

KAHUTARA HOLDINGS LIMITED

FINANCIAL STATEMENTS
31 March 2020

KAHUTARA HOLDINGS LIMITED

FINANCIAL STATEMENTS **31 March 2020**

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KAHUTARA HOLDINGS LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Lakshmanan Krishnakumar
Nina Iosif (Appointed 21/05/2019)
Stefani Orfanidou (Appointed 21/05/2019)
Maroulla Georgiou (Resigned 21/05/2019)
Daphne Kourtella (Resigned 21/05/2019)
Arta Antoniou (Resigned 21/05/2019)
Tamara Tosic (Resigned 14/02/2020)
Eftychia Spyrou (Resigned 14/02/2020)

Company Secretary:

A.T.S. Services Limited

Independent Auditors:

Deloitte Limited
Certified Public Accountants and Registered Auditors
Maximos Plaza, Tower 1, 3rd Floor 213
Arch. Makariou III Avenue
3030 Limassol
Cyprus

Registered office:

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

Bankers:

Hellinic Bank Public Company Limited

Registration number:

HE216538

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 Kahutara Holdings Limited (the "Company"), which are presented in pages 5 to 23 and comprise the statement of financial position as at 31 March 2020, and the statements of profit or loss and other 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 2020, 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' International Code of Ethics for Professional Accountants (including International Independence Standards) (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.

Material Uncertainty Related to Going Concern

We draw attention to Note 4 to the financial statements, which indicates that the Company incurred a net loss of US\$4,613,312 during the year ended 31 March 2020 and, as of that date, the Company's current liabilities exceeded its current assets by US\$28,981,695. As stated in Note 4, these events or conditions, along with other matters as set forth in Note 4, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Independent Auditor's Report (continued)

To the Members of Kahutara Holdings Limited

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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 a 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.

Independent Auditor's Report (continued)

To the Members of Kahutara Holdings Limited

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 69 of the Auditors Law of 2017 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.



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Alexis Agathocleous
Certified Public Accountant and Registered Auditor
for and on behalf of

Deloitte Limited
Certified Public Accountants and Registered Auditors

Limassol, 8 May 2020

KAHUTARA HOLDINGS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 31 March 2020

	Note	2020 US\$	2019 US\$
Administration expenses		(30,927)	(30,019)
Impairment losses on financial assets		<u>(4,581,515)</u>	<u>(1,323,211)</u>
Operating loss		(4,612,442)	(1,353,230)
Net finance (costs)/income	8	<u>(870)</u>	<u>873,893</u>
Loss before tax		(4,613,312)	(479,337)
Tax	9	<u>-</u>	<u>-</u>
Net loss for the year		(4,613,312)	(479,337)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive (loss) for the year		<u>(4,613,312)</u>	<u>(479,337)</u>

The notes on pages 9 to 24 form an integral part of these financial statements.

KAHUTARA HOLDINGS LIMITED

STATEMENT OF FINANCIAL POSITION 31 March 2020

	Note	2020 US\$	2019 US\$
ASSETS			
Non-current assets			
Investments in subsidiaries	10	-	-
Current assets			
Trade and other receivables	11	149,345	321,348
Loans to related parties	16	-	5,606,607
Cash and cash equivalents	12	-	637
		<u>149,345</u>	<u>5,928,592</u>
Total assets		<u>149,345</u>	<u>5,928,592</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	13	20,000	20,000
Share premium		23,471,231	23,471,231
Accumulated losses		(52,472,926)	(47,859,614)
Total equity		<u>(28,981,695)</u>	<u>(24,368,383)</u>
Current liabilities			
Trade and other payables	14	46,413	37,348
Loans from related companies	16	29,084,605	30,259,605
Current tax liabilities	15	22	22
		<u>29,131,040</u>	<u>30,296,975</u>
Total equity and liabilities		<u>149,345</u>	<u>5,928,592</u>

On 8 May 2020 the Board of Directors of Kahutara Holdings Limited authorised these financial statements for issue.

LAKSHMANAN KRISHNAKUMAR
AN KRISHNA
KUMAR

Lakshmanan Krishnakumar
Director


Nijia Iosif
Director

The notes on pages 9 to 24 form an integral part of these financial statements.

