

**PHU BEN TEA COMPANY LIMITED**

*(Incorporated in the Socialist Republic of Vietnam)*

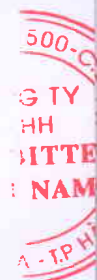
## **AUDITED FINANCIAL STATEMENTS**

**For the year ended 31 December 2020**



## TABLE OF CONTENTS

<u>CONTENTS</u>	<u>PAGE(S)</u>
STATEMENT OF THE BOARD OF DIRECTORS	1 - 2
INDEPENDENT AUDITORS' REPORT	3 - 4
BALANCE SHEET	5 - 6
INCOME STATEMENT	7
CASH FLOW STATEMENT	8 - 9
NOTES TO THE FINANCIAL STATEMENTS	10 - 25



## **STATEMENT OF THE BOARD OF DIRECTORS**

The Board of Directors of **Phu Ben Tea Company Limited** (the "Company") presents this report together with the Company's financial statements for the year ended 31 December 2020.

### **THE MEMBERS' COUNCIL AND BOARD OF DIRECTORS**

The members of the Members' Council and Board of Directors of the Company who held office during the year and to the date of this report are as follows:

#### **Members' Council**

Mr. Khaitan Aditya	Chairman
Mr. Azam Monem	Member (appointed on 30 July 2020)
Mr. Pradip Bhar	Member (appointed on 30 July 2020)
Mr. Takru Rajeev	Member (resigned on 30 July 2020)
Mr. Baheti Kamal Ksshore	Member (resigned on 30 July 2020)

#### **Board of Directors**

Mr. Dibyendu Banerjee	General Director (appointed on 15 August 2020)
Mr. Shyed Nishat Hussain	General Director (resigned on 15 August 2020)
Mr. Atul Wal	Deputy General Director (appointed on 15 August 2020)
Ms. Nguyen Xuan Hoa	Deputy General Director (resigned on 01 February 2020)
Ms. Nguyen Thi Nam Thuong	Chief Accountant (appointed on 15 August 2020)

### **BOARD OF DIRECTORS'S STATEMENT OF RESPONSIBILITY**

The Board of Directors of the Company is responsible for preparing the financial statements, which give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting. In preparing these financial statements, the Board of Directors is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- Design and implement an effective internal control system for the purpose of properly preparing and presenting the financial statements so as to minimize errors and frauds.

The Board of Directors is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the financial position of the Company and that the financial statements comply with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting. The Board of Directors is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

## STATEMENT OF THE BOARD OF DIRECTORS (Continued)

The Board of Directors confirms that the Company has complied with the above requirements in preparing these financial statements.

For and on behalf of the Board of Directors,



  
Dibyendu Banerjee  
General Director  
Phu Tho, 31 March 2021

No.: 1003 /VN1A-HN-BC

## INDEPENDENT AUDITORS' REPORT

To: The Members' Council and Board of Directors of Phu Ben Tea Company Limited

We have audited the accompanying financial statements of Phu Ben Tea Company Limited (the "Company") prepared on 31 March 2021 as set out from page 04 to page 25, which comprise the balance sheet as at 31 December 2020, and the statements of income and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting 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.

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

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

## INDEPENDENT AUDITORS' REPORT (Continued)

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting.

### Emphasis of Matter

We draw attention to Note 2 of the Notes to the financial statements, as at 31 December 2020, the Company's current liabilities exceeded current assets with the amount of VND 55,987,189,121 (as at 31 December 2019: VND 26,542,019,879) and the Company had accumulated loss of VND 339,816,220,734 (as of 31 December 2019: VND 291,940,491,146). In addition, during the financial year ended 31 December 2020, the Company incurred losses of VND 47,875,729,588 (year 2019: loss of VND 22,272,755,293). Board of Directors' plans relating to this matter are presented in Note 2.

Our opinion is not modified in respect of this matter.



