

# **TATA TEA EXTRACTIONS, INC.**

**PLANT CITY, FL**

**Financial Statements**

**For the years ended March 31, 2018 and 2017**

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**Baggett, Reutimann & Associates, CPAs, PA**  
**Certified Public Accountants**

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

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**BAGGETT  
REUTIMANN**  
& ASSOCIATES, CPAS, PA

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## INDEPENDENT AUDITORS' REPORT

April 26, 2017

Board of Directors and Stockholders  
of Tata Tea Extractions, Inc.  
Plant City, FL

We have audited the accompanying financial statements of Tata Tea Extractions, Inc., a Florida corporation, which comprises the balance sheets as of March 31, 2018 and 2017, 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, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Respectfully submitted

  
Baggett, Reutimann, & Associates, CPAs, PA  
Certified Public Accountants

TATA TEA EXTRACTIONS, INC.

BALANCE SHEETS

MARCH 31,

ASSETS

	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>		
Cash	\$ -	\$ 124,135
Accounts Receivable - Trade	2,208,862	2,793,908
Prepaid Income Taxes	1,251	-
Inventory	4,794,496	3,902,852
Deferred Tax Asset - Current	45,410	61,356
<b>Total Current Assets</b>	<u>7,050,019</u>	<u>6,882,251</u>
<b>PROPERTY, PLANT, AND EQUIPMENT, Net of</b>		
Accumulated Depreciation of		
\$2,229,391 (2018) and \$2,216,752 (2017)	965,349	750,009
<b>OTHER ASSETS</b>		
Loan Closing Cost - Net of		
Accumulated Amortization	-	15,061
Deferred Tax Asset - Noncurrent	3,258,574	-
Investment in Affiliated Company	43,574,877	43,574,877
<b>Total Other Assets</b>	<u>46,833,451</u>	<u>43,589,938</u>
<b>TOTAL ASSETS</b>	<u>\$ 54,848,819</u>	<u>\$ 51,222,198</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

<b>CURRENT LIABILITIES</b>		
Current Portion of Long-Term Debt	\$ -	\$ 127,500
Short-Term Debt	30,000	-
Accounts Payable and Accrued Liabilities	2,176,869	2,079,070
Income Taxes Payable	193,481	42,815
<b>Total Current Liabilities</b>	<u>2,400,350</u>	<u>2,249,385</u>
NON-Current Portion of Transition Tax	2,997,888	-
LONG-TERM DEBT, Net of Current Portion	-	1,498,125
<b>Total Liabilities</b>	<u>5,398,238</u>	<u>3,747,510</u>
<b>STOCKHOLDER'S EQUITY</b>		
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	35,450,581	33,474,688
<b>Total Stockholder's Equity</b>	<u>49,450,581</u>	<u>47,474,688</u>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<u>\$ 54,848,819</u>	<u>\$ 51,222,198</u>

The Accompanying Notes are an Integral Part of These Financial Statements

For Baggett, Reutimann

Florida License No. - AD0011186

Certified Public Accountants

  
Hudson Baggett

Partner

Florida License No. AC0016912

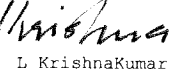
For and on behalf of the Board

  
Ajoy Misra

Chairman

  
Ravi Sankaran

Director

  
L KrishnaKumar

Director


  
Reed Feaslee

Director

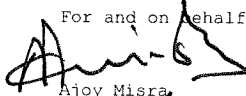
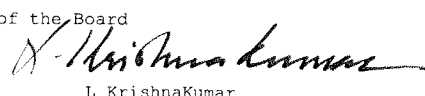
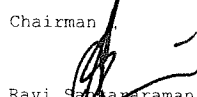

TATA TEA EXTRACTIONS, INC.  
 STATEMENTS OF EARNINGS AND RETAINED EARNINGS  
 FOR THE YEARS ENDED MARCH 31,

	2018	2017
<b>INCOME</b>		
Sales	\$ 15,272,390	\$ 15,333,939
<b>EXPENSES</b>		
Cost of Goods Sold	11,480,632	11,488,761
Operating Expenses, General Expenses	889,632	893,137
Total Expenses	12,370,264	12,381,898
<b>EARNINGS FROM OPERATIONS</b>	2,902,126	2,952,041
<b>INVESTMENT INCOME AND EXPENSE</b>		
Dividends	815,930	-
Interest Expense	(30,343)	(56,774)
Net Investment Income and Expense	785,587	(56,774)
<b>EARNINGS BEFORE PROVISION FOR INCOME TAXES</b>	3,687,713	2,895,267
<b>PROVISION FOR INCOME TAXES, NET</b>	4,236,064	1,003,867
<b>DEFERRED TAX BENEFIT - NON-CURRENT</b>	(3,258,574)	
<b>NET INCOME TAX</b>	977,490	1,003,867
<b>NET EARNINGS</b>	2,710,223	1,891,400
Retained Earnings, Beginning Balance	33,474,688	31,583,288
Dividends Paid	(734,330)	-
Retained Earnings, Ending Balance	\$ 35,450,581	\$ 33,474,688

