

Borelli Tea Holdings Limited
Financial Statements
31 March 2021

FERGUSON MAIDMENT & CO.
Chartered accountants & statutory auditor
167 Fleet Street
London
EC4A 2EA

Borelli Tea Holdings Limited

Financial Statements

Year ended 31 March 2021

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Borelli Tea Holdings Limited
Officers and Professional Advisers

The board of directors	D Sen A Khaitan S Knight B J Ruck P Bhar
Company secretary	D Sen
Registered office	Woodlands 79 High Street Greenhithe Kent DA9 9RD
Auditor	Ferguson Maidment & Co. Chartered accountants & statutory auditor 167 Fleet Street London EC4A 2EA
Bankers	ICICI Bank UK Plc 21 Knightsbridge London SW1X 7LY

Borelli Tea Holdings Limited

Strategic Report

Year ended 31 March 2021

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was that of an investment holding company and trading company. The other major activity of the company is receiving royalties from the licensing of its intellectual property in trademarks.

The results for the year and financial position of the company are as shown in the annexed financial statements. During the year company performance was satisfactory and the key performance indicators are:

	2021	2020
	£	£
Turnover	1,036,047	844,389
Operating (loss) / profit	920,639	2,943,762
Post tax profit	384,401	3,570,848
Shareholder's fund	20,285,027	19,900,626

The principal financial instruments comprise bank balances, creditors, debtors and long term loans from group companies as and when required. The main purpose of these instruments is to fund the company's ongoing working capital requirements. Due to the nature of these instruments the company is not exposed to price risk. The company has also taken out a bank loan to finance the company investments. This is the US Dollar denominated loan with agreed interest rates related to US\$ LIBOR. The company is therefore exposed to interest rate risk. The company has US\$ denominated loans payable, loans receivable and bank deposits. The company is therefore exposed to currency risk.

INVESTMENT IN THE BUSINESS

The company has primarily invested in the tea plantation sector; however it will continue to seek suitable investments in any sector that it believes provides a good investment opportunity and with the increase in tea prices worldwide, the directors expect the company's tea plantation investments to provide enhanced earnings potential in the years ahead.

The performance of the Borelli Tea Holdings Limited and its subsidiaries during the year were as follows:

Borelli Tea Holdings Limited

Strategic Report *(continued)*

Year ended 31 March 2021

PHU BEN TEA COMPANY LIMITED (PBT)

Profit / Loss:

PBT is a fully owned subsidiary of Borelli Tea Holdings Limited. It prepares its accounts calendar year wise. During the year 2020, the company incurred loss (both pre-tax and post-tax) of USD 2.06 Million as against loss (both pre-tax and post-tax) of USD 0.96 Million in year 2019. In Year 2020, Depreciation was USD 0.76 million and Finance-cost was USD 0.50 million; therefore, EBIDTA was negative for Year 2020.

Manufacture, Sales, Selling-Price and Closing Stock:

During the year 2020, PBT manufactured 6.47 million kg of tea (2019 - 7.20 million kg). During the year 2020, PBT sold 7.24 million kg tea (2019 - 7.22 million kg). Average selling price per kg during 2020 was USD 1.41 (2019 -USD 1.50). Closing Stock of tea as at 31.12.2020 was 5.89 Million kg (31.12.2019 - 6.11 million kg).

Outlook:

In order to improve PBT's profitability in year 2021, many measures have been taken / are being taken. These are mainly: (i) Customer-base have already been widened, thereby reducing over-dependence on major buyers. New buyers and new markets have been found (ii) Cost reductions in fixed and semi variable overheads is an ongoing process, (iii) Insurance premiums reduced by 30% by opting for annual contracts instead of monthly (iv) Transport cost of finished goods is being reduced by higher shipments from the factories instead of transshipments from ICD (v) Streamlining the export procedures and elimination of several export formalities , which are redundant (vi) Cost of Power & Fuel is being reduced by monitoring and improving the quality and price of supply of coal. Rationalisation of power consumption. (vii) Procurement and monitoring of high quality raw materials (Green Leaf) at a nominally higher rate to improve the quality of the produce and fetch better price. All efforts are being made to ensure that Phu Ben makes profit in year 2021.

