

Borelli Tea Holdings Limited
Financial Statements
31 March 2019

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

Borelli Tea Holdings Limited

Financial Statements

Year ended 31 March 2019

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Borelli Tea Holdings Limited
Officers and Professional Advisers

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



Borelli Tea Holdings Limited

Strategic Report *(continued)*

Year ended 31 March 2019

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:

	2019	2018
	£	£
Turnover	1,902,219	1,586,862
Operating (loss) / profit	8,954,771	25,136,454
Post tax profit	10,164,272	28,706,370
Shareholder's fund	40,936,350	39,460,078

The principal financial instruments comprise bank balances, creditors, debtors and long term loans from its parent company 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.

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

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 2018, the company incurred loss (both pre-tax and post-tax) of USD 2,289,421 as against loss (both pre-tax and post-tax) of USD 2,140,925 in year 2017. The loss for year 2018 includes mark-to-market (non-cash) forex-loss of USD 345,342 on loans from holding company. If we exclude this non-cash loss, the actual loss during year 2018 is USD 1,944,079, which is 9% lower than last year.

Manufacture, Sales, Selling-Price and Closing Stock:

During the year 2018, PBT manufactured 8.76 million kg of tea (2017 -7.39 million kg). The increase in production was in accordance with business-plan for better absorption of fixed overheads in factories, in order to contain overall loss. During the year 2018, PBT sold 7.41 million kg tea (2017 -7.43 million kg). Average selling price per kg during 2018 was USD 1.49 (2017 - 1.44). Closing Stock of tea as at 31.12.2018 was 6.13 Million kg (31.12.2017 - 4.80 million kg).



Borelli Tea Holdings Limited

Strategic Report *(continued)*

Year ended 31 March 2019

INVESTMENT IN THE BUSINESS continued

Outlook:

In order to improve PBT's profitability in year 2019, 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 have been achieved in fixed overheads, (iii) Purchase-price of raw material (green leaf) is being reduced without affecting quality of green-leaf, (iv) Transport cost (from factories to sea-port) and warehousing-cost (at sea-port) of finished goods is being reduced by improvements in logistics-management, (v) Forex-management is being improved so that conversion of USD (tea-sale-proceeds) to VND (for payment of costs of production) is at best-possible rates. All efforts are being made to ensure that Phu Ben does not incur cash-loss, and makes some cash-profit in year 2019.

MCLEOD RUSSEL UGANDA LIMITED (MRUL)

MRUL is a wholly owned subsidiary of BTHL and its primary business is cultivation and manufacture of tea. During the year 2018, MRUL's performance has been somewhat average due to reduction in sale price by US\$ 0.39 per kg caused by excessive crop in Kenya. In addition, the company was enjoying income tax holiday for last 10 years which expired in July 2017 resulting in tax provision of US\$ 1,108,534 in 2018 compared to US\$ 15,445 in 2017. MRUL earned a post-tax profit of £2,462,365 in the year 2018 compared to a profit of £11,686,415 in 2017. While there has been reduction in sale price, the cost of production remained controlled.

During the year 2018, MRUL manufactured 17.72 million kgs (2017 - 16.67 million kgs), an increase of approximately 6%. The factories was undergoing capacity constraint which is since completed and now poised to produce 20 million kgs in future.

The sale price during the year 2018 has declined to US\$ 1.59 per kg as compared to US\$ 1.98 in previous year registering reduction of US\$ 0.39 per kg. Total cost of sales during the year was US\$ 1.38 as compared to US\$ 1.35 in 2017. The company declared dividend of US\$ 2,146,498 in 2018 as compared to US\$ 5,517,241 in 2017.

GISOVU TEA COMPANY LIMITED (GTCL)

The production of crop in the year 2018 has been at 2.28 million kgs as against 2.74 million kgs in 2017. The sale price of tea declined to US\$ 3.34 per kg in 2018 as compared to US\$ 3.96 per kg in the previous year. The cost of sales for the year 2018 was at US\$ 2.40 per kg as compared to US\$ 2.41 per kg in the previous year.

The above factors have resulted somewhat subdued profit after tax at US\$ 2,142,817 2018 as compared to US\$ 3,692,150 in 2017. The company had declared dividend of GBP 1,979,045 in the year 2018 as compared to GBP 1,491,452 in the previous year.

