (continued)

1. Significant accounting policies (continued)

1.9 Intangible assets (continued)

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation and impairment

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. If an intangible asset is assessed as having an indefinite useful life, it is not amortised but tested for impairment annually and impaired, if necessary. If assessed as having a finite useful life, it is amortised over its useful life using the straight-line basis, and tested for impairment if there is an indication that it may be impaired.

1.10 Financial instruments

Financial instruments are recognised when the entity becomes a party to the contractual provisions of the instrument. Financial assets and liabilities as a result of firm commitments are only recognised when one of the parties has performed under the contract. Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets

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

Financial assets at FVTPL

A financial asset is classified as at FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at FVTPL are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

Held-to-maturity financial assets

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.



Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements

for the year ended 31 March 2018 (continued)

1. Significant accounting policies (continued)

1.10 Financial instruments (continued)

Financial assets (continued)

Trade and other receivables

Trade and other receivables originated by the company are stated at cost less any provision for doubtful debts.

Available-for-sale financial assets

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities

A financial liability is classified as at FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial liabilities at FVTPL are measured at fair value and changes therein, including any interest expense, are recognised in profit or loss.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisations. Derivative financial liabilities are recognised at fair value.

Equity

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

Trade payables

Trade and other payables are classified as financial liabilities at amortised cost.

Derecognition:

Financial assets are derecognised when the contractual rights to receive cash flows have been transferred or have expired or when substantially all the risks and rewards of ownership have passed.

Financial liabilities are derecognised when the relevant obligation has either been discharged or cancelled or has expired.

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements

for the year ended 31 March 2018 (continued)

1. Significant accounting policies (continued)

1.11 Hedge accounting

The company holds derivative financial instruments to hedge its foreign currency risk exposures. Derivatives are initially measured at fair value, any directly attributable transaction cost are recognised in profit and loss as incurred. Subsequent to initial recognition derivatives are measured at fair value and changes therein are recognised in profit and loss.

1.12 Provisions

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

Provisions are measured at the expenditure required to settle the obligation. Where the effect of discounting is material, provisions are measured at their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks for which future cash flow estimates have not been adjusted. Guarantees and securities provided by the company are initially recognised at fair value in accordance with IAS 39 and subsequently in accordance with IFRS 7.

1.13 Employee benefits

The cost of short-term employee benefits, (those that are expected to be settled wholly before 12 months after the end of the reporting period in which the service is rendered, such as sick leave, bonuses, and non-monetary benefits such as medical care), are expensed as the related service is provided.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

A liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements

for the year ended 31 March 2018 (continued)

1. Significant accounting policies (continued)

1.14 Leases

Finance leases

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the company are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease, and are depreciated over the estimated useful life of the asset. The capital element of future obligations under the leases are included as a liability on the statement of financial position. Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against income over the lease period.

Operating lease

Leases where the lessor retains the risks and rewards of the underlying asset are classified as operating leases. Payments made under operating leases are charged against income on a straight line basis over the period of the lease.

1.15 Events after the reporting period

Recognised amounts in the financial statements are adjusted to reflect events arising after the reporting date that provide additional evidence of conditions that existed at the reporting date. Events after the reporting date that are indicative of conditions that arose after the reporting date are dealt with by way of a note.

1.16 Key sources of estimation uncertainty

There are no assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements

for the year ended 31 March 2018 (continued)

2. Revenue

Revenue comprises the net invoiced value of the sales of soda ash and related products, rental from the use by others of the entity's assets and terminal and venture cargo services provided.

	2018 ZAR	2017 ZAR
Sale of goods	412 675 349	406 762 862
Rental	73 080	76 703
Services provided	5 825 080	1 727 163
	<u>418 573 509</u>	<u>408 566 728</u>

3. Profit before interest and taxation

Profit before interest and taxation is arrived at after taking the following into account:

Auditors remuneration		
– audit fees	342 200	366 700
Amortisation of lease premium	27 000	27 000
Depreciation	347 812	357 724
Net foreign exchange gain	(157 193)	(12 727 896)
Operating lease rentals	959 952	900 141
Staff costs	3 115 665	2 760 669
	<u>15</u>	<u>13</u>

4. Finance (costs)/income

<i>Finance costs</i>		
Bank	–	(1 232)
<i>Finance income</i>		
Interest received – bank	1 539 317	1 330 235
	<u>1 539 317</u>	<u>1 329 003</u>

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements

for the year ended 31 March 2018 (continued)

