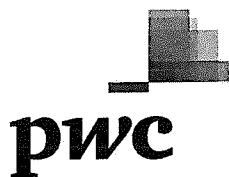

Kahutara Holdings Limited

Office Copy (signed)

.....
*Report and
financial
statements*

31 March 2017



KAHUTARA HOLDINGS LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

KAHUTARA HOLDINGS LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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KAHUTARA HOLDINGS LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Augusta Christopoulou - Mesariti (resigned on 31 December 2016)
Lakshmanan Krishnakumar
Arta Antoniou
Robert Audas
Maroulla Georgiou
Daphne Kourtella (appointed on 31 December 2016)

Company Secretary:

A.T.S. Services Limited

Registered office:

Arch. Makarios III, 2-4
Capital Center, 9th Floor
CY-1065 Nicosia
Cyprus

Registration number:

216538



Independent auditor's report

To the Members of Kahutara Holdings Limited

Report on the Audit of the financial statements

Opinion

We have audited the financial statements of parent company Kahutara Holdings Limited (the "Company"), which are presented on pages 5 to 21 and comprise the statement of financial position as at 31 March 2017, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors' for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines 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 Board of Directors is 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 Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

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Auditor's responsibility 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 skepticism 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 Board of Directors.
- Conclude on the appropriateness of the Board of 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 true and fair view.

We communicate with the Board of 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.



Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 to 2016, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 to 2016 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

A handwritten signature in blue ink, appearing to read 'Yiannos Kaponides'.

Yiannos Kaponides
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Limassol, 23 May 2017

KAHUTARA HOLDINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 US\$	2016 US\$
Administration expenses	4	(24,161)	(24,955)
Impairment of investments in subsidiary	7	<u>(7,078,287)</u>	<u>(18,054,153)</u>
Operating loss		(7,102,448)	(18,079,108)
Net finance costs	5	<u>(1,277,607)</u>	<u>(1,110,081)</u>
Loss before tax		(8,380,055)	(19,189,189)
Income tax credit	6	<u>-</u>	<u>14</u>
Net loss for the year		(8,380,055)	(19,189,175)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive loss for the year		<u>(8,380,055)</u>	<u>(19,189,175)</u>


The notes on pages 9 to 21 form an integral part of these financial statements.


KAHUTARA HOLDINGS LIMITED

STATEMENT OF FINANCIAL POSITION 31 MARCH 2017

	Note	2017 US\$	2016 US\$
ASSETS			
Non-current assets			
Investments in subsidiaries	7	-	7,078,287
		-	7,078,287
Current assets			
Trade and other receivables	8	209,730	63,510
Cash and cash equivalents	9	3,564	32,455
		213,294	95,965
Total assets		213,294	7,174,252
EQUITY AND LIABILITIES			
Equity			
Share capital	10	20,000	20,000
Share premium		23,471,231	23,471,231
Accumulated losses		(44,219,696)	(35,839,641)
Accumulated losses		(20,728,465)	(12,348,410)
Non-current liabilities			
Loans from related companies	13	12,491,127	13,251,620
		12,491,127	13,251,620
Current liabilities			
Trade and other payables	11	4,872	5,941
Loans from related companies	13	8,445,739	6,265,079
Current tax liabilities	12	21	22
		8,450,632	6,271,042
Total liabilities		20,941,759	19,522,662
Total equity and liabilities		213,294	7,174,252

On 23 May 2017 the Board of Directors of Kahutara Holdings Limited authorised these financial statements for issue.


Lakshmanan Krishnakumar
Director


Robert Audas
Director

The notes on pages 9 to 21 form an integral part of these financial statements.

KAHUTARA HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	Share capital US\$	Share premium US\$	Accumulated losses US\$	Total US\$
Balance at 1 April 2015	20,000	23,471,231	(16,650,466)	6,840,765
Comprehensive loss				
Net loss for the year	-	-	(19,189,175)	(19,189,175)
Total comprehensive loss for the year	-	-	(19,189,175)	(19,189,175)
Balance at 31 March 2016/ 1 April 2016	20,000	23,471,231	(35,839,641)	(12,348,410)
Comprehensive loss				
Net loss for the year	-	-	(8,380,055)	(8,380,055)
Total comprehensive loss for the year	-	-	(8,380,055)	(8,380,055)
Balance at 31 March 2017	20,000	23,471,231	(44,219,696)	(20,728,465)

The notes on pages 9 to 21 form an integral part of these financial statements.

