

TATA TEA EXTRACTIONS, INC.

PLANT CITY, FL

Financial Statements

For the years ended March 31, 2015 and 2014

Baggett, Reutimann & Associates, CPAs, PA

John E. Henson, CPA, PA

Certified Public Accountants

**TATA TEA EXTRACTIONS, INC.
PLANT CITY, FL. 33566**

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INDEPENDENT AUDITORS' REPORT

April 30, 2015

Board of Directors and Stockholders

of Tata Tea Extraction, Inc.

Plant City, FL

We have audited the accompanying financial statements of Tata Tea Extractions, Inc., a Florida corporation, which is comprised of the balance sheet as of March 31, 2015 and 2014, and the related statements of income, retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation 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 standards generally accepted in the United States of America. Those standards require that we 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, 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.

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tata Tea Extractions, Inc., as of March 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

The financial statements of Tata Tea Extractions Inc. for period ending March 31, 2014 were audited by Harman & Peaslee, P.A. They expressed an unqualified opinion on those financial statements in their report dated April 23, 2014.

Respectfully submitted,

 - Henson CPAs

Baggett/Reutimann - John E. Henson
Certified Public Accountants

TATA TEA EXTRACTIONS, INC.

BALANCE SHEETS

MARCH 31,ASSETS

	2015	2014
CURRENT ASSETS		
Cash	\$ -	\$ 60,854
Accounts Receivable - Trade	1,358,777	1,813,135
Inventory	3,874,502	4,938,292
Deferred Tax Asset	87,246	72,894
Total Current Assets	5,320,525	6,885,175
 PROPERTY, PLANT, AND EQUIPMENT, Net of		
Accumulated Depreciation of		
\$2,152,747 (2015) and \$2,261,780 (2014)	445,172	410,007
 OTHER ASSETS		
Loan Closing Cost - Net of		
Accumulated Amortization	40,150	
Investment in Affiliated Company	43,574,877	43,574,877
Total Other Assets	43,615,027	43,574,877
 TOTAL ASSETS	 \$ 49,380,724	 \$ 50,870,059

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES		
Current Portion of Long-Term Debt	\$ 2,084,352	\$
Short Term Debt	363,721	1,272,164
Accounts Payable and Accrued Liabilities	889,854	2,423,101
Income Taxes Payable	95,492	140,174
Total Current Liabilities	3,433,419	3,835,439
 LONG-TERM DEBT, Net of Current Portion	 1,753,125	 4,000,000
Total Liabilities	5,186,544	7,835,439
 STOCKHOLDER'S EQUITY		
Common Stock, \$1 Par Value; 50,000,000		
Shares Authorized, 14,000,000 Shares		
Issued and Outstanding	14,000,000	14,000,000
Retained Earnings	30,194,180	29,034,620
Total Stockholder's Equity	44,194,180	43,034,620
 TOTAL LIABILITIES AND STOCKHOLDER'S	 \$ 49,380,724	 \$ 50,870,059
EQUITY		

The Accompanying Notes are an Integral Part of These Financial Statements

TATA TEA EXTRACTIONS, INC.
STATEMENTS OF EARNINGS AND RETAINED EARNINGS
FOR THE YEARS ENDED MARCH 31,

	<u>2015</u>	<u>2014</u>
INCOME		
Sales	\$ 14,303,263	\$ 14,447,408
EXPENSES		
Cost of Goods Sold	11,349,166	11,661,836
Operating Expenses, General and Administrative and Marketing Expenses	<u>811,106</u>	<u>1,032,333</u>
Total Expenses	<u>12,160,272</u>	<u>12,694,169</u>
EARNINGS FROM OPERATIONS	2,142,991	1,753,239
OTHER INCOME AND EXPENSE		
Dividends	1,953,959	2,275,905
Interest Expense	<u>(127,532)</u>	<u>(54,235)</u>
Total Other Income and Expense	<u>1,826,427</u>	<u>2,221,673</u>
EARNINGS BEFORE PROVISION FOR INCOME TAXES	3,969,418	3,974,912
LESS PROVISION FOR INCOME TAXES	<u>909,858</u>	<u>722,086</u>
NET EARNINGS	3,059,560	3,252,826
Retained Earnings, April 1	29,034,620	31,281,794
Dividends Paid	<u>(1,900,000)</u>	<u>(5,500,000)</u>
Retained Earnings, March 31	<u>\$ 30,194,180</u>	<u>\$ 29,034,620</u>

