

Tata Motors (SA) Proprietary Limited
(Registration number:2007/034689/07)

Annual Financial Statements
for the year ended 31 March 2020

Audited

Prepared by: Jay Choksi
Chief Financial Officer

The financial statements represents the financial information of Tata Motors (SA) (Pty) Ltd and have been audited in compliance with S30 of the Companies Act of 2008.

Tata Motors (SA) Proprietary Limited

(Registration number: 2007/034689/07)

Annual Financial Statements

for the year ended 31 March 2020

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Tata Motors (SA) Proprietary Limited

(Registration number: 2007/034689/07)

Directors' Responsibility Statement

at 31 March 2020

The directors are required by the South African Companies Act of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at 31 March 2020 and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies and supported by reasonable and prudent judgements and estimates.

The directors responsibility includes: designing, implementing and maintaining 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; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in the annual financial statements.

The directors acknowledge that they are responsible for establishing internal controls, systems and procedures that provide reasonable assurance that all the assets are safeguarded, transactions properly executed and recorded and that the possibility of material loss or misstatement is minimised. To this end, proper delegation of responsibilities and an adequate approvals framework has been introduced to ensure an acceptable level of risk commensurate with the size of the operation. All employees are required to maintain the highest ethical standards in ensuring that appropriate infrastructure, controls systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Tata Motors (SA) Proprietary Limited

(Registration number: 2007034689 (P))

Directors' Responsibility Statement (continued)

at 31 March 2020

The financial statements have been prepared on the going concern basis, since the directors have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future.

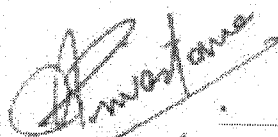
The external auditors are responsible for independently reviewing and reporting on the financial statements, which were examined by the external auditors and their unmodified report, is presented on page 6 to 8.

The financial statements of Tata Motors (SA) Proprietary Limited, as set out on pages 9 to 43, were approved by the board of directors on 3rd June 2020 and were subsequently signed on its behalf by:

Approval of the annual financial statements



Vishal Khosla
Director



Niraj Srivastava
Director

Tata Motors (SA) Proprietary Limited

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Directors' Report

For the year ended 31 March 2020

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

Business Activities

The company manufactures and assembles commercial vehicles from the kits supplied by Tata Motors Limited, India and Tata Daewoo Commercial Vehicle Company Limited, South Korea. A site at Rosslyn has been obtained on lease from Tata Africa Holdings (SA) (Pty) Ltd. The company sells its units to Tata Automobile Corporation (SA) (Pty) Ltd.

Financial Statements

The financial position of the company and the results of its operations for the year are set out in the attached financial statements on pages 9 to 43 and in the opinion of the directors require no further comment.

Authorised and Issued Share Capital

The authorised share capital of the company is R 42 000 000 (2019: R 42 000 000). The issued share capital is R 19 837 000 (2019: R 19 837 000).

Dividends

No dividend was declared or paid during the year (2019: R nil).

Directors

The directors of the company during the year under review and up to the date of the annual financial statements:

<u>Name</u>	<u>Nationality</u>
Girish Wagh	Indian
R Maitra	Indian
Niraj Srivastava	Indian
Vishal Khosla	Indian
Len Brand	South African

Company Secretary

A company secretary has not been appointed and this position remains vacant.

Holding Company

Tata Motors (SA) Proprietary Limited is a subsidiary of TML Holdings Pte. Limited which holds 60% of the company's ordinary shares. TML Holdings Pte. Limited is incorporated in Singapore.

Directors Report (continued)

Tata Motors (SA) Proprietary Limited

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For the year ended 31 March 2020

Post Balance Sheet Events

The directors are not aware of any events of a material nature that have occurred between the accounting date and the date of this report.

The COVID-19 pandemic is rapidly spreading throughout the world, including South Africa. The Company is monitoring the situation closely taking into account directives from the Government. Management believes that it has taken into account all the possible impacts of known events arising from COVID-19 pandemic in the preparation of the financial statements including the assessment of net realizable values of inventories, trade receivables and other assets and the recoverable values of its property, plant and equipment and intangible assets. However, the impact assessment of COVID-19 and the resultant restrictions will be a continuing process given the uncertainties associated with its nature and duration and, accordingly, the impact may be different from that estimated as at the date of approval of these financial statements. The Company will continue to monitor any material changes to future economic conditions, but do not consider this to have a material uncertainty on going concern. The conclusion is reached based on revised budget which reflects management's action plans. Action plans included cost control by reducing operating costs, increasing revenue by exploring export opportunities to landlocked African countries and cash-flow control by deferring low priority expenses.

Auditors

KPMG Inc. are the appointed auditor of Tata Motors (SA) Proprietary Limited.

Registered Office and Postal Address

The registered and postal addresses of the company are:

Business Address

11 William Hoy Street
Rosslyn, Pretoria
0200

Postal Address

P.O. Box 911-863
Rosslyn, Pretoria
0200



KPMG Inc
KPMG Crescent
85 Empire Road, Parktown, 2193,
Private Bag 9, Parkview, 2122, South Africa
Telephone +27 (0)11 647 7111
Fax +27 (0)11 647 8000
Docex 472 Johannesburg
Web <http://www.kpmg.co.za>

Independent Auditor's Report

To the Shareholders of Tata Motors (SA) Proprietary Limited

Opinion

We have audited the financial statements of Tata Motors (SA) Proprietary Limited (the company) set out on pages 9 to 43, 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 Motors (SA) 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 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 sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. 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 Motors (SA) 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.

