

TATA TEA, INC.

FINANCIAL STATEMENTS
AND
AUDITORS' REPORT

MARCH 31, 2010 AND 2009

Harman & Peaslee, P.A.

Certified Public Accountants

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Charles C. Harman, C.P.A.

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INDEPENDENT AUDITORS' REPORT

May 12, 2010

Board of Directors
Tata Tea, Inc.
Plant City, Florida

We have audited the accompanying balance sheets of Tata Tea, Inc., as of March 31, 2010 and 2009 (as restated), and the related statements of earnings, and retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tata Tea, Inc., as of March 31, 2010 and 2009 (as restated), and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Respectfully submitted,
Harman & Peaslee, P.A.



Certified Public Accountants

TATA TEA, INC.
BALANCE SHEETS
MARCH 31, 2010 AND 2009

ASSETS

	2010	RESTATED 2009
CURRENT ASSETS		
Cash	\$ 10,963	\$ 1,381,888
Accounts Receivable - Trade	2,133,066	1,853,419
Prepaid Expense	55,974	37,238
Inventory	3,187,543	4,347,776
Total Current Assets	<u>5,387,546</u>	<u>7,620,321</u>
PROPERTY, PLANT, AND EQUIPMENT, Net of Accumulated Depreciation of \$2,197,967 (2010) and \$2,166,467 (2009)	681,430	710,382
OTHER ASSETS		
Investment in Affiliated Company	43,574,877	43,574,877
Total Other Assets	<u>43,574,877</u>	<u>43,574,877</u>
TOTAL ASSETS	<u>\$ 49,643,853</u>	<u>\$ 51,905,580</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES		
Current Portion of Long-Term Debt	\$ -	\$ 9,000,000
Short Term Debt	2,050,393	
Accounts Payable and Accrued Liabilities	4,160,116	3,245,048
Income Taxes Payable		149,150
Total Current Liabilities	<u>6,210,509</u>	<u>12,394,198</u>
LONG-TERM DEBT, Net of Current Portion	<u>3,000,000</u>	-
Total Liabilities	9,210,509	12,394,198
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	26,433,344	25,511,382
Total Stockholder's Equity	<u>40,433,344</u>	<u>39,511,382</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>\$ 49,643,853</u>	<u>\$ 51,905,580</u>

The Accompanying Notes are an Integral Part of These Financial Statements

TATA TEA, INC.
STATEMENTS OF EARNINGS AND RETAINED EARNINGS
FOR THE YEARS ENDED MARCH 31, 2010 AND 2009

	2010	RESTATED 2009
INCOME		
Sales	\$ 17,981,099	\$ 16,701,593
EXPENSES		
Cost of Goods Sold	15,462,987	13,469,492
Operating Expenses, General and Administrative and Marketing Expenses	933,081	960,037
Total Expenses	16,396,068	14,429,529
EARNINGS FROM OPERATIONS	1,585,031	2,272,064
OTHER INCOME AND EXPENSE		
Dividends	1,371,771	2,835,280
Interest Income	306	486
Interest Expense	(315,730)	(659,477)
Total Other Income and Expense	1,056,347	2,176,289
EARNINGS BEFORE PROVISION FOR INCOME TAXES	2,641,378	4,448,353
LESS PROVISION FOR INCOME TAXES	719,416	823,151
NET EARNINGS	1,921,962	3,625,202
Retained Earnings, April 1		
As previously Reported (2009)	25,511,382	19,592,468
Adjustment for reversal of prior period accrued expenses of prior years (net of applicable income taxes)		2,293,712
Dividends Paid	(1,000,000)	-
Retained Earnings, March 31	\$ 26,433,344	\$ 25,511,382

The Accompanying Notes are an Integral Part of These Financial Statements

TATA TEA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2010 AND 2009

	2010	RESTATED 2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Earnings	\$ 1,921,962	\$ 3,625,202
Adjustments to Reconcile Net Earnings to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	81,827	50,071
Decrease (Increase) In:		
Accounts Receivable - Trade	(279,647)	(50,682)
Accounts Receivable - Other		
Inventory	1,160,233	354,264
Prepaid Expenses		
Prepaid Income Taxes	(18,736)	(37,238)
Increase (Decrease) In:		
Accounts Payable	915,068	(506,830)
Income Taxes Payable	(149,150)	149,150
Net Cash Provided by Operating Activities	3,631,557	3,583,937
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property Plant and Equipment	(52,875)	
Net Cash (Used) By Investing Activities	(52,875)	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net(Decrease) in Short Term Debt	2,050,393	(2,393,685)
Repayment of Long-Term Debt	(6,000,000)	-
Payment of Cash Dividends	(1,000,000)	-
Net Cash Provided (Used) by Financing Activities	(4,949,607)	(2,393,685)
NET INCREASE (DECREASE) IN CASH	(1,370,925)	1,190,252
CASH, APRIL 1	1,381,888	191,636
CASH, MARCH 31	\$ 10,963	\$ 1,381,888
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash Paid During the Year For:		
Income Taxes	\$ 764,654	\$ 674,000
Interest Expense	\$ 262,807	\$ 611,703

The Accompanying Notes are an Integral Part of These Financial Statements

TATA TEA, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2010 AND 2009

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 market, 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

Accounts receivable are considered fully collectible; therefore, no provision for bad debts has been made. If a receivable should become uncollectible, it will be charged to operations in the period that the determination is made.