The Accompanying Notes are an Integral Part of These Financial Statements

TATA TEA EXTRACTIONS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31,

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Earnings	\$ 3,059,560	\$ 3,252,826
Adjustments to Reconcile Net Earnings to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	34,329	39,209
Decrease (Increase) In:		
Accounts Receivable - Trade	454,358	(334,795)
Inventory	1,063,790	(1,021,925)
Prepaid Expenses		20,190
Deferred Tax Asset	(14,352)	(32,999)
Increase (Decrease) In:		
Accounts Payable	(1,533,247)	205,271
Income Taxes Payable	(44,682)	79,279
Net Cash Provided by Operating Activities	<u>3,019,756</u>	<u>2,207,056</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property Plant and Equipment	(66,614)	(4,084)
Loan Costs	(43,030)	-
Net Cash (Used) By Investing Activities	<u>(109,644)</u>	<u>(4,084)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Increase (Decrease) in Short Term Debt	(908,443)	1,272,164
Proceeds from Long-Term Debt	4,000,000	3,000,000
Repayment of Long-Term Debt	(4,162,523)	(1,000,000)
Payment of Cash Dividends	(1,900,000)	(5,500,000)
Net Cash Provided (Used) by Financing Activities	<u>(2,970,966)</u>	<u>(2,227,836)</u>
NET INCREASE (DECREASE) IN CASH	(60,854)	(24,864)
CASH, APRIL 1	<u>60,854</u>	<u>85,718</u>
CASH, MARCH 31	<u>\$ -</u>	<u>\$ 60,854</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash Paid During the Year For:		
Income Taxes	\$ <u>954,540</u>	\$ <u>642,807</u>
Interest Expense	\$ <u>127,532</u>	\$ <u>54,235</u>

The Accompanying Notes are an Integral Part of These Financial Statements

TATA TEA EXTRACTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Line of Business

The company was formed on May 29, 1987, as a wholly owned subsidiary of Tata Tea, Limited (a corporation of India). The company imports instant tea powders from the parent company for distribution in the U.S. These powders will be sold both in the condition received or further processed in the company's facilities.

Cash and Cash Equivalents

For the purposes of reporting cash flows, cash and cash equivalents included cash on hand, amounts due from banks, and overnight time deposits.

Inventory

Inventory is valued at the lower of cost or net realizable value, with cost being determined on the first-in first-out basis. Inventory may be sold in the condition in which it is imported or processed further.

Accounts Receivable

Trade accounts receivable are stated at the amount management expects to collect from balances outstanding. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding will be immaterial.

Depreciation

Property, plant, and equipment are depreciated on the straight-line basis over estimated useful lives ranging from three to thirty years.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

The significant estimates used are the allowance for doubtful accounts, estimated useful lives of assets, and inventory valuation.

Income Taxes

The Company has adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". The asset and liability approach requires the recognition of deferred tax assets and liabilities for expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial and tax reporting purposes.

NOTE 2: SIGNIFICANT CUSTOMERS

As of March 31, three customers accounted for approximately 90.3%(2015) and 86.0% (2014), of the total outstanding accounts receivable.

TATA TEA EXTRACTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014

NOTE 3: PROPERTY, PLANT, AND EQUIPMENT

The property, plant, and equipment are recorded at cost and consisted of the following as of March 31:

	2015	2014
Buildings	\$ 585,461	\$ 561,804
Machinery and Equipment	1,471,627	1,611,893
Autos	108,660	63,048
Furniture and Fixtures	159,688	156,499
Non-Factory Building	<u>167,238</u>	<u>167,238</u>
 Total Depreciable Assets	 2,492,674	 2,560,382
Less, Accumulated Depreciation	<u>2,152,747</u>	<u>2,261,780</u>
Net Depreciable Assets	339,927	298,602
Land	<u>105,245</u>	<u>105,245</u>
Net Property, Plant and Equipment	<u>\$ 445,172</u>	<u>\$ 410,007</u>
 Depreciation Expense	 <u>\$ 31,449</u>	 <u>\$ 39,209</u>

NOTE 4: INVESTMENT IN AFFILIATED COMPANY

The company acquired an approximate 14% ownership in an affiliated holding company that acquired a world-wide tea distribution company during the year ended March 31, 2000. The cost of this acquisition was \$15,797,000.

During the year ended March 31, 2007, the investment company had the opportunity to invest in several additional beverage companies. Due to these acquisitions, the company invested an additional \$27,777,877 in the investment company. This additional investment was funded by a capital contribution from the shareholder of \$13,000,000 and new debt of \$14,000,000. Due to the size of the acquisitions and other investors purchasing additional shares in the holding company, the company's ownership percentage decreased to approximately 11%.

The company received \$1,953,959 (2015) and \$2,275,505 (2014) from this dividend payment after foreign exchange.

Management does not believe there has been any impairment to the carrying value of the investment.

NOTE 5: SHORT-TERM DEBT

During the year ended March 31, 2010, the revolving into a revolving working capital note with a regional bank. During December 2014, this note was amended to change the due date to December 11, 2015 and made available to the company \$2,500,000. The note is secured by the company's accounts receivables and inventory. The security on this note is cross collateralized with the term debt detailed in Note 6. Interest is due monthly at the rate of one month LIBOR plus 2.25% (2015) and 2.50% (2014). As of March 31, the company had drawn \$363,721 (2015) and \$1,272,164 (2014).