Assessment of impact of COVID-Pandemic, and steps taken to overcome the adverse impact: Vietnam always has the minimum Covid cases, PBT has assessed the impact of Covid-19 on its business, and has found that its manpower, fields, factories, procurement, logistics, sales and collections will not be adversely affected.

Borelli Tea Holdings Limited

Strategic Report *(continued)*

Year ended 31 March 2021

MCLEOD RUSSEL UGANDA LIMITED (MRUL)

Profit / Loss:

MRUL is a fully owned subsidiary of Borelli Tea Holdings Limited. It prepares its accounts calendar year wise. During the year 2020, The Company's total comprehensive income is USD 0.49 million as against total comprehensive loss of USD 1.79 million in year 2019. During the year, the company has given much attention on various factory efficiency and has produced its highest ever crop, which has helped the company on reduction of cost and to make a marginal profit.

Manufacture, Sales, Selling-Price and Closing Stock:

During the year 2020, MRUL manufactured 21.942 million kg of tea (2019 - 19.951 million kg). During the year 2020, MRUL sold 22.314 million kg tea (2019 - 19.984 million kg). Average selling price per kg during 2020 was USD 1.20 (2019 -USD 1.13). Closing Stock of tea as at 31.12.2020 was 3.68 Million kg (31.12.2019 - 4.11 million kg).

Outlook:

During the year 2020, MRUL completed and recommissioned Kiaru Tea estate factory with a Continuous Withering Machine (CWM). The CWM has the capacity of withering 45,000kgs of green leaf per day and the factory capacity of producing about 1,500 tons per year. This is aimed to reduce the intra estate leaf movement and to produce a clonal mark. Kiaru mark was introduced in Mombasa auction during the year and it is doing well. The company has also installed second processing line at Muzizi tea estate with the capacity of producing about 900 tons annually. In 2020 MRUL produced 21,942 tons out of which 9,290 tons were outsourced from Out growers. However, the chronic drop in tea prices in the Auction market was still a problem affecting MRUL profitability in 2020.

Assessment of impact of COVID-Pandemic, and steps taken to overcome the adverse impact: 2020 was faced with the hardest time due to the onset of COVID - 19. Uganda went under lockdown and night time curfew was declared. Free movement of people was stopped. The employees who were on leave could not travel back. Recruitment was not possible due to the lockdown. The employees who were due for leave were requested to stay; their productivity could not be guaranteed given that their mind set was already distracted with the idea of going on leave.

The company had to invest heavily in order to implement the Ministry of Health guidelines to fight COVID - 19. Hand washing equipment was procured for all the locations and their respective labour villages. Sanitizer was procured in bulk. Shortage of containers for transporting tea, long queue on Uganda - Kenya border has led to a slower transportation and hiring storage at estate level. All these affected the company financially much as the tea factories were not closed.

The company is still committed to controlling the disease by providing the necessary sanitary equipment; the Estates are consistently sensitizing the employees to avoid backtracking. Recruitment resumed and employees are now taking their leave too.

Borelli Tea Holdings Limited

Strategic Report *(continued)*

Year ended 31 March 2021

MCLEOD RUSSEL AFRICA LIMITED (MRAL)

Profit / Loss:

MRAL is a fully owned subsidiary of Borelli Tea Holdings Limited. It prepares its accounts calendar year wise. During the year 2020, The Company's total comprehensive loss is USD 94,988 as against total comprehensive loss of USD 66,650 in year 2019. In Year 2020, Depreciation was USD 3,400 and Finance-cost was USD 214,617; therefore, EBIDTA was positive for Year 2020.

Purchase, Sales, Gross profit and Closing Stock:

During the year 2020, MRAL purchased 2.29 million kg of tea (2019 - 3.02 million kg). During the year 2020, MRAL sold 2.42 million kg tea (2019 - 3.10 million kg). Gross profit for the year 2020 was 5.6% (2019 -4.5%). Closing Stock of tea as at 31.12.2020 was 168,492 kg (31.12.2019 - 302,063 kg).

