

CUMI INTERNATIONAL LTD

**ANNUAL REPORT AND FINANCIAL
STATEMENTS**

Year ended 31 December 2020

CUMI INTERNATIONAL LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2020

CONTENTS

PAGE

Board of Directors and other officers	1
Management Report	2
Independent auditor's report	3 - 6
Statement of profit or loss and other comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Statement of cash flows	10
Notes to the financial statements	11 - 20

CUMI INTERNATIONAL LTD

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Rodoula Malikidou
Christos Mavrelis
Maria Theofilou
Ajit Akkara Veetil Kumar
Sergey Petrosyan
Pundi Srinivasan Raghavan

Company Secretary:

Cyproservus Co. Ltd

Independent Auditors:

P. Constantinou & Co Ltd
Certified Public Accountants
Corner of 32/1 Grigori Afxentiou & Andrea Vlami Street
Mesa Gitonia 4003
Limassol
Cyprus

Registered office:

284 Arch. Makariou III Ave.
Fortuna Court, 2nd Floor
3105 Limassol
Cyprus

Registration number:

HE201407

CUMI INTERNATIONAL LTD

MANAGEMENT REPORT

The Board of Directors presents its report and audited financial statements of the Company for the year ended 31 December 2020.

Principal activity and nature of operations of the Company

The principal activity of the Company, which is unchanged from last year, is that of an investment company.

Review of current position, future developments and performance of the Company's business

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

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company are disclosed in notes 6, 7 and 18 of the financial statements.

Results

The Company's results for the year are set out on page 7.

Dividends

The Board of Directors does not recommend the payment of a dividend and the net profit for the year is retained.

Share capital

There were no changes in the share capital of the Company during the year under review.

Board of Directors

The members of the Company's Board of Directors as at 31 December 2020 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 31 December 2020.

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 responsibilities and remuneration of the Board of Directors.

Operating Environment of the Company

Any significant events that relate to the operating environment of the Company are described in note 18 to the financial statements.

Events after the reporting period

Any significant events that occurred after the end of the reporting period are described in note 22 to the financial statements.

Independent Auditors

The Independent Auditors, P. Constantinou & Co Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

Rodoula Malikidou
Director

Limassol, 9 July 2021



P. CONSTANTINOU & CO LTD

AUDIT • TAX • CONSULTING

Corner of 32/1 Grigori Afxentiou Str. & Andrea Vlami Str.,
4003 Mesa Gitonia, Limassol, Cyprus
P.O. Box 57186, 3313 Limassol, Cyprus

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www.pconstantinou.com

Independent Auditor's Report

To the Members of Cumi International Ltd

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the parent company Cumi International Ltd (the "Company"), which are presented in pages 7 to 20 and comprise the statement of financial position as at 31 December 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 parent company Cumi International Ltd as at 31 December 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.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



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Independent Auditor's Report (continued)

To the Members of Cumi International Ltd

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the 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.



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Independent Auditor's Report (continued)

To the Members of Cumi International Ltd

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Management Report.



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Independent Auditor's Report (continued)

To the Members of Cumi International Ltd

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.

Panayiotis M. Constantinou
Certified Public Accountant and Registered Auditor
for and on behalf of
P. Constantinou & Co Ltd
Certified Public Accountants

Limassol, 9 July 2021

CUMI INTERNATIONAL LTD

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME Year ended 31 December 2020

	Note	2020 US\$	2019 US\$
Revenue	8	4.426.646	5.239.699
Administration expenses		(29.925)	(282.467)
Operating profit	9	4.396.721	4.957.232
Net finance costs	10	(2.356)	(104.398)
Profit before tax		4.394.365	4.852.834
Tax	11	(221.332)	(261.988)
Net profit for the year		4.173.033	4.590.846
Other comprehensive income		-	-
Total comprehensive income for the year		4.173.033	4.590.846

The notes on pages 11 to 20 form an integral part of these financial statements.