KAHUTARA HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY

31 March 2020

	Share capital US\$	Share premium US\$	Accumulated losses US\$	Total US\$
Balance at 31 March 2018 / 1 April 2018	20,000	23,471,231	(43,842,361)	(20,351,130)
Effect of initial application of IFRS 9	-	-	(3,537,916)	(3,537,916)
Comprehensive income				
Net loss for the year	-	-	(479,337)	(479,337)
Balance at 31 March 2019 / 1 April 2019	20,000	23,471,231	(47,859,614)	(24,368,383)
Comprehensive income				
Net loss for the year	-	-	(4,613,312)	(4,613,312)
Balance at 31 March, 2020	20,000	23,471,231	(52,472,926)	(28,981,695)

Share premium is not available for distribution.

The notes on pages 9 to 24 form an integral part of these financial statements.

KAHUTARA HOLDINGS LIMITED

STATEMENT OF CASH FLOWS

31 March 2020

	Note	2020 US\$	2019 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(4,613,312)	(479,337)
Adjustments for:			
Impairment losses on financial assets		4,581,515	1,323,211
Impairment charge - trade receivables	11	-	-
Interest income	8	-	(989,970)
Interest expense	8	122,326	116,191
Interest waived	16	(122,326)	-
		(31,797)	(29,905)
Changes in working capital:			
Decrease in trade and other receivables		21,095	851
Increase in trade and other payables		9,065	28,164
Cash used in operations		<u>(1,637)</u>	<u>(890)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Loan repayment received	16	<u>1,176,000</u>	<u>900,000</u>
Net cash generated from investing activities		<u>1,176,000</u>	<u>900,000</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loans from related companies	16	<u>(1,175,000)</u>	<u>(900,000)</u>
Net cash used in financing activities		<u>(1,175,000)</u>	<u>(900,000)</u>
Net decrease in cash and cash equivalents		<u>(637)</u>	<u>(890)</u>
Cash and cash equivalents at beginning of the year		<u>637</u>	<u>1,527</u>
Cash and cash equivalents at end of the year	12	<u>-</u>	<u>637</u>

The notes on pages 9 to 24 form an integral part of these financial statements.

KAHUTARA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2020

1. Incorporation and principal activities

Country of Incorporation

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. 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. These financial statements are the stand-alone financial statements of the Company.

The Company has used the exemption from preparing consolidated financial statements as it is itself a wholly owned subsidiary of Tata Consumer Products UK Group Ltd, a company incorporated in 18 December 2007 preparing financial statements available for public use that comply with International Financial Reporting Standards. These Consolidated Financial Statements are publicly available on the Parent Company's website.

The European Commission has concluded that since parent companies are required by the EU 4th Directive to prepare their separate financial statements and since the Companies Law, Cap.113, requires the preparation of such financial statements in accordance with IFRS as adopted by the EU, the provisions in IFRS 10 "Consolidated and Separate Financial Statements" requiring 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 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.

3. Adoption of new or revised standards and interpretations

During the current year the Company 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 2019. This adoption did have a material effect on the accounting policies of the Company.

4. 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.

KAHUTARA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 March 2020

4. 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 2020 of US\$28,981,695 (2019:US\$24,368,383) and a net loss of US\$4,613,312 (2019:US\$479,337) for the year then ended, the Directors have considered a Letter of Support dated 6 April 2020 obtained from Tata Consumer Products UK Group 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.

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

- **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.

Finance costs

Interest expense and other borrowing costs are charged to profit or loss as 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"). 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.

KAHUTARA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2020

4. Significant accounting policies (continued)

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 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Financial assets - Classification

From 1 April 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Recognition and derecognition

Purchases and sales are recognised when the entity becomes a party to the contractual provisions of the investments.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial assets - Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

KAHUTARA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2020

4. Significant accounting policies (continued)

Financial assets - Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in 'other income'. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss and other comprehensive income. Financial assets measured at amortised cost (AC) comprise: cash and cash equivalents, trade and other receivables and loans receivables.

Financial assets - Impairment - credit loss allowance for ECL

From 1 April 2018, the Company assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at AC and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income within "net impairment losses on financial and contract assets".