KAHUTARA HOLDINGS LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 US\$	2016 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(8,380,055)	(19,189,189)
Adjustments for:			
Unrealised exchange (profit)/loss	7	117	(101)
Impairment charge	7	7,078,287	18,054,153
Interest expense	5	1,275,328	1,107,790
		(26,323)	(27,347)
Cash flows used in operations before working capital changes		(146,220)	(5,768)
Increase in trade and other receivables		(1,187)	(277,676)
Decrease in trade and other payables		(173,730)	(310,791)
Cash used in operations		-	-
Tax paid		(173,730)	(310,791)
Net cash used in operating activities		(173,730)	(310,791)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings from related parties	13.3	-	(50,000)
Proceeds from loans from related parties	13.3	145,000	390,566
Interest paid		(161)	-
Net cash generated from financing activities		144,839	340,566
Net (decrease)/increase in cash and cash equivalents		(28,891)	29,775
At beginning of the year		32,455	2,680
At end of the year	9	3,564	32,455

The notes on pages 9 to 21 form an integral part of these financial statements.

KAHUTARA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1. Incorporation and principal activities

Country of incorporation

The Company Kahutara Holdings Limited (the "Company") was incorporated in Cyprus on 18 December 2007 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at Arch. Makarios III, 2-4, Capital Center, 9th Floor, 1065 Nicosia, Cyprus.

Principal activities

The principal activities of the Company, which are unchanged from last year, are the holding and management of investments.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements.

Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113.

As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 April 2016 and relevant to the Company have been adopted by the EU through the endorsement procedure established by the European Commission.

The Company is not required by the Cyprus Companies Law, Cap.113, to prepare consolidated financial statements because the indirect parent company Tata Global Beverages Group Limited prepares consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU and the Company does not intend to issue consolidated financial statements for the year ended 31 March 2017. A copy of the consolidated financial statements is available to the members, at 325 Oldfield Lane North, Greenford, Middlesex, UB6 OA2, United Kingdom. The Company's ultimate controlling party is Tata Global Beverages Limited, a listed company in India. Its consolidated financial statements are available 1 Bishop Lefroy Road, Kolkata, India.

Since the 7th Directive of the European Union permits the preparation of consolidated financial statements in accordance with the Directive or in a manner equivalent to the Directive, and since the Cyprus Companies Law, Cap. 113, provides the aforementioned exemption, the provisions of International Financial Reporting Standard 10 "Consolidated Financial Statements" that require the preparation of consolidated financial statements in accordance with IFRS do not apply.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The critical accounting judgements are disclosed in Note 15.

KAHUTARA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

2. Significant accounting policies (continued)

Going concern basis

In assessing the Company's status as a going concern the Directors considered the current intentions and financial position of the Company. Although the Company had net current liabilities at 31 March 2017 and a net loss for the year then ended, the Directors have considered a Letter of Support dated 9 May 2017 obtained from Tata Global Beverages Investments Limited, the Company's indirect parent company. Under this letter, the indirect parent company confirmed that it will continue to make available to the Company such funds and financial support as may be agreed from time to time to enable the Company to meet its obligations as they fall due (for a period not less than twelve months from the date of approval of the financial statements) and to enable the Company to carry on its business as going concern. The Directors, therefore, consider that the Company will continue as a going concern and the financial statements as appropriately prepared on a going concern basis and there is no material uncertainty over the basis of preparation in this respect.

Adoption of new and revised IFRSs

During the current year, the Company has adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 April 2016. The adoption of these Standards did not have a material effect on the accounting policies of the Company.

At the date of approval of these financial statements a number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2016, and have not been applied in preparing these financial statements. None of these are expected to have significant effect on the financial statements of the Company.

Subsidiary companies

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments in subsidiaries are measured at cost less impairment. Investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized through profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. An impairment loss recognized in prior years is reversed where appropriate if there has been a change in the estimates used to determine the recoverable amount.

Revenue recognition

Revenues earned by the Company are recognised on the following bases:

- **Interest recognition**

Interest Income is recognised on a time-proportion basis using the effective interest method.

- **Dividend Income**

Dividend Income is recognized when the right to receive payment is established.

KAHUTARA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

2. Significant accounting policies (continued)

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for Impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non financial assets that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Foreign currency translation

(1) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in (US\$), which is the Company's functional and presentation currency.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Tax

Current tax liabilities and assets of the current period are measured at the amount expected to be paid or recovered from the taxation authorities, using the tax rates and laws that have been declared, or substantively enacted, by the date of the Statement of Financial Position in the country where the entity operates and generates taxable income.

