



# **Tata Chemicals South Africa Proprietary Limited**

(Registration number: 1996/004273/07)

Annual financial statements

for the year ended 31 March 2021

Audited

These financial statements have been audited in compliance with Section 30 of the Companies Act of South Africa 2008.

The financial statements have been internally prepared by Sally Govender- Financial Manager.

# **Tata Chemicals South Africa Proprietary Limited**

(Reg. No. 1996/004273/07)

## **Annual financial statements**

*for the year ended 31 March 2021*

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# **Tata Chemicals South Africa Proprietary Limited**

(Registration number: 1996/004273/07)

## **Directors' responsibility statement**

The directors are responsible for the preparation and fair presentation of the annual financial statements of Tata Chemicals South Africa (Proprietary) Limited, comprising the statement of financial position at 31 March 2021, the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards for Small and Medium sized Entities and the requirements of the Companies Act of South Africa, and the directors' report.

The directors are also responsible 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, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead. The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

### **Approval of the annual financial statements**

The annual financial statements of Tata Chemicals South Africa (Proprietary) Limited, as identified in the first paragraph, were approved by the Board of Directors on 4 May 2021 and are signed by



\_\_\_\_\_  
Director

Name: Zarir Langrana  
Date: 4 May 2021



\_\_\_\_\_  
Director

Name: Roderick Mpofo  
Date: 4 May 2021

# **Tata Chemicals South Africa Proprietary Limited**

(Registration number: 1996/004273/07)

## **Directors' report**

*for the year ended 31 March 2021*

The directors have the pleasure in presenting their report for the year ended 31 March 2021.

### **Nature of operations**

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

### **Financial results**

The Company made a profit for the year of ZAR24 712 997 compared to the prior year of ZAR7 443 900. At year end the Company's total assets exceeded its total liabilities by ZAR98 281 843 compared to ZAR73 568 846 in the prior year.

The financial results for the 2021 financial year are contained in the annual financial statements and related notes on pages 7 to 26. The increase in import duties from 8% to 40% on High Purity Soda Ash imported from America on 30 March 2020 has had a negative impact on the Company's revenues for the 2021 year as no more High Purity Soda Ash were imported from America and stock on hand at the end of 31 March 2020 ran out during July 2020. This has resulted in the loss of a number of customers that historically bought their High Purity Soda Ash from the Company. Opportunities were however identified to service customers through the handling and storage of customer's products.

### **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 ZARNil (2020 – ZAR20 million).

### **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 18 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)
T Naikuni	(Kenyan)
Z Schneider	(South African)
R Mpofo	(South African)

# **Tata Chemicals South Africa Proprietary Limited**

(Registration number: 1996/004273/07)

## **Directors' report** *(continued)* *for the year ended 31 March 2021*

### **Secretary**

The company has not appointed a secretary.

### **Registered office and postal address**

140 Johnstone Road  
Maydon Wharf  
Durban  
4001

### **Going concern**

#### ***Covid-19 Pandemic***

As of 31 March 2021 the COVID-19 pandemic has not subsided and many countries around the world, including South Africa, are still suffering the effects of increased COVID cases and slow roll-outs of vaccines. The Company will continue to operate as per the government rulings regarding COVID, as a port operator activities will not be hindered by lock-downs. Management has implemented and will continue to implement, actions to maximise liquidity and reduce costs to ensure the sustainability of the Company.

#### ***Anti-dumping duty***

On 30 March 2020 the South African Revenue Service announced the insertion and deletion of anti-dumping duties on Soda Ash, in Part 1 of Schedule No.2 of the Customs and Excise Act, 1964 'Dumping Duties', originating in or imported from the United States of America.

This has resulted in the increase of import duties from 8% to 40% on High Purity Soda Ash imported from America. Tata Chemicals South Africa is currently in the process of appealing against this regulation. If the appeal is rejected, this will result in Tata Chemicals no longer purchasing and selling High Purity Soda Ash imported from the United States of America. This had a negative impact on the results of the 2021 financial year. However, due to the increased capacity that were available in Tata's warehouses, management had identified other opportunities to service customers through the handling, distribution and storage of customer's products, with some of contracts extending to 2 years, for both sodium sulphate & soda ash. Currently purchasing European soda ash locally while continuously monitoring the price of soda ash from India & China. Sale of standard grade ash from Kenya continues.