Borelli Tea Holdings has sold its investment in Gisovu Tea Company on 22nd March 2019 for a consideration of GBP 12,087,547 to Rwanda Tea Investments Ltd resulting in a profit on sale of investment at GBP 8,739,212.



Borelli Tea Holdings Limited

Strategic Report *(continued)*

Year ended 31 March 2019

INVESTMENT IN THE BUSINESS continued

MCLEOD RUSSEL MIDDLE EAST - DMCC (MRME)

There has been a marginal decline in profitability with post tax profit of US\$ 170,690 (2017 - US\$ 199,801) due to less volume. The total revenue of the company has been US\$ 3.1 million (2017 - US\$ 3.7 million)

MCLEOD RUSSEL AFRICA LIMITED (MRAL)

There has been marginal increase in the volume of trade with the turnover for 2018 at US\$ 5.99 Million against that in previous year at US\$ 5.80 Million. There has been reduction in loss during the year which works out to US\$ 60,003 compared to US\$ 101,141 in previous year.

PFUNDA TEA COMPANY LIMITED

There has been increase in production of tea in 2018 at 2.62 million kg as compared to 2.47 million kg in previous year. However, low sale price in 2018 at US\$ 2.52 per kg as compared to US\$ 2.96 has resulted in less profit after tax at US\$ 1,770,016 as compared to US\$ 2,182,311 in 2017. There has been reduction in cost of sales currently at US\$ 1.87 per kg (2017 US\$ 2.08) The company declared dividend of US\$ 1,396,973 in 2018 (2017 - US\$ 953,516)

Borelli Tea Holdings sold 45% (out of 90%) of its holding in Pfunda Tea Company on 25th March 2019 to Rwanda Tea Investments Limited for a consideration of GBP 6,056,895 (US\$ 7,873,963).

BORELLI TEA HOLDINGS RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £10,340,994 (2018 - £28,706,370). Particulars of dividends paid are detailed in note 9 to the financial statements.

The directors paid a dividend of £8,688,000 during the year after realising part of one its long term investments. The directors recommended a dividend of £2.0 per ordinary share amounting to £724,000 on 362,000 ordinary fully paid shares of the company for the year ended 31st March 2019.

FUTURE OUTLOOK

The company has realised its investment in Gisovu Tea Company Limited (100%) and Pfunda Tea Company Limited (50% before the year end 50% after the year end). These disposals will impact the company's earnings in the year ending 31 March 2020. In other respects the external commercial environment is expected to remain competitive but stable in 2019.



Borelli Tea Holdings Limited

Strategic Report *(continued)*

Year ended 31 March 2019

This report was approved by the board of directors on 28 May 2019 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 2019

The directors present their report and the financial statements of the company for the year ended 31 March 2019.

Directors

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

D Sen
K K Baheti
A Khaitan
S Knight
B J Ruck

Dividends

The directors paid dividends of £8,688,000 (2018 - £18,100,000) during the year after realising part of one its long term investments. The directors recommended a dividend of £2.0 per ordinary share amounting to £724,000 on 362,000 ordinary fully paid shares of the company for the year ended 31st March 2019.

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 2019

This report was approved by the board of directors on 28 May 2019 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 2019

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 2019

Opinion

We have audited the financial statements of Borelli Tea Holdings Limited (the 'company') for the year ended 31 March 2019 which comprise the statement of income and retained earnings, statement of financial position, 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).

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.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 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 2019

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.

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.



Borelli Tea Holdings Limited

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

(continued)

Year ended 31 March 2019

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 2019

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.



Alistair Smith (Senior Statutory Auditor)

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

28 May 2019



Borelli Tea Holdings Limited
Statement of Income and Retained Earnings
Year ended 31 March 2019