TATA TEA EXTRACTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014

NOTE 6: LONG-TERM DEBT

Long Term Debt consists of the following as of March 31,:

	<u>2015</u>	<u>2014</u>
Note Payable Regional Bank secured by accounts receivable and inventory, interest is payable month at the rate of one month LIBOR plus 2.35%, quarterly principle payments of \$130,648, beginning March 11, 2015 and a final balloon Payment December 11, 2016	\$1,956,852	\$
Mortgage Payable Regional Bank, secured by the company's real estate, interest is payable monthly at the rate of one month LIBOR plus 2.425%, monthly principle payments of \$10,625, beginning January 9, 2015 and a final balloon payment December 9, 2019	1,880,625	
Note Payable Affiliated Company Maturity of this note is April 2015 with interest of 3% payable monthly. This Note was repaid with other long term debt in 2015		1,000,000
Note Payable unaffiliated company, maturity of this note is March 2017, with interest due quarterly at the rate of 2.75% over LIBOR This Note was repaid with other long term debt in 2015		<u>3,000,000</u>
Total Long-Term Debt	3,837,477	4,000,000
Less, Current Portion	<u>2,084,352</u>	
Net Long-Term Debt	<u>\$1,753,125</u>	<u>\$4,000,000</u>

The required principle payments are as follows:

2016	\$2,084,352
2017	127,500
2018	127,500
2019	1,498,125

The company incurred loan costs for the two term debts that were closed in December 2014, in the amount of \$43,030. These loan costs are being amortized four years, the expected life of the note and mortgage.

TATA TEA EXTRACTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014

NOTE 7: TRANSACTIONS WITH RELATED PARTY

The company purchases substantially all of its tea powders from its parent company and an affiliated company. Included in accounts payable at March 31, 2015, is \$370,500, due to the parent company Tata Global Beverages, LTD. All amounts are for the purchase of inventory.

During the year ended March 31, 2008 the company borrowed \$9,000,000 from its subsidiary, during the year ended March 31, 2014, 2011 and 2010, the note was reduced by \$1,000,000, \$1,000,000 and \$6,000,000 respectively. Interest paid on this note was \$21,625 (2015) and \$54,000 (2014). The note was paid in full in December 2014.

NOTE 8: PENSION PLAN

During the year ended March 31, 1989, the company established a Simplified Employee Pension Plan, whereby the company's Board of Directors will on an annual basis, determine the percentage of eligible employee compensation to be contributed to the plan. All employees with over two years of continuous service after obtaining the age of 21 years old are eligible. For the years ended March 31, the company's directors elected to contribute 3% of eligible compensation or approximately \$55,000 (2015) and \$54,000 (2014) to the plan.

Under a Simplified Employee Pension Plan all funds are invested in individual retirement accounts for the employees. These accounts are 100% vested by the employee as of the date of the contribution.

NOTE 9: INCOME TAXES

Using the applicable federal tax rate of 34% and state tax rate of 5.5% each year for operating profit and a special tax rate of approximately 6% for the dividend received, the tax liability are as follows:

	<u>2015</u>	<u>2014</u>
Income tax reconciliation is as follows:		
Expected Federal Tax	\$1,349,671	\$1,351,470
Expected Florida Tax	108,111	90,695
Federal Income Tax Benefit		
For Florida Tax	(36,758)	(30,836)
Timing Differences	(47,493)	(17,162)
Federal Income Tax Benefit		
For Foreign Tax Assumed Paid on		
Dividends Received	(463,673)	(672,081)
Net Federal and Florida Income Tax	<u>\$ 909,858</u>	<u>\$ 722,086</u>
Deferred Tax Asset		
Florida Tax	\$ 12,476	\$ 10,391
Federal Tax	74,770	62,503
Total Deferred Tax Asset	<u>\$ 87,246</u>	<u>\$ 72,894</u>

TATA TEA EXTRACTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014

NOTE 9: INCOME TAXES

The company has open tax years for the periods ended March 31, 2011, 2012, 2013 and 2014. The company has not been notified by the Internal Revenue Service that its returns are under audit or review. The Florida Department of Revenue has reviewed and closed the years ended March 31, 2011, 2012 and 2013.

NOTE 10: FAIR VALUE MEASUREMENTS

The Fair Value Measurements Topic of the FASB Accounting Standards Codification defines fair value, establishes a consistent framework for measuring fair value and expands disclosure requirements for fair value measurements.

The Company measures the fair value of assets and liabilities as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between independent observable inputs used to measure fair values as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs other than quoted market prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for an asset or liability. Level 3 inputs should be used to measure fair value to the extent that observable Level 1 or 2 inputs are not available.

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. With the exception of the Investment in Affiliated Company shown in other assets, which is shown at cost, the Company's significant financial instruments are cash, accounts receivable, accounts payable, short term borrowings and other short term assets and liabilities. For these financial instruments (Level 1), carrying value approximates fair value because of the short term maturity of these instruments.

NOTE 11: SUBSEQUENT EVENT

Management has evaluated subsequent events through April 30, 2015, the date the financial statements were available to be issued and did not discover any events that should be disclosed.