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the 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.

R



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 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

A handwritten signature in black ink, appearing to read 'W Pretorius', with a long horizontal stroke extending to the right.

Per W Pretorius
Chartered Accountant (SA)
Registered Auditor
Director

4 June 2020

Tata Motors (SA) Proprietary Limited

(Registration number: 2007/034689/07)

Statement of Financial Position

at 31 March 2020

	Notes	2020 R	2019 R
Assets			
Non-current assets		13 538 379	25 974 100
Property, plant and equipment	3	12 807 754	14 122 864
Right-of-use assets	4	730 625	-
Intangible assets	5	-	-
Trade and other receivables	7	-	11 851 236
Current assets		281 693 929	184 676 153
Inventories	6	124 914 755	86 075 896
Tax assets		-	137 014
Trade and other receivables	7	154 981 684	96 981 352
Cash and cash equivalents	8	1 797 490	1 481 891
Total assets		295 232 308	210 650 253
Equity and Liabilities			
Equity		34 300 965	30 089 544
Share capital	9	19 837 000	19 837 000
Retained earnings		14 463 965	10 252 544
Non- Current Liabilities		9 216 914	26 359 229
Shareholders loans	10	6 329 800	11 329 800
Deferred taxation	11	1 081 348	1 208 267
Deferred income –long term (government grant)	12	1 805 766	1 969 926
Trade and other payables	13	-	11 851 236
Current liabilities		251 714 429	154 201 480
Bank Overdraft	8	4 838 635	-
Trade and other payables	13	245 736 551	153 555 407
Provisions	14	651 714	481 913
Deferred income- short term (government grant)	12	164 160	164 160
Tax liability		323 369	-
Total equity and liabilities		295 232 308	210 650 253

Tata Motors (SA) Proprietary Limited

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Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 March 2020

	Notes	2020 R	2019 R
Revenue	15	312 193 936	286 478 551
Cost of sales		(296 447 652)	(273 476 484)
Gross profit		15 746 284	13 002 067
Other income		1 101 094	1 704 452
Administrative and operating expenses		(9 549 351)	(9 559 891)
Profit from operations	16	7 298 027	5 146 628
Interest received	17	2 817 215	1 800 887
Finance costs	18	(4 159 449)	(2 472 052)
Profit before taxation		5 955 793	4 475 463
Taxation	19	(1 744 373)	(1 379 160)
Net profit for the year		4 211 420	3 096 303
Other comprehensive income		-	-
Total comprehensive income for the year		4 211 420	3 096 303

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Statement of Changes in Equity

for the year ended 31 March 2020

	Share Capital R	Retained Income R	Total R
Balance at 1 April 2018	19 837 000	7 156 242	26 993 242
Total comprehensive income for the period	-	3 096 303	3 096 303
Balance at 1 April 2019	19 837 000	10 252 545	30 089 545
Total comprehensive income for the period	-	4 211 420	4 211 420
Balance at 31 March 2020	19 837 000	14 463 965	34 300 965

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Statement of Cash Flows

for the year ended 31 March 2020

	Notes	2020 R	2019 R
Cash flow from operating activities			
Cash generated from operations	20	3 045 023	3 310 123
Finance costs		(3 087 607)	(2 016 622)
Interest received		2 817 215	1 800 887
Taxation paid		(1 410 908)	(1 643 418)
Net cash inflows from operating activities		<u>1 363 723</u>	<u>1 450 970</u>
Cash flow from investing activities			
Acquisition of plant and equipment and other assets to maintain operations	3	(50 795)	(610 064)
Net cash outflows from investing activities		<u>(50 795)</u>	<u>(610 064)</u>
Cash flow from financing activities			
Repayment of shareholders loan		(5 000 000)	-
Payment of Lease Rent		(835 964)	
Net cash outflow from financing activities		<u>(5 835 964)</u>	
Net increase/ (decrease) in cash and cash equivalents		(4 523 036)	840 906
Cash and cash equivalents at beginning of year		1 481 891	640 985
Cash and cash equivalents at end of the year	8	<u>(3 041 145)</u>	<u>1 481 891</u>

Tata Motors (SA) Proprietary Limited

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Accounting Policies *(continued)*

for the year ended 31 March 2020

1. Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards, the interpretations of the International Financial Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, and the requirements of the Companies Act of South Africa, 2008.

They were authorised for issue by the Company's board of directors on 3 June 2020.

The financial statements have been prepared on the historical cost basis. The principle accounting policies are set out below. This is in line with prior year apart from IFRS 16 which was adopted by company on 1st April 2019. The related changes to significant accounting policies are described in Note 6.

2. Presentation of the financial statements

The financial statements are presented in South African Rands since that is the currency in which the majority of the company transactions are denominated.

3. Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make reasonable judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 27.

4. Standards and interpretations issued but not yet effective

In terms of International Reporting Standards, the company is required to include in its annual financial statement's disclosure about the future impact of standards and interpretations issued but not yet effective at the reporting date.

