

**KAHUTARA HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL**  
**STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 MARCH 2010**

# **KAHUTARA HOLDINGS LIMITED**

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## **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010**

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# **KAHUTARA HOLDINGS LIMITED**

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## **BOARD OF DIRECTORS AND OTHER OFFICERS**

**Board of Directors:**

Judy Harris  
Augusta Christopoulou - Mesaritis  
Natalia Zhukova (Appointed 21 August 2009)

**Company Secretary:**

A.T.S. Services Limited  
Arch. Makariou III, 2-4  
CAPITAL CENTER, 9th floor  
P.C. 1065, Nicosia, Cyprus

**Registered office:**

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

**Registration number:**

216538

# **KAHUTARA HOLDINGS LIMITED**

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## **REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31 MARCH 2010**

The Board of Directors presents its report and audited financial statements of the Company for the year ended 31 March 2010.

### **Incorporation**

The Company Kahutara Holdings Limited was incorporated in Cyprus on the 18th of December 2007 as a limited liability company under the provisions of the Cyprus Companies Law, Cap. 113.

### **Principal activities**

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

### **Review of the development and current position of the Company and description of the major risks and uncertainties**

The Company's development to date, financial results and position as presented in the financial statements are considered satisfactory.

The main risks and uncertainties faced by the Company and the steps taken to manage these risks, are described in note 3

### **Results**

The Company's results for the year are set out on page 6. The net loss for the year is carried forward.

### **Significant events after the end of the financial year**

Any significant events that occurred after the end of the year are described in note 17 to the financial statements.

### **Expected future developments of the Company**

The Board of Directors does not expect major changes in the principal activities of the Company in the foreseeable future.

### **Existence of branches**

The Company does not maintain any branches.

### **Dividends**

The Board of Directors does not recommend the payment of a dividend.

### **Share capital**

#### **Authorised capital**

Under its Memorandum the Company fixed its share capital at 10,000 ordinary shares of nominal value of US\$1 each. On 24th August 2009, the authorised share capital of the Company was re-classified from 10,000 shares of US\$1 each to 6,500 A shares of US\$1 each and 3,500 B shares of US\$1 each.

#### **Issued capital**

Upon incorporation on the 18th of December 2007 the Company issued to the subscribers of its Memorandum of Association 3,000 ordinary shares of US\$1 each at par. On 24 August 2009 the initial 3,000 shares were reclassified to Class A shares. On the same date a further 3,500 Class A shares were issued at nominal value \$1 and premium amount per share \$2,477,1428. On the same date 3,500 Class B shares were issued at nominal value \$1 and premium amount per share \$1,333,9231. Both classes of shares A and B have equal rights in the company and only distinguish between the owners of the shares.

### **Board of Directors**

The members of the Company's Board of Directors as at 31 March 2010 and at the date of this report are presented on page 1. All of them were members of the Board for the whole accounting year except Mrs Natalia Zhukova, who was appointed as director on 21 August 2009.

In accordance with the Company's Articles of Association all directors presently members of the Board continue in office.

There were no significant changes in the assignment of the responsibilities and remuneration of the Board of Directors.

# KAHUTARA HOLDINGS LIMITED

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## REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31 MARCH 2010

### Independent Auditors

The independent auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office and a resolution authorising to the Board of Directors to fix their remuneration will be submitted at the forthcoming Annual General Meeting.

By order of the Board of Directors,

  
Natalia Zhukova  
Director

Nicosia, 17 June 2010



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City House  
6 Karaiskakis Street  
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Facsimile: + 357 - 25555001  
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## Independent Auditors' Report To the Members of Kahutara Holdings Limited

### Report on the Financial Statements

We have audited the accompanying financial statements of Kahutara Holdings Limited (the "Company"), which comprise the balance sheet as at 31 March 2010, and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Board of Directors' Responsibility for the Financial Statements*

