



Tata Chemicals South Africa Proprietary Limited

(Registration number: 1996/004273/07)

Annual financial statements

for the year ended 31 March 2020

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 2020

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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 2020, and 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 29 May 2020 and are signed by



Director

Name: Zarir Langrana

Date: 29 May 2020



Director

Name: Roderick Mpofu

Date: 29 May 2020

Tata Chemicals South Africa Proprietary Limited

(Registration number: 1996/004273/07)

Directors' report

for the year ended 31 March 2020

The directors have the pleasure in presenting their report for the year ended 31 March 2020.

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 ZAR7 443 900 compared to the prior year of ZAR17 464 874. At year end the Company's total assets exceeded its total liabilities by ZAR73 568 846 compared to ZAR86 124 946 in the prior year.

The financial results for the 2020 financial year are contained in the annual financial statements and related notes on pages 9 to 30 and do not require any further explanation.

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 ZAR20 million (2019 – ZAR20 million).

First time adoption of International Financial Reporting Standards for Small and Medium Sized Entities (IFRS for SME's)

The company's financial statements were prepared in terms of International Financial Reporting Standards for Small and Medium sized Entities issued by the International Accounting Standards Board (IASB) in line with section 35 of those standards for first time adoption. For periods up to and including the year ended 31 March 2019, the company prepared its statements of financial position and performance in accordance with IFRS.

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.

Tata Chemicals South Africa Proprietary Limited

(Registration number: 1996/004273/07)

Directors' report *(continued)* *for the year ended 31 March 2020*

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)
R Lodha	(Indian) Resigned 01/04/2019

Secretary

The company has not appointed a secretary.

Registered office and postal address

140 Johnstone Road
Maydon Wharf
Durban
4001

Going concern

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

Subsequent events

Covid-19 Pandemic

At the date of finalisation of the financial statements there were no material events that occurred subsequent to the reporting date that required adjustments to the amounts recognized in the financial statements. However, the COVID-19 outbreak is a material subsequent non-adjusting event that requires disclosure in the financial statements.

On March 11, 2020, the World Health Organisation declared the COVID-19 outbreak to be a pandemic. Many governments are taking increasingly stringent steps to help contain the spread of the virus, including requiring self-isolation and quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and "locking-down" cities/regions or even entire countries. There has been a significant increase in economic uncertainty, evidenced by more volatile asset prices and currency exchange rates, and a significant decline in long-term interest rates in developed economies.

The South African economy was affected by the news of the first confirmed cases of the virus in the country early March 2020 and this led to the President declaring a national disaster on the 15 March 2020. The President made a further announcement on the 23 March 2020 that the country will effectively be placed in a lockdown from midnight on the 26 March 2020 until further decisions are reached.

Tata Chemicals South Africa Proprietary Limited

(Registration number: 1996/004273/07)

Directors' report *(continued)* *for the year ended 31 March 2020*

Subsequent events *(continued)*

Covid-19 Pandemic *(continued)*

The Company has continued to operate as an essential service however, the company's income for 2020 to date has been impacted by reduced sales due to customers operating remotely. Management notes that essential customers continued to transact with the company and non-essential customers will resume trading post the lock down period. 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 will result 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. Management expects the anticipated decrease in income to have a negative impact on the results for the 2021 financial year. However, due to the increased capacity that will be available in Tata's warehouses, management has identified further opportunities to service customers through the handling and storage of customer's products as well as the possibility of some customers being able to accept a lower grade of Soda Ash.

Auditors

KPMG Inc. was appointed as auditors of the company for 2020.

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 2021 financial year.



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Independent Auditor's Report

To the shareholder of Tata Chemicals South Africa Proprietary Limited

Opinion

We have audited the financial statements of Tata Chemicals South Africa Proprietary Limited (the company) set out on pages 9 to 30, which comprise the statement of financial position as at 31 March 2020, 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 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards 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.

Emphasis of matter - Subsequent event: The impact of anti-dumping duties

We draw attention to Note 22 in the financial statements which describes that on 30 March 2020 the South African Revenue Service announced the amendments 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 will result in the increase of import duties from 8% to 40% on high purity soda ash imported from the United States of America. The company is currently in the process of appealing against this regulation. If the appeal is rejected, this will result in the company no longer purchasing and selling high purity soda ash imported from the United States of America. Management expects the anticipated decrease in income to have a negative impact on the results of future financial years. Our opinion is not modified in respect of this matter.