Dang Chi Dung

Deputy General Director

Audit Practising Registration Certificate

No. 0030-2018-001-1

DELOITTE VIETNAM COMPANY LIMITED

31 March 2021

Hanoi, S.R. Vietnam



Nguyen Thi Thanh Thuy

Auditor

Audit Practising Registration Certificate

No. 4423-2021-001-1



## BALANCE SHEET

As at 31 December 2020

Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance
<b>A. CURRENT ASSETS</b>	<b>100</b>		<b>217,185,165,007</b>	<b>233,933,344,007</b>
I. Cash	110	4	511,720,541	309,942,920
1. Cash	111		511,720,541	309,942,920
II. Short-term receivables	130		26,694,060,079	36,912,530,018
1. Short-term trade receivables	131	5	23,317,245,732	21,344,144,581
2. Short-term advances to suppliers	132	6	2,565,942,300	11,006,791,017
3. Other short-term receivables	136	7	5,091,232,967	4,561,594,420
4. Provision for short-term doubtful debts	137	9	(4,280,360,920)	-
III. Inventories	140	8	188,972,520,106	195,978,459,125
1. Inventories	141		188,972,520,106	195,978,459,125
IV. Other short-term assets	150		1,006,864,281	732,411,944
1. Value added tax deductibles	152		1,006,864,281	308,340,952
2. Taxes and other receivables from the State budget	153		-	424,070,992
<b>B. NON-CURRENT ASSETS</b>	<b>200</b>		<b>192,913,430,887</b>	<b>213,484,651,233</b>
I. Long-term receivables	210		375,752,384	4,916,303,304
1. Long-term trade receivables	211	5	-	4,540,550,920
2. Other long-term receivables	216		375,752,384	375,752,384
II. Fixed assets	220		187,005,791,131	203,133,850,737
1. Tangible fixed assets	221	10	186,947,929,620	203,054,695,802
- Cost	222		404,658,080,982	403,685,414,182
- Accumulated depreciation	223		(217,710,151,362)	(200,630,718,380)
2. Intangible assets	227		57,861,511	79,154,935
- Cost	228		775,629,996	775,629,996
- Accumulated amortisation	229		(717,768,485)	(696,475,061)
III. Long-term assets in progress	240		4,079,086,796	4,073,991,797
1. Construction in progress	242	11	4,079,086,796	4,073,991,797
IV. Other long-term assets	260		1,452,800,576	1,360,505,395
1. Long-term prepayments	261		1,452,800,576	1,360,505,395
<b>TOTAL ASSETS</b> <b>(270=100+200)</b>	<b>270</b>		<b>410,098,595,894</b>	<b>447,417,995,240</b>

The accompanying notes are an integral part of these financial statements

# **BALANCE SHEET (Continued)**

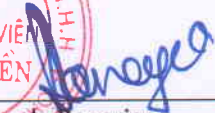
As at 31 December 2020

Unit: VND

RESOURCES	Codes	Notes	Closing balance	Opening balance
<b>C. LIABILITIES</b>	<b>300</b>		<b>353,170,954,128</b>	<b>342,614,623,886</b>
<b>I. Current liabilities</b>	<b>310</b>		<b>273,172,354,128</b>	<b>260,475,363,886</b>
1. Short-term trade payables	311	12	57,758,032,196	34,335,887,352
2. Short-term advances from customers	312		325,864,600	-
3. Taxes and amounts payable to the State budget	313	13	4,523,338,306	4,240,290,502
4. Payables to employees	314		3,316,887,451	3,717,087,828
5. Short-term accrued expenses	315	14	93,015,688,107	87,377,918,292
6. Other current payables	319		1,994,498,162	1,818,773,140
7. Short-term loans and obligations under finance leases	320	15	112,238,045,306	128,985,406,772
<b>II. Long-term liabilities</b>	<b>330</b>		<b>79,998,600,000</b>	<b>82,139,260,000</b>
1. Long-term loans and obligations under finance leases	338	16	79,998,600,000	82,139,260,000
<b>D. EQUITY</b>	<b>400</b>		<b>56,927,641,766</b>	<b>104,803,371,354</b>
<b>I. Owner's equity</b>	<b>410</b>	<b>17</b>	<b>56,927,641,766</b>	<b>104,803,371,354</b>
1. Owner's contributed capital	411		396,743,862,500	396,743,862,500
2. Accumulated losses	421		(339,816,220,734)	(291,940,491,146)
- Losses accumulated to the prior year	421a		(291,940,491,146)	(269,667,735,853)
- Losses of the current year	421b		(47,875,729,588)	(22,272,755,293)
<b>TOTAL RESOURCES (440=300+400)</b>	<b>440</b>		<b>410,098,595,894</b>	<b>447,417,995,240</b>

  
**Nguyen Thi Nam Thuong**  
Preparer/Chief Accountant



  
**Dibyendu Banerjee**  
General Director

31 March 2021

The accompanying notes are an integral part of these financial statements



## INCOME STATEMENT

For the year ended 31 December 2020

Unit: VND

ITEMS	Codes	Notes	Current year	Prior year
1. Gross revenue from goods sold	01	19	241,353,258,695	250,480,166,964
2. Deductions	02	19	4,313,736,140	-
3. Net revenue from goods sold (10=01-02)	10	19	237,039,522,555	250,480,166,964
4. Cost of sales	11		232,225,086,524	227,216,985,810
5. Gross profit from goods sold (20=10-11)	20		4,814,436,031	23,263,181,154
6. Financial income	21		993,405,023	882,549,008
7. Financial expenses	22	21	12,332,787,200	14,151,881,379
- In which: Interest expense	23		11,610,201,023	13,033,475,235
8. Selling expenses	25	22	21,824,947,220	14,119,500,780
9. General and administration expenses	26	22	19,043,917,541	18,068,255,606
10. Operating losses (30=20+(21-22)-(25+26))	30		(47,393,810,907)	(22,193,907,603)
11. Other income	31		1,254,309,437	1,233,309,579
12. Other expenses	32		1,736,228,118	1,312,157,269
13. Losses from other activities (40=31-32)	40		(481,918,681)	(78,847,690)
14. Accounting losses before tax (50=30+40)	50		(47,875,729,588)	(22,272,755,293)
15. Current corporate income tax expense	51	23	-	-
16. Net losses after corporate income tax (60=50-51)	60		(47,875,729,588)	(22,272,755,293)