The Company's Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation 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.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board Members: Phidias K. Piliadis (CEO), Dinos N. Papadopoulos (Deputy CEO), Panikos N. Tsialis, Christakis Santis, Stephanos D. Stephanides, Costas I. Hadjicostantinou, George Foradaris, Costas M. Nicolaides, Angelos M. Loizou, Vasilis Hadjivassiliou, Androulla S. Pittas, Savvas C. Michail, Costas I. Mavrocorados, Christos M. Themistocleous, Panicos Kacouris, Nicos A. Neophytou, George M. Loizou, Pantelis G. Evangelou, Liakos M. Theodorou, Stelios Constantinou, Tassos Procopiou, Andreas T. Constantinides, Theo Parperis, Constantinos Constantinou, Petros C. Petrakis, Philippos C. Soseilos, Evgenios C. Evgeniou, Christos Tsolakis, Nicos A. Theodoulou, Nikos T. Nikolaides, Cleo A. Papadopoulou, Marios S. Andreou, Nicos P. Chimanides, Aram Tavilian, Constantinos Taliotis, Stavros A. Kallamis, Yiannos A. Kaponides, Tasos N. Nolas, Chrysillos K. Pelekanos, Eftychios Eftychiou, George C. Lambrou, Chris Odysseos, Constantinos L. Kapsalis, Stelios A. Violaris, Antonis Hadjiloucas, Petros N. Maroudias  
Directors of Operations: Androulla Aristidou, Achilleas Chrysanthou, George Skapoullaros, Demetris V. Psailis, George A. Ioannou, George C. Kazamias, Michael Kiriottis, Marios G. Melanides, Sophie A. Solomonidou, Yiannis Televantides, Antonis Christodouides, Anna G. Lolouz

Offices: Nicosia, Limassol, Larnaca, Paphos

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### *Basis for Qualified Opinion*

As described in Note 7 to the financial statements, the options which relate to the acquisition of 49% stake in the joint venture Suntyco Holding Limited have not been recognized and measured at fair value, as required by IAS 39 'Financial Instruments: Recognition and Measurement'. In the absence of information by the Company, we were unable to quantify the effect that such fair value adjustment could have on the financial statements of the Company as at 31 March 2010.

### *Qualified Opinion*

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to quantify the fair value of the options referred to in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of Kahutara Holdings Limited as of 31 March 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

### **Report on Other Legal Requirements**

Pursuant to the requirements of the Companies Law, Cap. 113, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit, except as explained in the Basis for Qualified Opinion paragraph.
- In our opinion, proper books of account have been kept by the Company, except as explained in the Basis for Qualified Opinion paragraph.
- 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 Companies Law, Cap. 113, in the manner so required, except as explained in the Basis for Qualified Opinion paragraph.
- In our opinion, the information given in the report of the Board of Directors on pages 2 to 3 is consistent with the financial statements.

### **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 156 of the Companies Law, Cap. 113 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.



PricewaterhouseCoopers Limited  
Chartered Accountants

Limassol, 17 June 2010

## KAHUTARA HOLDINGS LIMITED

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### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2010

			For the period from 18/12/2007 to 31/3/2009 US\$
	Note	2010 US\$	
Administration and other expenses	4	<u>(919.653)</u>	<u>(29.964)</u>
<b>Operating loss</b>		<b>(919.653)</b>	<b>(29.964)</b>
Net finance income / (cost)	5	<u>715.651</u>	<u>(20)</u>
<b>Loss before tax</b>		<b>(204.002)</b>	<b>(29.984)</b>
Income tax expense	6	<u>(54)</u>	<u>-</u>
<b>Loss for the year / period</b>		<b>(204.056)</b>	<b>(29.984)</b>
Currency translation difference		<u>1.070.845</u>	<u>-</u>
<b>Total comprehensive income / (loss) for the year / period</b>		<b>866.789</b>	<b>(29.984)</b>

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See accompanying notes on pages 10 to 19 to these financial statements.