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 2020", 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.

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

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

Registration number 1999/021543/21

Chairman: Prof W Nkuhlu
Chief Executive: I Sehoole
Directors: Full list on website

The company's principal place of business is at KPMG Crescent, 85 Empire Road, Parktown.

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 judgment 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
29 May 2020

Tata Chemicals South Africa Proprietary Limited

Statement of financial position

as at 31 March 2020

	Notes	2020 ZAR	2019 ZAR
Assets			
Non-current assets			
Property, plant and equipment	6	870 926	283 463
Intangible asset	7	456 600	483 600
Deferred taxation	13	–	85 400
		1 327 526	852 463
Current assets			
Trade and other receivables	8	80 210 975	59 475 231
Inventories	9	77 547 458	60 198 318
Cash and cash equivalents	10	50 838 887	53 934 080
Taxation receivable	11	4 021 553	–
		212 618 873	173 607 629
Total assets		213 946 399	174 460 092
Equity and liabilities			
Equity			
Share capital	12	600	600
Share premium	12	1 699 500	1 699 500
Retained earnings		71 868 746	84 424 846
		73 568 846	86 124 946
Non- current liabilities			
Deferred taxation	13	1 276 760	–
		1 276 760	–
Current liabilities			
Trade and other payables	14	139 100 793	87 477 827
Taxation payable	11	–	857 319
		139 100 793	88 335 146
Total equity and liabilities		213 946 399	174 460 092

Direct

Tata Chemicals South Africa Proprietary Limited

Statement of profit or loss and other comprehensive income

for the year ended 31 March 2020

	Notes	2020 ZAR	2019 ZAR
Revenue	2	343 299 828	305 389 991
Cost of sales		<u>(303 297 079)</u>	<u>(270 397 447)</u>
Gross profit		40 002 749	34 992 544
Other income		216 668	179 657
Operating expenses		<u>(31 698 031)</u>	<u>(13 536 663)</u>
Profit before interest and taxation	3	8 521 386	21 635 538
Finance income	4	<u>1 817 364</u>	<u>2 643 949</u>
Profit before taxation		10 338 750	24 279 487
Taxation	5	<u>(2 894 850)</u>	<u>(6 814 613)</u>
Net profit for the year		7 443 900	17 464 874
Other comprehensive income for the year		<u>—</u>	<u>—</u>
Total comprehensive income for the year		<u>7 443 900</u>	<u>17 464 874</u>
Attributable to: Tata Chemicals Africa Holdings Limited		<u>7 443 900</u>	<u>17 464 874</u>

Tata Chemicals South Africa Proprietary Limited

Statement of changes in equity

for the year ended 31 March 2020

	Share capital ZAR	Share premium ZAR	Accumulated profit ZAR	Total ZAR
Balance at 31 March 2018	600	1 699 500	86 959 972	88 660 072
Dividend paid (R33 333 per share)	—	—	(20 000 000)	(20 000 000)
Total comprehensive income for the year	—	—	17 464 874	17 464 874
Balance at 31 March 2019	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
Balance at 31 March 2020	600	1 699 500	71 868 746	73 568 846

Tata Chemicals South Africa Proprietary Limited

Statement of cash flows

for the year ended 31 March 2020

	Notes	2020 ZAR	2019 ZAR
Cash flows from operating activities			
Cash generated from operations	15	22 279 784	45 278 438
Finance income received		1 817 364	2 643 949
Taxation paid	16	(6 411 562)	(3 593 181)
Net cash inflow from operating activities		17 685 586	44 329 206
Cash flows from investing activities			
Additions to plant and equipment		(780 779)	(11 949)
Net cash outflow from investing activities		(780 779)	(11 949)
Cash flows from financing activities			
Dividend paid		(20 000 000)	(20 000 000)
Net cash outflow from financing activities		(20 000 000)	(20 000 000)
Net (decrease)/ increase in cash and cash equivalents		(3 095 193)	24 317 256
Cash and cash equivalents at beginning of year		53 934 080	29 616 824
Cash and cash equivalents at end of year	10	50 838 887	53 934 080

Delet

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements

for the year ended 31 March 2020

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 and changes in accounting policies

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.