Nguyen Thi Nam Thuong  
Preparer/Chief Accountant



Dibyendu Banerjee  
General Director

31 March 2021

The accompanying notes are an integral part of these financial statements

## CASH FLOW STATEMENT

For the year ended 31 December 2020

Unit: VND

ITEMS	Codes	Current year	Prior year
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
1. <i>Losses before tax</i>	01	(47,875,729,588)	(22,272,755,293)
2. <i>Adjustments for:</i>			
Depreciation and amortisation of fixed assets	02	17,100,726,406	17,635,122,835
Provisions	03	4,280,360,920	-
Foreign exchange gain arising from translating foreign currency items	04	(126,953,481)	(720,777,525)
Gain from investing activities	05	(1,778,726)	(5,869,804)
Interest expense	06	11,610,201,023	13,033,475,235
3. <i>Operating (loss)/profit before movements in working capital</i>	08	(15,013,173,446)	7,669,195,448
Decrease/(increase) in receivables	09	9,246,445,803	(15,782,711,409)
Decrease/(increase) in inventories	10	7,005,939,019	(9,104,437,208)
Increases in payables (excluding accrued loan interest and corporate income tax payable)	11	24,526,545,205	13,159,663,089
(Increase)/decrease in prepaid expenses	12	(92,295,181)	1,065,679,205
Interest paid	14	(6,499,168,457)	(7,396,531,105)
<i>Net cash generated by/(used in) operating activities</i>	20	19,174,292,943	(10,389,141,980)
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
1. Acquisition and construction of fixed assets and other long-term assets	21	(20,000,000)	(1,711,493,992)
2. Interest earned, dividends and profits received	27	1,778,726	5,869,804
<i>Net cash used in investing activities</i>	30	(18,221,274)	(1,705,624,188)

The accompanying notes are an integral part of these financial statements

# CASH FLOW STATEMENT (Continued)


For the year ended 31 December 2020

Unit: VND

ITEMS	Codes	Current year	Prior year
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Proceeds from borrowings	33	206,505,093,036	298,352,102,782
2. Repayment of borrowings	34	(225,456,890,158)	(286,755,152,326)
<b>Net cash (used in)/generated by financing activities</b>	<b>40</b>	<b>(18,951,797,122)</b>	<b>11,596,950,456</b>
 Net increase/(decrease) in cash (50=20+30+40)	50	204,274,547	(497,815,712)
 Cash at the beginning of the year	60	309,942,920	831,669,008
 Effects of changes in foreign exchange rates	61	(2,496,926)	(23,910,376)
 Cash at the end of the year (70=50+60+61)	70	<u>511,720,541</u>	<u>309,942,920</u>

  
\_\_\_\_\_  
Nguyen Thi Nam Thuong  
Preparer/Chief Accountant



  
\_\_\_\_\_  
Dibyendu Banerjee  
General Director

31 March 2021

The accompanying notes are an integral part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS**

*These notes are an integral part of and should be read in conjunction with the accompanying financial statements*

**1. GENERAL INFORMATION****Structure of ownership**

Phu Ben Tea Company Limited (the "Company") was originally established as a joint venture between Vietnam National Tea Corporation (VINATEA), the Vietnamese party, and Sea Holdings S.A., the foreign party, under Investment License No. 1162/GP dated 08 March 1995 issued by the Ministry of Planning and Investment of Vietnam.

The Ministry of Planning and Investment of Vietnam approved the transfer of the total Vietnamese Party's contributed capital to S.A. Sipef NV (incorporated in Belgium) under the amended Investment License No. 1162A/GP dated 30 October 2003. The Company is currently a wholly foreign-owned entity. Accordingly, the Company's name was changed from Phu Ben Tea Joint Venture Company to Phu Ben Tea Company Limited. The operating duration of the Company is 50 years from the date of the first Investment License.

On 31 December 2008, Phu Ben Tea Company Limited, S.A. Sipef NV and Borelli Tea Holdings Ltd. (incorporated in the United Kingdom) entered into an agreement in which S.A. Sipef NV transferred its total charter capital to Borelli Tea Holdings Ltd.