Debt instruments measured at AC are presented in the statement of financial position net of the allowance for ECL. For all other financial assets that are subject to impairment under IFRS 9, the Company applies the general approach - three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL").

Financial assets - Reclassification

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

Financial assets - write-off

Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

KAHUTARA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2020

4. Significant accounting policies (continued)

Financial assets - modification

The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company assesses whether the modification of contractual cash flows is substantial considering, among others, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Company also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Company compares the original and revised expected cash flows to assess whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss.

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.

Financial assets at amortised cost

These are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Financial assets at amortised cost are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

Financial liabilities - measurement categories

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Trade and other payables

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

KAHUTARA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2020

4. Significant accounting policies (continued)

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.

Comparatives

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

5. Financial risk management

Financial risk factors

The Company is exposed to interest rate risk, credit risk, liquidity risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

5.1 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:

	2020 US\$	2019 US\$
Fixed rate instruments		
Financial assets	-	5,606,607
Variable rate instruments		
Financial liabilities	-	1,396,449
	<u>-</u>	<u>7,003,056</u>

5.2 Credit risk

Credit risk arises from cash and cash equivalents, other receivables and loans receivables.

KAHUTARA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2020

5. Financial risk management (continued)

5.2 Credit risk (continued)

(i) Risk management

Management assesses the credit quality of the counterparty, taking into account its financial position, past experience and other factors.

(ii) Impairment of financial assets

The Company has the following types of financial assets that are subject to the expected credit loss model:

- trade and other receivables
- loans receivable
- cash and cash equivalents

Trade receivables and contract assets

Financial assets

Financial assets at amortised cost

Financial assets at amortised cost include loans to related parties, trade and other receivable and cash and cash equivalents.

The Company considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated (where applicable):

- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower/counterparty
- significant increases in credit risk on other financial instruments of the same borrower/counterparty
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower/counterparty, including changes in the payment status of counterparty in the Company and changes in the operating results of the borrower.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. Where loans or receivables have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The Company uses three categories for loans, trade and other receivables, and cash and cash equivalents which reflect their credit risk and how the loss provision is determined for each of those categories.

KAHUTARA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2020

5. Financial risk management (continued)

5.2 Credit risk (continued)

(ii) Impairment of financial assets (continued)

A summary of the assumptions underpinning the Company's expected credit loss model is as follows:

Category	Basis for recognition of expected credit loss provision	Basis for calculation of interest revenue
Performing	Stage 1: 12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.	Gross carrying amount
Underperforming	Stage 2: Lifetime expected losses	Gross carrying amount
Non-performing	Stage 3: Lifetime expected losses	Amortised cost carrying amount (net of credit allowance)
Write-off	Asset is written off	None

Over the term of the loans, trade and other receivables, and loans receivables the Company accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Company considers historical loss rates for each category of counterparty, and adjusts for forward looking macroeconomic data.

Where the impairment is immaterial, no provision for impairment is recorded.

For the current year, no provision for impairment was recognised in relation to the cash and cash equivalent, and other receivables.

Loans to related parties

The following table discloses the changes in the credit loss allowance and gross carrying amount for loans to related parties between the beginning and the end of the reporting period:

	Credit loss allowance				Gross carrying amount			
	Stage 1 Performing	Stage 2 Under-performing	Stage 3 Non-performing	Total	Stage 1 Performing	Stage 2 Under-performing	Stage 3 Non-performing	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
31 March 2019	-	-	(4,861,127)	(4,861,127)	-	-	10,467,734	10,467,734
Individual financial assets transferred to non - performing (credit-impaired financial assets)	-	-	(4,581,515)	(4,581,515)	-	-	-	-
Closing balances as at 31 March 2020 (calculated under IFRS 9)	-	-	(9,442,642)	(9,442,642)	-	-	9,442,642	9,442,642

KAHUTARA HOLDINGS LIMITED

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5. Financial risk management (continued)

5.3 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 2020

	Carrying amounts US\$	Contractual cash flows US\$	3 months or less US\$
Trade and other payables	4,639	4,639	4,639
Payables to related parties	34,363	34,363	34,363
Loan from parent	1,396,449	1,396,449	1,396,449
Loans from related companies	27,688,156	27,688,156	27,688,156
	<u>29,123,607</u>	<u>29,123,607</u>	<u>29,123,607</u>