At the date of authorisation of the financial statements the following Standards and Interpretations that are applicable to the business of the entity and may impact on future financial statements:



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Accounting Policies (continued)

for the year ended 31 March 2020

4. Standards and interpretations issued but not effective (continued)

At the date of authorisation of the financial statements of the company for the year ended 31 March 2020 the following standards and interpretations were in issue but not yet effective

Standard/Interpretation		Date issued by IASB ¹	Effective date Periods beginning on or after
Conceptual Framework amendments	Amendments to References to Conceptual Framework in IFRS Standards	March 2018	1 January 2020
IFRS 3 amendment	Definition of a Business	October 2018	1 January 2020
IAS 1 and 8	Amendments to the definition of Material	October 2018	1 January 2020
IFRS 9, IAS 39 and IFRS 7	Amendments to interest rate benchmark reform	August 2019	1 January 2020
IAS 1 amendment	Classification of liabilities as current or non-current	January 2020	1 January 2022 (proposed delay to 1 January 2023)
IFRS 17	Insurance Contracts	May 2017	1 January 2023
IFRS 10 and IAS 28 amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	September 2014	Deferred indefinitely

The directors have considered all standards and interpretations in issue that are not yet effective up to the date of authorisation of the annual financial statements for the year ended 31 March 2020 and do not expect them to have significant impact on entity.

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Accounting Policies *(continued)*

for the year ended 31 March 2020

5. Property, plant and equipment

Assets in the course of construction are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Such assets are classified to the appropriate categories of plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other asset categories, commences when the assets are ready for their intended use.

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged to income on the straight-line basis so as to write off the cost or valuation of the assets to their estimated residual values over their estimated useful lives. The estimated useful lives and residual values are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis. The depreciation rates used are as follows:

Item	Useful Life Range		
Machinery	4 Years	To	21 Years
Furniture and Fittings	4 Years	To	21 Years
Vehicles	9 Years		
Equipment	4 Years	To	30 Years
Leasehold Improvements	5 Years	To	30 Years

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

6. Changes in significant accounting policy

The company initially applied IFRS 16 Leases from 1 April 2019. A number of new standards are also effective from 1 April 2019 but they do not have a material effect on the financial statements.

The company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019. Accordingly, the comparative information presented for 2019 is not restated- i.e. it is presented as previously reported under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative figures.

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Accounting Policies *(continued)*

for the year ended 31 March 2020

6. Changes in significant accounting policy *(continued)*

Definition of a lease

The company had made use of the practical expedient on transition to IFRS 16 to reassess whether a contract is or contain a lease. The company applied IFRS 16 to contract that was previously identified as lease. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied to contracts entered into or changed on or after 1 January 2019.

Short-term leases of low-value assets

The company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment.

As a lessee - policy applicable before 1 April 2019

Leases in terms of which the company assumed substantially all the risks and rewards of ownership of the underlying asset were classified as finance leases. The company had no finance leases during the periods presented.

Other leases were classified as operating leases and the leased assets were not recognised in the statement of financial position.

Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

As a lessor

The accounting policies to the company as a lessor are not affected by the implementation of IFRS 16.

At inception or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of relative stand-alone prices.

At lease inception, the company determines whether each lease is a finance lease or an operating lease. To classify each lease, the company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is classified as a finance lease; otherwise it is classified as an operating lease.

The company's leases are all classified as operating leases and as a result, rental income is recognised as income on a straight-line basis over the term of the lease.

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Accounting Policies *(continued)*

for the year ended 31 March 2020

7. Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting year, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets relate to software and pre-operating expenses and are amortised over 4 to 5 years.

8. Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated as the actual raw material cost and an appropriate proportion of variable and fixed overheads. Net realisable value presents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

9. Impairment

At each statement of financial position date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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Accounting Policies *(continued)*

for the year ended 31 March 2020

9. Impairment (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

10. Revenue

The Company recognizes revenues on the sale/invoicing of products to customer, all title, risks, and rewards of ownership is passed on to the customer upon invoicing. Sale of products is presented net of taxes (ie VAT) with no other further obligations and conditions. Revenues are recognized assuming the collectability of the resulting receivable is reasonably assured. For a sale with a payment term more than 12 months, revenue is recognized at net present value on date of sale.

11. Foreign currency

Transactions in currencies other than the company's reporting currency (South African Rand) are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates ruling on the statement of financial position date. Exchange differences arising on the settlement of monetary items or on reporting an enterprise's monetary items at rates different from those at which they were initially recorded are recognised as income or expenses in the year in which they arise.

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Accounting Policies *(continued)*

for the year ended 31 March 2020

12. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination.

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Accounting Policies (continued)

for the year ended 31 March 2020

13. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

14. Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation.

15. Financial Instruments

Financial assets and financial liabilities are recognised in the company's statement of financial position when the company has become a party to the contractual provisions of the instrument.

Financial assets

The company makes an assessment of the objective of the business model in which an asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management.

Business model measurements

Depending on the business model and the structure of contractual cash flows, financial assets are classified as follows:

- **Amortised Cost,**

The 'amortised cost' is the amount at which financial asset is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance before 1 January 2019).

A financial asset is classified at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit (FTTPL)

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Accounting Policies (continued)

for the year ended 31 March 2020

15. Financial Instruments (continued)

- The asset is held with the business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and principal and interest (SPPI).