According to the 7<sup>th</sup> amendment of Investment Certificate No. 181 043 000 050 issued by People's Committee Phu Tho Province dated 12 November 2014, the owner of the Company is Borelli Tea Holdings Ltd. The ultimate parent company of the Company is McLeod Russel India Ltd., incorporated in India.

The number of employees of the Company as at 31 December 2020 was 1,463 (31 December 2019: 1,569).

The Company's head office is located in Thanh Ba Town, Thanh Ba District, Phu Tho Province, Vietnam.

**Operating industry and principal activities**

The Company operates in the agricultural product manufacturing.

The principal activities of the Company are to plant, cultivate, purchase and process tea for selling domestically and abroad; and to plant, cultivate, purchase and process agricultural products.

**Characteristics of the business activities in the fiscal year which have impact on the financial statements**

Despite the current situation of COVID-19 in Vietnam and other countries, the Board of Directors believes that this matter has not had a material impact on the financial statements for the year ended 31 December 2020. The Board of Directors is continuing to assess the potential impact of the COVID-19 pandemic on the Company's financial and business performance in 2021 to develop appropriate response plans for this unstable situation.

#### **Normal production and business cycle**

The Company's normal production and business cycle is carried out for a time period of 12 months or less.

#### **Disclosure of information comparability in the financial statements**

Comparative figures are the figures of the audited financial statements for the year ended 31 December 2019.

### **2. ACCOUNTING CONVENTION AND FINANCIAL YEAR**

#### **Accounting convention**

The accompanying financial statements, expressed in Vietnam Dong (VND), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting.

The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

As at 31 December 2020, the Company's current liabilities exceeded current assets with the amount of VND 55,987,189,121 (as at 31 December 2019: VND 26,542,019,879) and the Company had accumulated losses of VND 339,816,220,734 (as of 31 December 2019: VND 291,940,491,146). In addition, during the financial year ended 31 December 2020, the Company incurred losses of VND 47,875,729,588 (year 2019: loss of VND 22,272,755,293). The Board of Directors have made evaluation and proposed several solutions to ensure its ability to pay maturing liabilities including: negotiating with commercial banks to enter new loan agreements or renew the existing ones, accelerating sales, reducing cost of production, achieving the commitments from its parent company to continue providing financial supports when needed. The Board of Directors believed that under the aforementioned plans, the Company shall be able to generate sufficient cash flows to support its own operations and solvency in the next 12 months. Therefore, the Board of Directors assessed that it is appropriate to prepare the financial statements on a going concern basis.

#### **Financial year**

The Company's financial year begins on 01 January and ends on 31 December.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies, which have been adopted by the Company in the preparation of these financial statements, are as follows:



### Estimates

The preparation of financial statements in conformity with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting requires Board of Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these accounting estimates are based on the Board of Directors' best knowledge, actual results may differ from those estimates.

### Cash

Cash comprises cash on hand and bank demand deposits.

### Receivables

Receivables represent the amounts recoverable from customers or other debtors and are stated at book value less provision for doubtful debts.

Provision for doubtful debts is made for receivables that are overdue for six months or more or when the debtor is in dissolution, in bankruptcy, or is experiencing similar difficulties and so may be unable to repay the debt.

### Inventories

Inventories are accounted for using perpetual inventory method.

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

The evaluation of necessary provision for inventory obsolescence follows current prevailing accounting regulations which allow provisions to be made for obsolete, damaged, or sub-standard inventories and for those which have costs higher than net realizable values as at the balance sheet date.

### Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

The costs of purchased tangible fixed assets comprise their purchase prices and any directly attributable costs of bringing the assets to their working condition and location for their intended use.

The costs of tangible fixed assets constructed by contractors are the finalized value of construction and directly related expenses, if any.



Tangible fixed assets are depreciated using the straight-line method over their estimated useful lives as follows:

	Years
Buildings, structures	20 - 40
Machinery, equipment	12
Tea plantation areas and land improvements	33.33
Office equipment	5 - 8
Motor vehicles	3 - 10

Loss or gain resulting from sales and disposals of tangible fixed assets is the difference between profit from sales or disposals of assets and their residual values and is recognized in the income statement.

### Construction in progress

Properties in the course of construction for production, rental or administrative purposes, or for the purposes not yet determined, are carried at cost. Cost includes costs that are necessary to form the assets in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

### Revenue recognition

Revenue from the sale of goods is recognized when all five (5) following conditions are satisfied:

- a) the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) the amount of revenue can be measured reliably;
- d) it is probable that the economic benefits associated with the transaction will flow to the Company; and
- e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### Foreign currencies

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. The balances of monetary items denominated in foreign currencies as at the balance sheet date are retranslated at the exchange rates on the same date. Exchange differences arising from the translation of these accounts are recognised in the income statement.

