

Financial Statements for Tetley USA
Inc.

For the year ended March 31, 2017

Tetley USA Inc.
Balance Sheets
March 31, 2017 and 2016
(in thousands of US dollars)

	2017	2016
Assets		
Current assets		
Cash and cash equivalents	\$ 5,807	\$ 6,761
Accounts receivable, net	2,556	2,058
Related party receivable	32,836	30,658
Inventories, net	1,723	1,866
Prepaid expenses and other current assets	957	430
Total current assets	43,879	41,773
Property, plant and equipment, net	9	-
Goodwill	3,603	3,603
Investment in subsidiary	2,827	2,827
Total assets	<u>\$ 50,318</u>	<u>\$ 48,203</u>
Liabilities and Stockholder's Equity		
Current liabilities		
Accounts payable and accrued expenses	\$ 2,665	\$ 2,402
Related party payable	1,779	1,827
Total current liabilities	4,444	4,229
Other liabilities	620	779
Total liabilities	<u>5,064</u>	<u>5,008</u>
Stockholder's equity		
Additional paid-in capital	136,504	136,504
Retained earnings	(91,250)	(93,309)
Total stockholder's equity	<u>45,254</u>	<u>43,195</u>
Total liabilities and stockholder's equity	<u>\$ 50,318</u>	<u>\$ 48,203</u>

/s/ THOMAS J. CORCORAN

Thomas J. Corcoran

Director

June 2, 2017

Tetley USA Inc.
Statements of Income
Years Ended March 31, 2017 and 2016
(in thousands of US dollars)

	2017	2016
Sales, net	\$ 19,234	\$ 20,031
Cost of goods sold	<u>13,644</u>	<u>14,358</u>
Gross profit	5,590	5,673
Selling, general and administrative expenses	<u>7,222</u>	<u>8,531</u>
Loss from operations	(1,632)	(2,858)
Dividend income	3,360	3,024
Other income	44	69
Interest (income)	<u>(138)</u>	<u>(131)</u>
Income before income taxes	1,910	366
Provision for income taxes	<u>-</u>	<u>7</u>
Net income	<u>\$ 1,910</u>	<u>\$ 359</u>

/s/ THOMAS J. CORCORAN

Thomas J. Corcoran

Director

June 2, 2017

Tetley USA Inc.
Statements of Cash Flows
Years ended March 31, 2017 and 2016
(in thousands of US dollars)

	2017	2016
Cash flows from operating activities		
Net income	\$ 1,910	\$ 359
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation and amortization	1	3
Changes in operating assets and liabilities		
Accounts receivable	(498)	(23)
Inventories	143	563
Prepaid expenses and other current assets	(528)	(212)
Accounts payable and accrued expenses	254	(433)
Related party payable/receivable	(2,226)	5,936
Net cash (used in) / provided by operating activities	(944)	6,193
Cash flows from investing activities		
Purchases of property and equipment	(10)	
Investment in subsidiary	-	6
Net cash (used in) / provided by investing activities	(10)	6
Net change in cash and cash equivalents	(954)	6,199
Cash and cash equivalents		
Beginning of year	6,761	562
End of year	\$ 5,807	\$ 6,761

/s/ THOMAS J. CORCORAN

Thomas J. Corcoran

Director

June 2, 2017

1. Description of Business and Basis of Presentation

Organization of the Company

Tetley USA Inc. ("Tetley USA") was incorporated on December 8, 1972, pursuant to the laws of Delaware. Tetley USA is indirectly owned 100% by TGB Group. Tetley USA is a 25% member of the joint venture, Southern Tea LLC and a 56% member of the joint venture, Empirical Group LLC ("Empirical"). Tetley USA has entered into two joint venture agreements with a private label competitor, Harris Freeman & Co LP ("Harris"): Empirical which combined the food service businesses of Harris and Tetley under Tetley's operational management and Southern which is a manufacturing joint venture which is managed, operationally, by Harris and based at the former Tetley factory at Marietta, Georgia. Effective December 20, 2012, Harris Freeman & Co., Inc. contributed its member interest in Empirical to its wholly owned subsidiary Harris Tea Co., LLC ("Harris Tea"). Effective October 1, 2016, a mutual agreement regarding the ongoing operational decision making of Empirical, specifically, that, as between Tetley USA and Harris Tea, Tetley USA has day-to-day management responsibility of Empirical.

Tata Global Beverages US Holdings, Inc. "TGBUSH" (Formerly known as Tetley US Holdings Inc.) was incorporated on June 9, 1995 pursuant to the laws of the State of Delaware. TGBUSH is indirectly owned 100% by the TGB Group.