	2018 ZAR	2017 ZAR	
5. Taxation			
South African normal taxation			
Current tax	9 176 146	10 772 965	
Deferred tax (current year)	(21 285)	798 774	
Deferred tax (prior year)	-	(7 205)	
	<u>9 154 861</u>	<u>11 564 534</u>	
	%	%	
<i>Reconciliation of taxation rate</i>			
Standard taxation rate	28.00	28.00	
Prior year adjustment	-	(0.02)	
Permanent differences	0.01	0.04	
Effective taxation rate	<u>28.01</u>	<u>28.02</u>	
6. Property, plant and equipment			
	Cost ZAR	Accumulated depreciation ZAR	Carrying value ZAR
2018			
Plant and equipment	4 519 223	(4 389 790)	129 433
Leasehold improvements	801 835	(611 141)	190 694
Furniture and fittings	587 736	(539 685)	48 051
Motor vehicles	84 004	(16 801)	67 203
	<u>5 992 798</u>	<u>5 557 417</u>	<u>435 381</u>
2017			
Plant and equipment	4 519 223	(4 139 939)	379 284
Leasehold improvements	801 835	(567 751)	234 084
Furniture and fittings	578 964	(501 914)	77 050
Motor vehicles	234 830	(150 826)	84 004
	<u>6 134 852</u>	<u>(5 360 430)</u>	<u>774 422</u>

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements

for the year ended 31 March 2018 (continued)

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment

	Opening balance ZAR	Additions ZAR	Disposals ZAR	Depreciation ZAR	Closing balance ZAR
2018					
Plant and equipment	379 285	–	–	(249 852)	129 433
Leasehold improvements	234 083	–	–	(43 389)	190 694
Furniture and fittings	77 050	8 771	–	(37 770)	48 051
Motor vehicles	84 004	–	–	(16 801)	67 203
	774 422	8 771	–	(347 812)	435 381
2017					
Plant and equipment	653 523	14 090	–	(288 328)	379 285
Leasehold improvements	261 672	14 800	–	(42 389)	234 083
Furniture and fittings	63 663	40 394	–	(27 007)	77 050
Motor vehicles	150 826	84 004	(150 826)	–	84 004
	978 858	153 288	(150 826)	(357 724)	774 422

	2018 ZAR	2017 ZAR
7. Intangible assets		
Cost	1 078 400	1 078 400
Accumulated amortisation	(567 800)	(540 800)
Carrying value	510 600	537 600
<i>Reconciliation of the carrying amount</i>		
Carrying amount at beginning of year	537 600	564 600
Amortisation charge	(27 000)	(27 000)
Carrying amount at end of year	510 600	537 600

The intangible asset relates to a lease premium over the land, on which the building and warehouse is situated, from which the company operates. This premium is considered to have a finite useful life and is amortised over the lease period on a straight line basis.

Intangible assets are assessed for impairment annually. Based on the impairment assessment for the current year the directors are of the opinion that the intangible asset is not impaired and thus no impairment has been recognised in the current financial year.

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

	2018 ZAR	2017 ZAR
8. Cash and cash equivalents		
Bank balance		
– Current account	10 029 458	15 692 013
– Call account	19 587 366	3 791 898
	<u>29 616 824</u>	<u>19 483 911</u>
9. Trade and other receivables		
Trade receivables	76 859 120	86 611 888
Other receivables – prepaid expenses	1 002 160	2 347 480
	<u>77 861 280</u>	<u>88 959 368</u>
Trade receivables can be broken down as follows:		
External parties	<u>76 859 120</u>	<u>86 611 888</u>

The company estimates that the carrying values are not materially different to the fair values of the trade and other receivables above.

The company has assessed all past due receivable balances for recoverability and believe that their credit quality remains intact. An ageing of past due receivables is provided below:

	Less than 1 month ZAR	0 – 30 days ZAR	Between 31 – 120 days ZAR	Between 121 – 360 days ZAR	Total ZAR
2018					
Past due receivables	–	1 816 885	12 890 322	279 685	14 986 892
Provision for doubtful debts	–	–	–	–	–
	<u>–</u>	<u>1 816 885</u>	<u>12 890 322</u>	<u>279 685</u>	<u>14 986 892</u>
2017					
Past due receivables	–	1 854 099	4 387 771	109 075	6 350 945
Provision for doubtful debts	–	–	–	–	–
	<u>–</u>	<u>1 854 099</u>	<u>4 387 771</u>	<u>109 075</u>	<u>6 350 945</u>

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements

for the year ended 31 March 2018 (continued)