### Borrowing costs

Borrowing costs are recognised in the income statement in the year when incurred unless they are capitalised in accordance with Vietnamese Accounting Standard No.16 "Borrowing costs". Accordingly, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from

the cost of those assets. For specific borrowings for the purpose of construction of fixed assets and investment properties, borrowing costs are capitalised even when the construction period is under 12 months.

#### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years (including loss carried forward) and it further excludes items that are never taxable or deductible.

Deferred tax is recognized on significant differences between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using balance sheet liability method. Deferred tax liabilities are generally recognized for all temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Company intends to settle its current tax assets and liabilities on a net basis.

The determination of the tax currently payable is based on the current interpretation of tax regulations. However, these regulations are subject to periodic variation and their ultimate determination depends on the results of the tax authorities' examinations.

Other taxes are paid in accordance with the prevailing tax laws in Vietnam.

#### 4. CASH

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Cash on hand	121,724,568	36,821,442
Bank demand deposits	389,995,973	273,121,478
	<u>511,720,541</u>	<u>309,942,920</u>

5. TRADE RECEIVABLES

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
<b>a. Short-term trade receivables</b>		
Unilever Asia Private Limited Company	5,682,884,600	16,853,501,701
PT Sariwangi AEA	4,280,360,920	-
Continental Tea	4,047,154,656	-
Kohitan Tea Co	3,218,011,611	-
Orimi Trade JSC	3,088,224,216	1,594,107,606
Vikarma Impex PVT Ltd	2,567,694,529	-
Others	432,915,200	2,896,535,274
	<u>23,317,245,732</u>	<u>21,344,144,581</u>
<b>b. Long-term trade receivables</b>		
PT Sariwangi AEA	-	4,280,360,920
Thai Ha Company Limited	-	260,190,000
	-	<u>4,540,550,920</u>

6. SHORT-TERM ADVANCES TO SUPPLIERS

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Tea farms	2,358,103,350	8,694,045,949
Others	207,838,950	2,312,745,068
	<u>2,565,942,300</u>	<u>11,006,791,017</u>

7. OTHER SHORT-TERM RECEIVABLES

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Other receivables from tea plantation	3,392,468,794	2,904,643,752
Advances to employees	1,218,282,229	576,039,773
Others	480,481,944	1,080,910,895
	<u>5,091,232,967</u>	<u>4,561,594,419</u>

8. INVENTORIES

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Raw materials (*)	3,308,363,507	3,993,688,675
Tools and supplies	275,170,670	292,804,526
Work in progress	6,441,563,265	4,268,098,361
Finished goods	178,947,422,664	187,423,867,563
	<u>188,972,520,106</u>	<u>195,978,459,125</u>

(\*) Raw materials mainly include the value of sub-materials to serve operations such as tea packaging materials, fertilizers, pesticides.

9. BAD DEBTS

	Closing balance			Opening balance		
	Cost	Provision	Recoverable amount	Cost	Provision	Recoverable amount
			VND			VND
PT Sariwangi AEA	4,280,360,920	(4,280,360,920)	-	4,280,360,920	-	4,280,360,920
	<u>4,280,360,920</u>	<u>(4,280,360,920)</u>	<u>-</u>	<u>4,280,360,920</u>	<u>-</u>	<u>4,280,360,920</u>

10. INCREASES, DECREASES IN TANGIBLE FIXED ASSETS

	Buildings and structures	Machinery and equipment	Tea plantation areas and land improvements	Office equipment	Motor vehicles	Total
	VND	VND	VND	VND	VND	VND
<b>COST</b>						
Opening balance	167,546,180,685	174,750,323,239	40,877,472,245	10,253,233,156	10,258,204,857	403,685,414,182
Additions	-	972,666,800	-	-	-	972,666,800
<b>Closing balance</b>	<b>167,546,180,685</b>	<b>175,722,990,039</b>	<b>40,877,472,245</b>	<b>10,253,233,156</b>	<b>10,258,204,857</b>	<b>404,658,080,982</b>
<b>ACCUMULATED DEPRECIATION</b>						
Opening balance	51,987,779,462	115,911,212,288	14,459,028,622	10,238,136,623	8,034,561,385	200,630,718,380
Charge for the year	4,948,190,056	10,271,116,525	1,312,157,126	4,392,000	543,577,275	17,079,432,982
<b>Closing balance</b>	<b>56,935,969,518</b>	<b>126,182,328,813</b>	<b>15,771,185,748</b>	<b>10,242,528,623</b>	<b>8,578,138,660</b>	<b>217,710,151,362</b>
<b>NET BOOK VALUE</b>						
Opening balance	115,558,401,223	58,839,110,951	26,418,443,623	15,096,533	2,223,643,472	203,054,695,802
<b>Closing balance</b>	<b>110,610,211,167</b>	<b>49,540,661,226</b>	<b>25,106,286,497</b>	<b>10,704,533</b>	<b>1,680,066,197</b>	<b>186,947,929,620</b>

As at 31 December 2020, the cost of the Company's tangible fixed assets includes VND 72,050,352,132 (31 December 2019: VND 65,122,477,223) of assets which have been fully depreciated but are still in use.