At amortised cost financial assets

Trade and other receivables and cash and cash equivalents that have fixed or determinable payments that are not quoted in an active market are classified as at amortised cost financial assets. At amortised cost financial assets are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) or payments through the expected life of the financial asset or liability (respectively), or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Impairment of financial assets

Trade and other receivables are stated at amortised cost. Tata Motors SA applies the simplified approach described in IFRS 9 trade receivables, whereby the amount of the loss allowance is measured subsequent to the initial recognition of the receivable on the basis of lifetime expected credit losses (stage 2- simplified approach)

b

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Accounting Policies (continued)

for the year ended 31 March 2020

15. Financial Instruments (continued)

Financial liabilities

Classification

Management determines the classification of financial liabilities at initial recognition. The company classified its financial liabilities in two categories:

- Amortised Cost,
Financial liabilities at amortised cost includes trade and payables and shareholders loans
Financial liabilities at fair value through profit or loss (Derivative financial instrument)

16. Related party transactions

Related parties are defined as those parties that:

- a) directly, or indirectly through one or more intermediaries:
 - (i) control, are controlled by, or are under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
 - (ii) have an interest in the entity that gives it significant influence over the entity; or
- b) are members of the key management personnel of the entity or its parent including close members of the family.

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Notes to Financial Statements *(continued)*

for the year ended 31 March 2020

2. Significant Accounting Judgements

In the process of applying the company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Income taxes and deferred taxes

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 reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the company operates could limit the ability of the company to obtain tax deductions in future periods.



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Notes to Financial Statements

for the year ended 31 March 2020

3. Property, plant and equipment

2020	Machinery	Furniture and fittings	Vehicles	Equipment	Leasehold improvements	Total
Cost						
Balance as at 1 April 2019	5 202 366	283 606	186 000	10 036 287	10 030 024	25 738 283
Additions	-	-	-	50 795	-	50 795
Scrapped	(27 179)	-	-	(27 563)	-	(54 742)
Balance as at 31 March 2020	5 175 187	283 606	186 000	10 059 519	10 030 024	25 734 336
Accumulated Depreciation						
Balance as at 1 April 2019	2 124 069	128 837	168 294	5 747 015	3 447 203	11 615 418
Depreciation	270 262	29 402	17 706	603 579	441 350	1 362 299
Scrapped	(27 179)	-	-	(23 956)	-	(51 135)
Balance as at 31 March 2020	2 367 152	158 239	186 000	6 326 638	3 888 553	12 926 582
Carrying Value						
Balance as at 1 April 2019	3 078 297	154 769	17 706	4 289 272	6 582 821	14 122 864
Balance as at 31 March 2020	2 808 035	125 367	-	3 732 881	6 141 471	12 807 754

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Notes to Financial Statements (continued) for the year ended 31 March 2020

3. Property, plant and equipment(continued)

2019	Machinery	Furniture and fittings	Vehicles	Equipment	Leasehold improvements	Total
Cost						
Balance as at 1 April 2018	5 202 366	252 037	186 000	9 729 256	10 030 024	25 399 683
Additions	-	31 569	-	578 495	-	610 064
Scrapped	-	-	-	(271 464)	-	(271 464)
Balance as at 31 March 2019	5 202 366	283 606	186 000	10 036 287	10 030 024	25 738 283
Accumulated Depreciation						
Balance as at 1 April 2018	1 820 824	101 728	147 257	5 136 330	2 976 923	10 183 062
Depreciation	303 245	27 109	21 037	723 731	470 280	1 545 402
Scrapped	-	-	-	(113 046)	-	(113 046)
Balance as at 31 March 2019	2 124 069	128 837	168 294	5 747 015	3 447 203	11 615 418
Carrying Value						
Balance as at 1 April 2018	3 381 542	150 309	38 743	4 592 926	7 053 101	15 216 620
Balance as at 31 March 2019	3 078 297	154 769	17 706	4 289 272	6 582 821	14 122 864

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Notes to Financial Statements (continued)

for the year ended 31 March 2020

4. Right of use assets

	Commercial Premises	Total
2020		
Cost		
Balance as at 1 April 2019	-	-
Effect of transition on adoption of IFRS16	2 922 496	2 922 496
Additions	-	-
Balance as at 31 March 2020	<u>2 922 496</u>	<u>2 922 496</u>
Accumulated Amortization		
Balance as at 1 April 2019	-	-
Depreciation	2 191 871	2 191 871
Balance as at 31 March 2020	<u>2 191 871</u>	<u>2 191 871</u>
Carrying Value		
Balance as at 1 April 2019	-	-
Balance as at 31 March 2020	<u>730 625</u>	<u>730 625</u>

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Notes to Financial Statements (continued)

for the year ended 31 March 2020

5. Intangible assets

	Software	Total
2020		
Cost		
Balance as at 1 April 2019	4 083 582	4 083 582
Transfer from assets under construction	-	-
Additions	-	-
Scrapped	-	-
Balance as at 31 March 2020	4 083 582	4 083 582
Accumulated Amortization	4 083 582	4 083 582
Balance as at 1 April 2019	-	-
Depreciation	-	-
Scrapped	-	-
Balance as at 31 March 2020	4 083 582	4 083 582
Carrying Value		
Balance as at 1 April 2019	-	-
Balance as at 31 March 2020	-	-
2019		
Cost		
Balance as at 1 April 2018	4 083 582	4 083 582
Transfer from assets under construction	-	-
Additions	-	-
Scrapped	-	-
Balance as at 31 March 2019	4 083 582	4 083 582
Accumulated Amortization	4 083 582	4 083 582
Balance as at 1 April 2018	-	-
Depreciation	-	-
Scrapped	-	-
Balance as at 31 March 2019	4 083 582	4 083 582
Carrying Value		
Balance as at 1 April 2018	-	-
Balance as at 31 March 2019	-	-

Tata Motors (SA) Proprietary Limited

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Notes to Financial Statements (continued)

for the year ended 31 March 2020

	2020 R	2019 R
6. Inventories		
Finished Goods	10 558 411	15 590 510
Raw material	60 247 340	28 853 528
Goods in transit	54 059 838	41 587 416
Inventory of consumables, tools, stores and spares	49 166	44 442
	<u>124 914 755</u>	<u>86 075 896</u>

During 2020 inventory was written down by R NIL (2019: 255 478) to their net realisable value.