CUMI INTERNATIONAL LTD

STATEMENT OF FINANCIAL POSITION

31 December 2020

	Note	2020 US\$	2019 US\$
ASSETS			
Non-current assets			
Investments in subsidiaries	12	<u>60.376.772</u>	56.626.772
		60.376.772	<u>56.626.772</u>
Current assets			
Receivables	13	3.969	3.391
Cash at bank and in hand	14	<u>776.758</u>	566.399
		780.727	<u>569.790</u>
Total assets		<u>61.157.499</u>	<u>57.196.562</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	15	25.737.406	25.737.406
Share premium		17.606.429	17.606.429
Retained earnings		<u>17.796.743</u>	13.623.710
Total equity		<u>61.140.578</u>	<u>56.967.545</u>
Current liabilities			
Trade and other payables	16	16.918	229.014
Current tax liabilities	17	<u>3</u>	3
		16.921	<u>229.017</u>
Total equity and liabilities		<u>61.157.499</u>	<u>57.196.562</u>

On 9 July 2021 the Board of Directors of Cumi International Ltd authorised these financial statements for issue.

.....
Rodoula Malikidou
Director

.....
Christos Mavrelis
Director

.....
Maria Theofilou
Director

The notes on pages 11 to 20 form an integral part of these financial statements.

CUMI INTERNATIONAL LTD

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Share capital US\$	Share premium US\$	Retained earnings US\$	Total US\$
Balance at 1 January 2019	25.737.406	17.606.429	9.032.864	52.376.699
Net profit for the year	-	-	4.590.846	4.590.846
Balance at 31 December 2019/ 1 January 2020	25.737.406	17.606.429	13.623.710	56.967.545
Net profit for the year	-	-	4.173.033	4.173.033
Balance at 31 December 2020	25.737.406	17.606.429	17.796.743	61.140.578

The notes on pages 11 to 20 form an integral part of these financial statements.

CUMI INTERNATIONAL LTD

STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Note	2020 US\$	2019 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		4,394,365	4,852,834
Adjustments for:			
Unrealised exchange (profit)/loss		(10)	112
Dividend income	8	(4,426,646)	(5,239,699)
Interest income	10	-	(24)
Interest expense	10	-	98,096
		(32,291)	(288,681)
Changes in working capital:			
(Increase)/decrease in receivables		(568)	1,207
(Decrease)/increase in trade and other payables		(212,096)	211,614
Cash used in operations		(244,955)	(75,860)
Dividends received		4,426,646	5,239,699
Interest paid		-	(114,385)
Tax paid		(221,332)	(261,985)
Net cash generated from operating activities		3,960,359	4,787,469
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of investments in subsidiaries	12	(3,750,000)	-
Interest received		-	24
Net cash (used in)/generated from investing activities		(3,750,000)	24
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings		-	(4,385,148)
Net cash used in financing activities		-	(4,385,148)
Net increase in cash and cash equivalents		210,359	402,345
Cash and cash equivalents at beginning of the year		566,399	164,054
Cash and cash equivalents at end of the year		776,758	566,399

The cash and cash equivalents include the following:

	2020 US\$	2019 US\$
Cash at bank and in hand (Note 14)	776,758	566,399
	776,758	566,399

The notes on pages 11 to 20 form an integral part of these financial statements.

CUMI INTERNATIONAL LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

1. Incorporation and principal activities

Country of incorporation

The Company Cumi International Ltd (the "Company") was incorporated in Cyprus on 7 June 2007 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 284 Arch. Makariou III Ave., Fortuna Court, 2nd Floor, 3105 Limassol, Cyprus.

Principal activity

The principal activity of the Company, which is unchanged from last year, is that of an investment company.

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.

The Company is not required to prepare consolidated financial statements and the Company does not intend to issue consolidated financial statements for the year ended 31 December 2020.

These financial statement are the separate financial statements. The Company has not prepared consolidated financial statements as the exemption from consolidation in paragraph 10 of IAS27, "Consolidated and Separate Financial Statments", has been used. The Company's parent Carborundum Universal Ltd, a Company incorporated/resident in India produced consolidated financial statements available for public use that comply with International Financial Reporting Standards as issued by the IASB.

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

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 January 2020. This adoption did not 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.

