



Tata Chemicals South Africa Proprietary Limited

(Registration number: 1996/004273/07)

Annual financial statements

for the year ended 31 March 2022

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 2022

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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 2022, 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 the International Financial Reporting Standard for Small and Medium - sized Entities, 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

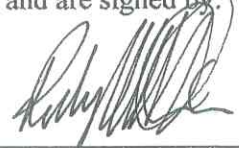
The annual financial statements of Tata Chemicals South Africa Proprietary Limited, as identified in the first paragraph, were approved by the Board of Directors on 28 April 2022 and are signed by:



Authorised Director

Name: Zarir Langrana

Date: 29 APR 2022



Authorised Director

Name: Roderick Mpofu

Date: 29 APR 2022

Tata Chemicals South Africa Proprietary Limited

(Registration number: 1996/004273/07)

Directors' report

for the year ended 31 March 2022

The directors have the pleasure in presenting their report for the year ended 31 March 2022.

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 ZAR13 234 020 compared to the prior year of ZAR 24 712 997. At year end the Company's total assets exceeded its total liabilities by ZAR81 515 851, compared to ZAR98 281 843 in the prior year.

The financial results for the 2022 financial year are contained in the annual financial statements and related notes on pages 12 to 27. 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 and continued for the 2022 year end as no more High Purity Soda Ash were imported from America. 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 ZAR30 000 000 (2021: ZAR Nil).

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 management 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 Mpofu	(South African)

Tata Chemicals South Africa Proprietary Limited

(Registration number: 1996/004273/07)

Directors' report *(continued)* *for the year ended 31 March 2022*

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 2022, the COVID-19 pandemic has not subsided and many countries around the world, including South Africa, are still suffering the effects of the virus, continued cases, and slow rollouts of vaccines. As of April 2022, the South African Government announced the termination of the National State of Disaster originally imposed in March 2020. The Company will continue to operate as per the government rulings regarding COVID. 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 2022 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 and soda ash. Currently purchasing European soda ash locally while continuously monitoring the price of soda ash from India and 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 2022.

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 Dalziel Matthews as the designated lead audit partner for the 2023 financial year.



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Independent Auditor's Report

To the shareholders 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 8 to 27, which comprise the statement of financial position as at 31 March 2022, 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 2022, 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 2022", 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.

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.

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.

Yours faithfully

KPMG Inc.

A handwritten signature in black ink, appearing to read 'D Matthews'.

Per : DW Matthews
Chartered Accountant (SA)
Registered Auditor
Associate Director
3 May 2022

Tata Chemicals South Africa Proprietary Limited

Statement of financial position

as at 31 March 2022

	<i>Notes</i>	2022 ZAR	2021 ZAR
Assets			
Non-current assets			
Property, plant and equipment	<i>6</i>	411 751	623 190
Intangible asset	<i>7</i>	402 600	429 600
Deferred taxation	<i>13</i>	234 622	2 283
		1 048 973	1 055 073
Current assets			
Trade and other receivables	<i>8</i>	22 369 683	18 054 394
Inventories	<i>9</i>	16 853 653	25 161 699
Cash and cash equivalents	<i>10</i>	58 358 384	67 733 037
Taxation receivable	<i>11</i>	-	2 729 796
		97 581 720	113 678 926
Total assets		98 630 693	114 733 999
Equity and liabilities			
Equity			
Share capital	<i>12</i>	600	600
Share premium	<i>12</i>	1 699 500	1 699 500
Retained earnings		79 815 763	96 581 743
		81 515 863	98 281 843
Current liabilities			
Trade and other payables	<i>14</i>	16 826 177	16 452 156
Taxation payable	<i>11</i>	288 653	-
		17 114 830	16 452 156
Total equity and liabilities		98 630 693	114 733 999