7. Trade and other receivables

Trade receivables	153 194 053	107 622 660
South African Revenue Service(VAT)	1 573 111	1 083 180
Other	214 520	126 748
	<u>154 981 684</u>	<u>108 832 588</u>

The carrying amount of the trade and other receivables is considered by the Directors to approximate its fair value.

There were no transfers between stages 1, 2 and 3 during the financial year.

Based on ageing and credit risk, the directors consider the ECL allowance to be insignificant.

No amounts overdue for more than 30 days.

8. Cash and cash equivalents

Cash and cash equivalents	1 797 490	1 481 891
Bank Overdraft	(4 838 635)	-
	<u>(3 041 145)</u>	<u>1 481 891</u>

Bank balances and cash comprise cash held by the company and short-term bank deposits with an original maturity of three months or less. The Directors consider the carrying amounts of these assets approximate their fair values.

Company has availed Overdraft facility of ZAR 5 Million from First National Bank of South Africa without any credit security. The interest chargeable at the rate of ongoing prime lending rate.

Tata Motors (SA) Proprietary Limited

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Notes to Financial Statements (continued)

for the year ended 31 March 2020

	2020 R	2019 R
9. Share Capital		
<i>Authorised</i>		
42 000 000 ordinary shares of R1 each	<u>42 000 000</u>	<u>42 000 000</u>
<i>Issued</i>		
19 837 000 ordinary share of R1 each	<u>19 837 000</u>	<u>19 837 000</u>
The unissued shares will remain under the control of Directors until issuance thereof.		
10. Shareholders' loans		
TML Holding Pte Limited	3 797 800	6 797 800
Tata Africa Holdings (SA) Proprietary Limited	2 532 000	4 532 000
	<u>6 329 800</u>	<u>11 329 800</u>
These loans are unsecured and Rand denominated, bear interest at Prime Interest Rate in SA and are repayable in May 2023. The carrying amount approximates fair value.		
11. Deferred taxation		
Opening balance	1 208 267	1 348 327
Provision / (release) for the year	<u>(126 919)</u>	<u>(326 453)</u>
Closing balance	<u>1 081 348</u>	<u>1 208 267</u>
Deferred taxation comprises:		
Capital Allowance	1 717 482	1 872 591
Provision	(592 083)	(664 324)
Right of use asset	204 575	-
Lease liability	<u>(248 626)</u>	<u>-</u>
Deferred taxation liability	<u>1 081 348</u>	<u>1 208 267</u>

Tata Motors (SA) Proprietary Limited

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Notes to Financial Statements (continued)

for the year ended 31 March 2020

	2020 R	2019 R
12. Deferred income		
Government Grant:		
Current	164 160	164 160
Non- current	1 805 766	1 969 926
	<u>1 969 926</u>	<u>2 134 086</u>

The government grants relate to EIP grants received of R3 447 366 relating to capital expenditure. The income release to the statement of profit or loss and other comprehensive income of R 164 160 (2019: R 164 160) is reflected in other income.

13. Trade and other payables

Trade payables	231 741 917	152 147 056
External	9 020 737	9 748 210
	<u>240 762 654</u>	<u>161 895 266</u>
Accrued interest on shareholder (note 24)	1 914 531	1 072 672
Payroll related accruals	1 087 628	1 089 158
Other payables	1 083 786	1 349 547
Lease liabilities	887 952	-
	<u>245 736 551</u>	<u>165 406 643</u>

Included above are amounts on account of interest on shareholders' loans to Tata Africa Holdings (SA) (Pty) Limited of R213 760 (2019: R39 453) and to TML Holdings Pte. Limited of R1 700 771 (2019: R1 033 219).

The Directors consider the carrying value of the trade and other payables to approximate their fair value due to the short maturity period of these financial instruments.

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Notes to Financial Statements (continued)

for the year ended 31 March 2020

	2020 R	2019 R
14. Provisions		
Opening balance	481 913	299 864
Provision raised during the year	169 801	182 049
Closing balance	<u>651 714</u>	<u>481 913</u>

The above pertains to warranty provision for possible assembly defects.

15. Revenue

Sale of vehicles	<u>312 193 936</u>	<u>286 478 551</u>
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16. Profit from operations

Profit from operations is arrived at after taking the following items into account:

Audit fees		
- Current year	450 000	445 348
- Prior year under / (over) provision	34 684	44 000
	<u>484 684</u>	<u>489 348</u>
Depreciation and Amortization		
- Machinery	270 262	303 245
- Furniture and fittings	29 402	27 109
- Vehicles	17 706	21 037
- Equipment	603 579	723 731
- Leasehold improvement	441 350	470 280
- Right of-use asset	2 191 871	-
	<u>3 554 170</u>	<u>1 545 402</u>
Assets scrapped	3 607	158 418
Consulting fees	1 767 869	1 668 791
Interest & Penalty SARS	-	132 794
Write down to net realisable value	-	255 478

