

# **Tata Tea Extractions, Inc.**

**Plant City, FL**

**Financial Statements**

**For the Years Ended March 31, 2020 and 2019**

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

**TABLE OF CONTENTS**

<b>INDEPENDENT AUDITOR'S REPORT .....</b>	<b>1</b>
<b>COMPARATIVE FINANCIAL STATEMENTS</b>	
<b>Balance Sheets .....</b>	<b>2</b>
<b>Statements of Earnings and Retained Earnings.....</b>	<b>3</b>
<b>Statements of Cash Flows.....</b>	<b>4</b>
<b>Notes to Financial Statements.....</b>	<b>5-8</b>

**INDEPENDENT AUDITOR'S REPORT**

April 18, 2020

To the Board of Directors and Stockholders  
of Tata Tea Extractions, Inc.

We have audited the accompanying financial statements of Tata Tea Extractions, Inc. (a Florida corporation), which comprise the balance sheets as of March 31, 2020 and 2019, and the related statements of earnings and 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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing 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, 2020 and 2019, 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.

  
**JUDSON B. BAGGETT, CPA**  
Signed Electronically by Judson B. Baggett, CPA, CN, 18103, email: jud@baggettecpa.com  
**Bodine Perry Tampa PLLC**

**TATA TEA EXTRACTIONS, INC.**

**BALANCE SHEETS**

**MARCH 31,**

**ASSETS**

	2020	2019
<b>CURRENT ASSETS</b>		
Cash	\$ 1,571,753	\$ 994,656
Accounts Receivable - Trade	4,279,812	4,037,618
Inventory	3,790,682	3,345,020
<b>Total Current Assets</b>	<b>9,642,247</b>	<b>8,377,294</b>
<b>PROPERTY, PLANT, AND EQUIPMENT, Net of</b>		
<b>Accumulated Depreciation of</b>		
<b>\$2,299,327 (2020) and \$2,239,898 (2019)</b>	1,428,610	1,355,332
<b>OTHER ASSETS</b>		
Deferred Tax Asset - Noncurrent	3,258,574	3,258,574
Investment in Affiliated Company	43,574,877	43,574,877
<b>Total Other Assets</b>	<b>46,833,451</b>	<b>46,833,451</b>
<b>TOTAL ASSETS</b>	<b>\$ 57,904,308</b>	<b>\$ 56,566,077</b>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

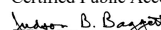
<b>CURRENT LIABILITIES</b>		
Short-Term Debt	\$ -	\$ -
Accounts Payable and Accrued Liabilities	1,758,833	1,931,617
Income Taxes Payable	99,760	43,216
<b>Total Current Liabilities</b>	<b>1,858,593</b>	<b>1,974,833</b>
<b>Non-Current Portion of Transition Tax</b>	<b>2,476,517</b>	<b>2,737,203</b>
<b>Total Liabilities</b>	<b>4,335,110</b>	<b>4,712,036</b>
<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	39,569,198	37,854,041
<b>Total Stockholder's Equity</b>	<b>53,569,198</b>	<b>51,854,041</b>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S</b>		
<b>EQUITY</b>	<b>\$ 57,904,308</b>	<b>\$ 56,566,077</b>