Good Earth Teas, Inc. ("Good Earth") was incorporated on February 26, 1979, pursuant to the laws of the State of California. Good Earth was purchased by the TGB Group on October 15, 2005. Good Earth Teas, Inc. is indirectly owned 100% by the TGB Group. Good Earth Teas, Inc., a 25% member of the joint venture, Southern Tea LLC., which is a manufacturing joint venture that is managed, operationally, by Harris and based at the former Tetley factory at Marietta, Georgia.

Good Earth Corporation was incorporated on February 24, 1994, pursuant to the laws of the State of California. Good Earth Corporation was purchased by the TGB Group on October 15, 2005. Good Earth Corporation is indirectly owned 100% by the TGB Group.

Tetley USA and Good Earth are referred to as the "Companies."

The following information outlines the Companies' adopted accounting policies to maintain compliance with generally accepted accounting policies in the United States of America.

Principles of Consolidation

All intercompany balances and transactions are eliminated in consolidation.

Nature of Operations

The Companies are engaged in the sale of tea products to the supermarket, mass, club, dollar, military and convenience channels primarily within the United States. Empirical is a sales entity engaged in the sale of tea and coffee to foodservice and contract customers primarily within the US.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

The Companies consider all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents.

Revenue Recognition

Revenue is recognized when an arrangement exists, the price is fixed and determinable, collectability is reasonably assured, and risk of loss and title have transferred to the customer, which is typically upon receipt of the product by the customer. The Companies estimate and

record provisions for returns and other allowances in the period the sale is recorded, based upon its past experience.

Royalty Income

Royalty income includes fees generated by licensing the Companies' trademark throughout the US and Canada. Licensing fees are recognized when earned, which is generally upon sale of the underlying products by the licensees and are recorded in net sales.

Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable are recorded at the invoiced amounts and do not bear interest. The allowance for doubtful accounts is management's best estimate of the amount of probable credit losses in existing accounts receivable. Management reviews its allowance for doubtful accounts periodically and determines the allowance based on the historical write-off experience. Past due balances over 90 days and over a specified amount are reviewed individually for collectability. All other balances are reviewed on a pooled basis by type of receivable. Account balances are charged against the allowance when management determines it is probable the receivable will not be recovered. There are no off-balance-sheet credit exposures related to customers.

Inventories, net

Inventories are stated at the lower of cost, as determined by using the first-in, first-out method, or market.

Property Plant and Equipment, net

Property plant and equipment are recorded at cost. Depreciation is computed utilizing the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is computed utilizing the straight-line method over the shorter of the remaining lease term or estimated useful life. The cost and accumulated depreciation and amortization applicable to assets retired or otherwise disposed of are removed from the asset accounts and any gain or loss is included in the consolidated statement of income and comprehensive income. Repairs and maintenance costs are expensed as incurred. The construction costs of new or refurbished equipment are capitalized and included in construction in progress until completed.

Sales Incentives and Trade Promotional Allowances

The Companies record the costs of certain promotional items, such as slotting fees and trade promotion expenses, as a reduction of sales.

Shipping and Handling Costs

Shipping and handling costs are included in cost of goods sold. For Empirical, shipping and handling charges billed to customers are included in net sales. Shipping and handling costs are primarily comprised of freight and warehouse expenses. Shipping and handling costs are included in distribution expense.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported. The more significant estimates include valuation of allowances for obsolete inventories, reserves for sales returns and sales incentives and trade promotional allowances. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The Companies material financial instruments consist primarily of cash, accounts receivable, accounts payable and accrued expenses, and a revolver loan for Empirical. The fair values of cash, accounts receivable, accounts payable and accrued expenses approximate their carrying values based on their liquidity.

Concentration of Credit Risks

Financial instruments that potentially subject the Companies to concentrations of credit risk consist principally of cash and accounts receivable. The Companies sell primarily to large companies and extends reasonably short collection terms and performs credit evaluations. The Companies maintain reserves for potential credit losses. Such losses, in the aggregate, have not exceeded management's estimates.

Advertising, Promotions and Marketing

The costs for advertising, promotion and marketing programs are expensed in the year incurred and are included in selling and marketing expenses.

Income Taxes

Tata Global Beverages US Holdings Inc. files a consolidated federal tax return which includes the entities Tetley USA Inc., Good Earth Teas, Inc., Good Earth Corporation and Tata Global Beverages US Holdings Inc. The Tata Global Beverages US Holdings Inc. consolidated group has a combined Net Operating Loss carryforward therefore currently has no tax liability to the Federal Government. The separate taxable income for each of the four entities is calculated in order to determine state income taxes. Empirical is organized as a Limited Liability Company under the laws of the state of Delaware and its taxable income or losses are reported on the tax returns of its members Tetley USA Inc. and Harris.

Subsequent events

The Companies perform an evaluation of subsequent events through the date the standard forms or the financial statements are available to be issued to assess if any event or condition requires reporting or disclosure in the financial statements.