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Notes to Financial Statements (continued)

for the year ended 31 March 2020

	2020 R	2019 R
16. Profit from operations (continued)		
Rental of:		
- Premises	-	2 095 354
- Vehicles	206 615	279 779
	<u>206 615</u>	<u>2 375 133</u>
Company's contribution to pension fund	970 306	939 083
Other staff costs	<u>18 706 788</u>	<u>18 072 753</u>
Total staff costs	19 677 094	19 011 836
17. Interest received		
Bank Interest	153 756	290 840
Interest income on revenue (from TACSA)	<u>2 663 459</u>	<u>1 510 047</u>
	2 817 215	1 800 887
18. Finance costs		
TML Holdings Pte Limited	444 364	457 111
Tata Africa Holdings (SA) Proprietary Limited	667 552	685 786
Interest cost on purchases (to TDCV)	2 645 227	1 329 155
Bank Interest	172 323	-
Interest on lease liabilities	<u>229 983</u>	<u>-</u>
	4 159 449	2 472 052
19. Taxation		
SA Normal income tax for the year		
Current taxation	1 871 292	1 382 046
Under /(over) provision prior year	-	137 174
Deferred taxation	(126 919)	(7 976)
Under /(over) provision prior year for Deferred taxation	<u>-</u>	<u>(132 084)</u>
	1 744 373	1 379 160
Reconciliation of South Africa tax rate		
SA normal tax rate	28%	28%
Interest and penalties	-	1%
Depreciation on leasehold improvements	2%	3%
Amortisation of grant income	<u>-1%</u>	<u>-1%</u>
Effective rate	29%	31%

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Notes to Financial Statements (continued)

for the year ended 31 March 2020

	2020 R	2019 R
20. Cash flows generated from operations		
Profit before taxation	5 955 793	4 475 463
Adjustments for:		
Income from EIP grant	(164 160)	(164 160)
Assets scrapped	3 607	158 418
Finance charges	4 159 450	2 472 052
Depreciation & Amortization	3 554 171	1 545 402
(Decrease)/Increase in provisions	169 801	182 049
Interest received	(2 817 215)	(1 800 887)
Write down to net realisable value	-	255 478
	<u>10 861 447</u>	<u>7 123 815</u>
Adjustments for working capital:		
Decrease / (Increase) in trade and other receivables	(58 000 333)	(49 464 518)
Increase / (Decrease) in trade and other payables	88 186 805	84 441 513
(Increase) / Decrease increase in inventories	(38 838 859)	(38 790 687)
Cash flow generated from operations	<u>2 209 059</u>	<u>3 310 123</u>

21. Financial instruments - Risk management

21.1 Capital risk management

The company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stake holders through the optimisation of the debt and equity balances.

The company monitors capital on a basis of debt to equity. Debt comprises of interest bearing debt from shareholders. Equity comprises share capital and reserves

Tata Motors (SA) Proprietary Limited

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Notes to Financial Statements (continued)

for the year ended 31 March 2020

	2020	2019
	R	R
21. Financial instruments - Risk management (continued)		
21.1 Capital risk management (continued)		
The gearing ratio at the year-end is as follows		
Long Term Debt	6 329 800	11 329 800
Cash and cash equivalents	(1 797 490)	(1 481 891)
Net Debt	4 532 310	9 847 909
Share capital	19 837 000	19 837 000
Retained Earnings	14 463 965	10 252 545
Shareholding equity	34 300 965	30 089 545
Gearing ratio	13%	33%

Tata Motors SA Proprietary Limited engages with the board of directors and shareholders to ensure the company is sufficiently funded.

21.2 Financial risk management

The company has exposure to the following risks arising from financial instruments:

- market risk (interest rate risk)
- credit risk
- liquidity risk

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk and the company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The board of directors has overall responsibility for the establishment and oversight of the company's risk management framework. The board is responsible for developing and monitoring the company's risk management policies.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

Tata Motors (SA) Proprietary Limited

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Notes to Financial Statements (continued)

for the year ended 31 March 2020

	2020 R	2019 R
21. Financial instruments - Risk management (continued)		
21.3 Interest rate risk		
<i>Profile</i>		
The company manages liquidity risk through the compilation and monitoring of cash flow forecast, as well as ensuring that adequate borrowing facilities and resources are maintained within the company.		
The interest rate risk profile of the interest bearing financial instruments was:		
<i>Variable rate instruments</i>		
Shareholders' loans		
- TML Holdings Pte Limited	(3 797 800)	(6 797 800)
- Tata Africa Holdings (SA) (PTY) Limited	(2 532 000)	(4 532 000)
	<u>(6 329 800)</u>	<u>(11 329 800)</u>
Cash and cash equivalents	1 797 490	1 481 891
Bank Overdraft	(4 838 635)	-

Sensitivity cash analysis

A reasonably possible change of 100 basis points in the interest rates on the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant

	100 bp decrease	100 bp increase
2020		
Profit before taxation	93 709	(93 709)
2019		
Profit before taxation	98 479	(98 479)

21.4 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the company. The company has adopted a policy of only dealing with creditworthy counterparties verifying their credit worthiness by performing credit checks, as a means of mitigating the risk of financial loss from defaults. The vast majority of customers are related parties.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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Notes to Financial Statements (continued)

for the year ended 31 March 2020

		2020 R	2019 R
21. Financial instruments - Risk management (continued)			
21.4 Credit risk (continued)			
Financial assets exposed to credit risk at year end were as follows:			
	Note		
Trade and other receivables	6	154 981 684	108 832 588
Cash and cash equivalents	7	1 797 490	1 481 891

21.5 Liquidity risk

The responsibility for liquidity risk management rests with Tata Motors (SA) Proprietary Limited management and ultimately the Board of Directors. The company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by monitoring actual cash flows. Tata Motors (SA) Proprietary Limited engages with the Board and shareholders to ensure that the company has adequate funds to cover its commitments over the next twelve months

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date.