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

For Bodine Perry Tampa PLLC

Florida License No. - AD0011186

Certified Public Accountants

  
**JUDSON B. BAGGETT, CPA**  
CPA Examination by Judson B. Baggett, CPA, CN, 10/11, email: jbb@baggett.com

Judson Baggett

Partner

Florida License No. AC0016912

For and on behalf of the Board

Ajoy Misra

Chairman

Read Peaslee

Director

For and on behalf of the Board

L KrishnaKumar

Chairman

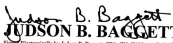
Raji P Thankappan

Director

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

	<b>2020</b>	<b>2019</b>
<b>INCOME</b>		
<b>Sales</b>	\$ 15,365,382	\$ 15,772,264
<b>EXPENSES</b>		
<b>Cost of Goods Sold</b>	11,633,989	11,986,874
<b>Operating Expenses, General Expenses</b>	633,162	557,039
<b>Total Expenses</b>	12,267,151	12,543,913
<b>EARNINGS FROM OPERATIONS</b>	3,098,231	3,228,351
<b>INVESTMENT INCOME AND EXPENSE</b>		
<b>Dividends</b>	-	858,328
<b>(Loss) on Sale of Assets</b>	-	(11,476)
<b>Interest Expense</b>	-	(355)
<b>Net Investment Income and Expense</b>	-	846,497
<b>EARNINGS BEFORE PROVISION FOR INCOME TAXES</b>	3,098,231	4,074,848
<b>PROVISION FOR INCOME TAXES NET</b>	783,074	813,060
<b>NET EARNINGS</b>	2,315,157	3,261,788
<b>Retained Earnings, April 1</b>	37,854,041	35,450,581
<b>Dividends Paid</b>	(600,000)	(858,328)
<b>Retained Earnings, March 31</b>	\$ 39,569,198	\$ 37,854,041

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

For Bodine Perry Tampa PLLC  
Florida License No. - AD0011186  
Certified Public Accountants  
  
**JUDSON B. BAGGETT, CPA**  
Member Firm of the Florida Institute of Certified Public Accountants  
Judson Baggett  
Partner

For and on behalf of the Board	For and on behalf of the Board	
Ajoy Misra	L KrishnaKumar	
Chairman	Chairman	
Read Peaslee	Raji P Thankappan	
Director	Director	

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

	<u>2020</u>	<u>2019</u>
Net Earnings Before Other Income and Expense	\$ 2,315,157	\$ 3,261,788
Adjustments to Reconcile Net Earnings to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	106,249	69,805
(Loss) on Sale of Property	-	11,476
Decrease (Increase) In:		
Accounts Receivable - Trade	(242,194)	(1,828,756)
Prepaid Income Taxes	-	1,251
Inventory	(445,662)	1,449,476
Deferred Tax Asset	-	45,410
Increase (Decrease) In:		
Accounts Payable	(172,784)	(245,252)
Income Taxes Payable	56,544	(150,265)
Net Cash Provided by Operating Activities	<u>1,617,310</u>	<u>2,614,933</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Property Plant and Equipment	(179,527)	(488,264)
Proceeds from Sale of Property and Equipment	<u>-</u>	<u>17,000</u>
Net Cash (Used) By Investing Activities	(179,527)	(471,264)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net Increase (Decrease) in Short-Term Debt	-	(30,000)
Payment of Transition Tax	(260,686)	(260,685)
Payment of Cash Dividends	(600,000)	(858,328)
Net Cash (Used) by Financing Activities	<u>(860,686)</u>	<u>(1,149,013)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>577,097</b>	<b>994,656</b>
<b>CASH, APRIL 1</b>	<u>994,656</u>	<u>-</u>
<b>CASH, MARCH 31</b>	<u>\$ 1,571,753</u>	<u>\$ 994,656</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash Paid During the Year For:		
Income Taxes	<u>\$ 987,216</u>	<u>\$ 980,900</u>
Interest Expense	<u>\$ -</u>	<u>\$ 355</u>

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

For Bodine Perry Tampa PLLC

Florida License No. - AD0011186

Certified Public Accountants

  
**JUDSON B. BAGGETT, CPA**  
CPA (Internationally by Adams R. Baggett, CPA, CA, CMA, CFPP, and J.B. Baggett.com)

Judson Baggett

Partner

For and on behalf of the Board

For and on behalf of the Board

Ajoy Misra

L KrishnaKumar

Chairman

Chairman

Read Peaslee

Raji P Thankappan

Director

Director

**TATA TEA EXTRACTIONS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2020 AND 2019**

**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.

**NOTE 2: SIGNIFICANT CUSTOMERS**

As of March 31, three customers accounted for approximately 97.10% (2020) and 95.24% (2019), of the total outstanding accounts receivable. In order to mitigate the risk of one customer, the company has entered into agreement that will allow it to sell its receivables within 15 days of invoice date. This arrangement was negotiated by the customer. This customer represents approximately 50% of the outstanding receivables at March 31, 2020.