31 March 2019

	Carrying amounts US\$	Contractual cash flows US\$	3 month or less US\$
Trade and other payables	7,640	7,640	7,640
Payables to related parties	22,136	22,136	22,136
Loan from parent	1,396,449	1,396,449	1,396,449
Loans from related companies	28,863,156	28,863,156	28,863,156
	<u>30,289,381</u>	<u>30,289,381</u>	<u>30,289,381</u>

5.4 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.

KAHUTARA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2020

6. Critical accounting estimates, judgments and assumptions

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:

- **Going concern basis**

The assessment of the Company for the appropriateness of the use of the going concern basis is disclosed in note 4.

- **Income tax**

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Critical judgements in applying the Company's accounting policies

- **Impairment of financial assets**

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 5, Credit risk section.

7. Expenses by nature

	2020	2019
	US\$	US\$
Legal fees	3,507	4,791
Accounting fees	10,233	9,411
Auditors' remuneration	5,515	3,924
Professional fees	6,319	6,676
Irrecoverable VAT	4,625	4,539
Other expenses	728	678
Total administration expenses	30,927	30,019

KAHUTARA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2020

8. Finance income/(costs)

	2020 US\$	2019 US\$
Finance income		
Loan interest received	-	989,970
Realised foreign exchange profit	-	151
Unrealised foreign exchange profit	<u>824</u>	<u>853</u>
	<u>824</u>	<u>990,974</u>
Finance costs		
Interest expense		
Interest on loan from related company (Note 16.2)	-	116,191
Sundry finance expenses		
Bank charges	1,637	890
Net foreign exchange losses		
Realised foreign exchange loss	<u>57</u>	<u>-</u>
	<u>1,694</u>	<u>117,081</u>

9. Tax

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

	2020 US\$	2019 US\$
Loss before tax	<u>(4,613,312)</u>	<u>(479,337)</u>
Tax calculated at the applicable tax rates	(576,664)	(59,917)
Tax effect of expenses not deductible for tax purposes	556,408	166,899
Tax effect of allowances and income not subject to tax	18,767	(126)
Tax effect of tax losses brought forward	-	(106,856)
Tax effect of tax loss for the year	<u>1,489</u>	<u>-</u>
Tax charge	<u>-</u>	<u>-</u>

The corporation tax rate is 12,5%.

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

In certain cases, dividends received from abroad may be subject to special contribution for defence at the rate of 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

31 March 2020

10. Investments in subsidiaries

	2020 US\$	2019 US\$
Balance at 1 April	-	-
Balance at 31 March	-	-

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

Name	Country of incorporation	Principal activities	2020 Holding %	2019 Holding %
Suntyco Holding Ltd	Cyprus	Holding shares in Company having Trade Marks ownership	100	100

An impairment of US\$ 47,065,811 was recognised in the Company's records on 31 March 2015, 31 March 2016 and 31 March 2017 respectively.

11. Trade and other receivables

	2020 US\$	2019 US\$
Receivables from own subsidiaries (Note 16.3)	-	159,270
Receivables from related companies (Note 16.3)	47,887	59,322
Receivables from parent (Note 16.3)	99,801	99,801
Deposits and prepayments	1,657	2,955
	149,345	321,348

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

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 is denominated in US Dollars.

12. Cash and cash equivalents

Cash balances are analysed as follows:

	2020 US\$	2019 US\$
Cash at bank (Credit rating (2019: Caa1))	-	637
	-	637

Cash and cash equivalents are denominated in US Dollars.

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NOTES TO THE FINANCIAL STATEMENTS

31 March 2020

13. Share capital

	2020 Number of shares	2020 US\$	2019 Number of shares	2019 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>
		US\$		US\$
Issued and fully paid				
Ordinary "A" shares-				
Balance at 1 April	13,000	13,000	13,000	13,000
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	7,000	7,000	7,000	7,000
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>20,000</u>	<u>20,000</u>

Authorised capital

The authorized 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 said 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.