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**

There have been no subsequent events that would require disclosure in the Company's financial statements.

### **Auditors**

KPMG Inc. was appointed as auditors of the company for 2021.

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 2022 financial year.

## 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 (the company) set out on pages 7 to 26, which comprise the statement of financial position as at 31 March 2021, 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 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 2021, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities 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 corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. 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 information included in the document titled "Tata Chemicals South Africa Proprietary Limited Annual Financial Statements for the year ended 31 March 2021", which includes the Directors' Report as required by the Companies Act of South Africa. 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.

### *Auditor's 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 the International Financial Reporting Standard for Small and Medium-sized Entities 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.

*Auditor's responsibilities of the directors for the financial statements (continued)*

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.

*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  
Associate Director  
5 May 2021

# Tata Chemicals South Africa Proprietary Limited

## Statement of financial position

as at 31 March 2021

	Notes	2021 ZAR	2020 ZAR
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	623 190	870 926
Intangible asset	7	429 600	456 600
Deferred taxation	13	2 283	–
		<u>1 055 073</u>	<u>1 327 526</u>
<b>Current assets</b>			
Trade and other receivables	8	18 054 394	80 210 975
Inventories	9	25 161 699	77 547 458
Cash and cash equivalents	10	67 733 037	50 838 887
Taxation receivable	11	2 729 796	4 021 553
		<u>113 678 926</u>	<u>212 618 873</u>
		<u>114 733 999</u>	<u>213 946 399</u>
<b>Total assets</b>			
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	12	600	600
Share premium	12	1 699 500	1 699 500
Retained earnings		<u>96 581 743</u>	<u>71 868 746</u>
		<u>98 281 843</u>	<u>73 568 846</u>
<b>Non- current liabilities</b>			
Deferred taxation	13	–	1 276 760
<b>Current liabilities</b>			
Trade and other payables	14	<u>16 452 156</u>	<u>139 100 793</u>
		<u>114 733 999</u>	<u>213 946 399</u>
<b>Total equity and liabilities</b>			

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# Tata Chemicals South Africa Proprietary Limited

## Statement of profit or loss and other comprehensive income

for the year ended 31 March 2021

	Notes	2021 ZAR	2020 ZAR
<b>Revenue</b>	2	<b>207 485 145</b>	343 299 828
Cost of sales		<u>(175 476 931)</u>	<u>(303 297 079)</u>
<b>Gross profit</b>		<b>32 008 214</b>	40 002 749
Other income		<b>203 481</b>	216 668
Foreign exchange profits/ (losses)		<b>19 249 258</b>	(15 708 502)
Operating expenses		<u>(19 009 528)</u>	<u>(15 989 529)</u>
<b>Profit before interest and taxation</b>	3	<b>32 451 425</b>	8 521 386
Finance income	4	<u><b>1 710 920</b></u>	<u>1 817 364</u>
<b>Profit before taxation</b>		<b>34 162 345</b>	10 338 750
Taxation	5	<u>(9 449 348)</u>	<u>(2 894 850)</u>
<b>Net profit for the year</b>		<b>24 712 997</b>	7 443 900
Other comprehensive income for the year		<u>—</u>	<u>—</u>
<b>Total comprehensive income for the year</b>		<u><b>24 712 997</b></u>	<u>7 443 900</u>
Attributable to: Tata Chemicals Africa Holdings Limited		<u><b>24 712 997</b></u>	<u>7 443 900</u>

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# Tata Chemicals South Africa Proprietary Limited

## Statement of changes in equity

for the year ended 31 March 2021

	Share capital ZAR	Share premium ZAR	Accumulated profit ZAR	Total ZAR
<b>Balance at 31 March 2019</b>	600	1 699 500	84 424 846	86 124 946
Dividend paid (R33 333 per share)	–	–	(20 000 000)	(20 000 000)
Total comprehensive income for the year	–	–	7 443 900	7 443 900
<b>Balance at 31 March 2020</b>	600	1 699 500	71 868 746	73 568 846
Total comprehensive income for the year	–	–	24 712 997	24 712 997
<b>Balance at 31 March 2021</b>	<b>600</b>	<b>1 699 500</b>	<b>96 581 743</b>	<b>98 281 843</b>