	Note	2019 £	2018 £
Turnover	4	1,902,219	1,586,862
Gross profit		<u>1,902,219</u>	<u>1,586,862</u>
Administrative expenses		(1,216,376)	264,859
Other operating income	5	24,697	23,074
Gain on disposal of investment		8,244,231	23,261,659
Operating profit	6	8,954,771	25,136,454
Gain on financial assets at fair value through profit or loss		72,021	–
Income from shares in group undertakings	8	2,308,101	5,387,285
Other interest receivable and similar income	9	614,490	702,679
Interest payable and similar expenses	10	(1,133,592)	(1,446,906)
Profit before taxation		<u>10,815,791</u>	<u>29,779,512</u>
Tax on profit	11	(651,519)	(1,073,142)
Profit for the financial year and total comprehensive income		<u>10,164,272</u>	<u>28,706,370</u>
Dividends paid and payable	12	(8,688,000)	(18,100,000)
Retained earnings at the start of the year		<u>32,739,553</u>	<u>22,133,183</u>
Retained earnings at the end of the year		<u>34,215,825</u>	<u>32,739,553</u>

All the activities of the company are from continuing operations.



The notes on pages 16 to 30 form part of these financial statements.

Borelli Tea Holdings Limited

Statement of Financial Position

31 March 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	13	407,510	465,728
Tangible assets	14	220,621	148,600
Investments	15	35,841,639	38,710,599
		<u>36,469,770</u>	<u>39,324,927</u>
Current assets			
Debtors: due within one year	16	14,622,218	3,092,051
Debtors: due after more than one year	16	4,716,633	10,897,581
Investments	17	1	1
Cash at bank and in hand		3,629,207	1,512,446
		<u>22,968,059</u>	<u>15,502,079</u>
Creditors: amounts falling due within one year	18	<u>3,642,098</u>	<u>3,365,505</u>
Net current assets		<u>19,325,961</u>	<u>12,136,574</u>
Total assets less current liabilities		<u>55,795,731</u>	<u>51,461,501</u>
Creditors: amounts falling due after more than one year	19	<u>14,859,381</u>	<u>12,001,423</u>
Net assets		<u>40,936,350</u>	<u>39,460,078</u>
Capital and reserves			
Called up share capital	21	362,000	362,000
Share premium account	22	6,214,076	6,214,076
Other reserves, including the fair value reserve	22	144,449	144,449
Profit and loss account	22	34,215,825	32,739,553
Shareholders funds		<u>40,936,350</u>	<u>39,460,078</u>

These financial statements were approved by the board of directors and authorised for issue on 28 May 2019, and are signed on behalf of the board by:


K K Baheti
Director

Company registration number: 01250122



The notes on pages 16 to 30 form part of these financial statements.

Borelli Tea Holdings Limited

Statement of Cash Flows

Year ended 31 March 2019

	2019 £	2018 £
Cash flows from operating activities		
Profit for the financial year	10,164,272	28,706,370
<i>Adjustments for:</i>		
Depreciation of tangible assets	–	11,031
Amortisation of intangible assets	58,218	58,217
Gain on financial assets at fair value through profit or loss	(72,021)	–
Income from shares in group undertakings	(2,308,101)	(5,387,285)
Other interest receivable and similar income	(614,490)	(702,679)
Interest payable and similar expenses	1,133,592	1,446,906
Tax on profit	651,519	1,073,142
Accrued (income)/expenses	(48,489)	51,563
(Gain)/Loss on sale of investments	–	(23,261,659)
<i>Changes in:</i>		
Trade and other debtors	(11,530,167)	825,233
Trade and other creditors	99,808	(913,210)
Cash generated from operations	(2,465,859)	1,907,629
Interest paid	(1,133,592)	(1,446,906)
Interest received	614,490	702,679
Tax paid	(651,519)	(1,073,142)
Net cash (used in)/from operating activities	(3,636,480)	90,260
Cash flows from investing activities		
Proceeds from sale of other investments	–	23,725,830
Dividends received	2,308,101	5,387,285
Capitalisation of loans to subsidiary	(7,031,250)	–
Disposal of subsidiary undertakings	9,900,210	–
Net cash from investing activities	5,177,061	29,113,115
Cash flows from financing activities		
Proceeds from borrowings	(2,478,023)	(4,321,247)
Proceeds from loans from group undertakings	5,561,255	(5,876,799)
Repayments of loans from group undertakings	6,180,948	–
Dividends paid	(8,688,000)	(18,100,000)
Net cash from/(used in) financing activities	576,180	(28,298,046)
Net increase in cash and cash equivalents	2,116,761	905,329
Cash and cash equivalents at beginning of year	1,512,446	607,117
Cash and cash equivalents at end of year	3,629,207	1,512,446



The notes on pages 16 to 30 form part of these financial statements.