# KAHUTARA HOLDINGS LIMITED

## STATEMENT OF FINANCIAL POSITION 31 MARCH 2010

	Note	2010 US\$	2009 US\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in joint venture	7	<u>28.224.561</u>	-
		<u>28.224.561</u>	-
<b>Current assets</b>			
Trade and other receivables	8	245.098	3.872
Cash at bank	9	<u>597.843</u>	-
		<u>842.941</u>	<u>3.872</u>
		<u>29.067.502</u>	<u>3.872</u>
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>Equity and reserves</b>			
Share capital	10	10.000	3.000
Share premium		13.342.231	-
Translation reserves		1.070.845	-
Accumulated losses		<u>(234.040)</u>	<u>(29.984)</u>
<b>Total equity</b>		<u>14.189.036</u>	<u>(26.984)</u>
<b>Non-current liabilities</b>			
Loans from related companies	14	<u>529.958</u>	-
		<u>529.958</u>	-
<b>Current liabilities</b>			
Trade and other payables	12	1.081.509	30.856
Borrowings	11	13.266.943	-
Current tax liabilities	13	<u>56</u>	-
		<u>14.348.508</u>	<u>30.856</u>
		<u>14.878.466</u>	<u>30.856</u>
<b>Total liabilities</b>		<u>29.067.502</u>	<u>3.872</u>
<b>TOTAL EQUITY AND LIABILITIES</b>			

On 17 June 2010 the Board of Directors of Kahutara Holdings Limited authorised these financial statements for issue.

  
Natalia Zhukova  
Director

  
Augusta Christopoulou-Mesaritis  
Director

See accompanying notes on pages 10 to 19 to these financial statements.

## KAHUTARA HOLDINGS LIMITED

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2010

	Note	Share capital US\$	Share premium US\$	Translation reserves US\$	Accumulated losses US\$	Total US\$
Net loss for the period		-	-	-	(29.984)	(29.984)
Issue of share capital	10	3.000	-	-	-	3.000
<b>Balance at 31 March 2009/ 1 April 2009</b>		<b>3.000</b>	<b>-</b>	<b>-</b>	<b>(29.984)</b>	<b>(26.984)</b>
Net loss for the		-	-	-	(204.056)	(204.056)
Translation from functional		-	-	-	-	-
to presentation currency		-	-	1.070.845	-	1.070.845
Issue of share capital	10	7.000	13.342.231	-	-	13.349.231
<b>Balance at 31 March 2010</b>		<b>10.000</b>	<b>13.342.231</b>	<b>1.070.845</b>	<b>(234.040)</b>	<b>14.189.036</b>

Share premium is not available for distribution.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 15% will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

See accompanying notes on pages 10 to 19 to these financial statements.

# KAHUTARA HOLDINGS LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

		For the period from 18/12/2007 to 31/3/2009 US\$
	Note	2010 US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before tax		(204.002)
Adjustments for:		
Effect of foreign exchange gains		(1.065.740)
Interest income	5	(536)
Interest expense	5	443.172
<b>Cash flows used in operations before working capital changes</b>		(827.106)
Increase in trade and other receivables		(241.226)
Increase in trade and other payables		1.050.653
<b>Net cash flows used in operating activities</b>		(17.679)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payment for purchase of investments in joint ventures	7	(26.087.974)
Interest received		536
<b>Net cash flows used in investing activities</b>		(26.087.438)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of share capital		13.349.231
Proceeds from borrowings		13.202.696
Proceeds from borrowings from related parties		507.075
Interest paid		(356.042)
<b>Net cash flows from financing activities</b>		26.702.960
<b>Net increase in cash and cash equivalents</b>		597.843
Cash and cash equivalents:		
At beginning of the year/ period		-
At end of the year/ period	9	597.843

See accompanying notes on pages 10 to 19 to these financial statements.



# **KAHUTARA HOLDINGS LIMITED**

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## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010**

### **1. Incorporation and principal activities**

#### **Country of incorporation**

The Company Kahutara Holdings Limited (the "Company") was incorporated in Cyprus on the 18th of December 2007 as a limited liability Company under the Cyprus Companies Law, Cap. 113. Its registered office is at Arch. Makariou 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 unless otherwise stated.

#### **Basis of preparation**

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

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 2009 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 Companies Law, Cap.113, to prepare consolidated financial statements because the ultimate parent company, Tata Tea (GB) Ltd prepares consolidated financial statements in accordance with Generally Accepted Accounting Principles in the UK and the company does not intend to issue consolidated financial statements for the year ended 31 December 2009. A copy of the consolidated financial statements is available to the members, at 325 Oldfield Lane North, Greenford, England, United Kingdom.