This is the first set of the annual financial statements in which International Financial Reporting Standard for Small and Medium Entities have been applied.

First time adoption of IFRS for SME's

First time adoption in accordance with section 35 of IFRS for SME's

The statement of financial position for the year ended 31 March 2020 are the first the company has prepared in accordance with IFRS for SME's. For periods up to and including the year ended 31 March 2019, the company prepared its statements of financial position and performance in accordance with IFRS. Section 35 of IFRS for SME's requires full retrospective application of IFRS for SME's for the first time adopters Adjustments as a result of first time adoption of IFRS for SME's are recognised through retained earnings or other components of equity at date of transition. Upon transition to IFRS for SME's, due to the nature of the entity's balances, the company was not required to make any adjustments previously reported in its statement of financial position prepared in accordance with IFRS

Reconciliation of equity and profit/loss	IFRS ZAR	IFRS for SME's ZAR	Difference ZAR
Share capital	600	600	—
Share premium	1 699 500	1 699 500	—
Accumulated profits	84 424 846	84 424 846	—
Total equity at 31 March 2019	86 124 946	86 124 946	—
Total comprehensive income for the year ended 31 March 2019	17 464 874	17 464 874	—

No other changes to the accounting policies were identified and the comparative amounts have accordingly remained unchanged since the previous reporting period.

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements *(continued)* for the year ended 31 March 2020

1. Significant accounting policies *(continued)*

1.3 Foreign currencies

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

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

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

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.

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements *(continued)* for the year ended 31 March 2020

1. Significant accounting policies *(continued)*

1.6 Income tax

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

Current tax

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

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

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

Deferred tax

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

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 2020

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.

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 2020

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 2020

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 amortized 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 2020

1. Significant accounting policies *(continued)*

1.10 Financial instruments *(Continued)*

The Company derecognises a financial liability when its contractual obligations are discharged or 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.

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 2020

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 2020

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.

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.

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements *(continued)* for the year ended 31 March 2020

2. Revenue

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

	2020 ZAR	2019 ZAR
Sale of goods	322 052 020	292 563 905
Services provided	21 247 808	12 826 086
	343 299 828	305 389 991

3. Profit before interest and taxation

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

	2020 ZAR	2019 ZAR
Auditors remuneration		
– audit fees	389 250	372 859
Amortisation of lease premium	27 000	27 000
Depreciation	193 317	163 867
Net foreign exchange loss	15 708 503	1 436 728
Operating lease rentals	1 764 608	1 046 083
Staff costs	5 549 669	3 871 893
	25	15

4. Finance income

Finance income

Interest received		
– bank	1 817 043	2 643 949
– debtors	321	–
	1 817 364	2 643 949

5. Taxation

South African normal taxation		
Current tax	1 532 690	6 842 543
Deferred tax	1 362 160	(27 930)
	2 894 850	6 814 613

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements (continued) for the year ended 31 March 2020

5.	Taxation <i>(continued)</i>	2020 %	2019 %
	<i>Reconciliation of tax expense</i>		
	Accounting profit	10 338 750	24 279 487
	Tax at the applicable tax rate of 28% (2019: 28%)	2 894 850	6 798 256
	Permanent differences	—	16 357
		2 894 850	6 814 613
	<i>Reconciliation of taxation rate</i>		
	Standard taxation rate	28.00	28.00
	Permanent differences	0.00	0.07
	Effective taxation rate	28.00	28.07
6.	Property, plant and equipment		
		Cost	Accumulated
		ZAR	depreciation
			ZAR
	2020		Carrying
			value
			ZAR
	Plant and equipment	2 163 244	(1 489 703)
	Leasehold improvements	465 825	(322 455)
	Furniture and fittings	358 646	(338 233)
	Motor vehicles	84 005	(50 403)
		3 071 720	(2 200 794)
			870 926
	2019		
	Plant and equipment	1 430 798	(1 377 321)
	Leasehold improvements	438 500	(284 275)
	Furniture and fittings	337 638	(312 279)
	Motor vehicles	84 004	(33 602)
		2 290 940	(2 007 477)
			283 463