Tata Chemicals South Africa Proprietary Limited

Statement of profit or loss and other comprehensive income

for the year ended 31 March 2022

	<i>Notes</i>	2022 ZAR	2021 ZAR
Revenue	2	186 157 989	207 485 145
Cost of sales		<u>(148 049 081)</u>	<u>(175 476 931)</u>
Gross profit		38 108 908	32 008 214
Other income		101 474	203 481
Foreign exchange profits		785 926	19 249 258
Operating expenses		<u>(22 342 367)</u>	<u>(19 009 528)</u>
Profit before interest and taxation	3	16 653 941	32 451 425
Finance income	4	<u>1 726 643</u>	<u>1 710 920</u>
Profit before taxation		18 380 584	34 162 345
Taxation	5	<u>(5 146 564)</u>	<u>(9 449 348)</u>
Net profit for the year		13 234 020	24 712 997
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>13 234 020</u>	<u>24 712 997</u>
Attributable to: Tata Chemicals Africa Holdings Limited		<u>13 234 020</u>	<u>24 712 997</u>

Tata Chemicals South Africa Proprietary Limited

Statement of changes in equity

for the year ended 31 March 2022

	Share capital ZAR	Share premium ZAR	Accumulated profit ZAR	Total ZAR
Balance at 31 March 2020	600	1 699 500	71 868 746	73 568 846
Total comprehensive income for the year	-	-	24 712 997	24 712 997
Balance at 31 March 2021	600	1 699 500	96 581 743	98 281 843
Total comprehensive income for the year	-	-	13 234 020	13 234 020
<i>Transactions with owners of the company</i>				
Dividends paid			(30 000 000)	(30 000 000)
BALANCE AT 31 MARCH 2022	600	1 699 500	79 815 763	81 515 863

Tata Chemicals South Africa Proprietary Limited

Statement of cash flows

for the year ended 31 March 2022

	<i>Notes</i>	2022 ZAR	2021 ZAR
Cash flows from operating activities			
Cash generated from operations	<i>15</i>	21 300 740	24 619 864
Finance income received		1 726 643	1 710 920
Taxation paid	<i>16</i>	(2 360 454)	(9 436 634)
Net cash inflow from operating activities		20 666 929	16 894 150
Cash flows from investing activities			
Disposal of plant and equipment		60 000	-
Additions to plant and equipment		(101 582)	-
Net cash outflow from investing activities		(41 582)	-
Cash flows from financing activities			
Dividend paid		(30 000 000)	-
Net cash outflow from financing activities		(30 000 000)	-
Net (decrease) /increase in cash and cash equivalents		(9 374 653)	16 894 150
Cash and cash equivalents at beginning of year		67 733 037	50 838 887
Cash and cash equivalents at end of year	<i>10</i>	58 358 384	67 733 037

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements

for the year ended 31 March 2022

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 Standard for Small and Medium - sized Entities (IFRS for SMEs) 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.

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.

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements *(continued)* for the year ended 31 March 2022

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.

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements *(continued)* for the year ended 31 March 2022

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.

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements *(continued)* for the year ended 31 March 2022

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.

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements *(continued)* for the year ended 31 March 2022

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 2022

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 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.

1.12 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 2022

1. Significant accounting policies *(continued)*

1.13 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.

1.14 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.

1.15 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 2022

1. Significant accounting policies *(continued)*

1.16 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.

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements *(continued)* for the year ended 31 March 2022

2. Revenue

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

	2022	2021
	ZAR	ZAR
Sale of goods	152 544 233	162 467 634
Services provided	33 613 756	45 017 511
	186 157 989	207 485 145

3. Profit before interest and taxation

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

	2022	2021
	ZAR	ZAR
Auditors' remuneration		
– audit fees	451 365	447 423
Amortisation of lease premium	27 000	27 000
Depreciation	268 576	247 736
Net foreign unrealised exchange gain	(785 926)	(19 249 258)
Operating lease rentals	4 832 430	2 906 434
Staff costs	5 641 637	5 414 757
	22	22

4. Finance income

Finance income

Interest received		
– bank	1 726 643	1 708 390
– debtors	-	2 530
	1 726 643	1 710 920

5. Taxation

South African normal taxation

Current tax	5 378 903	10 728 391
Deferred tax	(232 339)	(1 279 043)
– current year	(232 339)	(1 162 947)
– overprovision prior years	-	(116 096)
	5 146 564	9 449 348

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements *(continued)* for the year ended 31 March 2022