Outlook:

In 2020 MRAL had its trading with Karachi stopped due to the increased cost in the business. This reduced our volumes and we were forced to re strategize on cost reduction and plan for re-entry into the Karachi business. The year also saw the top management leave the company affecting our trading operations. MRAL continued to serve its customers in the challenging times and even trying to expand its portfolio. The company embarked on recruitment of senior manager to fill into the position left behind by the top management. MRAL and other industry player in Kenya faced uncertainty in 2020 over the new tea regulation popularly known as the Tea Act 2020. Of import to MRAL is the requirement of 40% exports to be in value added form to be realized in the next 8 years. If blends are to be considered as value addition as is the recommendation, then MRAL shall meet the requirement. The increase in commission payable to brokers from the current 0.5% to 1% as proposed in the Tea Act 2020 was taken to the courts and awaiting judgment. Assessment of impact of COVID-Pandemic, and steps taken to overcome the adverse impact: COVID 19 cases continued to surge in Mombasa, however we had no interruption of the Mombasa auction due to the situation. Restrictions in movement has been a challenge especially at the border points with the neighbouring countries like Uganda and Tanzania affecting the smooth flow of teas into Mombasa destined for the auction. Key destinations had lock downs affecting the flow of teas and clearance in the countries, this slowed down business. The situation slightly improved towards end of the year with re opening of most economies.

MCLEOD RUSSEL MIDDLE EAST (MRME)

Profit / Loss:

MRME is a fully owned subsidiary of Borelli Tea Holdings Limited. It prepares its accounts calendar year wise. During the year 2020, The Company's total comprehensive income is USD 44,045 as against total comprehensive income of USD 124,785 in year 2019.

Purchase, Sales, Gross profit and Closing Stock:

During the year 2020, MRME purchased 1.021 million kg of tea (2019 - 1.308 million kg). During the year 2020, MRME sold 1.179 million kg tea (2018 - 1.214 million kg). Gross profit for the year 2020 was 15.72% (2019 -17.09%). Closing Stock of tea as at 31.12.2020 was 191,171 kg (31.12.2019 - 342,560 kg).

Outlook:

Given the current scenario with (a) losing ITL due to payment issues and (b) pandemic impact on demand in MRME's traditional markets in UAE, MRME has taken steps to increase the client portfolio to encompass Middle East and CIS/Russia. Three new contacts made and expect these to contribute to top and bottom-line June/July 2021 onwards.

Assessment of impact of COVID-Pandemic, and steps taken to overcome the adverse impact: MRME's main market and strength has hitherto been UAE. With the pandemic and the resultant impact on the economy, a number of businesses had to either close down or reduce numbers. This

Borelli Tea Holdings Limited

Strategic Report *(continued)*

Year ended 31 March 2021

caused a drop in population and demand, affecting future business. MRME is therefore actively building clients in UAE as well overseas markets such as Middle East, CIS and Russia.

BORELLI TEA HOLDINGS RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £384,401 (2020 - £3,570,848). Particulars of dividends paid are detailed in note 9 to the financial statements.

The directors paid a dividend of £Nil (2020 - £7,471,322) during the year after realising part of one its long term investments.

FUTURE OUTLOOK

The company's future outlook in respects of external commercial environment is expected to remain competitive but stable in coming years.

This report was approved by the board of directors on 11/6/2021 and signed on behalf of the board by:


D Sen
Company Secretary

Registered office:
Woodlands
79 High Street
Greenhithe
Kent
DA9 9RD

Borelli Tea Holdings Limited

Directors' Report

Year ended 31 March 2021

The directors present their report and the financial statements of the company for the year ended 31 March 2021.

Directors

The directors who served the company during the year were as follows:

D Sen	
A Khaitan	
S Knight	
B J Ruck	
P Bhar	(Appointed 19 June 2020)
K K Baheti	(Resigned 19 June 2020)

Dividends

The directors paid dividends of £Nil (2020 - £7,471,322) during the year after realising part of one its long term investments.

Going concern

The company is a member of a large group which has considerable financial resources and is fully supported by its parent company. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Borelli Tea Holdings Limited

Directors' Report *(continued)*

Year ended 31 March 2021

This report was approved by the board of directors on 11/6/2021 and signed on behalf of the board by:



D Sen
Company Secretary

Registered office:
Woodlands
79 High Street
Greenhithe
Kent
DA9 9RD

Borelli Tea Holdings Limited
Directors' Responsibilities Statement
Year ended 31 March 2021

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Borelli Tea Holdings Limited

Independent Auditor's Report to the Member of Borelli Tea Holdings Limited

Year ended 31 March 2021

Opinion

We have audited the financial statements of Borelli Tea Holdings Limited (the 'company') for the year ended 31 March 2021 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Borelli Tea Holdings Limited

Independent Auditor's Report to the Member of Borelli Tea Holdings Limited

(continued)

Year ended 31 March 2021

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Borelli Tea Holdings Limited

Independent Auditor's Report to the Member of Borelli Tea Holdings Limited

(continued)

Year ended 31 March 2021

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) 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 (UK), 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Borelli Tea Holdings Limited

Independent Auditor's Report to the Member of Borelli Tea Holdings Limited (continued)

Year ended 31 March 2021

We communicate with those charged with governance 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.