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# Tata Chemicals South Africa Proprietary Limited

## Statement of cash flows

for the year ended 31 March 2021

	<i>Notes</i>	<b>2021 ZAR</b>	2020 ZAR
<b>Cash flows from operating activities</b>			
Cash generated from operations	15	<b>24 619 864</b>	22 279 784
Finance income received		<b>1 710 920</b>	1 817 364
Taxation paid	16	<b>(9 436 634)</b>	(6 411 562)
<b>Net cash inflow from operating activities</b>		<b>16 894 150</b>	17 685 586
<b>Cash flows from investing activities</b>			
Additions to plant and equipment		–	(780 779)
<b>Net cash outflow from investing activities</b>		–	(780 779)
<b>Cash flows from financing activities</b>			
Dividend paid		–	(20 000 000)
<b>Net cash outflow from financing activities</b>		–	(20 000 000)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>16 894 150</b>	(3 095 193)
Cash and cash equivalents at beginning of year		<b>50 838 887</b>	53 934 080
<b>Cash and cash equivalents at end of year</b>	10	<b>67 733 037</b>	50 838 887

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# Tata Chemicals South Africa Proprietary Limited

## Notes to the financial statements

*for the year ended 31 March 2021*

### 1. Significant accounting policies

#### 1.1 Reporting entity

Tata Chemicals South Africa Proprietary Limited (“The Company”) is domiciled in South Africa. The company's registered office is at 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

These financial statements have been prepared in accordance with the International Financial Reporting for Small and Medium sized Entities (IFRS for SME's) issued by the International Accounting Standards Board. The financial statements have been prepared on the historical cost basis and incorporate the principle policies set out below.

All monetary information and figures presented in these financial statements are stated in South African Rands ( ZAR) which is the Company's functional currency.

#### 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 and other comprehensive income.

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

#### 1.4 Revenue from contracts with customers

Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, price concessions, incentives, and returns, if any, as specified in the contracts with the customers. Revenue excludes value added tax collected from customers on behalf of the government.

Revenue is derived from the sale of Sodium Carbonate. Other sources of revenue include handling and storage of similar products and terminal and venture cargo services provided. The transfer of control of the products usually occurs when the Soda Ash is delivered to the customer's warehouse or loaded onto the customer's transport at a point in time. The transfer of control over terminal and venture cargo services occurs at a point in time when services are rendered.

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# Tata Chemicals South Africa Proprietary Limited

## Notes to the financial statements *(continued)*

for the year ended 31 March 2021

### 1. Significant accounting policies *(continued)*

#### 1.5 Finance income and finance cost

Finance income comprises interest income. Interest income is recognised in profit and loss on accrual basis using the effective interest rate method.

Finance costs comprise interest expense on borrowings and unwinding of discount on provisions. All borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### 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.

A deferred tax liability is recognised for all taxable temporary differences.

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.

##### *Tax expenses*

Tax expense is recognised in the same component of total comprehensive income or equity as the transaction or other event that resulted in the tax expense.

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# Tata Chemicals South Africa Proprietary Limited

## Notes to the financial statements *(continued)*

for the year ended 31 March 2021

### 1. Significant accounting policies *(continued)*

#### 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.

##### 1.7.1 Cost of sales

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.

Cost of sales comprises the cost of packaging materials for Soda Ash, transportation costs, as well as purchase price variances related to landing costs. The Company also includes the cost of providing terminal services such as packaging materials for the customers' goods before the customer collects the goods purchased.

The Company classifies exchange differences on Foreign Exchange Contracts arising from the purchase of inventories as part of cost of sales. Salaries incurred for warehouse staff are classified as operating expenses and included in staff costs.

#### 1.8 Property, plant and equipment

Property, plant and equipment are measured at 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.

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# Tata Chemicals South Africa Proprietary Limited

## Notes to the financial statements *(continued)*

for the year ended 31 March 2021

### 1. Significant accounting policies *(continued)*

#### 1.8 Property, plant and equipment *(continued)*

##### *Depreciation (continued)*

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.

##### *Impairment*

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

##### *Derecognition*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

#### 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, are recognised in profit or loss when the asset is derecognised.