Since the EU 7th Directive permits the preparation of such consolidated financial statements in accordance with the Directive or in a manner equivalent to that Directive and since the Company Law, Cap.113, provides for the aforementioned exemption, the provisions in IAS27 "Consolidated and Separate Financial Statements" requiring the preparation of such consolidated financial statements in accordance with IFRS do not apply.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgement 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.

#### **Going Concern**

These financial statements have been prepared on a going concern basis. This basis may not be appropriate as the Company's current liabilities exceeded its current assets by US\$13,505,567. These conditions indicate that the Company may be unable to continue as a going concern without the financial support of its shareholders and bankers.

#### **Adoption of new and revised IFRSs**

In the current year, the Company has adopted all of the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on or after 1 April 2009. The adoption of these Standards did not have a material effect on the accounting policies of the Company except from the IAS1 "Presentation of Financial Statements" which has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Company.



# KAHUTARA HOLDINGS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

### 2. Significant accounting policies (continued)

#### Interests in joint ventures

Joint Ventures are all entities over which the company has joint control with the other venturers. The Company's share in a joint venture is recorded at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

#### 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.

#### 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') which is Russian Roubles (RUB). The financial statements are presented in United States Dollars (US\$), which is the Company's presentation currency.

The results and financial position of the Company are translated into the presentation currency as follows:

- a) Assets and liabilities are translated at the closing rate of that balance sheet;
- b) Income and expenses are translated at average exchange rates (prevailing on this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- c) All resulting exchange differences are recognised as a separate component equity.

##### (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 the income statement.

#### Tax

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

The current income tax is calculated in the basis of the tax laws enacted or substantively enacted at the balance sheet date 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 substantially 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.



# KAHUTARA HOLDINGS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

### 2. Significant accounting policies (continued)

#### Financial instruments

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

#### Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest 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 amount of the provision is recognised in the income statement.

#### 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 (see above).

#### Trade payables

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

#### Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

#### 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.

#### Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

### 3. Financial risk management

#### Financial risk factors

The Company is exposed to a variety of financial risks: foreign exchange risk, interest exchange risk, credit risk and liquidity risk. The risk management policies employed by the Company to manage these risks are discussed 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.

# KAHUTARA HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

### 3. Financial risk management (continued)

#### 3.1 Interest rate risk (continued)

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

	2010 US\$	2009 US\$
<b>Fixed rate instruments</b>		
Financial liabilities	529.958	-
<b>Variable rate instruments</b>		
Financial liabilities	13.266.943	-
	<u>13.796.901</u>	<u>-</u>

#### Sensitivity analysis

The financial liabilities issued at variable rates bear an interest of 3 months LIBOR plus 3.25% margin. An increase of 100 basis points in the 3 months LIBOR at 31 March 2010 would have increased (decreased) equity and 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	
	2010 US\$	2009 US\$
Variable rate instruments	132.699	-
	<u>132.699</u>	<u>-</u>

#### 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 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:

	2010 US\$	2009 US\$
Trade and other receivables	135.417	3.872
Cash at bank	597.843	-
Receivables from related companies	105.225	-
	<u>838.485</u>	<u>3.872</u>

Management has no formal policy for managing credit risk and this has been managed with the help of the holding company's group policy and management team.

#### 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 and by having available an adequate amount of committed credit facilities. As at the financial position date, the Company was in breach of the Debt Service Coverage Ratio (DSCR) covenants as per the borrowing agreement. Thus, the bank borrowing has been reclassified as current. After the year-end, the Company has obtained a waiver by the bank for this covenant (Note 17).

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.