**The Accompanying Notes are an Integral Part of These Financial Statements**

For Baggett, Reutimann  
 Florida License No. - AD0011186  
 Certified Public Accountants  
  
 Judson Baggett  
 Partner

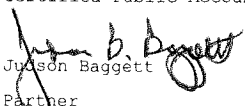
For and on behalf of the Board

 Ajoy Misra Chairman	 L. KrishnaKumar Director
 Ravi Sankararaman	 R. Read Peaslee

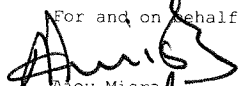
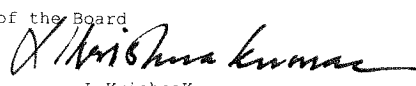
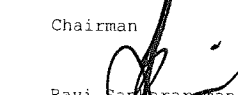
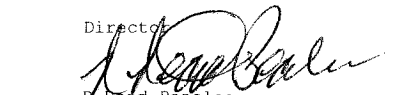
TATA TEA EXTRACTIONS, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED MARCH 31,

	2018	2017
Net Earnings Before Other Income and Expense \$	2,710,223	\$ 1,891,400
Adjustments to Reconcile Net Earnings to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	79,920	90,234
Decrease (Increase) In:		
Accounts Receivable - Trade	585,046	(1,678,553)
Prepaid Income Taxes	(1,251)	
Inventory	(891,644)	254,663
Deferred Tax Asset	15,946	4,554
Increase (Decrease) In:		
Accounts Payable	97,799	(169,117)
Income Taxes Payable	150,666	(68,051)
Net Cash Provided by Operating Activities	2,746,705	325,130
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Property Plant and Equipment	(280,199)	(221,619)
Net Cash (Used) By Investing Activities	(280,199)	(221,619)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net Increase (Decrease) in Short-Term Debt	30,000	-
Current Portion of Transition Tax	(260,686)	
Repayment of Long-Term Debt	(1,625,625)	(812,656)
Payment of Cash Dividends	(734,330)	-
Net Cash (Used) by Financing Activities	(2,590,641)	(812,656)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(124,135)</b>	<b>(709,145)</b>
<b>CASH, APRIL 1</b>	<b>124,135</b>	<b>833,280</b>
<b>CASH, MARCH 31</b>	<b>\$ -</b>	<b>\$ 124,135</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash Paid During the Year For:		
Income Taxes	\$ 1,021,556	\$ 1,071,918
Interest Expense	\$ 30,343	\$ 56,774

The Accompanying Notes are an Integral Part of These Financial Statements

For Baggett, Reutimann  
Florida License No. - AD0011186  
Certified Public Accountants  
  
Jason B. Baggett  
Partner

For and on behalf of the Board

 Ajoy Misra Chairman	 L. Krishna Kumar Director
 Ravi Sankaranarayanan	 R. Read Peaslee

TATA TEA EXTRACTIONS, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2018 AND 2017

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, inventory valuation and earnings and profits from affiliated company for determining transition tax as prescribed by the Internal Revenue Code.

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.



TATA TEA EXTRACTIONS, INC.  
 NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2018 AND 2017

NOTE 2: SIGNIFICANT CUSTOMERS

As of March 31, three customers accounted for approximately 90.01% (2018) and 94.48% (2017), of the total outstanding accounts receivable.

NOTE 3: PROPERTY, PLANT, AND EQUIPMENT

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

	2018	2017
Buildings	\$ 765,288	\$ 765,288
Machinery and Equipment	1,874,508	1,646,529
Autos	122,773	122,773
Furniture and Fixtures	159,688	159,688
Non-Factory Building	167,238	167,238
 Total Depreciable Assets	 3,089,495	 2,861,516
Less, Accumulated		
Depreciation	2,229,391	2,216,752
Net Depreciable Assets	860,104	644,764
Land	105,245	105,245
Net Property, Plant and Equipment	\$ 965,349	\$ 750,009
 Depreciation Expense	 \$ 64,859	 \$ 48,261

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 affiliated 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 affiliated 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 10.61%.