##### *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.

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# Tata Chemicals South Africa Proprietary Limited

## Notes to the financial statements *(continued)*

for the year ended 31 March 2021

### 1. Significant accounting policies *(continued)*

#### 1.9 Intangible assets *(continued)*

##### *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 amortised over a 10-year period, 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.

Lease premium is being amortised till the termination of the lease which is 31 October 2037.

#### 1.10 Financial instruments

##### *Initial measurement*

Financial instruments are initially measured at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss), unless the arrangement constitutes, in effect, a financing transaction in which case it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

##### *Financial instruments at amortised cost*

These include Cash and cash equivalents, Loans receivables, Trade receivables and Trade payables. Those debt instruments which meet the criteria in section 11.8(b) of the standard, are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

At each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence, the recoverable amount is estimated and compared with the carrying amount. If the estimated amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

##### *Financial instruments at cost*

Equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably without undue cost or effort are measured at cost less impairment.

##### *Derecognition of financial instruments*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

# Tata Chemicals South Africa Proprietary Limited

## Notes to the financial statements *(continued)*

for the year ended 31 March 2021

### 1. Significant accounting policies *(continued)*

#### 1.10 Financial instruments *(Continued)*

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Company also derecognises a financial liability when its terms are modified, and the cash flows of the modified terms is recognised at fair value.

##### ***Offsetting:***

An entity shall not offset assets and liabilities, or income and expenses, unless required or permitted by this Standard:

- (a) measuring assets net of valuation allowances is not offsetting. For example, allowances for inventory obsolescence and allowances for uncollectable receivables.
- (b) if an entity's normal operating activities do not include buying and selling non-current assets, including investments and operating assets, then the entity reports gains and losses on disposal of such assets by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses.

#### 1.11 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. Contingent assets and contingent liabilities are not recognised.

#### 1.12 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.

#### 1.13 Leases

##### ***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.

# Tata Chemicals South Africa Proprietary Limited

## Notes to the financial statements *(continued)*

for the year ended 31 March 2021

### 1. Significant accounting policies *(continued)*

#### 1.14 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.

#### 1.15 Related parties

A party is related to the Company if any of the following are met:

Directly, or indirectly through one or more intermediaries, the party controls, is controlled by or is under common control with the Company.

- The related party is a director of the Company
- The party is a member of key management personnel of the entity or its parent
- The party is a close family member of the director or individual referred to the above.

Close family member of the director or an individual includes:

- The individual's domestic partner and children
- Children of the individual's domestic partner and
- Dependents of the individual or the individual's domestic partner.

The purchases from related parties are made on terms negotiated between the parties involved. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash.

Transactions with related parties include purchases of Soda Ash from Tata Chemicals North America Inc. and Tata Chemicals Magadi Limited as well as goods-in-transit at the end of the year

#### 1.16 Share capital and equity

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the year in which they are declared.

# Tata Chemicals South Africa Proprietary Limited

## Notes to the financial statements *(continued)*

*for the year ended 31 March 2021*

### 1. Significant accounting policies *(continued)*

#### 1.17 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

##### *Provision for trade receivables and loans and receivables*

The company assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the company makes judgements as to whether there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of the receivables.

No estimate has been raised in the prior year

##### *Taxation*

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

##### *Standards issued but not yet effective*

There are no new standards issued but not yet effective.

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# Tata Chemicals South Africa Proprietary Limited

## Notes to the financial statements *(continued)* for the year ended 31 March 2021

### 2. Revenue

Revenue comprises the net invoiced value of the sales of soda ash and related products and terminal and venture cargo services provided.

	2021 ZAR	2020 ZAR
Sale of goods	162 467 634	322 052 020
Services provided	45 017 511	21 247 808
	<u>207 485 145</u>	<u>343 299 828</u>

### 3. Profit before interest and taxation

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

	2021 ZAR	2020 ZAR
Auditors remuneration		
– audit fees	447 423	389 250
Amortisation of lease premium	27 000	27 000
Depreciation	247 736	193 317
Net foreign unrealized exchange (gain) loss	(19 249 258)	15 708 503
Operating lease rentals	2 906 434	1 764 608
Staff costs	5 414 757	5 549 669
	<u>22</u>	<u>25</u>

### 4. Finance income

#### *Finance income*

Interest received		
– bank	1 708 390	1 817 043
– debtors	2 530	321
	<u>1 710 920</u>	<u>1 817 364</u>