Use of our report

This report is made solely to the company's member, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member as a body, for our audit work, for this report, or for the opinions we have formed.



Vivek Kapoor (Senior Statutory Auditor)

For and on behalf of
Ferguson Maidment & Co.
Chartered accountants & statutory auditor
167 Fleet Street
London
EC4A 2EA

11/6/2021

Borelli Tea Holdings Limited
Statement of Comprehensive Income
Year ended 31 March 2021

	Note	2021 £	2020 £
Turnover	4	1,036,047	844,389
Gross profit		<u>1,036,047</u>	<u>844,389</u>
Administrative expenses		(142,055)	(389,342)
Other operating income	5	26,647	25,499
Gain on disposal of investment		—	2,463,216
Operating profit	6	<u>920,639</u>	<u>2,943,762</u>
Income from shares in group undertakings	8	—	1,686,044
Other interest receivable and similar income	9	214,891	276,330
Interest payable and similar expenses	10	(578,543)	(930,872)
Profit before taxation		<u>556,987</u>	<u>3,975,264</u>
Tax on profit	11	(172,586)	(404,416)
Profit for the financial year		<u>384,401</u>	<u>3,570,848</u>
Share Buyback		—	(17,135,250)
Total comprehensive income for the year		<u>384,401</u>	<u>(13,564,402)</u>

All the activities of the company are from continuing operations.

The notes on pages 18 to 31 form part of these financial statements.

Borelli Tea Holdings Limited

Statement of Financial Position

31 March 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	13	291,075	349,293
Tangible assets	14	220,621	220,621
Investments	15	20,710,883	20,710,883
		<u>21,222,579</u>	<u>21,280,797</u>
Current assets			
Debtors: due within one year	16	3,717,902	4,200,958
Debtors: due after more than one year	16	3,645,143	4,745,302
Investments	17	1	1
Cash at bank and in hand		410,156	471,917
		<u>7,773,202</u>	<u>9,418,178</u>
Creditors: amounts falling due within one year	18	<u>1,601,824</u>	<u>1,236,326</u>
Net current assets		<u>6,171,378</u>	<u>8,181,852</u>
Total assets less current liabilities		<u>27,393,957</u>	<u>29,462,649</u>
Creditors: amounts falling due after more than one year	19	<u>7,108,930</u>	<u>9,562,023</u>
Net assets		<u>20,285,027</u>	<u>19,900,626</u>
Capital and reserves			
Called up share capital	21	252,000	252,000
Share premium account	22	6,214,076	6,214,076
Capital redemption reserve	22	110,000	110,000
Other reserves, including the fair value reserve	22	144,449	144,449
Profit and loss account	22	13,564,502	13,180,101
Shareholders' funds		<u>20,285,027</u>	<u>19,900,626</u>

These financial statements were approved by the board of directors and authorised for issue on 11.06.2021 and are signed on behalf of the board by:



P Bhar
Director

Company registration number: 01250122

The notes on pages 18 to 31 form part of these financial statements.

Borelli Tea Holdings Limited

Statement of Changes in Equity

Year ended 31 March 2021

	Called up share capital £	Share premium account £	Capital including the redemption reserve £	Other reserves, including the fair value reserve £	Profit and loss account £	Total £
At 1 April 2019	362,000	6,214,076	–	144,449	34,215,825	40,936,350
Profit for the year					3,570,848	3,570,848
Other comprehensive income for the year:						
Share Buyback	–	–	–	–	(17,135,250)	(17,135,250)
Total comprehensive income for the year	–	–	–	–	(13,564,402)	(13,564,402)
Dividends paid and payable ¹²	–	–	–	–	(7,471,322)	(7,471,322)
Redemption of shares	(110,000)	–	110,000	–	–	–
Total investments by and distributions to owners	(110,000)	–	110,000	–	(7,471,322)	(7,471,322)
At 31 March 2020	252,000	6,214,076	110,000	144,449	13,180,101	19,900,626
Profit for the year					384,401	384,401
Total comprehensive income for the year	–	–	–	–	384,401	384,401
At 31 March 2021	<u>252,000</u>	<u>6,214,076</u>	<u>110,000</u>	<u>144,449</u>	<u>13,564,502</u>	<u>20,285,027</u>

The notes on pages 18 to 31 form part of these financial statements.