As presented in Note 15, the Company has pledged its buildings, machinery and equipment with a carrying value of VND 98,647,229,272 as at 31 December 2020 (31 December 2019: VND 110,196,149,757), to secure banking facilities granted to the Company.

11. CONSTRUCTION IN PROGRESS

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Cost of new tea plantation	3,939,289,796	3,874,629,556
Machinery under installation	139,797,000	199,362,241
	<u>4,079,086,796</u>	<u>4,073,991,797</u>

12. SHORT-TERM TRADE PAYABLES

	<u>Closing balance</u>		<u>Opening balance</u>	
	Amount	VND	Amount	VND
		Amount able to be paid off		Amount able to be paid off
Purchasing teams in farms	42,713,381,330	42,713,381,330	12,651,336,802	12,651,336,802
Dat Duc Co., Ltd	4,315,692,150	4,315,692,150	-	-
Que Lam Phuong Bac Co., Ltd.	2,489,350,000	2,489,350,000	2,426,350,000	2,426,350,000
The Phong Trading and Services Co., Ltd.	640,089,213	640,089,213	4,498,378,093	4,498,378,093
McLeod Russel India Ltd.	91,215,998	91,215,998	91,215,998	91,215,998
Other suppliers	7,508,303,505	7,508,303,505	14,668,606,459	14,668,606,459
	<u>57,758,032,196</u>	<u>57,758,032,196</u>	<u>34,335,887,352</u>	<u>34,335,887,352</u>

In which:

Trade payables to related parties	91,215,998	91,215,998	91,215,998	91,215,998
(Details stated in Note 25)				

13. TAXES AND AMOUNTS PAYABLE TO THE STATE BUDGET

	<u>Opening balance</u>	<u>Payable/Receivable during the year</u>	<u>Paid/Received during the year</u>	<u>Closing balance</u>
	VND	VND	VND	VND
Value added tax	-	1,941,457,050	1,941,457,050	-
Import duty	-	78,869,933	78,869,933	-
Land rentals	-	877,086,775	877,086,775	-
Personal income tax	101,415,434	492,041,473	494,536,507	98,920,400
Withholding tax	4,138,875,068	285,542,838	-	4,424,417,906
	<u>4,240,290,502</u>	<u>3,674,998,069</u>	<u>3,391,950,265</u>	<u>4,523,338,306</u>



14. SHORT-TERM ACCRUED EXPENSES

	<u>Closing balance</u> VND	<u>Opening balance</u> VND
Interest expense	81,886,558,320	76,775,525,754
Royalty fee	4,645,932,375	4,645,932,375
Technical assistance fee	5,533,618,251	3,288,995,000
Selling expenses	236,262,148	1,914,906,979
Others	713,317,013	752,558,184
	<u>93,015,688,107</u>	<u>87,377,918,292</u>
<b>In which:</b>		
Accrued expenses to related parties (Details stated in Note 25)	92,066,108,946	84,589,397,829



15. SHORT-TERM LOANS AND OBLIGATIONS UNDER FINANCE LEASES

	Opening balance		In the year		Closing balance	
	Amount	VND Amount able to be paid off	Increases	VND Decreases	Amount	VND Amount able to be paid off
Short-term loans	128,985,406,772	128,985,406,772	206,735,668,692	224,062,730,158	111,658,345,306	111,658,345,306
- Vietnam Joint Stock Commercial Bank For Industry and Trade - Den Hung Branch (i)	79,349,476,554	79,349,476,554	150,701,337,096	161,175,165,662	68,875,647,988	68,875,647,988
- Military Commercial Joint Stock Bank - Viet Tri Branch (ii)	22,711,536,096	22,711,536,096	32,159,135,510	32,997,127,212	21,873,544,394	21,873,544,394
- Vietnam Prosperity Joint Stock Commercial Bank - Den Hung branch (iii)	26,924,394,122	26,924,394,122	23,875,196,086	29,890,437,284	20,909,152,924	20,909,152,924
Current portion of long-term loans (see Note 16)	-	-	579,700,000	-	579,700,000	579,700,000
	<b>128,985,406,772</b>	<b>128,985,406,772</b>	<b>207,315,368,692</b>	<b>224,062,730,158</b>	<b>112,238,045,306</b>	<b>112,238,045,306</b>

(i) Represent short-term borrowings from Vietnam Joint Stock Commercial Bank for Industry and Trade - Den Hung Branch for supplementing working capital. This facility can be withdrawn in Vietnam Dong or United States Dollar with a maximum amount of VND 75,000,000,000. This facility bears an interest rate from 4.0% to 4.3%/p.a. for USD and will be adjustable on a monthly basis. The loan terms are specified in each debt acknowledgement note but shall not exceed 6 months from the first disbursement dates. The Company used its tangible fixed assets as collaterals to secure the loans (see Note 10).