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Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements *(continued)* for the year ended 31 March 2020

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

Reconciliation of property, plant and equipment

	Opening balance ZAR	Additions ZAR	Depreciation ZAR	Closing balance ZAR
2020				
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
	283 463	780 779	(193 317)	870 926

	Opening balance ZAR	Additions ZAR	Depreciation ZAR	Closing balance ZAR
2019				
Plant and equipment	129 433	–	(75 956)	53 477
Leasehold improvements	190 694	–	(36 469)	154 225
Furniture and fittings	48 051	11 949	(34 641)	25 359
Motor vehicles	67 203	–	(16 801)	50 402
	435 381	11 949	(163 867)	283 463

	2020 ZAR	2019 ZAR
7. Intangible assets		
Cost	1 078 400	1 078 400
Accumulated amortisation	(621 800)	(594 800)
Carrying value	456 600	483 600
<i>Reconciliation of the carrying amount</i>		
Carrying amount at beginning of year	483 600	510 600
Amortisation charge	(27 000)	(27 000)
Carrying amount at end of year	456 600	483 600

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 2020

	2020 ZAR	2019 ZAR
8. Trade and other receivables		
Trade receivables	73 937 551	57 817 785
Provision for bad debt	–	(46 480)
Loans receivable	733 126	733 126
Other receivables	5 540 298	970 800
	80 210 975	59 475 231
An amount of ZAR 74 670 677 (2019: ZAR 58 504 431) 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	–	(46 480)
Closing balance	–	(46 480)
9. Inventories		
Finished goods	75 858 617	25 216 268
Packaging materials	558 231	311 477
Goods-in-transit	1 130 610	34 670 573
	77 547 458	60 198 318
10. Cash and cash equivalents		
Bank balance		
– Current account	20 416 120	26 216 912
– Call account	30 422 767	27 717 168
	50 838 887	53 934 080
11. Taxation receivable/(payable)		
Opening balance	(857 319)	2 392 043
<i>Statement of profit and loss & other comprehensive income</i>		
– current taxation	(1 532 690)	(6 842 543)
Taxation paid	6 411 562	6 713 296
Taxation refund	–	(3 120 115)
Balance at end of year	4 021 553	(857 319)

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Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements *(continued)* for the year ended 31 March 2020

	2020 ZAR	2019 ZAR
12. Share capital		
<i>Authorised</i>		
1 000 ordinary shares of R1 each	<u>1 000</u>	<u>1 000</u>
<i>Issued</i>		
600 ordinary shares of R1 each	<u>600</u>	<u>600</u>
<i>Share premium</i>	<u>1 699 500</u>	<u>1 699 500</u>
13. Deferred taxation		
Opening balance	85 400	57 470
Current year movement	<u>(1 362 160)</u>	<u>27 930</u>
Deferred tax (liability)/ asset at the end of the year	<u>(1 276 760)</u>	<u>85 400</u>
Deferred taxation balance is comprised as follows:		
Lease charge	(93 662)	50 003
Section 24I (10)	60 693	(89 144)
Prepayments	(1 478 366)	(57 829)
Provision for bonus	144 737	103 292
Provision for leave pay	75 692	55 171
Income received in advance	14 146	14 146
Doubtful debts	–	9 761
Deferred tax (liability)/ asset at the end of the year	<u>(1 276 760)</u>	<u>85 400</u>
A deferred tax asset 2020: ZAR nil (2019: ZAR85 400) 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.		
14. Trade and other payables		
Intercompany trade payables	127 842 519	82 926 976
Other trade payables	5 074 301	2 109 818
Other payables and accrued expenses	5 863 123	2 193 474
Leave pay accrual	270 330	197 039
Deferred income	<u>50 520</u>	<u>50 520</u>
	<u>139 100 793</u>	<u>87 477 827</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 ZAR132 916 821 (2019: ZAR85 036 794) 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 2020