Borelli Tea Holdings Limited

Statement of Cash Flows

Year ended 31 March 2021

	2021 £	2020 £
Cash flows from operating activities		
Profit for the financial year	384,401	3,570,848
<i>Adjustments for:</i>		
Amortisation of intangible assets	58,218	58,217
Income from shares in group undertakings	–	(1,686,044)
Other interest receivable and similar income	(214,891)	(276,330)
Interest payable and similar expenses	578,543	930,872
Tax on profit	172,586	404,416
Accrued expenses/(income)	9,670	(112,778)
<i>Changes in:</i>		
Trade and other debtors	1,583,215	10,392,591
Trade and other creditors	470,681	746,000
Cash generated from operations	3,042,423	14,027,792
Interest paid	(578,543)	(930,872)
Interest received	214,891	276,330
Tax paid	(172,586)	(404,416)
Net cash from operating activities	<u>2,506,185</u>	<u>12,968,834</u>
Cash flows from investing activities		
Proceeds from sale of other investments	–	792,224
Dividends received	–	1,686,044
Capitalisation of loans to/from subsidiaries	–	7,786,657
Disposal of subsidiary undertakings	–	6,551,875
Net cash from investing activities	<u>–</u>	<u>16,816,800</u>
Cash flows from financing activities		
Purchase of own shares	–	(17,135,250)
Proceeds from borrowings	(114,853)	(6,140,683)
Proceeds from loans from group undertakings	(2,453,093)	(2,195,669)
Dividends paid	–	(7,471,322)
Net cash used in financing activities	<u>(2,567,946)</u>	<u>(32,942,924)</u>
Net decrease in cash and cash equivalents	(61,761)	(3,157,290)
Cash and cash equivalents at beginning of year	471,917	3,629,207
Cash and cash equivalents at end of year	<u>410,156</u>	<u>471,917</u>

The notes on pages 18 to 31 form part of these financial statements.

Borelli Tea Holdings Limited

Notes to the Financial Statements

Year ended 31 March 2021

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Woodlands, 79 High Street, Greenhithe, Kent, DA9 9RD.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Consolidation

The company was, at the end of the year, a wholly-owned subsidiary of another company incorporated outside the EEA and in accordance with Section 401 of the Companies Act 2006, is not required to produce, and has not published, consolidated accounts.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The directors have identified the following critical accounting policies for which significant judgement, estimates and assumptions are made. Actual results may differ from these estimates.

(a) Useful economic lives of intangible assets

The annual amortisation charge for intangible assets is sensitive to changes in the estimated useful economic lives and residual values of assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied and services rendered, stated net of discounts and of Value Added Tax.

Borelli Tea Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2021

3. Accounting policies *(continued)*

Derivative instruments

The Company uses derivative financial instruments such as forward exchange contracts, currency swaps etc. to hedge its risk associated with foreign currency fluctuations relating to the underlying transactions, highly probable forecast transactions and firm commitments. In respect of Forward Exchange Contracts with underlying transactions the premium or discount arising at the inception of such contract is amortised as expense or income over the life of contract.

Other derivatives contracts outstanding at the Balance Sheet date are marked to market and resulting loss, if any, is provided for in the financial statements. Any profit or losses arising on cancellation or maturity of derivative instruments are recognized as income or expense for the period.

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Any intangible assets carried at revalued amounts, are recorded at the fair value at the date of revaluation, as determined by reference to an active market, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

Intangible assets acquired as part of a business combination are only recognised separately from goodwill when they arise from contractual or other legal rights, are separable, the expected future economic benefits are probable and the cost or value can be measured reliably.

Borelli Tea Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2021

3. Accounting policies *(continued)*

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Trademarks and patents - between 5 and 20 years

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Listed investments are measured at fair value unless otherwise stated with changes in fair value being recognised in profit or loss.