	2022 ZAR	2021 ZAR	
5. Taxation <i>(continued)</i>			
<i>Reconciliation of tax expense</i>			
Accounting profit	18 380 584	34 162 345	
Tax at the applicable tax rate of 28% (2021: 28%)	5 146 564	9 565 444	
Overprovision prior year	-	(116 096)	
	5 146 564	9 449 348	
	%	%	
<i>Reconciliation of taxation rate</i>			
Standard taxation rate	28.00	27.66	
Overprovision prior year	-	0.34	
Effective taxation rate	28.00	28.00	
6. Property, plant and equipment			
	Cost ZAR	Accumulated depreciation ZAR	Carrying value ZAR
2022			
Plant and equipment	2 007 076	1 706 988	300 088
Leasehold improvements	465 825	399 813	66 012
Furniture and fittings	416 396	370 745	45 651
Motor vehicles	84 005	84 005	-
	2 973 302	2 561 551	411 751
2021			
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
	3 071 720	(2 448 530)	623 190

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements *(continued)* for the year ended 31 March 2022

6 Property, plant and equipment *(continued)*

Reconciliation of property, plant and equipment

	Opening balance ZAR	Additions ZAR	Disposal ZAR	Depreciation ZAR	Closing balance ZAR
2022					
Plant and equipment	494 012	43 832	(44 444)	(193 312)	300 088
Leasehold improvements	104 168	-	-	(38 156)	66 012
Furniture and fittings	8 210	57 749	-	(20 308)	45 651
Motor vehicles	16 800	-	-	(16 800)	-
	623 190	101 581	(44 444)	(268 576)	411 751
2021					
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
	870 926	-	-	(247 736)	623 190

	2022 ZAR	2021 ZAR
7. Intangible assets		
Cost	1 078 400	1 078 400
Accumulated amortisation	(675 800)	(648 800)
Carrying value	402 600	429 600
<i>Reconciliation of the carrying amount</i>		
Carrying amount at beginning of year	429 600	456 600
Amortisation charge	(27 000)	(27 000)
Carrying amount at end of year	402 600	429 600

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 *(continued)* for the year ended 31 March 2022

	2022 ZAR	2021 ZAR
8. Trade and other receivables		
Trade receivables	19 116 987	14 536 837
Provision for bad debt	-	(44 820)
Loans receivable	602 835	672 126
Other receivables	2 649 861	2 890 251
	<u>22 369 683</u>	<u>18 054 394</u>
An amount of ZAR19 719 822 (2021: ZAR 15 164 143) constitutes a financial asset and is measured at amortised cost.		
<i>Provision for bad debts recon</i>		
Opening balance	(44 820)	-
Bad debt written off	44 820	-
Movement in provision	-	(44 820)
Closing balance	-	(44 820)
9. Inventories		
Finished goods	6 553 554	24 447 821
Packaging materials	298 574	364 981
Goods-in-transit	10 001 525	348 897
	<u>16 853 653</u>	<u>25 161 699</u>
10. Cash and cash equivalents		
Bank balance		
– current account	4 561 908	9 586 142
– cash on hand	26 091	21 837
– call account	53 770 385	58 125 058
	<u>58 358 384</u>	<u>67 733 037</u>
11. Taxation (payable)/receivable		
Opening balance	2 729 796	4 021 553
Statement of profit and loss & other comprehensive income		
– current taxation	(5 378 903)	(10 728 391)
Taxation paid	6 670 852	9 436 634
Taxation refund	(4 310 398)	-
Balance at end of year	<u>(288 653)</u>	<u>2 729 796</u>

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements *(continued)* for the year ended 31 March 2022

	2022	2021
	ZAR	ZAR
12. Share capital		
<i>Authorised</i>		
1 000 ordinary shares of R1 each	1 000	1 000
<i>Issued</i>		
600 ordinary shares of R1 each	600	600
<i>Share premium</i>	1 699 500	1 699 500
13. Deferred taxation		
Opening balance	2 283	(1 276 760)
Current year movement	232 339	1 279 043
Deferred tax asset at the end of the year	234 622	2 283
Deferred taxation balance is comprised as follows:		
Lease charge	(102 698)	(98 180)
Section 24I (10)	87 151	76 455
Prepayments	(158 329)	(353 234)
Provision for bonus	154 000	132 009
Provision for leave pay	121 073	101 845
Income received in advance	5 745	14 146
Doubtful debts	-	9 412
Provision for audit fees	127 680	119 830
Deferred tax asset at the end of the year	234 622	2 283

A deferred tax asset of ZAR234 622 (2021: ZAR2 283) 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.