### 5. Taxation

#### South African normal taxation

Current tax	10 728 391	1 532 690
Deferred tax	(1 279 043)	1 362 160
– current year	(1 162 947)	1 362 160
– overprovision prior years	(116 096)	–
	<u>9 449 348</u>	<u>2 894 850</u>

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# Tata Chemicals South Africa Proprietary Limited

## Notes to the financial statements (continued) for the year ended 31 March 2021

	2021 ZAR	2020 ZAR	
<b>5. Taxation (continued)</b>			
<b>Reconciliation of tax expense</b>			
Accounting profit	34 162 345	10 338 750	
Tax at the applicable tax rate of 28% (2020: 28%)	9 565 444	2 894 850	
Overprovision prior year	(116 096)	–	
	<b>9 449 348</b>	<b>2 894 850</b>	
	%	%	
<b>Reconciliation of taxation rate</b>			
Standard taxation rate	27.66	28.00	
Overprovision prior year	0.34	0.00	
Effective taxation rate	<b>28.00</b>	<b>28.00</b>	
<b>6. Property, plant and equipment</b>			
	<b>Cost ZAR</b>	<b>Accumulated depreciation ZAR</b>	<b>Carrying value ZAR</b>
<b>2021</b>			
Plant and equipment	2 163 244	(1 669 232)	494 012
Leasehold improvements	465 825	(361 658)	104 167
Furniture and fittings	358 646	(350 437)	8 209
Motor vehicles	84 005	(67 203)	16 802
	<b>3 071 720</b>	<b>(2 448 530)</b>	<b>623 190</b>
<b>2020</b>			
Plant and equipment	2 163 244	(1 489 703)	673 541
Leasehold improvements	465 825	(322 455)	143 370
Furniture and fittings	358 646	(338 233)	20 413
Motor vehicles	84 005	(50 403)	33 602
	<b>3 071 720</b>	<b>(2 200 794)</b>	<b>870 926</b>

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# Tata Chemicals South Africa Proprietary Limited

## Notes to the financial statements (continued) for the year ended 31 March 2021

### 6. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment

	Opening balance ZAR	Additions ZAR	Depreciation ZAR	Closing balance ZAR
<b>2021</b>				
Plant and equipment	673 541	–	(179 529)	494 012
Leasehold improvements	143 370	–	(39 202)	104 168
Furniture and fittings	20 413	–	(12 203)	8 210
Motor vehicles	33 602	–	(16 802)	16 800
	<b>870 926</b>	<b>–</b>	<b>(247 736)</b>	<b>623 190</b>
<b>2020</b>				
Plant and equipment	53 477	732 445	(112 382)	673 541
Leasehold improvements	154 225	27 325	(38 180)	143 370
Furniture and fittings	25 359	21 009	(25 954)	20 414
Motor vehicles	50 402	–	(16 801)	33 601
	<b>283 463</b>	<b>780 779</b>	<b>(193 317)</b>	<b>870 926</b>

	2021 ZAR	2020 ZAR
<b>7. Intangible assets</b>		
Cost	1 078 400	1 078 400
Accumulated amortisation	(648 800)	(621 800)
Carrying value	<b>429 600</b>	456 600
<i>Reconciliation of the carrying amount</i>		
Carrying amount at beginning of year	456 600	483 600
Amortisation charge	(27 000)	(27 000)
Carrying amount at end of year	<b>429 600</b>	456 600

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.

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# Tata Chemicals South Africa Proprietary Limited

## Notes to the financial statements *(continued)* for the year ended 31 March 2021

	2021 ZAR	2020 ZAR
<b>8. Trade and other receivables</b>		
Trade receivables	14 536 837	73 937 551
Provision for bad debt	(44 820)	–
Loans receivable	672 126	733 126
Other receivables	2 890 251	5 540 298
	<b>18 054 394</b>	<b>80 210 975</b>
An amount of ZAR 15 164 143 (2020: ZAR 74 670 677) constitutes a financial asset and is measured at amortised cost.		
<i>Provision for bad debts recon</i>		
Opening balance	–	(46 480)
Bad debt written off	–	46 480
Movement in provision	(44 820)	–
Closing balance	(44 820)	–
<b>9. Inventories</b>		
Finished goods	24 447 821	75 858 617
Packaging materials	364 981	558 231
Goods-in-transit	348 897	1 130 610
	<b>25 161 699</b>	<b>77 547 458</b>
<b>10. Cash and cash equivalents</b>		
Bank balance		
– current account	9 586 142	20 416 120
– cash on hand	21 837	–
– call account	58 125 058	30 422 767
	<b>67 733 037</b>	<b>50 838 887</b>
<b>11. Taxation receivable</b>		
Opening balance	4 021 553	(857 319)
Statement of profit and loss & other comprehensive income		
– current taxation	(10 728 391)	(1 532 690)
Taxation paid	9 436 634	6 411 562
Balance at end of year	<b>2 729 796</b>	<b>4 021 553</b>