Investment property

Investment property is initially recorded at cost, which includes purchase price and any directly attributable expenditure.

Investment property is revalued to its fair value at each reporting date and any changes in fair value are recognised in profit or loss.

Investments in associates

Investments in associates accounted for in accordance with the cost model are recorded at cost less any accumulated impairment losses.

Borelli Tea Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2021

3. Accounting policies *(continued)*

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual agreements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic Financial assets

Basic financial assets, which include debtors are initially recognised at transaction price and are subsequently carried at amortised cost using the effective interest rate method, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Basic Financial liabilities

Basic financial liabilities which include creditors are initially recognised at transaction price and are subsequently carried at amortised cost using the effective interest rate method, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as receivable within one year are not amortised.

Borelli Tea Holdings Limited
Notes to the Financial Statements *(continued)*
Year ended 31 March 2021

4. Turnover

Turnover arises from:

	2021	2020
	£	£
Royalties, management and license fees	<u>1,036,047</u>	<u>844,389</u>

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

5. Other operating income

	2021	2020
	£	£
Rental income	<u>26,647</u>	<u>25,499</u>

6. Operating profit

Operating profit or loss is stated after charging/crediting:

	2021	2020
	£	£
Amortisation of intangible assets	58,218	58,217
Foreign exchange differences	<u>(190,601)</u>	<u>34,493</u>

7. Auditor's remuneration

	2021	2020
	£	£
Fees payable for the audit of the financial statements	<u>5,000</u>	<u>5,000</u>
Fees payable to the company's auditor and its associates for other services:		
Other non-audit services	<u>34,000</u>	<u>50,475</u>

8. Income from shares in group undertakings

	2021	2020
	£	£
Income from shares in group undertakings	<u>—</u>	<u>1,686,044</u>

9. Other interest receivable and similar income

	2021	2020
	£	£
Interest on loans and receivables	<u>214,891</u>	<u>276,330</u>

Borelli Tea Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2021

10. Interest payable and similar expenses

	2021 £	2020 £
Interest on banks loans and overdrafts	(2,060)	(30,593)
Other interest payable and similar charges	(576,483)	(900,279)
	<u>(578,543)</u>	<u>(930,872)</u>

11. Tax on profit

Major components of tax expense

	2021 £	2020 £
Current tax:		
Tax suffered on royalty, management and rental income	159,407	130,483
Tax suffered on dividend and interest received	13,179	273,933
Total current tax	<u>172,586</u>	<u>404,416</u>
Tax on profit	<u>172,586</u>	<u>404,416</u>

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2020: lower than) the standard rate of corporation tax in the UK of 19% (2020: 19%).

	2021 £	2020 £
Profit on ordinary activities before taxation	556,987	3,975,264
Profit on ordinary activities by rate of tax	105,827	755,300
Utilisation of tax losses	(105,827)	33,059
Effect of non taxable income	-	(320,348)
Tax suffered on royalty, management and rental income	159,407	130,483
Tax suffered on dividend and interest received	13,179	273,933
Effect of non taxable gains	-	(468,011)
Tax on profit	<u>172,586</u>	<u>404,416</u>

12. Dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2021 £	2020 £
Equity dividends on ordinary shares	<u>-</u>	<u>7,471,322</u>

Borelli Tea Holdings Limited
Notes to the Financial Statements *(continued)*
Year ended 31 March 2021

13. Intangible assets

	Patents, trademarks and licences £
Cost	
At 1 April 2020 and 31 March 2021	<u>1,164,350</u>
Amortisation	
At 1 April 2020	815,057
Charge for the year	58,218
At 31 March 2021	<u>873,275</u>
Carrying amount	
At 31 March 2021	<u>291,075</u>
At 31 March 2020	<u>349,293</u>

14. Tangible assets

	Investment property £
At 1 April 2020 and 31 March 2021	<u>220,621</u>
Depreciation	
At 1 April 2020 and 31 March 2021	<u>—</u>
Carrying amount	
At 31 March 2021	<u>220,621</u>
At 31 March 2020	<u>220,621</u>

The directors are of the opinion that market value of the property, including the associated fixture and fittings, is not materially different from its valuation stated above.