(ii) Represent short-term borrowings from Military Commercial Joint Stock Bank - Viet Tri Branch for supplementing working capital. This facility can be withdrawn in Vietnam Dong or United States Dollar with a maximum amount of VND 75,000,000,000. This facility bears an interest rate 4.3%/p.a. for USD and will be adjustable with agreement. The loan terms are specified in each debt acknowledgement note but shall not exceed 8 months from the first disbursement dates. The Company used its tangible fixed assets as collaterals to secure the loans (see Note 10).

- (iii) Represent short-term borrowings from Vietnam Prosperity Joint Stock Commercial Bank - Den Hung branch for supplementing working capital. This facility can be withdrawn in Vietnam Dong or equivalent foreign currency with a maximum amount of VND 21,000,000,000. This facility bears an interest rate from 5.2% to 5.5%/p.a. for USD and will be adjustable periodically. The loan terms are specified in each debt acknowledgement note but shall not exceed 6 months from the first disbursement dates. The Company used its tangible fixed assets as collaterals to secure the loans (see Note 10).

16. LONG-TERM LOANS AND OBLIGATIONS UNDER FINANCE LEASES

	Opening balance		In the year		Closing balance	
	Amount	VND Amount able to be paid off	Increases	Decreases	Amount	VND Amount able to be paid off
<b>Long-term loans</b>						
Borelli Tea Holdings Limited (i)	82,139,260,000	82,139,260,000	-	1,560,960,000	80,578,300,000	80,578,300,000
	<b>82,139,260,000</b>	<b>82,139,260,000</b>	<b>-</b>	<b>1,560,960,000</b>	<b>80,578,300,000</b>	<b>80,578,300,000</b>

In which:

- Amount due for settlement within 12 months	-	579,700,000	579,700,000
- Amount due for settlement after 12 months	82,139,260,000	79,998,600,000	79,998,600,000

- (i) Represent an unsecured long-term loan from Borelli Tea Holdings Limited with the total amount of USD 3,475,000 (as at 31 December 2019: USD 3,535,000) and bears an interest rate of 7% per annum. The loan is repayable annually and matures in 2030. This loan was obtained to finance the Company's business operations and construction investment.

Long-term loans are repayable as follows:

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
On demand or within one year	579,700,000	-
In the second year	2,318,800,000	1,975,060,000
In the third to fifth year inclusive	24,347,400,000	15,103,400,000
After five years	53,332,400,000	65,060,800,000
	<b>80,578,300,000</b>	<b>82,139,260,000</b>
Less: Amount due for settlement within 12 months (shown under current liabilities)	579,700,000	-
<b>Amount due for settlement after 12 months</b>	<b>79,998,600,000</b>	<b>82,139,260,000</b>

# 17. OWNER'S EQUITY

Movement in owner's equity

	<u>Owner's contributed capital</u>	<u>(Accumulated losses)</u>	<u>Total</u>
	VND	VND	VND
Prior year's opening	396,743,862,500	(269,667,735,853)	127,076,126,647
Loss for the year	-	(22,272,755,293)	(22,272,755,293)
<b>Current year's opening balance</b>	<b>396,743,862,500</b>	<b>(291,940,491,146)</b>	<b>104,803,371,354</b>
Loss for the year	-	(47,875,729,588)	(47,875,729,588)
<b>Current year's closing balance</b>	<b>396,743,862,500</b>	<b>(339,816,220,734)</b>	<b>56,927,641,766</b>

Investment capital and charter capital

According to the Company's amended Investment Certificate, the Company's investment capital and charter capital are USD 30,011,000 and USD 20,250,000, respectively. As at 31 December 2020, the Company's charter capital was fully contributed by the owner as follows:

	<u>Per amended Investment Certificate</u>	<u>Contributed capital</u>	
	USD	<u>Closing balance</u> VND equivalent	<u>Opening balance</u> VND equivalent
Borelli Tea Holdings Ltd.	20,250,000	396,743,862,500	396,743,862,500
	<b>20,250,000</b>	<b>396,743,862,500</b>	<b>396,743,862,500</b>

# 18. OFF BALANCE SHEET ITEMS

	<u>Closing balance</u>	<u>Opening balance</u>
United States Dollar (USD)	4,620	22,835

19. REVENUE FROM GOODS SOLD

	Current year VND	Prior year VND
Exported sales	221,938,688,195	237,042,432,204
Domestic sales	19,414,570,500	13,437,734,760
	<b>241,353,258,695</b>	<b>250,480,166,964</b>
<b>Deductions</b>		
a. Sales rebates	433,555,200	-
b. Sales return	3,880,180,940	-
	<b>4,313,736,140</b>	<b>-</b>