	2022	2021
	ZAR	ZAR
14. Trade and other payables		
Intercompany trade payables	9 528 140	9 792 205
Other trade payables	2 357 457	3 975 321
Other payables and accrued expenses	4 487 656	2 270 379
Leave pay accrual	432 404	363 731
Deferred income	20 520	50 520
	16 826 177	16 452 156

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 ZAR14 864 990 (2021: ZAR15 544 448) constitutes a financial liability and is measured at amortised cost.

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements *(continued)* for the year ended 31 March 2022

	2022 ZAR	2021 ZAR
15. Cash generated from operations		
Net profit before taxation	18 380 584	34 162 345
Adjustments for:		
Finance income	(1 726 643)	(1 710 920)
Amortisation of lease premium	27 000	27 000
Depreciation	268 576	247 736
Unrealised foreign exchange (profit)/loss	-	(268 084)
Profit on sale of asset	(15 555)	-
	<hr/>	<hr/>
Operating profit before working capital changes	16 933 962	32 458 077
Decrease in inventories	8 308 046	52 385 759
(Increase)/decrease in trade and other receivables	(4 315 289)	62 113 583
Increase/(decrease) in trade and other payables	374 021	(122 337 555)
	<hr/>	<hr/>
	21 300 740	24 619 864
	<hr/>	<hr/>
16. Taxation paid		
Balance at beginning of year	2 729 796	4 021 553
Current period charge (excluding deferred taxation)	(5 378 903)	(10 728 391)
Balance at end of year	288 653	(2 729 796)
	<hr/>	<hr/>
	(2 360 454)	(9 436 634)
	<hr/>	<hr/>
17. Operating lease commitments		
Due within one year	3 165 848	2 779 626
Due within two or five years	3 535 045	3 815 830
	<hr/>	<hr/>
	6 700 893	6 595 456
	<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 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. The third lease contract is for the warehouse in Sydney Road , Durban.

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements *(continued)* for the year ended 31 March 2022

18. Related party transactions

Relationships:

Ultimate holding company:	Tata Chemicals Limited
Holding company:	Tata Chemicals Africa Holdings Limited
Related parties transacted with:	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:

	2022 ZAR	2021 ZAR
<i>Purchases for the year ended 31 March 2022:</i>		
– Tata Chemicals Magadi Limited	56 084 968	27 089 130
Purchases (goods received)	46 083 443	26 740 233
Goods-in-transit	10 001 525	348 897
<i>Balances owing by the company as at 31 March 2022:</i>		
Tata Chemicals Magadi Limited	(9 528 140)	(9 792 205)

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.

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements *(continued)* for the year ended 31 March 2022

20.	Directors' emoluments	Directors Emolument ZAR	Salary and Bonus ZAR	Total ZAR
	2022			
	Z Langrana	-	-	-
	T Naikuni	119 465	-	119 465
	Z Schneider	-	-	-
	R Mpofu	-	1 239 313	1 239 313
		<u>119 465</u>	<u>1 239 313</u>	<u>1 358 778</u>
	2021			
	Z Langrana	-	-	-
	R Lodha	91 799	-	91 799
	Z Schneider	-	-	-
	R Mpofu	-	1 188 101	1 188 101
		<u>91 799</u>	<u>1 188 101</u>	<u>1 279 900</u>

21. Going concern

Covid-19 Pandemic

As of 31 March 2022, the COVID-19 pandemic has not subsided and many countries around the world, including South Africa, are still suffering the effects of the virus, continued cases, and slow rollouts of vaccines. As of April 2022, the South African Government announced the termination of the National State of Disaster originally imposed in March 2020. The Company will continue to operate as per the government rulings regarding COVID. 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 2022 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.