15. Investments

	Investments in subsidiaries £
Cost	
At 1 April 2020 and 31 March 2021	<u>20,710,883</u>
Impairment	
At 1 April 2020 and 31 March 2021	<u>—</u>

Borelli Tea Holdings Limited
Notes to the Financial Statements *(continued)*
Year ended 31 March 2021

15. Investments *(continued)*

	Investments in subsidiaries £
Carrying amount At 31 March 2021	20,710,883
At 31 March 2020	<u>20,710,883</u>

Investments in Subsidiary Undertakings

Investments in subsidiaries are stated at cost. Valuing individual subsidiary investments is difficult without incurring substantial costs however the directors are of the opinion that these investments would overall show a substantial surplus on realisation or valuation as compared to the book value.

Investments in subsidiaries relate to the following investments:

PHU BEN TEA COMPANY LIMITED (PBT)

The company owns 100% of the issued share capital of Phu Ben Tea Company Limited, a company incorporated in Vietnam. Phu Ben Tea Company Limited was purchased in March 2009 at a cost of £1,542,163.

Aggregate capital and reserves

The latest available audited financial statements are for the year ended 31 December 2020. The company's net assets at the prevailing rate of exchange at 31 March 2021 were £1,798,542 (2019: £3,610,013).

Profit and (loss) for the year

The company made a loss of £1,610,091 in the year to 31 December 2020 at average exchange rates (2019: Loss - £753,673).

McLeod Russel India Limited (MRIL), the ultimate parent company of Borelli Tea Holdings Limited (BTHL) has pledged BTHL investment in its 100% subsidiary Phu Ben Tea Company Limited to avail a short term loan of INR 4,000,000,000 (Four Billion Indian Rupees Only) and Term Loan of INR 500,000,000 (Five Hundred Million Only) from Yes Bank, having its registered office in Mumbai, India. This has been registered as a charged by the lender against BTHL on 7th January 2021 with Companies House.

Borelli Tea Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2021

15. Investments *(continued)*

MCLEOD RUSSEL UGANDA LIMITED

The company owns 100% of the issued share capital of McLeod Russel (Uganda) Limited. The Company was incorporated in Uganda and was purchased in January 2010 with effect from 31 December 2009.

Aggregate capital and reserves

The latest available audited financial statements are for the year ended 31 December 2020. The Company's net assets at the prevailing rate of exchange at 31 March 2021 were £15,078,847 (2020: £15,780,062).

Profit and (loss) for the year

The Company made a profit of £375,452 in the year to 31 December 2020 at average exchange rates (2019: Loss of £1,394,557). During the year the Company paid a dividend of Nil (2019: £1,433,138) to Borelli Tea Holdings Limited.

MCLEOD RUSSEL MIDDLE EAST - DMCC

The company owns 100% of the issued share capital of McLeod Russel Middle East DMCC. The company is incorporated in Dubai (United Arab Emirates).

Aggregate capital and reserves

The latest available audited financial statements are for the period ended 31 December 2020. The company's net assets at the prevailing rate of exchange at 31 March 2020 were £171,345 (2020: £153,789).

Profit and (loss) for the year

McLeod Russel Middle East DMCC made a profit of £34,410 in the period to 31 December 2020 at average exchange rates (2019: £97,488).

MCLEOD RUSSEL AFRICA LIMITED

The company owns 100% of the issued share capital of McLeod Russel Africa Limited. The company is incorporated in Kenya.

Aggregate capital and reserves

The latest available audited financial statements are for the period ended 31 December 2020. The company's net liabilities at the prevailing rate of exchange at 31 March 2021 were £293,119 (2020: £260,778).

Profit and (loss) for the year

McLeod Russel Africa Limited made a loss of £76,594 in the period to 31 December 2020 at average exchange rates (2019: Loss of 52,406).

Borelli Tea Holdings Limited
Notes to the Financial Statements *(continued)*

Year ended 31 March 2021

16. Debtors

Debtors falling due within one year are as follows:

	2021	2020
	£	£
Trade debtors	845,295	848,596
Prepayments and accrued income	2,872,529	3,343,268
Other debtors	78	9,094
	<u>3,717,902</u>	<u>4,200,958</u>

Debtors falling due after one year are as follows:

	2021	2020
	£	£
Amounts owed by group undertakings	<u>3,645,143</u>	<u>4,745,302</u>

17. Investments

	2021	2020
	£	£
Other investments	828,598	828,598
Provision for diminution in value of investment	<u>(828,597)</u>	<u>(828,597)</u>
	<u>1</u>	<u>1</u>

These investments are unlisted shares stated at the lower of cost and net realisable value. The directors are of the opinion that the value of these investments is not less than the amount at which they are stated in these financial statements.