Financial liabilities at amortised cost	Note	Contractual cash flows		
		Total	1 Year	2 to 5 Years
2020	7	4 838 635	4 838 635	
Bank overdraft				
Trade and other payables	12	245 736 550	245 736 550	-
Shareholder loans	9	6 329 800	-	6 329 800
2019				
Trade and other payables	12	165 406 643	153 555 407	11 851 236
Shareholder loans	9	11 329 800	-	11 329 800
Non-cancellable Operating Lease Commitments				
2020		-	-	-
2019		3 560 786	2 653 793	906 993

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Notes to Financial Statements (continued)

for the year ended 31 March 2020

	2020 R	2019 R
22. Guarantees		
The following bank guarantees exist with Standard Bank:	1 420 000	1 420 000

23. Leases

IFRS 16 - leases was implemented from 1 January 2019 on the implementation date the relevant lease liability was recognised.

Refer to Note 4 for recognition of the building right of use asset on implementation date and depreciation charge recognised Lease as lessee (IFRS 16)

Right-of-use asset

Right-of use asset related to lease property that do not meet the definition of investment property is presented as property, plant and equipment.

Balance at 1 April 2019	3 311 761	-
Amortization for the year	(2 191 871)	-
Adjustment to right-of-use	(389 265)	-
Balance at end of year	730 625	-

Lease liability

Recognition of liability on implementation date	3 311 761	-
Interest expense	229 983	-
Lease payments	(2 653 792)	-
Balance at end of year	887 952	-

Lease liability comprises:

	Expiry	Incremental borrowing costs	Carrying Amount
Land and Buildings	2020	10.25%	730 625

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Notes to Financial Statements (continued)

for the year ended 31 March 2020

23. Leases (continued)

Maturity analysis of lease liability

Undiscounted contractual cash flows:	2020
Within one year	906 992
1 - 5 years	Nil
After 5 years	Nil

The lease liabilities recognized under other financial liabilities are measured at the present value of the outstanding lease payments at the date of provision. The lease payments are discounted at the incremental borrowing rate. When re-measuring, interest is accrued on the lease liability, and the corresponding interest expense is recognized under financial result. Payments reduce the carrying amount of the lease liability. In addition, the carrying amount of the lease liability is adjusted upon specific re-measurement.

In transitioning to IFRS 16, Tata Motors (SA) has utilized the exemptions allowing leases with a remaining term of less than twelve months to be treated as short-term leases, initial direct costs to be ignored when measuring right-of-use assets for the first time, and current knowledge to be taken into account when determining the lease terms of contracts with extension and / or termination options.

The effects on the former finance leases were immaterial.

Upon first-time application of IFRS 16, Tata Motors (SA) recognized right-of-use asset of R 2 922 496 property, plant and equipment, together with lease liability of R 3 311 761 Mn.

At March 31, 2020, the right-of-use assets totaled R730 625 and current lease liability R 887 952.

For the year ended 31 March 2020, a total of R 2 191 871 in depreciation of right-of-use assets was recognized in operating profit, together with an interest expense of R 229 983.

Amounts recognised in profit or loss

Interest on lease liabilities	(229 983)
Amortization on right-of-use asset	(2 191 871)

Amounts recognised in the statement of cash flow

Total cash outflow for lease	835 964
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Notes to Financial Statements (continued) for the year ended 31 March 2020

24. Related party transactions

During the year, the company entered into the following transactions with related parties:

	2020 R	2019 R
<i>Tata Automobile Corporation (SA) (Pty) Limited</i>		
<i>Fellow Subsidiary</i>		
- Payment for expenses incurred for TMSA	(300 674)	(233 954)
- Purchase of spare parts	(60 744)	(196 216)
- Interest on late payment	12 905	-
- Revenue for the sale of vehicles*	306 636 721	291 144 939

*Revenue for sale of the vehicles in 2020 represent the gross sale value which has been netted in our financials after removing the interest component of R 4 689 377 out of which R 2 663 459 was received in current financial year

<i>Tata Africa Holdings (SA) (Pty) Limited</i>	<i>Shareholder</i>		
- Rental of premises		(2 653 793)	(2 457 216)
- Insurance premium paid on leased assets		(72 124)	(72 011)
- Interest on loan (note 18)		(444 364)	(457 111)
- Roof repairs		-	114 446
- Boundry Wall		835 964	-

<i>Tata Motors Limited</i>	<i>Fellow Subsidiary</i>		
- Services rendered		10 639 151	11 769 391
- Supply of SKD kits		(128 102 179)	(156 303 874)
- IT chargeback		(513 779)	(479 419)