	2020 ZAR	2019 ZAR
15. Cash generated from operations		
Net profit before taxation	10 338 750	24 279 487
Adjustments for:		
Finance income	(1 817 364)	(2 643 949)
Amortisation of lease premium	27 000	27 000
Depreciation	193 317	163 867
Foreign exchange loss	15 708 502	—
	24 450 205	21 826 405
(Increase)/Decrease in inventories	(17 349 140)	14 770 023
(Increase)/Decrease in trade and other receivables	(20 735 744)	18 386 049
Increase/(Decrease) in trade and other payables	35 914 463	(9 704 039)
	22 279 784	45 278 438
16. Taxation paid		
Balance at beginning of year	(857 319)	2 392 043
Current period charge (excluding deferred taxation)	(1 532 690)	(6 842 543)
Balance at end of year	(4 021 553)	857 319
	(6 411 562)	(3 593 181)
17. Operating lease commitments		
Due within one year	2 324 534	1 119 688
Due within two or five years	2 716 488	—
	5 041 022	1 119 688

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.

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements *(continued)* for the year ended 31 March 2020

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:

	2020 ZAR	2019 ZAR
<i>Purchases for the year ended 31 March 2020:</i>		
– Tata Chemicals North America Inc.	222 759 006	171 281 485
Purchases (goods received)	222 759 006	140 098 087
Goods-in-transit	–	31 183 398
– Tata Chemicals Magadi Limited	35 285 664	18 427 161
Purchases (goods received)	34 155 054	14 939 986
Goods-in-transit	1 130 610	3 487 175
<i>Balances owing by the company as at 31 March 2020:</i>		
Tata Chemicals North America Inc.	(100 241 485)	(79 341 924)
Tata Chemicals Magadi Limited	(27 601 034)	(3 585 052)
	127 842 519	82 926 976

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 Ethekwini Municipality with no expiry date.
- R200 000 in favour of South African Revenue Services with no expiry date.
- R517 346.54 in favour of The Government Employees Pension Fund expiring 31 January 2021.

Collateral for the above 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 2020

20. Directors' emoluments

	Directors Emolument ZAR	Salary and Bonus ZAR	Total ZAR
2020			
Z Langrana	—	—	—
T Naikuni	65 220	—	65 220
Z Schneider	—	—	—
R Mpofu	—	1 178 099	1 178 099
	65 220	1 178 099	1 243 319
2019			
Z Langrana	—	—	—
R Lodha	—	—	—
Z Schneider	—	—	—
R Mpofu	—	1 106 197	1 106 197
	—	1 106 197	1 106 197

21. Going concern

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

22. Subsequent events

Covid-19 Pandemic

At the date of finalisation of the annual financial statements there were no material events that occurred subsequent to the reporting date that required adjustments to the amounts recognised in the financial statements. However, the COVID-19 outbreak is a material subsequent non-adjusting event that requires disclosure in the financial statements.

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak to be a pandemic. Many governments are taking increasingly stringent steps to help contain the spread of the virus, including requiring self-isolation and quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and "locking-down"

Cities/regions or even entire countries. There has been a significant increase in economic uncertainty, evidenced by more volatile asset prices and currency exchange rates, and a significant decline in long-term interest rates in developed economies.

Tata Chemicals South Africa Proprietary Limited

Notes to the financial statements *(continued)* for the year ended 31 March 2020

22. Subsequent events *(continued)*

Covid-19 Pandemic (continued)

The South African economy was affected by the news of the first confirmed cases of the virus in the country early in March 2020 and this led to the President declaring a national disaster on 15 March 2020. The President made a further announcement on 23 March that the country will effectively be placed in a lock-down from midnight on the 26 March 2020 until further decisions are reached.

The Company has continued to operate as an essential service however, the company's income for 2020 to date has been impacted by reduced sales due to customers operating remotely. Management notes the essential customers continued to transact with the company and non-essential customers will resume trading post lock down period. 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 will result 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. Management expects the anticipated decrease in income to have a negative impact on the results for the 2021 financial year. However, due to the increased capacity that will be available in Tata's warehouses, management has identified further opportunities to service customers through the handling and storage of customer's products as well as the possibility of some customers being able to accept a lower grade of Soda Ash.