	2018 ZAR	2017 ZAR
10. Inventories		
Finished goods	6 163 551	47 345 358
Packaging materials	618 208	372 095
Goods-in-transit	<u>68 186 581</u>	<u>17 543 408</u>
	<u>74 968 340</u>	<u>65 260 861</u>
11. Taxation receivable/(payable)		
Opening balance	(323 353)	3 173 991
Statement of profit and loss & other comprehensive income – current taxation	<u>(9 176 146)</u>	<u>(10 772 965)</u>
Taxation paid	11 891 542	7 719 205
Taxation refund	–	<u>(443 584)</u>
Balance at end of year	<u>2 392 043</u>	<u>(323 353)</u>
12. Share capital		
<i>Authorised</i>		
1 000 ordinary shares of R1 each	<u>1 000</u>	<u>1 000</u>
<i>Issued</i>		
600 ordinary shares of R1 each	<u>600</u>	<u>600</u>
<i>Share premium</i>	<u>1 699 500</u>	<u>1 699 500</u>
13. Deferred taxation		
Opening balance	36 185	827 754
Assessed loss utilised	–	(1 134 876)
Prior year adjustment	–	7 205
Current year movement	<u>21 285</u>	<u>336 102</u>
Deferred tax asset at the end of the year	<u>57 470</u>	<u>36 185</u>
Deferred taxation balance is comprised as follows:		
Lease charge	39 791	27 642
Section 24I (10)	(84 626)	(80 108)
Prepayments	(51 460)	(45 783)
Provision for bonus	93 800	83 555
Provision for leave pay	54 219	45 133
Income received in advance	5 746	5 746
Assessed loss	–	–
Deferred tax asset at the end of the year	<u>57 470</u>	<u>36 185</u>

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

	2018 ZAR	2017 ZAR
14. Trade and other payables		
Intercompany trade payables	89 407 735	103 529 046
Other trade payables	6 373 123	4 251 798
Other payables and accrued expenses	1 186 847	1 634 608
Leave pay accrual	193 641	161 188
Deferred income	20 520	20 520
	<u>97 181 866</u>	<u>109 597 160</u>
<p>The company estimates that the carrying values are not materially different to the fair values of the trade and other payables above.</p>		
15. Cash generated/(utilised) from operations		
Net profit before taxation	32 683 099	41 271 310
Adjustments for:		
Finance income	(1 539 317)	(1 330 235)
Finance costs	-	1 232
Amortisation of lease premium	27 000	27 000
Depreciation	347 812	357 724
	<u>31 518 594</u>	<u>40 327 031</u>
Operating profit before working capital changes	31 518 594	40 327 031
(Increase)/decrease in inventories	(9 707 479)	24 658 579
Decrease in trade and other receivables	11 098 088	331 083
Decrease in trade and other payables	(12 415 294)	(88 491 410)
	<u>20 493 909</u>	<u>(23 174 717)</u>
16. Taxation paid		
Balance at beginning of year	(323 353)	3 173 991
Current period charge (excluding deferred taxation)	(9 176 146)	(10 772 965)
Balance at end of year	(2 392 043)	323 353
	<u>(11 891 542)</u>	<u>(7 275 621)</u>
17. Operating lease commitments		
Due within one year	1 036 748	959 952
Due within two or five years	1 119 688	2 156 436
Due after five years	-	-
	<u>2 156 436</u>	<u>3 116 388</u>

The lease contract is for the rental of the building and warehouse at the port of Durban for a period of three years with an escalation of 8% per annum.

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements

for the year ended 31 March 2018 (continued)

18. Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. The company uses derivative financial instruments to hedge foreign currency risk exposures.

Risk management is carried out by management under policies approved by the directors. The directors provide principles for overall risk management, as well as policies covering specific areas, such, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

18.1 Credit risk

Credit risk is the risk that a contractual counterparty will default on its contractual obligations to the company and that the company would suffer financial loss as a consequence of such a default. The company's credit risk is mainly confined to the risk of customers defaulting on sales invoices raised. Any credit risk arising from cash deposits and derivative financial instruments is deemed insignificant on the basis that all relevant counterparties are investment grade entities.

Credit risk consists mainly of short-term cash deposits and trade debtors. The company only deposits short-term cash with major banks with strong credit ratings. Trade debtors comprise a widespread customer base, and ongoing credit evaluations of the financial condition of customers are regularly undertaken. At 31 March 2018 the company does not consider there to be any material credit risk that has not been adequately provided.