# KAHUTARA HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

### 3. Financial risk management (continued)

#### 3.3 Liquidity risk (continued)

31 March 2010	Carrying amounts US\$	Contractual cash flows US\$	3 months or less US\$	Within 1 Year US\$
Bank loans	-	13,409,247	-	13,409,247
Short term loans	13,266,943	-	-	-
Trade and other payables	24,077	24,077	24,077	-
Payables to related companies	1,038,194	1,038,194	1,038,194	-
Loans from related companies	<u>529,958</u>	<u>529,958</u>	-	<u>529,958</u>
	<u>14,859,172</u>	<u>15,001,476</u>	<u>1,062,271</u>	<u>13,939,205</u>

31 March 2009	Carrying amounts US\$	Contractual cash flows US\$	3 months or less US\$	Within 1 Year US\$
Trade and other payables	10,417	10,417	10,417	-
Payables to related companies	<u>12,463</u>	<u>12,463</u>	<u>12,463</u>	-
	<u>22,880</u>	<u>22,880</u>	<u>22,880</u>	-

#### 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 balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

#### Fair value estimation

The carrying value less impairment provision of trade payables are assumed to approximate their fair values.

### 4. Expenses by nature

	2010 US\$	For the period from 18/12/2007 to 31/3/2009 US\$
Auditors' remuneration	7,772	11,106
Royalty fees (Note 14.5)	869,006	-
Other professional fees	<u>42,875</u>	<u>18,858</u>
Total expenses	<u>919,653</u>	<u>29,964</u>



# KAHUTARA HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

### 5. Finance income / cost

		For the period from 18/12/2007 to 31/3/2009
	2010 US\$	US\$
Interest income	536	-
Foreign exchange gains	1,171,939	-
<b>Finance income</b>	<b>1,172,475</b>	<b>-</b>
Net foreign exchange transaction losses	106	20
Interest expense	420,289	-
Interest expense on loan from related party (Note 14.2)	22,883	-
Other finance expenses	13,546	-
<b>Finance costs</b>	<b>456,824</b>	<b>20</b>
<b>Net finance income / (cost)</b>	<b>715,651</b>	<b>(20)</b>

### 6. Tax

		For the period from 18/12/2007 to 31/3/2009
	2010 US\$	US\$
Defence contribution - current / period	54	-
Charge for the year	54	-

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

		For the period from 18/12/2007 to 31/3/2009
	2010 US\$	US\$
Loss before tax	(204,002)	(29,984)
Tax calculated at the applicable tax rates	(20,400)	2,998
Tax effect of allowances and income not subject to tax	(106,533)	-
Tax effect of tax losses for which no deferred tax asset was recognised / period	126,933	(2,998)
Tax charge	-	-

The corporation tax rate is 10%.

Under certain conditions interest income may be subject to defence contribution at the rate of 10%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 15%.

### 7. Investment in joint venture

	2010 US\$	2009 US\$
Balance at 1 April / 18 December	-	-
Additions	26,087,974	-
Translation difference	2,136,587	-
<b>Balance at 31 March</b>	<b>28,224,561</b>	<b>-</b>

# KAHUTARA HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

### 7. Investment in joint venture (continued)

The details of the joint ventures are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Holding %</u>
Suntco Ltd	Cyprus	Holding shares in Companies trading in tea and coffee	51

During the year, the Company has purchased a 51% shareholding in Suntco Holding Ltd. Under the shareholders' agreement, the Company and the seller have joint control over Suntco Holding Ltd, since any key strategic financial and operating decision relating to Suntco Holding Ltd, require the consent of both shareholders or their representatives. As a result, the investment in Suntco Holding Ltd was accounted for as an investment in joint venture.

In addition, under the shareholders' agreement mentioned above, the Company has the option, without the consent of Celeste Assets Ltd, to purchase the remaining 49% shareholding based on an agreed formula. Similarly, Celeste Assets Ltd has the right, without the consent of the Company, to sell to the Company the remaining 49% stake in the particular subsidiary based on an agreed formula. These option become exercisable as from 2011 onwards. The Company has not recognised and measured these derivatives at fair value as per the requirements of IAS 39 'Financial Instruments: Recognition and Measurement'. These derivatives are shown at NIL carrying amount as at 31 March 2010.