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# Tata Chemicals South Africa Proprietary Limited

## Notes to the financial statements (continued) for the year ended 31 March 2021

	2021 ZAR	2020 ZAR
<b>12. Share capital</b>		
<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>
<b>13. Deferred taxation</b>		
Opening balance	(1 276 760)	85 400
Current year movement	<u>1 279 043</u>	<u>(1 362 160)</u>
Deferred tax asset/(liability) at the end of the year	<u>2 283</u>	<u>(1 276 760)</u>
Deferred taxation balance is comprised as follows:		
Lease charge	(98 180)	(93 662)
Section 24I (10)	76 455	60 693
Prepayments	(353 234)	(1 478 366)
Provision for bonus	132 009	144 737
Provision for leave pay	101 845	75 692
Income received in advance	14 146	14 146
Doubtful debts	9 412	–
Provision for audit fees	<u>119 830</u>	<u>–</u>
Deferred tax asset/(liability) at the end of the year	<u>2 283</u>	<u>(1 276 760)</u>

A deferred tax asset 2021: ZAR2 283 (2020: ZAR1 276 760 liability) has been raised against temporary differences and it is expected that the company will make taxable profits against which to offset the deferred tax asset.

	2021 ZAR	2020 ZAR
<b>14. Trade and other payables</b>		
Intercompany trade payables	9 792 205	127 842 519
Other trade payables	3 975 321	5 074 301
Other payables and accrued expenses	2 270 379	5 863 123
Leave pay accrual	363 731	270 330
Deferred income	<u>50 520</u>	<u>50 520</u>
	<u>16 452 156</u>	<u>139 100 793</u>

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

The amount of ZAR15 544 448 (2020: ZAR134 672 765) constitutes a financial liability and is measured at amortised cost.

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# Tata Chemicals South Africa Proprietary Limited

## Notes to the financial statements *(continued)* for the year ended 31 March 2021

	2021 ZAR	2020 ZAR
<b>15. Cash generated from operations</b>		
Net profit before taxation	34 162 345	10 338 750
Adjustments for:		
Finance income	(1 710 920)	(1 817 364)
Amortisation of lease premium	27 000	27 000
Depreciation	247 736	193 317
Unrealised foreign exchange (profit)/loss	(268 084)	15 708 502
	<hr/>	<hr/>
Operating profit before working capital changes	32 458 077	24 450 205
Decrease/(increase) in inventories	52 385 759	(17 349 140)
Decrease(increase) in trade and other receivables	62 113 583	(20 735 744)
(Decrease)/increase in trade and other payables	(122 337 555)	35 914 463
	<hr/>	<hr/>
	24 619 864	22 279 784
	<hr/>	<hr/>
<b>16. Taxation paid</b>		
Balance at beginning of year	4 021 553	(857 319)
Current period charge (excluding deferred taxation)	(10 728 391)	(1 532 690)
Balance at end of year	(2 729 796)	(4 021 553)
	<hr/>	<hr/>
	(9 436 634)	(6 411 562)
	<hr/>	<hr/>
<b>17. Operating lease commitments</b>		
Due within one year	2 779 626	2 324 534
Due within two or five years	3 815 830	2 716 488
	<hr/>	<hr/>
	6 595 456	5 041 022
	<hr/>	<hr/>

The lease contract is for the rental of the building and warehouse at the port of Durban, till 2037. The monthly rental is negotiated every three years with an escalation of +/-8% per annum. The current increase of 8% for 2020/2021 is still in the negotiation phase. The second lease contract is rental of the warehouse in Johannesburg. This contract is an annual contract ending 31 October, also in the negotiation phase for the renewal.