18. Creditors: amounts falling due within one year

	2021	2020
	£	£
Bank loans and overdrafts	—	114,853
Accruals and deferred income	21,692	12,022
Other creditors	1,580,132	1,109,451
	<u>1,601,824</u>	<u>1,236,326</u>

Borelli Tea Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2021

18. Creditors: amounts falling due within one year *(continued)*

The bank loan was fully repaid in November 2020. The interest charged on the loan was at 4.9% over the relevant 3 month US\$LIBOR.

The bank loan was secured by a first ranking charge over the all the assets of the company. The loan was guaranteed by the holding company Mcleod Russel India Limited.

19. Creditors: amounts falling due after more than one year

	2021	2020
	£	£
Amounts owed to group undertakings	<u>7,108,930</u>	<u>9,562,023</u>

20. Financial instruments

The company has the following financial instruments:

Financial assets that are debt instruments measured at amortised cost

	2021	2020
	£	£
Trade debtors	845,295	848,596
Other debtors	78	9,094
Amounts owed by group undertakings	<u>3,645,143</u>	<u>4,745,302</u>
	<u>4,490,516</u>	<u>5,602,992</u>

Financial liabilities measured at amortised cost

	2021	2020
	£	£
Bank loans and overdrafts	–	114,854
Other creditors	1,580,132	1,109,451
Amounts owed to group undertakings	<u>7,108,930</u>	<u>9,562,023</u>
	<u>8,689,062</u>	<u>10,786,328</u>

21. Called up share capital

Authorised share capital

	2021		2020	
	No.	£	No.	£
Ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>

Issued, called up and fully paid

	2021		2020	
	No.	£	No.	£
Ordinary shares of £1 each	<u>252,000</u>	<u>252,000</u>	<u>252,000</u>	<u>252,000</u>

Borelli Tea Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2021

22. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Capital redemption reserve - This reserve records the nominal value of shares repurchased by the company.

23. Analysis of changes in net debt

	At 1 Apr 2020	Cash flows	At 31 Mar 2021
	£	£	£
Cash at bank and in hand	471,917	(61,761)	410,156
Debt due within one year	(114,853)	114,853	-
Debt due after one year	(9,562,023)	2,453,093	(7,108,930)
Current asset investments	1	-	1
	<u>(9,204,958)</u>	<u>2,506,185</u>	<u>(6,698,773)</u>

Borelli Tea Holdings Limited
Notes to the Financial Statements *(continued)*
Year ended 31 March 2021

24. Related party transactions

Transactions with group companies are as follows:

	2021 £	2020 £
Mcleod Russel India Limited		
Dividend paid	–	7,471,322
	2021 £	2020 £
Phu Ben Tea Company Limited		
Loan balance receivable	2,536,496	2,826,613
Interest income	178,244	186,943
	2021 £	2020 £
Mcleod Russel Uganda Limited		
Loan balance payable	7,108,930	9,562,023
Interest expense	461,186	720,223
Dividend received	–	1,433,138
License fee	880,639	717,731
	2021 £	2020 £
Mcleod Russel Middle East DMCC		
Loan balance receivable	–	8,329
Interest income	1,948	4,968
	2021 £	2020 £
Mcleod Russel Africa Limited		
Loan balance receivable	1,108,647	1,910,360
Interest income	21,520	63,392

Other related party transactions

The company paid management fees of £120,000 (2020: £141,000) to Trans Global Freight Management Limited, a UK registered company, which has directors in common with Borelli Tea Holdings Limited.

Borelli Tea Holdings Limited

Notes to the Financial Statements

Year ended 31 March 2021

25. Ultimate parent company

The company's immediate and ultimate parent undertaking is McLeod Russel India Limited, a company registered in India.

The ultimate parent undertaking and the smallest and the largest group to consolidate these financial statements is McLeod Russel India Limited. Copies of the consolidated financial statements can be obtained from the Company Secretary and Compliance Officer - Four Mangoe Lane Surendra Mohan Ghosh Sarani Kolkata India - 700001 or <http://www.mcleodrussel.com/investors/annual-reports.aspx>.