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the date of the Statement of Financial Position in the country in which the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Financial instruments

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

KAHUTARA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

2. Significant accounting policies (continued)

Financial instruments (continued)

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Company's accounting policy for borrowing costs.

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Share capital

Ordinary shares are classified as equity.

Share Premium is the difference between the fair value of the consideration received for the issue of shares and the nominal value of the shares. Share Premium account can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

KAHUTARA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

2. Significant accounting policies (continued)

Offsetting financial investments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legal enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

3. Financial risk management

Financial risk factors

The Company is exposed to interest rate risk, credit risk and liquidity risk. The Company's management does not have a formal policy to manage the risks at the entity level as they are managed centrally at the Group level. The risk management policies employed by the Company to manage these risks are described below:

3.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates as the Company has no significant interest bearing assets. The Company is exposed to interest rate risk in relation to its non current borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

At the reporting date the interest rate profile of interest bearing financial instruments was:

	2017 US\$	2016 US\$
Variable rate instruments	20,936,866	19,516,699
Financial liabilities	<u>20,936,866</u>	<u>19,516,699</u>

Sensitivity analysis

The financial liabilities issued at variable rates bear an interest of 3 months LIBOR plus a margin between 5.25% and 5.50% (2016: a margin between 5.25% and 5.50%). An increase of 100 basis points in the 3 months LIBOR at 31 March 2017 would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. For a decrease of 100 basis points there would be an equal and opposite impact on the profit and other equity.

	Impact on Profit or loss	
	2017 US\$	2016 US\$
Variable rate instruments	<u>209,369</u>	195,167
	<u>209,369</u>	<u>195,167</u>

KAHUTARA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

3. Financial risk management (continued)

3.2 Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has no significant concentration of credit risk. Cash balances are mainly held with high credit quality financial institutions, the credit quality of which is disclosed in Note 9.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2017 US\$	2016 US\$
Cash at bank (Credit rating Caa1 (2016: Caa2))	3,564	32,455
Receivables from related companies	206,457	60,249
	210,021	92,704

3.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

31 March 2017	Carrying amounts US\$	Contractual cash flows US\$	Less than 1 year US\$	Between 2-5 years US\$
Trade and other payables	4,872	4,872	4,872	-
Loan from parent	1,303,710	1,390,401	1,390,401	-
Loans from related companies	19,633,156	23,190,535	9,716,916	13,473,619
	20,941,738	24,585,808	11,112,189	13,473,619

31 March 2016	Carrying amounts US\$	Contractual cash flows US\$	Less than 1 year US\$	Between 2-5 years US\$
Trade and other payables	5,941	5,941	5,941	-
Loan from parent	1,223,852	1,223,852	1,302,175	-
Loans from related parties	18,292,847	21,022,223	6,118,289	14,903,934
	19,522,640	22,252,016	7,426,405	14,903,934

KAHUTARA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

3. Financial risk management (continued)

3.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

Fair value estimation

The carrying values of financial assets and liabilities are assumed to approximate their fair values

Offsetting financial assets and liabilities

The Company does not have any financial assets or financial liabilities that are subject to offsetting, enforceable master netting arrangements or any similar agreements.

4. Expenses by nature

	2017	2016
	US\$	US\$
Legal fees	4,352	4,828
Accounting fees	8,958	10,122
Auditors' remuneration	3,726	3,854
Professional fees	2,726	1,674
Irrecoverable VAT	3,776	3,812
Other expenses	623	665
Total administration expenses	24,161	24,955

KAHUTARA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

5. Finance income/(cost)

	2017 US\$	2016 US\$
Finance income	187	-
Realised foreign exchange profit	-	101
Unrealised foreign exchange profit	-	-
	187	101
Finance costs		
Interest expense	161	-
Bank overdraft interest	-	-
Interest on loan from related company (Note 13)	1,275,167	1,107,790
Sundry finance expenses	2,349	1,865
Bank charges	-	-
Net foreign exchange losses	-	527
Realised foreign exchange loss	117	-
Unrealised foreign exchange loss	-	-
	1,277,794	1,110,182

6. Tax

	2017 US\$	2016 US\$
Defence contribution - current year	-	(14)
Credit for the year	-	(14)

The tax on the Company's results before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2017 US\$	2016 US\$
Loss before tax	(8,380,055)	(19,189,189)
Tax calculated at the applicable tax rates	(1,047,507)	(2,398,649)
Tax effect of expenses not deductible for tax purposes	886,160	2,258,055
Tax effect of allowances and income not subject to tax	(9)	-
Tax effect of tax loss for the year	161,356	140,594
Defence contribution	-	(14)
Tax charge	-	(14)

The Company is subject to income tax on taxable profits at the rate of 12.5%.