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# Tata Chemicals South Africa Proprietary Limited

## Notes to the financial statements *(continued)* for the year ended 31 March 2021

### 18. Related party transactions

#### *Relationships:*

Ultimate holding company:	Tata Chemicals Limited
Holding company:	Tata Chemicals Africa Holdings Limited
Related parties transacted with:	Tata Chemicals North America Inc. Tata Chemicals Magadi Limited

The directors are listed in note 20.

#### *Material related party transactions/balances:*

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

	<b>2021</b>	2020
	<b>ZAR</b>	ZAR
<i>Purchases for the year ended 31 March 2021:</i>		
– Tata Chemicals North America Inc.	–	222 759 006
Purchases (goods received)	–	222 759 006
Goods-in-transit	–	–
– Tata Chemicals Magadi Limited	<b>27 089 130</b>	35 285 664
Purchases (goods received)	<b>26 740 233</b>	34 155 054
Goods-in-transit	<b>348 897</b>	1 130 610
<i>Balances owing by the company as at 31 March 2021:</i>		
Tata Chemicals North America Inc.	–	(100 241 485)
Tata Chemicals Magadi Limited	<b>(9 792 205)</b>	(27 601 034)
	<b>(9 792 205)</b>	(127 842 519)

The payment terms are 90 days from the bill of lading. The trade payable balance is unsecured and interest free and settlement occurs in cash.

### 19. Facilities and guarantees

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

Guarantees given were as follows:

- R48 988 in favour of The City Treasurer with no expiry date.
- R200 000 in favour of South African Revenue Services with no expiry date.

Collateral for FNB current account:

1. Cession of debtors – Amount: unlimited
2. Cession of First Rand Deposit/Credit balance – Amount: R250 000
3. Cession of First Rand Deposit/Credit balance – Amount: R520 000

Collateral for the three Guarantees issued by FNB 3rd party beneficiaries-R770 000.

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# Tata Chemicals South Africa Proprietary Limited

## Notes to the financial statements (continued)

for the year ended 31 March 2021

### 20. Directors' emoluments

	Directors Emolument ZAR	Salary and Bonus ZAR	Total ZAR
<b>2021</b>			
Z Langrana	–	–	–
T Naikuni	91 799	–	91799
Z Schneider	–	–	–
R Mpofu	–	1 188 101	1 188 101
	<b>91 799</b>	<b>1 188 101</b>	<b>1 279 900</b>
<b>2020</b>			
Z Langrana	–	–	–
R Lodha	65 220	–	65 220
Z Schneider	–	–	–
R Mpofu	–	1 178 099	1 178 099
	<b>65 220</b>	<b>1 178 099</b>	<b>1 243 319</b>

### 21. Going concern

#### *Covid-19 Pandemic*

As of 31 March 2021 the COVID-19 pandemic has not subsided and many countries around the world, including South Africa, are still suffering the effects of increased COVID cases and slow roll-outs of vaccines. The Company will continue to operate as per the government rulings regarding COVID, as a port operator activities will not be hindered by lock-downs. Management has implemented and will continue to implement, actions to maximise liquidity and reduce costs to ensure the sustainability of the Company.

#### *Anti-dumping duty*

On 30 March 2020 the South African Revenue Service announced the insertion and deletion of anti-dumping duties on Soda Ash, in Part 1 of Schedule No.2 of the Customs and Excise Act, 1964 'Dumping Duties', originating in or imported from the United States of America.

This has resulted in the increase of import duties from 8% to 40% on High Purity Soda Ash imported from America. Tata Chemicals South Africa is currently in the process of appealing against this regulation. If the appeal is rejected, this will result in Tata Chemicals no longer purchasing and selling High Purity Soda Ash imported from the United States of America. This had a negative impact on the results of the 2021 financial year. However, due to the increased capacity that were available in Tata's warehouses, management had identified other opportunities to service customers through the handling, distribution and storage of customer's products, with some of contracts extending to 2 years, for both sodium sulphate & soda ash. Currently purchasing European soda ash locally while continuously monitoring the price of soda ash from India & China. Sale of standard grade ash from Kenya continues.

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.

### 22. Subsequent events

There have been no subsequent events that would require disclosure in the Company's financial statements.

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