The company, during the year ended March 31, 2018, received a dividend payment of \$815,930 after foreign exchange and did not receive any dividend payment for the year ended March 31, 2017.

NOTE 5: SHORT-TERM DEBT

During the year ended March 31, 2010, the company entered into a revolving working capital note with a regional bank. On January 31, 2018, this note was amended to change the due date to January 31, 2019 and made available to the company \$2,500,000. The note is secured by the company's accounts receivables and inventory. Interest is due monthly at the rate of one month LIBOR plus 2.15%. As of March 31, 2018, the company had drawn \$30,000. In 2017, the company did not have an outstanding balance on the line.

TATA TEA EXTRACTIONS, INC.  
 NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2018 AND 2017

NOTE 6: LONG-TERM DEBT

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

	2017
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 principal payments of \$10,625, beginning January 9, 2015 and a final balloon payment December 9, 2019	<u>\$1,625,625</u>
Total Long-Term Debt	1,625,625
Less, Current Portion	<u>127,500</u>
Net Long-Term Debt	<u>\$1,498,125</u>

The company serviced all of the long-term debt during the year ended March 31, 2018.

The company incurred loan costs for two term debts that were closed in December 2014, in the amount of \$43,030. These loan costs were being amortized over four years, the expected life of the note and mortgage. Amortization for the year was \$15,061 (2018) and \$15,675 (2017).

NOTE 7: TRANSACTIONS WITH RELATED PARTY

The company purchases substantially all of its tea powders from its parent company and an affiliated company. Accounts payable at March 31 includes amounts due to the parent company Tata Global Beverages, LTD of \$1,362,600 (2018) and \$1,423,200 (2017). All amounts are for the purchase of inventory.

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 5% of eligible compensation or approximately \$64,000 (2018) and \$55,000 (2017) 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.

TATA TEA EXTRACTIONS, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2018 AND 2017

NOTE 9: INCOME TAXES

Using the applicable federal tax rate of 34% for the first nine months of the year and 21% for the last three months and state tax rate of 5.5% each year for operating profit and a special transition tax on non repatriated earnings and profits from the foreign subsidiary at 15.5% and 8%, and a special tax rate of approximately 6% for the dividend received, the tax liabilities are as follows:

	<u>2018</u>	<u>2017</u>
Income tax reconciliation is as follows:		
Expected Federal Tax	\$1,131,034	\$ 984,391
Expected Florida Tax	145,580	156,490
Transition Tax Payable	3,258,574	
Federal Income Tax Benefit		
For Florida Tax	( 42,586)	( 53,207)
Timing Differences	( 62,342)	( 83,807)
Federal Income Tax Benefit		
Foreign Dividends Received		
70% not subject to tax	( 194,196)	
Net Federal and Florida Income Tax	<u>\$4,236,064</u>	<u>\$1,003,867</u>
Deferred Tax Asset - Current		
Florida Tax	\$ 9,860	\$ 8,691
Federal Tax	35,550	52,665
Total Deferred Tax Asset - Current	<u>\$ 45,410</u>	<u>\$ 61,356</u>
Deferred Tax Asset - Noncurrent	<u>\$3,258,574</u>	

The company has open tax years for the periods ended March 31, 2014, 2015, 2016 and 2017. The company has not been notified by the Internal Revenue Service that its returns are under audit or review. The Florida Department of Revenue is currently reviewing the returns for 2014, 2015 and 2016. The company does not expect any material change to the returns.

The company has a 10.61% ownership interest in an affiliated company located in the United Kingdom. This investment is subject to a transition tax included in the Tax Cuts and Jobs Act of 2017 on the non repatriated earnings and profits accumulated after 1995, on its ownership interest. Management has estimated this transition tax to be \$3,258,574, which is payable over an eight year period. The annual payment due is \$276,686 for the first five years with the remainder due over the last three years. An overpayment of Federal Income Tax has been applied to the first installment. This amount is an estimate as the final regulations have not been released.

The company believes that this transition tax will be available in the future to offset any future capital gains tax that may be due upon the disposal of this investment. Since this disposal is not currently contemplated, the deferred tax asset is reflected as noncurrent.

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.

TATA TEA EXTRACTIONS, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2018 AND 2017

NOTE 10: FAIR VALUE MEASUREMENTS (CONTINUED)

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 26, 2018, the date the financial statements were available to be issued and did not discover any events that should be disclosed.