Under certain conditions interest income may be exempt from income tax and be subject only to defence contribution at the rate of 30%.

In certain cases, dividends received from abroad may be subject to defence contribution at the rate 17% for 2014 and thereafter. In certain cases dividends received from 1 January 2012 onwards from other Cyprus tax resident companies may also be subject to special contribution for defence.

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc.) are exempt from Cyprus income tax.

KAHUTARA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

6. Tax (continued)

Under current legislation, tax losses may be carried forward and be set off against taxable income of the five succeeding years.

7. Investments in subsidiaries

	2017 US\$	2016 US\$
Balance at 1 April	7,078,287	25,132,440
Impairment charge	(7,078,287)	(18,054,153)
Balance at 31 March	-	7,078,287

The details of the direct subsidiary, which is unlisted, are as follows:

Name	Place of business and country of incorporation	Principal activities	2017 Holding %	2016 Holding %
Suntco Holding Ltd	Cyprus	Holding shares in Companies selling tea and coffee	100	100

An impairment of US\$18,054,153 was recognised in 2016. The economic environment in Russia has significantly influenced the impairment of the investments carried in USD at historic cost. An improvement in the economic situation, foreign currency rates and interest rates would improve the cash-flows and the WACC and thus allow reversal of the impairment in the future. According to the accounting standards, for the purpose of impairment test the prevailing WACC and Rouble rates have been applied. The WACC used for the impairment test was 13.2 and the exchange rate used to convert the expected cash flows from Russian Roubles to USD was RUB 67.6 to US\$1. Refer also to Note 15.

As at 31 March 2017, the investments in subsidiaries have been fully impaired. Refer also Note 15.

8. Trade and other receivables

	2017 US\$	2016 US\$
Receivables from own subsidiaries (Note 13.2)	106,035	30,958
Receivables from related companies (Note 13.2)	23,265	13,076
Receivables from parent (Note 13.2)	77,157	16,215
Deposits and prepayments	3,273	3,261
	209,730	63,510

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

As at 31 March 2017 and 31 March 2016 no trade and other receivables were past due, and none are considered to be impaired.

The maximum exposure to credit risk at the date of the Statement of Financial Position is the carrying value of each class of receivable mentioned above. The Company does not hold any collateral as security.

The carrying amount of trade and other receivables are denominated in US Dollars.

KAHUTARA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

9. Cash and cash equivalents

	2017 US\$	2016 US\$
Cash at bank (Credit rating Caa1 (2016: Caa2))	<u>3,564</u>	<u>32,455</u>
	<u>3,564</u>	<u>32,455</u>

Cash and cash equivalents are denominated in US Dollars.

Principal non-cash transactions

The principal non-cash transactions during the year were payments made to the Company's parent on its behalf for the settlement of various expenses.

10. Share capital

	2017 Number of shares	2017 US\$	2016 Number of shares	2016 US\$
Authorised				
Ordinary class A shares of US\$1 each	13,000	13,000	13,000	13,000
Ordinary class B shares of US\$1 each	7,000	7,000	7,000	7,000
	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
Issued and fully paid				
Ordinary "A" shares-				
Balance at 1 April	<u>13,000</u>	<u>13,000</u>	<u>13,000</u>	<u>13,000</u>
Balance at 31 March	<u>13,000</u>	<u>13,000</u>	<u>13,000</u>	<u>13,000</u>
Ordinary "B" shares-				
Balance at 1 April	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>
Balance at 31 March	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>
Total at 31 March	<u>20,000</u>	<u>20,000</u>	<u>27,000</u>	<u>20,000</u>

Authorised capital

The authorised share capital is 13,000 ordinary "A" shares of US\$1 each and 7,000 ordinary "B" shares of US\$1 each. The rights of shares A and B are defined in the Memorandum and Articles of the Company. Class A shares are entitled to an additional preferential dividend of US\$7,825,000 before any dividends are to be paid to both classes pro-rata. Dividends over and above such preferential dividend are distributed to the shareholders based on their percentage holding.

Issued capital

At the year end the issued share capital was 13,000 ordinary "A" shares of nominal value US\$1 and 7,000 ordinary "B" shares of nominal value US\$1 each.

KAHUTARA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

11. Trade and other payables

	2017 US\$	2016 US\$
Accruals	4,872	5,133
Other creditors	-	808
	<u>4,872</u>	<u>5,941</u>

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

The Company trade and other payables are denominated in Euro.