Subsidiary companies

Subsidiaries are entities controlled by the Company. Control exists where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

Revenue

- **Dividend income**

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

CUMI INTERNATIONAL LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

4. Significant accounting policies (continued)

Finance income

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

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 United States Dollars (US\$), which is the Company's functional and presentation currency.

(2) Transactions and balances

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

Tax

Current tax liabilities and assets 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 enacted, or substantively enacted, by the reporting date.

Financial assets

Financial assets - Classification

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 or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For investments in equity instruments that are not held for trading, the classification will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

CUMI INTERNATIONAL LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

4. Significant accounting policies (continued)

Financial assets (continued)

Financial assets - Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Company commits to deliver a financial instrument. All other purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

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.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank. Cash and cash equivalents are carried at amortised cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Classification as financial assets at amortised cost

These amounts generally arise from transactions outside the usual operating activities of the Company. They 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 - Modifications

An exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. (In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered.)

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

CUMI INTERNATIONAL LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

4. Significant accounting policies (continued)

Financial assets (continued)

Financial liabilities - Modifications (continued)

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners and is recognised directly to equity.

Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds, including interest on borrowings, amortisation of discounts or premium relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset, when it is probable that they will result in future economic benefits to the Company and the costs can be measured reliably.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss.

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.

Comparatives

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

CUMI INTERNATIONAL LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

5. New accounting pronouncements

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. Some of them were adopted by the European Union and others not yet. 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.

6. Financial risk management

Financial risk factors

The Company is exposed to interest rate risk, liquidity risk, currency 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:

6.1 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.

6.2 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.

6.3 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro. The Company's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

6.4 Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from last year.

7. Critical accounting estimates, judgments and assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

CUMI INTERNATIONAL LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

7. Critical accounting estimates, judgments and assumptions (continued)

Critical accounting estimates 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.

- **Income taxes**

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 investments in subsidiaries**

The Company periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the estimated future discounted cash flows associated with these subsidiaries would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

8. Revenue

	2020	2019
	US\$	US\$
Dividend income	4.426.646	5.239.699
	4.426.646	5.239.699

9. Operating profit

	2020	2019
	US\$	US\$
Operating profit is stated after charging the following items:		
Auditors' remuneration	6.940	6.668

CUMI INTERNATIONAL LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

10. Finance income/(costs)

	2020 US\$	2019 US\$
Interest income	-	24
Exchange profit	<u>4.505</u>	<u>9</u>
Finance income	<u>4.505</u>	<u>33</u>
Net foreign exchange losses	-	(112)
Interest expense	-	(98.096)
Sundry finance expenses	<u>(6.861)</u>	<u>(6.223)</u>
Finance costs	<u>(6.861)</u>	<u>(104.431)</u>
Net finance costs	<u>(2.356)</u>	<u>(104.398)</u>

11. Tax

	2020 US\$	2019 US\$
Corporation tax	-	3
Overseas tax	<u>221.332</u>	<u>261.985</u>
Charge for the year	<u>221.332</u>	<u>261.988</u>

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

	2020 US\$	2019 US\$
Profit before tax	<u>4.394.365</u>	<u>4.852.834</u>
Tax calculated at the applicable tax rates	549.296	606.604
Tax effect of expenses not deductible for tax purposes	4.598	48.362
Tax effect of allowances and income not subject to tax	(553.894)	(654.963)
Overseas tax in excess of credit claim used during the year	<u>221.332</u>	<u>261.985</u>
Tax charge	<u>221.332</u>	<u>261.988</u>

The corporation tax rate is 12,5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. 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 17%.

CUMI INTERNATIONAL LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

12. Investments in subsidiaries

	2020	2019
	US\$	US\$
Balance at 1 January	56.626.772	56.626.772
Additions	3.750.000	-
Balance at 31 December	<u>60.376.772</u>	<u>56.626.772</u>