Borelli Tea Holdings Limited

Notes to the Financial Statements

Year ended 31 March 2019

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.

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.

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.



Borelli Tea Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

3. Accounting policies *(continued)*

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 recorded at the fair value at the acquisition date.

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.



Borelli Tea Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

3. Accounting policies *(continued)*

Tangible assets *(continued)*

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.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Investment property - not depreciated

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.

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.



Borelli Tea Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

3. Accounting policies *(continued)*

Impairment of fixed assets *(continued)*

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.

4. Turnover

Turnover arises from:

	2019	2018
	£	£
Royalties, management and license fees	<u>1,902,219</u>	<u>1,586,862</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

	2019	2018
	£	£
Rental income	<u>24,697</u>	<u>23,074</u>



Borelli Tea Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

6. Operating profit

Operating profit or loss is stated after charging/crediting:

	2019	2018
	£	£
Amortisation of intangible assets	58,218	58,217
Depreciation of tangible assets	—	11,031
Impairment of trade debtors	447,150	—
Foreign exchange differences	288,655	(807,672)

7. Auditor's remuneration

	2019	2018
	£	£
Fees payable for the audit of the financial statements	8,000	8,000
Fees payable to the company's auditor and its associates for other services:		
Other non-audit services	28,000	37,650

8. Income from shares in group undertakings

	2019	2018
	£	£
Income from shares in group undertakings	2,308,101	5,387,285

9. Other interest receivable and similar income

	2019	2018
	£	£
Interest on loans and receivables	614,490	702,679

10. Interest payable and similar expenses

	2019	2018
	£	£
Interest on banks loans and overdrafts	(420,248)	(452,124)
Other interest payable and similar charges	(713,344)	(994,782)
	<u>(1,133,592)</u>	<u>(1,446,906)</u>



Borelli Tea Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

11. Tax on profit

Major components of tax expense

	2019 £	2018 £
Current tax:		
Adjustments in respect of prior periods	(7,095)	–
Tax suffered on royalty, management and rental income	289,016	237,337
Tax suffered on dividend and interest received	369,598	835,805
Total current tax	<u>651,519</u>	<u>1,073,142</u>
Tax on profit	<u>651,519</u>	<u>1,073,142</u>

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2018: lower than) the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019 £	2018 £
Profit on ordinary activities before taxation	<u>10,815,791</u>	<u>29,779,512</u>
Profit on ordinary activities by rate of tax	2,055,000	5,658,107
Adjustment to tax charge in respect of prior periods	(7,095)	–
Effect of expenses not deductible for tax purposes	–	13,157
Utilisation of tax losses	(36,373)	–
Effect of non taxable income	(452,223)	(1,251,550)
Tax suffered on royalty, management and rental income	289,016	237,337
Tax suffered on dividend and interest received	369,598	835,805
Effect of non taxable gains	<u>(1,566,404)</u>	<u>(4,419,714)</u>
Tax on profit	<u>651,519</u>	<u>1,073,142</u>

12. Dividends

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

	2019 £	2018 £
Equity dividends on ordinary shares	<u>8,688,000</u>	<u>18,100,000</u>



Borelli Tea Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

13. Intangible assets

	Patents, trademarks and licences £
Cost	
At 1 April 2018 and 31 March 2019	1,164,350
Amortisation	
At 1 April 2018	698,622
Charge for the year	58,218
At 31 March 2019	756,840
Carrying amount	
At 31 March 2019	407,510
At 31 March 2018	465,728

14. Tangible assets

	Investment property £
At 1 April 2018 and 31 March 2019	220,621
Depreciation	
At 1 April 2018	72,021
Revaluations	(72,021)
At 31 March 2019	-
Carrying amount	
At 31 March 2019	220,621
At 31 March 2018	148,600

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.