12. Current tax liabilities

	2017 US\$	2016 US\$
Special contribution for defence	21	22
	<u>21</u>	<u>22</u>

13. Related party transactions

The Company is controlled by Campestres Holdings Limited, incorporated in Cyprus, which owns 65% of the Company's shares. The remaining 35% is owned by the European Bank for Reconstruction and Development. The ultimate controlling party is Tata Global Beverages Ltd, incorporated in India.

The following transactions were carried out with related parties:

13.1 Interest expense (Note 5)

	2017 US\$	2016 US\$
Campestres Holdings Limited	79,858	70,533
Tata Global Beverages Investments Limited	1,195,309	1,037,257
	<u>1,275,167</u>	<u>1,107,790</u>

13.2 Receivables from related parties (Note 8)

	2017 US\$	2016 US\$
Suntyco Holding Ltd	106,035	30,958
Onomento Co Ltd	23,265	13,076
Campestres Holdings Limited	77,157	16,215
	<u>206,457</u>	<u>60,249</u>

KAHUTARA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

13. Related party transactions (continued)

13.3 Loans payable to related parties

	2017 US\$	2016 US\$
Campestres Holdings Limited	1,303,710	1,223,852
Tata Global Beverages Investments Limited	19,633,156	18,292,847
	20,936,866	19,516,699

On 27 January 2014, the Company, as Borrower, entered into an inter-company loan agreement with its parent Campestres Holdings Limited, as Lender, for a revolving credit facility of up to US\$ 1.2million. This loan bears interest at LIBOR plus 5.5% margin per annum and is repayable on demand. During the year no amounts (2016: US\$4,000) were drawn down against this loan facility, interest accrued of US\$79,858 (2016: US\$70,533) and no repayment (2016: US\$50,000) was made.

The Company has also two loan facilities from Tata Global Beverages Investments Limited, holding company of the Company's parent entity. The first facility of US\$500,000 bears interest at 3 month LIBOR plus 5.25% margin per annum, is unsecured and is repayable on demand. The second facility of US\$19,700,000 (2016: US\$18,000,000) bears interest at ICE LIBOR rate plus 5.50% margin per annum, is unsecured and repayable by quarterly payments up to June 2020. During the year, US\$145,000 (2016: US\$386,565) was drawn down from TATA Global Beverages Investments Limited, and interest accrued of US\$1,195,309 (2016: US\$1,037,257).

The weighted average effective interest rate at the statement of financial position date is 5.56% (2016: 5.56%)

Under the terms of the above mentioned borrowing facility of US\$19,700,000, the Company is required to comply with the following covenant:

- the ratio of net debt to EBITDA of its subsidiary must 4.5:1

The Company has not complied with this covenant and a waiver letter was received

14. Contingent liabilities

Russian operating environment

The operations of the Company's investments are based in the Russian Federation

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. During 2016 the Russian economy continued to be negatively impacted by low oil prices, ongoing political tension in the region and international sanctions against certain Russian companies and individuals, all of which contributed to the country's economic recession characterised by a decline in gross domestic product. The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Russia's credit rating was downgraded to below investment grade. The operating environment has a significant impact on the Company's operations and financial position. Management is taking necessary measures to ensure sustainability of the Company's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

KAHUTARA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

15. Critical accounting estimates and judgements

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Impairment of investments in subsidiaries**

The Company follows the guidance of IAS 39 and IAS 36 to determine whether the investment is impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. The Company has performed an impairment assessment of its investment in its subsidiary as at each balance sheet date as described in Note 7. The recoverable amount of the investment was estimated based on fair value less cost to sell estimates. The fair value was estimated using cash flow projections of the underlying business discounted in present value based on the management's business model. The critical assumptions applied in the cash flow projections are the growth rate of 4% (2016: 4%) for the Russian region and discount rate of 11.9% (2016: 13.2%). The cash flows in Russian Roubles were translated to US\$ using the rate RUB56.4 to US\$1 (2016: RUB67.6 to US\$1).

As at 31 March 2016 if the discount rate was 14%, rather than 13.2% the impairment in the subsidiary would have been US\$1,298,653 higher. If the growth rate was 3.5%, rather than 4%, the impairment in the subsidiary would have been US\$1,731,537 higher. As at 31 March 2016, the investment has been fully impaired and the impairment charge wouldn't be significantly modified due to reasonable possible change in the key assumptions.

16. Significant events after the end of the financial year

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

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