**TATA TEA EXTRACTIONS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2020 AND 2019**

**NOTE 3: PROPERTY, PLANT, AND EQUIPMENT**

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

	<u>2020</u>	<u>2019</u>
Buildings	\$ 1,185,982	\$ 1,037,643
Machinery and Equipment	1,899,207	1,730,010
Autos	98,495	116,737
Furniture and Fixtures	159,688	159,688
Non-Factory Building	<u>167,238</u>	<u>167,238</u>
Total Depreciable Assets	3,510,610	3,211,316
Less, Accumulated		
Depreciation	<u>2,299,237</u>	<u>2,239,898</u>
Net Depreciable Assets	1,211,373	971,418
Capital Projects in Process	111,992	278,669
Land	<u>105,245</u>	<u>105,245</u>
Net Property, Plant and Equipment	<u>\$ 1,428,610</u>	<u>\$ 1,355,332</u>
Depreciation Expense	<u>\$ 106,249</u>	<u>\$ 69,805</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 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%.

During the year ended March 31, 2019, the company received a dividend payment of \$858,328, after foreign exchange. No dividend was received in year ended March 31, 2020.

**NOTE 5: SHORT-TERM DEBT**

During the year ended March 31, 2020, the company entered into a revolving line of credit arrangement with a local bank. The credit line amount is \$2,500,000 based on inventory levels and account receivables. Interest is calculated monthly at LIBOR plus 2.15%. As of March 31, 2020, the company had not drawn any funds against this line. As of March 31, 2019, the company did not have an active line of credit.

**NOTE 6: 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 \$1,191,750 (2020) and \$1,078,100 (2019). All amounts are for the purchase of inventory.



**TATA TEA EXTRACTIONS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2020 AND 2019**

**NOTE 7: 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 \$41,000 (2020) and \$41,700 (2019) 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 8: INCOME TAXES**

Using the applicable federal tax rate of 21% (2020) and 34% for the first nine months of the year and 21% for the last three months (2019) and state tax rate of 5.5% each year for operating profit and a special tax rate of approximately 6% for the dividend received (2019), the tax liabilities are as follows:

	<u>2020</u>	<u>2019</u>
Income tax reconciliation is as follows:		
Expected Federal Tax	\$ 650,628	\$ 855,718
Expected Florida Tax	167,653	174,159
Federal Income Tax Benefit		
For Florida Tax	(35,207)	(36,573)
Federal Income Tax Benefit		
Foreign Dividends Received		
Not subject to tax in 2019		
70% not subject to tax 2018	-	(180,244)
Net Federal and Florida Income Tax	<u>\$ 783,074</u>	<u>\$ 813,060</u>
Deferred Tax Asset – Noncurrent	<u>\$ 3,258,574</u>	<u>\$ 3,258,574</u>

The company has open tax years for the periods ended March 31, 2018, 2019, and 2020. The company has been notified by the Internal Revenue Service that its return for 2018 is under audit or review. The Florida Department of Revenue has closed all years except for 2019. 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, or 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 \$260,686 for the first five years with the remainder due over the last three years. An overpayment of federal income tax has been applied for 2017 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.

**TATA TEA EXTRACTIONS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2019 AND 2018**

**NOTE 9: 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 – CORONAVIRUS PANDEMIC**

Management has evaluated subsequent events through April 18, 2020, the date the financial statements were available to be issued. The only matter which management has determined to disclose is in regard to the coronavirus pandemic.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the company's operations, except a minor increase in product orders from customers to meet the increased demand of consumers. Future potential impacts may include disruptions or restrictions on the employees' ability to work or for customers to pay for orders. Operating functions that may change include production and sales to customers. Changes to the operating environment may increase operating costs. Additional impacts may include reduction in the ability to borrow funds from lenders should funds be needed for operations. The future effects of these issues are unknown.