### 8. Trade and other receivables

	2010 US\$	2009 US\$
Receivables from parent (Note 14.3)	105,225	-
Deposits and prepayments	4,456	-
Other receivables	135,417	3,872
	<u>245,098</u>	<u>3,872</u>

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

Trade and other receivables are denominated mainly in US Dollars

### 9. Cash and cash equivalents

For the purposes of the financial position and the cash flow statements, the cash and cash equivalents include the following:

	2010 US\$	2009 US\$
Cash at bank (Credit rating Aa2)	97,362	-
Short-term deposits (Credit rating Aaa)	500,481	-
	<u>597,843</u>	<u>-</u>

Cash and Cash equivalents are denominated in US Dollars.

### 10. Share capital

	2010 Number of shares	2010 US\$	2009 Number of shares	2009 US\$
<b>Authorised</b>				
Ordinary shares of US\$1 each	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
<b>Issued and fully paid</b>				
Balance at 1 April / 18 December	3,000	3,000	-	-
Issue of shares	<u>7,000</u>	<u>7,000</u>	<u>3,000</u>	<u>3,000</u>
<b>Balance at 31 March</b>	<u>10,000</u>	<u>10,000</u>	<u>3,000</u>	<u>3,000</u>



# KAHUTARA HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

### 10. Share capital (continued)

#### Authorised capital

Under its Memorandum the Company fixed its share capital at 10,000 ordinary shares of nominal value of US\$1 each. On 24th August 2009, the authorised share capital of the Company was re-classified from 10,000 shares of US\$1 each to 6,500 A shares of US\$1 each and 3,500 B shares of US\$1 each.

#### Issued capital

Upon incorporation on the 18th of December 2007 the Company issued to the subscribers of its Memorandum of Association 3,000 ordinary shares of US\$1 each at par. On 24 August 2009 the initial 3,000 shares were reclassified to Class A shares. On the same date a further 3,500 Class A shares were issued at nominal value \$1 and premium amount per share \$2,477,1428. On the same date 3,500 Class B shares were issued at nominal value \$1 and premium amount per share \$1,333,9231. Both classes of shares A and B have equal rights in the company and only distinguish between the owners of the shares.

### 11. Borrowings

	2010 US\$	2009 US\$
<b>Current borrowings</b>		
Short term loans	<u>13,266,943</u>	-
	<u>13,266,943</u>	-

The bank loan is denominated in US Dollars, is repayable within seven years from the date of its origination and at the balance sheet date the applicable interest rate was 3 months LIBOR plus 5%. On 21 May 2010, an amendment to the loan agreement was signed changing the applicable interest rate to 3 months LIBOR plus 3.25%. The bank loan is secured by a pledge by the Company of its 51% shareholding in Suntco Holding Limited; a pledge by the Company's parent company of its 65% shareholding in the Company, a guarantee by the company to maintain a Debt Service Reserve Account (DSRA) which can be utilised at any time if the Company does not meet its obligations for the repayment of the principal and interest and a corporate guarantee by Tata Tea Limited (ultimate beneficial owner) to meet any shortfall on the DSRA. As at the financial position date, the Company was in breach of the Debt Service Coverage Ratio (DSCR) covenants as per the borrowing agreement. Thus, the bank borrowing has been reclassified as current. After the year-end, the Company has obtained a waiver by the bank for this covenant (Note 17).

The Company's bank borrowings are arranged at floating rates exposing the Company to cash flow interest rate risk (Note 3).

The carrying amount of bank borrowings approximate their fair value.

### 12. Trade and other payables

	2010 US\$	2009 US\$
Payables to parent (Note 14.4)	1,038,194	-
Accruals	19,238	7,976
Other creditors	24,077	10,417
Payables to related companies (Note 14.1)	-	12,463
	<u>1,081,509</u>	<u>30,856</u>

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

### 13. Current tax liabilities

	2010 US\$	2009 US\$
Special contribution for defence	56	-
	<u>56</u>	<u>-</u>

# KAHUTARA HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

### 14. 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 controlled by the European Bank for Reconstruction and Development. The ultimate controlling party is Tata Tea Limited, incorporated in India.

The following transactions were carried out with related parties:

#### 14.1 Payables to related parties (Note 12)

Name	Nature of transactions	2010 US\$	2009 US\$
Payables to related parties	Finance	-	12,463
		-	12,463

#### 14.2 Loans from related undertakings

	2010 US\$	2009 US\$
Advanced during the year	507,075	-
Interest	22,883	-
	529,958	-

The related party is the holding company of the Company's parent entity. The borrowing is denominated in US Dollars, bears interest of 7% , is unsecured and is repayable after the company repays its bank borrowing.