The details of the subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	2020 Holding %	2019 Holding %
JSC "Volzhosky Abrasive Works"	Russian Federation	Production of abrasive materials	98,07	98,07
Foskor Zirconia Pty Ltd	South Africa	Production of Calcia Stabalizer Zirconia	51	51
Cumi America Inc.	USA	Sale of Grinding Wheels	100	100
Cumi Middle East FZE	UAE	Sale of Abrasive Grinding and Scraping Requisites	100	100
Thukela Refractories Isithebe Pty	South Africa	Manufacture of fusion minerals and shaped refractories	100	100
CUMI Europe s.r.o.	Czech Republic	Market the products of Electrominerals, Abrasives Industrial ceramics and Reagratories manufactured by entities in CUMI Group	100	100
CUMI Abrasives and Ceramics Co. Ltd	China	Abrasive materials	100	100

13. Receivables

	2020	2019
	US\$	US\$
Deposits and prepayments	3.969	3.391
	<u>3.969</u>	<u>3.391</u>

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

14. Cash at bank and in hand

	2020	2019
	US\$	US\$
Cash at bank and in hand	776.758	566.399
	<u>776.758</u>	<u>566.399</u>

CUMI INTERNATIONAL LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

14. Cash at bank and in hand (continued)

For the purposes of the statement of cash flows, the cash and cash equivalents include the following:

	2020	2019
	US\$	US\$
Cash at bank and in hand	<u>776.758</u>	566.399
	<u>776.758</u>	<u>566.399</u>

15. Share capital

	2020	2020	2019	2019
	Number of	US\$	Number of	US\$
	shares		shares	
Authorised				
Ordinary shares of \$1 each	<u>27.000.000</u>	<u>27.000.000</u>	<u>27.000.000</u>	<u>27.000.000</u>
Issued and fully paid				
Balance at 1 January	<u>25.737.406</u>	<u>25.737.406</u>	<u>25.737.406</u>	<u>25.737.406</u>
Balance at 31 December	<u>25.737.406</u>	<u>25.737.406</u>	<u>25.737.406</u>	<u>25.737.406</u>

16. Trade and other payables

	2020	2019
	US\$	US\$
Shareholders' current accounts - credit balances (Note 19.1)	9.903	9.903
Accruals	<u>7.015</u>	<u>219.111</u>
	<u>16.918</u>	<u>229.014</u>

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

17. Current tax liabilities

	2020	2019
	US\$	US\$
Corporation tax	<u>3</u>	<u>3</u>
	<u>3</u>	<u>3</u>

18. Operating Environment of the Company

On 11 March 2020, the World Health Organisation declared the Coronavirus COVID- 19 outbreak to be a pandemic in recognition of its rapid spread across the globe. Many governments are taking increasingly stringent steps to help contain, and in many jurisdictions, now delay, the spread of the virus, including: requiring self-isolation/ quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and "locking-down" cities/regions or even entire countries. These measures have slowed down the economies both in Cyprus but globally as well with the potential of having wider impacts on the respective economies as the measures persist for a greater period of time.

This operating environment may have 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.

CUMI INTERNATIONAL LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

18. Operating Environment of the Company (continued)

The Company's Management is unable to predict all developments which could have an impact on the Cyprus economy and consequently, what effect, if any, they could have on the future financial performance, cash flows and financial position of the Company.

On the basis of the evaluation performed, the Company's management has concluded that no provisions or impairment charges are necessary. The Company's Management believes that it is taking all the necessary measures to maintain the viability of the Company and the smooth conduct of its operations in the current business and economic environment.

The Company's Management is unable to predict all developments which could have an impact on the Cyprus economy and consequently, what effect, if any, they could have on the future financial performance, cash flows and financial position of the Company.

On the basis of the evaluation performed, the Company's management has concluded that no provisions or impairment charges are necessary. The Company's Management believes that it is taking all the necessary measures to maintain the viability of the Company and the smooth conduct of its operations in the current business and economic environment.

19. Related party transactions

The following transactions were carried out with related parties:

19.1 Shareholders' current accounts - credit balances (Note 16)

	2020	2019
	US\$	US\$
Carborundum Universal Ltd	<u>9.903</u>	<u>9.903</u>
	<u>9.903</u>	<u>9.903</u>

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

20. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2020.

21. Commitments

The Company had no capital or other commitments as at 31 December 2020.

22. Events after the reporting period

Significant events that occurred after the end of the reporting period are described in note 18 to the financial statements.

Independent auditor's report on pages 3 to 6