Borelli Tea Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

15. Investments

	Shares in group undertakings £	Investments in subsidiaries £	Total £
Cost			
At 1 April 2018	792,224	37,918,375	38,710,599
Additions	—	7,031,250	7,031,250
Disposals	—	(9,900,210)	(9,900,210)
At 31 March 2019	<u>792,224</u>	<u>35,049,415</u>	<u>35,841,639</u>
Impairment			
At 1 April 2018 and 31 March 2019	—	—	—
Carrying amount			
At 31 March 2019	<u>792,224</u>	<u>35,049,415</u>	<u>35,841,639</u>
At 31 March 2018	<u>792,224</u>	<u>37,918,375</u>	<u>38,710,599</u>



Borelli Tea Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

15. Investments *(continued)*

Investment in Group Undertakings

The investment in group undertakings is a listed investment consisting of approximately 16% (2018: 16%) of the issued ordinary share capital of McLeod Russel India Limited, a company incorporated in India. McLeod Russel India Limited is the parent company of Borelli Tea Holdings Limited and therefore it is considered appropriate to continue to hold the investment at cost in line with the Holding company's accounting policy. The estimated market value as at 31 March 2019 is £16,211,100 (2018: £27,168,597). McLeod Russel India Limited has pledged these shares as a security for loan's taken from Standard Chartered bank, India Branch.

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. During the year PBT converted the loan due to BTHL of £7,031,250 (US\$9,000,000) into its equity share capital and BTHL has recognised the same as an investments in its books.

Aggregate capital and reserves

The latest available audited financial statements are for the year ended 31 December 2018. The company's net assets at the prevailing rate of exchange at 31 March 2019 were £4,206,523 (2018: net liabilities £919,231).

Profit and (loss) for the year

The company made a loss of £1,721,152 in the year to 31 December 2018 at average exchange rates (2017: Loss - £1,667,556).

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 2018. The Company's net assets at the prevailing rate of exchange at 31 March 2019 were £25,795,534 (2018: £22,367,697).

Profit and (loss) for the year

The Company made a profit after tax of £1,770,523 in the year to 31 December 2018 at average exchange rates. (2017: £9,062,422). During the year the Company paid a dividend of £Nil (2017: £4,151,322) to Borelli Tea Holdings Limited.

GISOVU TEA COMPANY LIMITED

The company owns 60% of the issued share capital of Gisovu Tea Company Limited incorporated in Rwanda, while 10% is owned by the Growers Co-operative (COOTHEGIM) and 30% is owned by the Government of Rwanda (GOR). During the year BTHL sold all of its



Borelli Tea Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

15. Investments *(continued)*

investment in Gisovu Tea company Limited to a third party for £12m in March-19.

Aggregate capital and reserves

The latest available audited financial statements are for the year ended 31st December 2018. The company's net assets at the prevailing rate of exchange at 31 March 2019 were £6,207,396 (2017: £5,928,226).

Profit and (loss) for the year

Gisovu Tea Company Limited made a profit after tax of £1,574,025 in the year ended 31 December 2018 at average exchange rates. (2017: £2,860,026). During the year Gisovu Tea Company Limited paid a dividend of £1,075,451 (2017: £487,712) 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 2018. The company's net assets at the prevailing rate of exchange at 31 March 2019 were £50,702 (2018: net liabilities £74,841).

Profit and (loss) for the year

Mcleod Russel Middle East DMCC made a profit of £127,381 in the period to 31 December 2018 at average exchange rates (2017: £156,094).

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 2018. The company's net liabilities at the prevailing rate of exchange at 31 March 2019 were £204,494 (2017: £146,934).

Profit and (loss) for the year

Mcleod Russel Africa Limited made a loss of £44,525 in the period to 31 December 2018 at average exchange rates (2017: £77,032).

PFUNDA TEA COMPANY LIMITED

In 2014 the company bought 90% of the issued share capital of Pfunda Tea Limited, incorporated in Rwanda, at a cost of US\$19,500,000. The remaining 10% of the share capital is owned by the Cooperative Des Theiculteurs de Pfunda. During the year BTHL sold 50% of its investment in Pfunda Tea Company to a third party for £6m in March-19, while the remaining 50% will be sold after the year end as BTHL has agreed a memorandum of understanding with a third party.

Aggregate capital and reserves

The latest available audited financial statements are for the year ended 31st December 2018. The company's net assets at the prevailing rate of exchange at 31 March 2019 were £5,499,036 (2018: £5,086,691).

Profit and (loss) for the year

Pfunda Tea Company Limited made a profit after tax of £1,300,180 in the year to 31 December 2018 at average exchange rates (2017: £1,706,743).