#### 14.3 Shareholders' current accounts - debit balances (Note 8)

	2010 US\$	2009 US\$
Shareholders' current accounts	105,225	-
	105,225	-

The shareholders' current accounts are interest free, and have no specified repayment date.

#### 14.4 Shareholders' current accounts - credit balances (Note 12)

	2010 US\$	2009 US\$
Royalty fee accrued	1,038,194	-
	1,038,194	-

The shareholders' current accounts are interest free, and have no specified repayment date.

#### 14.5 Transactions with related parties

	2010 US\$	For the period from 18/12/2007 to 31/3/2009 US\$
Royalty fee to parent entity (excluding VAT) (Note 4)	869,006	-
	869,006	-

#### 14.6 Guarantee by parent

The parent entity has provided a guarantee for the bank borrowing obtained by the Company during the year.



## **KAHUTARA HOLDINGS LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010**

#### **15. Contingent liabilities**

The Company's underlying investments operate in the Russian Federation. The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes and other legal and fiscal impediments contribute to the challenges face by banks currently operating in the Russian Federation. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic financial and monetary measures undertaken by the Government, together with tax, legal, regulatory and political developments.

The ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the Russian banking sector, and higher interbank lending rates. The uncertainties in the global financial market have also led to bank failures and bank rescues in the United States of America, Western Europe and in Russia.

Management is unable to reliably estimate the effects on the Company's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Company's business in the current circumstances.

#### **16. Commitments**

The Company had no capital or other commitments as at 31 March 2010.

#### **17. Significant events after the end of the financial year**

On 3 June 2010 the Bank that provided the loan to the Company agreed to test the Debt Service Coverage Ratio (DSCR) covenant based on the 12 month period ending 30 June 2010 instead of the 12 month period ending 31 March 2010.

**Independent Auditor's Report pages 4 and 5**

## KAHUTARA HOLDINGS LIMITED

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### DETAILED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

			For the period from 18/12/2007 to 31/3/2009
	Page	2010 US\$	US\$
Operating expenses	23	<u>(919.653)</u>	<u>(29.964)</u>
<b>Operating loss</b>		<b>(919.653)</b>	<b>(29.964)</b>
Finance income	24	<b>1.172.475</b>	-
Finance costs	24	<u>(456.824)</u>	<u>(20)</u>
<b>Net loss for the year before tax</b>		<b><u>(204.002)</u></b>	<b><u>(29.984)</u></b>

## KAHUTARA HOLDINGS LIMITED

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### OPERATING EXPENSES FOR THE YEAR ENDED 31 MARCH 2010

	For the period from 18/12/2007 to 31/3/2009	
	2010 US\$	US\$
Operating expenses	7.772	11.106
Auditors' remuneration	23.742	1.739
Accounting fees	3.053	4.668
Legal fees	2.035	-
Other professional fees	4.081	1.345
Irrecoverable VAT	869.006	-
Royalty fee	5.990	917
Disbursement Fees	3.974	3.965
Advisory fees	-	6.224
Incorporation expenses	<u>919.653</u>	<u>29.964</u>

# KAHUTARA HOLDINGS LIMITED

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## FINANCE INCOME / COST FOR THE YEAR ENDED 31 MARCH 2010

	2010 US\$	For the period from 18/12/2007 to 31/3/2009 US\$
<b>Finance income</b>	<b>536</b>	<b>-</b>
Bank interest	<u>1,171,939</u>	<u>-</u>
Unrealised foreign exchange gains	<u>1,172,475</u>	<u>-</u>
 <b>Finance costs</b>		
<b>Interest expense</b>	<b>443,172</b>	<b>-</b>
Loan interest		
<b>Other finance expenses</b>	<b>13,546</b>	<b>-</b>
Bank charges		
<b>Net foreign exchange transaction losses</b>	<b>106</b>	<b>20</b>
Realised foreign exchange losses	<u>456,824</u>	<u>20</u>