Full disclosure of the company's maximum exposure to credit risk is as follows:

	2018 ZAR	2017 ZAR
<i>Exposure to credit risk</i>		
Cash and cash equivalents	29 616 824	19 483 911
Trade and other receivables	<u>77 861 280</u>	<u>88 959 368</u>
Total credit risk exposure	<u>107 478 104</u>	<u>108 443 279</u>

18.2 Liquidity risk

The company manages its liquidity risk by regularly monitoring its projected cash flow requirements against its cash resources and unutilised borrowing facilities. Surplus cash resources are only invested with large institutions with strong credit ratings. Forecast liquidity represents the company's expected cash inflows, principally generated from the ordinary course of the business, less the company's contractually determined cash outflows, and principally related to the repayment of borrowings. The materiality of these cash inflows and outflows rests in the expected ageing profiles of the underlying assets and liabilities. The maturity profile is presented below.

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements

for the year ended 31 March 2018 (continued)

18. Financial risk management (continued)

18.2 Liquidity risk (continued)

The company maturity analysis is as follows:

	< 1 year ZAR	Total ZAR
2018		
Trade and other payables	<u>97 181 866</u>	<u>97 181 866</u>
2017		
Trade and other payables	<u>109 597 160</u>	<u>109 597 160</u>

18.3 Cash flow and interest rate risk

The company has significant interest-bearing assets. The company's income and operating cash flows are substantially independent of changes in market interest rates.

The company's interest rate risk arises from bank investments. Bank investments issued at variable rates expose the company to cash flow interest rate risk. Bank investments issued at fixed rates expose the company to fair value interest rate risk. Debt levels are constantly monitored and kept to a viable minimum to reduce the exposure to high interest rates.

The company borrows at competitive market related rates and where appropriate fixes these from time to time to minimise the risk of fluctuating interest rates.

The sensitivity analyses below have been determined based on the exposure to interest rates for both financial instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/(lower) and all other variables were held constant, the company's profit before taxation for the year ended 31 March 2018 would increase/(decrease) by R296 168 (2017 – R194 839). This is attributable to the company's exposure to interest rates on its bank investments.

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements

for the year ended 31 March 2018 (continued)

18. Financial risk management (continued)

18.4 Currency risk

Currency risk is the risk that the value of the financial instrument will fluctuate owing to changes in foreign exchange rates.

The company is exposed to foreign currency risk on purchases that are denominated in a currency other than the functional currency of the company i.e. South African Rand. The currencies giving rise to this risk is primarily U.S. Dollars (USD) and Great British Pounds (GBP).

Exposure to currency risk

	2018 ZAR	2017 ZAR	2018 USD	2017 USD
Trade payables	<u>(89 407 735)</u>	<u>(103 529 046)</u>	<u>(7 523 774)</u>	<u>(7 747 179)</u>
Net exposure	<u>(89 407 735)</u>	<u>(103 529 046)</u>	<u>(7 523 774)</u>	<u>(7 747 179)</u>
	Average rate		Spot rate	
	2018	2017	2018	2017
USD	<u>12.9977</u>	<u>14.0763</u>	<u>11.8819</u>	<u>13.365</u>

Sensitivity analysis

A 10 percent strengthening of the Rand against the US Dollar at 31 March 2018 would have increased profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss	
	2018 ZAR	2017 ZAR
10% strengthening/weakening of US Dollar	<u>8 940 774</u>	<u>10 352 904</u>

A 10 percent weakening of the Rand against the US dollar at 31 March 2018 would have had the equal but opposite effect on the dollar exchange rate to the amounts shown above, on the basis that all other variables remain constant.

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements

for the year ended 31 March 2018 (continued)

18. Financial risk management (continued)

18.5 Capital management

The company reviews their total capital employed on a regular basis and makes use of several indicative ratios which are appropriate to the nature of the company's operations and consistent with conventional industry measures. The principal ratios used in this review process are:

- gearing, defined as net debt divided by total capital employed; and
- return on capital employed, defined as underlying operating profit before taxation divided by average capital employed.

18.6 Financial assets

The carrying amounts and fair values of financial assets are as follows:

	2018		2017	
	Estimated fair value ZAR	Carrying amount ZAR	Estimated fair value ZAR	Carrying amount ZAR
Cash and cash equivalents	29 616 824	29 616 824	19 483 911	19 483 911
Trade and other receivables	77 861 280	77 861 280	88 959 368	88 959 368
Total financial assets	<u>107 478 104</u>	<u>107 478 104</u>	<u>108 443 279</u>	<u>108 443 279</u>

The fair values of trade and other receivables and cash and cash equivalents are not materially different to the carrying values presented.