Borelli Tea Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

16. Debtors

Debtors falling due within one year are as follows:

	2019	2018
	£	£
Trade debtors	833,589	523,392
Prepayments and accrued income	3,353,376	2,384,142
Other debtors	10,435,253	184,517
	<u>14,622,218</u>	<u>3,092,051</u>

Debtors falling due after one year are as follows:

	2019	2018
	£	£
Amounts owed by group undertakings	<u>4,716,633</u>	<u>10,897,581</u>

17. Investments

	2019	2018
	£	£
Other investments	828,598	828,598
Provision for diminution in value of investment	(828,597)	(828,597)
	<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

	2019	2018
	£	£
Bank loans and overdrafts	3,153,847	2,928,573
Accruals and deferred income	130,113	178,262
Other creditors	358,138	258,670
	<u>3,642,098</u>	<u>3,365,505</u>

The bank loan is repayable over two years. The interest charged on the loan is at 5.7% over the relevant 3 month US\$LIBOR.

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

	2019	2018
	£	£
Bank loans and overdrafts	3,101,689	5,804,986
Amounts owed to group undertakings	11,757,692	6,196,437
	<u>14,859,381</u>	<u>12,001,423</u>



Borelli Tea Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

19. Creditors: amounts falling due after more than one year *(continued)*

The loan is guaranteed by the holding company Mcleod Russel India Limited.

The bank loan was secured by a first ranking charge over the shares of Pfunda Tea Company Limited and a floating debenture charge over all the assets of the company excluding investments in parent undertakings.

20. Financial instruments

The company has the following financial instruments:

Financial assets that are debt instruments measured at amortised cost

	2019	2018
	£	£
Trade debtors	833,589	523,392
Other debtors	10,435,253	184,517
Amounts owed by group undertakings	4,716,633	10,897,581
	<u>15,985,475</u>	<u>12,967,849</u>

Financial liabilities measured at amortised cost

	2019	2018
	£	£
Bank loans and overdrafts	6,255,536	8,733,559
Other creditors	358,138	258,670
Amounts owed to group undertakings	11,757,692	6,196,437
	<u>18,371,366</u>	<u>15,188,666</u>

21. Called up share capital

Authorised share capital

	2019		2018	
	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

	2019		2018	
	No.	£	No.	£
Ordinary shares of £1 each	<u>362,000</u>	<u>362,000</u>	<u>362,000</u>	<u>362,000</u>



Borelli Tea Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

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.



Borelli Tea Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

23. Related party transactions

Transactions with group companies are as follows:

	2019 £	2018 £
Mcleod Russel India Limited		
Dividend paid	8,688,000	18,100,000
Royalties receivable	361,879	455,226
Interest expense	–	359,051
Dividend received	95,541	81,254
	2019 £	2018 £
Phu Ben Tea Company Limited		
Loan balance receivable	2,807,692	9,071,428
Royalties receivable	–	82,882
Interest income	505,449	603,250
	2019 £	2019 £
Mcleod Russel Uganda Limited		
Loan balance payable	10,461,538	5,214,285
Interest expense	482,802	427,034
Dividend received	–	3,528,624
	2019 £	2018 £
Gisovu Tea Company Limited		
Techinal and management fee income	551,346	755,973
Rental Income	24,696	23,074
Dividend received	1,075,451	414,555
	2019 £	2018 £
Mcleod Russel Middle East DMCC		
Loan balance receivable	86,752	134,119
Interest income	8,361	11,119
	2019 £	2018 £
Mcleod Russel Africa Limited		
Loan balance receivable	1,822,189	1,692,032
Interest income	62,966	46,183



Borelli Tea Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

	2019	2018
	£	£
Pfunda Tea Company		
Loan balance payable	2,757,692	982,151
Interest expense	66,781	30,860
Technical and management fee income	254,404	292,717
Dividend received	805,225	566,946

Other related party transactions

The company paid management fees of £272,300 (2018: £297,929) to Trans Global Freight Management Limited, a UK registered company, which has directors in common with Borelli Tea Holdings Limited.

24. 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>.

25. Post balance sheet events

As referred to in note-15 the company has sold its remaining holding in Pfunda Tea Company Limited realising £8m after the year end and giving rise to a surplus in excess of £1m on sale.