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, 2010 and 2009, three customers accounted for approximately 80% and 82%, respectively, of the total outstanding accounts receivable.

TATA TEA, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2010 AND 2009

NOTE 3: PROPERTY, PLANT, AND EQUIPMENT

The property, plant, and equipment are recorded at cost and consisted of the following as of March 31, 2010 and 2009:

	2010	2009
Buildings	\$ 561,804	\$ 561,804
Machinery and Equipment	1,607,709	1,607,709
Autos	105,575	103,027
Furniture and Fixtures	162,288	162,288
Non-Factory Building	<u>305,616</u>	<u>305,616</u>
 Total Depreciable Assets	 2,742,992	 2,740,444
Less, Accumulated Depreciation	<u>2,197,967</u>	<u>2,166,467</u>
Net Depreciable Assets	545,025	573,977
Land	<u>136,405</u>	<u>136,405</u>
Net Property, Plant and Equipment	<u>\$ 681,430</u>	<u>\$ 710,382</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.

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%.

During the periods ended March 2010 and 2009 the holding company recorded a profit after tax of approximately 11.8 and 101.4 million British Pounds and declared a dividend of 8.5 and 17.8 million British Pounds, respectively. The company received \$1,371,771 (2010) and \$2,835,280, (2009) from this dividend payment after foreign exchange.

NOTE 5: SHORT-TERM DEBT

During the year ended March 31, 2009, the company entered into a revolving working capital note with a regional bank, this note replaced the revolving note entered into during year ended March 31, 2007. The total amount available under this agreement is \$4,000,000. The note is secured with the company's accounts receivables and inventory. The note bears interest at LIBOR plus 3.0%, payable on a monthly basis. The note matured on October 31, 2010. As of March 31, 2009, the company had not drawn against this line. As of March 31, 2010, the company had drawn \$2,050,393.

TATA TEA, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2010 AND 2009

NOTE 6: LONG-TERM DEBT

Long Term Debt consist of the following for the year ended March 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Note Payable Affiliated Company, Due in full April 2011, interest Payable monthly at 3.25% over LIBOR (2010) and interest payable quarterly At 6.25% (2009) The note was due in Full as of May 2009 and was renegotiated During the year ended March 2010	<u>\$3,000,000</u>	<u>\$9,000,000</u>

During the year ended March 31, 2010, the company repaid \$6,000,000 of this note.

NOTE 7: TRANSACTIONS WITH RELATED PARTY

The company purchases substantially all of its tea powders from its parent company. Included in accounts payable at March 31, 2010 and 2009, is \$3,874,400 and \$2,935,750, respectively, due to Tata Tea, LTD.

During the year ended March 31, 2008 the company borrowed \$9,000,000 from its subsidiary, during the year ended March 31, 2010, the note was reduced by \$6,000,000. Interest paid on this note was \$258,658 (2010) and \$561,925 (2009).

NOTE 8: 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 15% for the dividend received, the tax liability are as follows:

	<u>2010</u>	<u>2009</u>
Income tax reconciliation is as follows:		
Expected Federal Tax	\$ 898,069	\$1,512,610
Expected Florida Tax	145,001	244,082
Federal Income Tax Benefit		
For Florida Tax	(49,300)	(82,988)
Federal Income Tax Benefit		
For Foreign Tax Assumed Paid on		
Dividends Received	(274,354)	(850,553)
Net Federal and Florida Income Tax	<u>\$ 719,416</u>	<u>\$ 823,151</u>

TATA TEA, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2010 AND 2009

NOTE 9: 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, 2010 and 2009, the company's directors elected to contribute 5% of eligible compensation or approximately \$49,000 and \$51,000, respectively 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 10: PRIOR PERIOD ADJUSTMENT

In past years the company had accrued various expenses totaling \$3,500,000. During the year ended March 31, 2010, it was determined that the company was not going to incur these expenses. The company had not deducted these expenses for tax purposes and had previously had a prepaid tax asset of \$1,206,288. Since the company has made this determination, the balance sheet as of March 31, 2009 has been restated for the following items: Prepaid expense has been decreased by \$1,206,288, Accounts payable and Accrued liabilities has been decreased by \$3,500,000 and Retained earnings have been increased by \$2,293,712.

NOTE 11: SUSEQUENT EVENT

Management has evaluated subsequent events through May 12, 2010, the date of the financial statements were available to be issued and did not discover any events that should be disclosed.