14. Trade and other payables

	2020 US\$	2019 US\$
Accruals	7,411	7,572
Other creditors	4,639	7,640
Payables to associates (Note 16.5)	<u>34,363</u>	<u>22,136</u>
	<u>46,413</u>	<u>37,348</u>

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

15. Current tax liabilities

	2020 US\$	2019 US\$
Special contribution for defence	<u>22</u>	<u>22</u>
	<u>22</u>	<u>22</u>

KAHUTARA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2020

16. Related party balances and transactions

The Company is controlled by Campestres Holdings Limited, incorporated in Cyprus, which owns 100% of the Company's shares. The ultimate parent company is Tata Consumer Products Ltd, incorporated in India.

The following transactions were carried out with related parties:

16.1 Interest income

	2020 US\$	2019 US\$
Suntco Holdings Limited	-	873,779

16.2 Interest expense (Note 8)

	2020 US\$	2019 US\$
Campestres Holdings Limited	-	116,191
	-	116,191

16.3 Receivables from related parties (Note 11)

	2020 US\$	2019 US\$
Suntco Holding Ltd	-	159,270
Onomento Co Ltd	47,887	59,322
Campestres Holdings Limited	99,801	99,801
	147,688	318,393

The closing balance with Suntco Holding Ltd of total amount of US\$150,908 has been fully provided for on 31 March 2020.

16.4 Loans to related parties

	2020 US\$	2019 US\$
Balance at 1 April	5,606,607	10,493,955
Effect of adoption of IFRS 9 (Loss allowance)	-	(3,537,916)
Interest income	-	873,779
Loss allowance	(4,430,607)	(1,323,211)
Repayment	(1,176,000)	(900,000)
	-	5,606,607

On 17 August 2017, the Company, as Lender, entered into an inter-company loan agreement with its subsidiary company Suntco Holding Limited, as Borrower, for a revolving credit facility of up to US\$ 17.3million. This loan bears interest at ICELIBOR plus 6% margin per annum and is repayable on demand. During the year the interest accrued was for US\$Nil (2019: US\$873,779) and an amount of US\$1,176,000 (2019: US\$900,000) was made as repayment. Since 1 April 2019 the loan interest has been changed to 0%.

The modification loss is included in the loss allowance for the year as the loan was fully provided for as at 31 March 2020.

16.5 Payables to related parties (Note 14)

Name	Nature of transactions	2020 US\$	2019 US\$
Tata Global Beverages Services Limited	Finance	34,363	22,136
		34,363	22,136

The payables to related parties were provided interest free, and there was no specified repayment date.

KAHUTARA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2020

18. Significant events after the end of the financial year (continued)

16.6 Loans payable to related parties

	2020	2019
	US\$	US\$
Campestres Holdings Limited	1,396,449	1,396,449
Tata Global Beverages Investments Limited	27,688,156	28,863,156
	<u>29,084,605</u>	<u>30,259,605</u>

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 bore interest at LIBOR plus 5.5% margin per annum and is repayable on demand.

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\$2,500,000 bore interest at 3 month LIBOR plus 5.25% margin per annum, is unsecured and is repayable on demand. As from 01 April 2017, the loan bears 0% interest rate.

The second facility, amounted to US\$36,700,000 bore interest at ICE LIBOR rate plus 5.50% margin per annum, is unsecured and repayable on demand. As from 01 April 2017 the loan bears 0% interest rate.

17. Contingent liabilities

Russian operating environment

The operation 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 2018, 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. 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.

18. Significant events after the end of the financial year

With the recent and rapid development of the Coronavirus disease (COVID-19) outbreak the world economy entered a period of unprecedented health care crisis that has already caused considerable global disruption in business activities and everyday life. Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations. Governments, including the Republic of Cyprus, have implemented restrictions on travelling as well as strict quarantine measures.

The Company has evaluated the results of its Russian operations during the lockdown months of March 2020 and April 2020 which have shown an upward trend in sales.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome.

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NOTES TO THE FINANCIAL STATEMENTS **31 March 2020**

18. Significant events after the end of the financial year (continued)

The event is considered as a non-adjusting event and is therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 March 2020.

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.

Independent auditor's report on pages 2 to 4