19. Related party transactions

Identity of related parties

The following companies listed below that we trade with are classified as related parties by virtue of their relationship to Tata Chemicals Limited, the ultimate holding company of Tata Chemicals South Africa Proprietary Limited:

Tata Chemicals Limited and its subsidiaries

Rallis India Limited (Rallis), India
Bio Energy Venture -1 (Mauritius) Pvt. Limited, Mauritius

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements

for the year ended 31 March 2018 (continued)

19. Related party transactions (continued)

Identity of related parties (continued)

Indirect holding through Tata Chemicals Limited

Homefield Pvt. UK Limited, UK
Tata Chemicals Africa Holding Limited, UK
Tata Chemicals Magadi Limited, UK
Magadi Railway Company Limited, Kenya
Homefield 2 UK Limited, UK
Tata Chemicals (Europe) Holdings Limited, UK
Cheshire Salt Holdings Limited, UK
Cheshire Salt Limited, UK
British Salt Limited, UK
Brinefield Storage Limited, UK
Cheshire Cavity Storage 2 Limited, UK
Cheshire Compressor Limited, UK
Irish Feeds Limited, UK
New Cheshire Salt Works Limited, UK
Brunner Mond Group Limited, UK
Tata Chemicals Europe Limited, UK
Winnington CHP Limited, UK
Brunner Mond Limited, UK
Northwich Resource Management Limited, UK
Gusiute Holdings (UK) Limited, UK
Valley Holdings Inc., USA
Tata Chemicals North America Inc., USA
General Chemicals International Inc., USA
TCNA (UK) Limited, UK
NHO Canada Holdings Inc., USA
TCSAP Holdings, USA
TCSAP LLC, USA
Tata Chemicals (Soda Ash) partners (TCSAP), USA
Tata Chemicals International Pte. Limited, Singapore
Rallis Chemistry Exports Limited, India
Metahelix Life Sciences Limited. (Metahelix), India
Zero Waste Agro Organics Limited (ZWAOL), India
Alcad
PT Metahelix lifesciences Indonesia
Ncourage Social Enterprise Foundation

Direct Joint Ventures with Tata Chemicals Limited

Indo Maroc Phosphore S.A., Morocco

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements

for the year ended 31 March 2018 (continued)

19. Related party transactions (continued)

Identity of related parties (continued)

Indirect Joint Ventures with Tata Chemicals Limited

JOil (S) Pte. Limited, Singapore
The Block Salt Company Limited, UK
Natronx Technologies LLC, USA

The directors are listed in the directors' report.

Material related party transactions/balances

The following transactions were effected with and between the defined related parties during the period under review:

	2018 ZAR	2017 ZAR
Purchases		
– Tata Chemicals North America Inc.	212 209 728	276 674 382
– Tata Chemicals Magadi Limited	47 512 567	13 924 869

The company has the following related party balances owing to the company as at 31 March 2018:

Tata Chemicals North America Inc.	(81 962 689)	(96 662 468)
Tata Chemicals Magadi Limited	(7 434 046)	(6 866 578)

20. Facilities and guarantees

The following facilities and securities have been lodged with First National Bank Limited:

R10 million unutilised overdraft facility on which interest would be payable at the prevailing prime rate.

R20 million cession of debts by Tata Chemicals South Africa Proprietary Limited dated 18 October 1996.

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements

for the year ended 31 March 2018 (continued)

20. Facilities and guarantees (continued)

Guarantees given were as follows:

- R48 988 in favour of Ethekwini Municipality expiring on 31 December 2025
- R200 000 in favour of South African Revenue Services expiring on 31 December 2025.

21. Judgements made by management

Useful lives and residual values

Property, plant and equipment are depreciated over their useful lives, where appropriate. The useful lives of the assets and residual values are assessed annually. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Impairment of assets

Ongoing assessments are made regarding any potential impairment of assets, using assumptions made in terms of the models allowed under International Financial Reporting Standards.

Deferred tax asset

A deferred tax asset has been raised against tax losses as it is expected that the company will make taxable profits against which to offset the tax losses incurred.

22. Directors' emoluments

	Emolument ZAR	Other ZAR	Pension ZAR	Total ZAR
2018				
Z Langrana	-	-	-	-
R Lodha	-	-	-	-
Z Schneider	-	-	-	-
R Mpofu	-	1 035 571	-	1 035 571
	-	1 035 571	-	1 035 571
2017				
Z Langrana	-	-	-	-
R Lodha	-	-	-	-
Z Schneider	-	-	-	-
R Mpofu	-	828 457	-	828 457
	-	828 457	-	828 457

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements

for the year ended 31 March 2018 (continued)

23. Going concern

The directors consider that the company has adequate resources to continue operating for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the company's financial statements.

24. Subsequent events

The directors are not aware of any matter or circumstance which is material to the financial affairs of the company, which has occurred between the reporting date and date of approval of the financial statements, that has not been otherwise dealt with in the financial statements.