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Notes to Financial Statements (continued)

for the year ended 31 March 2020

		2020 R	2019 R
24. Related party transactions (continued)			
During the year, the company entered into the following transactions with related parties:			
<i>Tata Daewoo Commercial Vehicle Company Limited</i>	<i>Fellow Subsidiary</i>		
- Supply of SKD kits*		(148 878 168)	(99 452 112)
*Purchase from TDCV represents the gross value which has been netted in our financials after removing the interest component of R 4 490 977 out of which R 2 645 227 was paid in current financial year			
<i>TML Holdings Pte. Limited</i>	<i>Shareholder</i>		
Interest on loan (note 18)		(667 552)	(685 786)
<i>Tata Technologies Limited</i>	<i>Fellow Subsidiary</i>		
- Services rendered		(540 000)	(540 000)
<i>Tata de Mocambique LDA</i>	<i>Fellow Subsidiary</i>		
- Revenue sale of vehicles		2 941 500	
<i>Tata Zambia Limited</i>	<i>Fellow Subsidiary</i>		
Revenue sale of vehicles		2 638 700	-
<i>Tata Sons Limited</i>	<i>Promoter of major companies within the Tata Group</i>		
- Brand equity		(313 463)	(235 551)

Tata Motors (SA) Proprietary Limited

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Notes to Financial Statements (continued)

for the year ended 31 March 2020

	2020 R	2019 R
24. Related party transactions (continued)		
As at year end, the company had the following outstanding balances with related parties:		
<i>Tata Automobile Corporation (SA) (Pty) Limited</i> <i>Fellow Subsidiary</i>		
- Trade receivables (note 7) *	153 709 924	110 779 003
- Trade payables (note 13)	<u>31 259</u>	<u>82 941</u>
* Receivable from TACSA includes the interest component of R 515 871		
<i>Tata Africa Holdings (SA) (Pty) Limited</i> <i>Shareholder</i>		
- Accrued interest on shareholders' loans (note 13)	213 760	39 453
- Shareholders' loan (note 10)	2 532 000	4 532 000
- Rent Payable	2 215 899	-
- Insurance premium on leased assets	<u>82 942</u>	<u>-</u>
<i>Tata Motors Limited</i> <i>Fellow Subsidiary</i>		
- Trade payables (note 13)	<u>57 721 910</u>	<u>50 366 917</u>
<i>Tata Daewoo Commercial Vehicle Company Limited</i> <i>Fellow Subsidiary</i>		
- Trade payables (note 13) *	<u>171 891 501</u>	<u>104 552 747</u>
* Payable to TDCV includes the interest component of R 516 595		
<i>TML Holdings Pte. Limited</i> <i>Shareholder</i>		
- Accrued interest on shareholders' loans (note 13)	1 700 771	1 033 219
- Shareholders' loan (note 10)	<u>3 797 800</u>	<u>6 797 800</u>
<i>Tata Technologies Limited</i> <i>Fellow Subsidiary</i>		
- Payables for services rendered (note 13)	<u>315 000</u>	<u>45 000</u>
<i>Tata Sons Limited</i> <i>Promoter of major companies within the Tata Group</i>		
- Brand equity	<u>(313 463)</u>	<u>(235 551)</u>

Tata Motors (SA) Proprietary Limited

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Notes to Financial Statements (continued)

for the year ended 31 March 2020

25. Going Concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. The basis presumes that funds will be available to finance future operations and the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the normal course of business.

26. Directors emoluments

	Basic R	Bonus R	Total R
2020			
Prescribed officers			
Jay Choksi	836 014	-	836 014
Pranab Ghosh	2 332 103	145 776	2 477 879
Raj Kishore Jhawar	248 835	29 763	278 598
	<u>3 416 952</u>	<u>175 539</u>	<u>3 592 491</u>
Directors			
Len Johan Brand	6 715 700	-	6 715 700
Niraj Srivastava	4 299 332	424 000	4 723 332
	<u>11 015 032</u>	<u>424 000</u>	<u>11 439 032</u>
2019			
Prescribed officers			
Rakesh Lodha	302 096	118 312	420 408
Pranab Ghosh	2 031 109	169 576	2 200 685
Raj Kishore Jhawar	651 790	-	651 790
	<u>2 984 995</u>	<u>287 888</u>	<u>3 272 883</u>
Directors			
Len Johan Brand	6 031 560		6 031 560
Niraj Srivastava	4 476 913		4 476 913
	<u>10 508 473</u>		<u>10 508 473</u>

All remuneration disclosed above was paid to prescribed officers in respect of services rendered as prescribed officers of the company for the financial year unless a prescribed officer resigned from or joined the company during the period. The remuneration paid to directors in respect of services rendered as other directors of other companies.

Tata Motors (SA) Proprietary Limited

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Notes to Financial Statements *(continued)*

for the year ended 31 March 2020

27. Events after reporting period

The COVID-19 pandemic is rapidly spreading throughout the world, including South Africa. The Company is monitoring the situation closely taking into account directives from the Government. Management believes that it has taken into account all the possible impacts of known events arising from COVID-19 pandemic in the preparation of the financial statements including the assessment of net realizable values of inventories, trade receivables and other assets and the recoverable values of its property, plant and equipment and intangible assets. However, the impact assessment of COVID-19 and the resultant restrictions will be a continuing process given the uncertainties associated with its nature and duration and, accordingly, the impact may be different from that estimated as at the date of approval of these financial statements. The Company will continue to monitor any material changes to future economic conditions, but do not consider this to have a material uncertainty on going concern. The conclusion is reached based on revised budget which reflects management's action plans. Action plans included cost control by reducing operating costs, increasing revenue by exploring export opportunities to landlocked African countries and cash-flow control by deferring low priority expenses.