20. PRODUCTION COST BY NATURE

	Current year VND	Prior year VND
Raw materials and consumables	155,934,710,120	150,488,151,337
Labour	40,224,924,854	47,066,435,577
Depreciation and amortisation	15,788,569,280	18,790,680,368
Out-sourced services	31,077,647,756	27,476,540,890
Other monetary expenses	23,765,119,280	26,603,217,202
	<b>266,790,971,290</b>	<b>270,425,025,373</b>

21. FINANCIAL EXPENSES

	Current year VND	Prior year VND
Interest expense	11,610,201,023	13,033,475,235
Realized foreign exchange loss	722,586,177	295,209,573
Foreign exchange loss on revaluation of monetary items	-	823,196,571
	<b>12,332,787,200</b>	<b>14,151,881,379</b>

22. SELLING EXPENSES AND GENERAL AND ADMINISTRATION EXPENSES

	Current year	Prior year
	VND	VND
<b>Selling expenses</b>		
Labour costs	548,931,188	518,152,801
Tools supplies and allocations	434,336,499	517,206,118
Out-sourced services	14,558,950,352	8,410,021,472
Other monetary expenses	6,282,729,181	4,674,120,389
	<b>21,824,947,220</b>	<b>14,119,500,780</b>
<b>General and administration expenses</b>		
Labour costs	5,353,298,278	5,744,302,213
Depreciation and amortization expenses	56,996,724	972,276,694
Provision for doubtful debts	4,280,360,920	231,040,584
Other monetary expenses	9,353,261,619	11,120,636,115
	<b>19,043,917,541</b>	<b>18,068,255,606</b>

23. CURRENT CORPORATE INCOME TAX EXPENSE

During the year 2020, the Company did not have taxable profit, therefore, no corporate income tax was provided for the current year.

The Company is obliged to pay corporate income tax at the rate of 10% of its taxable profit for main business activities. Other income are entitled to the tax rate of 20%.

As at 31 December 2020, the Company had taxable losses available to offset against future profits within 5 years since the year loss incurred. No deferred tax asset has been recognized due to the uncertainty of future profits.

24. COMMITMENTS

Operating lease commitments

The Company uses the land areas of 10.72 hectares and 0.34 hectares under operating leases at the respective annual rental charges of USD 200 and USD 4,200 per hectare. In addition, the Company also has 2,184 hectares of tea plantation areas with the existing annual rental charge of USD 10 per hectare and 26.53 hectares of agricultural land entitled to tax exemption. Land lease contracts are valid for 38 years to 50 years from the signing dates. These land rental charges will be reviewed every 5 years but will not increase by more than 15% of the charges of previous years.

As at the balance sheet date, the Company had outstanding land rental commitments which fall due as follows:

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Within one year	864,342,217	877,854,975
In the second to fifth year inclusive	3,457,368,868	3,511,419,900
After five years	17,286,844,340	18,434,954,475
	<u>21,608,555,425</u>	<u>22,824,229,350</u>

25. RELATED PARTY TRANSACTIONS AND BALANCES

List of related parties with significant transactions and balances for the year:

<u>Related parties</u>	<u>Relationship</u>
Borelli Tea Holdings Ltd.	Parent company
McLeod Russel Middle East Ltd.	Affiliate
McLeod Russel India Ltd.	Ultimate parent company

During the year, the Company entered into the following significant transactions with its related parties:

	<u>Current year</u>	<u>Prior year</u>
	VND	VND
<b>Borelli Tea Holdings Ltd.</b>		
Interest expense	5,710,856,767	5,833,476,016
Principal paid in the year	1,389,210,000	3,834,600,000
<b>McLeod Russel India Ltd.</b>		
Technical assistance fee	2,244,623,251	2,208,655,004
<b>Board of Directors' remuneration for the year</b>		
Board of Directors' remuneration	967,889,360	1,278,639,101



Significant related party balances as at the balance sheet date were as follows:

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
<b>McLeod Russel India Ltd.</b>		
Accrued technical assistance fee payable	5,533,618,251	3,288,995,000
Purchase of software-licenses fee payable	91,215,998	91,215,998
<b>Borelli Tea Holdings Ltd.</b>		
Long-term loans	79,998,600,000	82,139,260,000
Current portion of long-term loans	579,700,000	-
Accrued royalty fee	4,645,932,375	4,645,932,375
Accrued interest	81,886,558,320	76,654,470,454



\_\_\_\_\_  
Nguyen Thi Nam Thuong  
Preparer/Chief Accountant



\_\_\_\_\_  
Dibyendu Banerjee  
General Director

31 March 2021





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