

Financial Statements

Tetley USA, Inc

For the year ended March 31, 2020

**Tetley USA Inc.**  
**Balance Sheets**  
**March 31, 2020 and 2019**  
**(in thousands of US dollars)**

	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	6,713	4,798
All other current assets	18,675	18,949
Total current assets	<u>25,388</u>	<u>23,747</u>
Property, plant and equipment, net	-	6
Goodwill	3,603	3,603
Investment in subsidiary	2,826	2,826
Total assets	<u>31,817</u>	<u>30,182</u>
<b>Liabilities and Stockholder's Equity</b>		
Current liabilities		
Accounts payable and accrued expenses	2,153	1,597
Total current liabilities	<u>2,153</u>	<u>1,597</u>
Other liabilities	546	527
Total liabilities	<u>2,699</u>	<u>2,124</u>
Stockholder's equity		
Additional paid-in capital	136,504	136,504
Retained earnings	(107,386)	(108,446)
Total stockholder's equity	<u>29,118</u>	<u>28,058</u>
Total liabilities and stockholder's equity	<u>31,817</u>	<u>30,182</u>

**/s/ SUSAN DONDERO**

**Susan Dondero**

**VP Finance**

**Date: May 12, 2020**

**Tetley USA Inc.**  
**Statements of Income**  
**Years Ended March 31, 2020 and 2019**  
**(in thousands of US dollars)**

	<b>2020</b>	<b>2019</b>
Sales, net	15,585	16,351
Cost of goods sold	<u>11,257</u>	<u>11,592</u>
Gross profit	4,328	4,759
Selling, general and administrative expenses	<u>6,568</u>	<u>8,712</u>
Loss from operations	(2,240)	(3,953)
Dividend income	3,080	3,360
Other income	28	44
Interest income	<u>208</u>	<u>180</u>
Income/Loss before income taxes	1,076	(369)
Provision for income taxes	<u>-</u>	<u>-</u>
Net Income/loss	<u><u>1,076</u></u>	<u><u>(369)</u></u>

**/s/ SUSAN DONDERO**

**Susan Dondero**

**VP Finance**

**Date: May 12, 2020**

**Tetley USA Inc.**  
**Statements of Cash Flows**  
**Years ended March 31, 2020 and 2019**  
**(in thousands of US dollars)**

	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>		
Net Income/loss	1,076	(369)
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation and amortization	6	12
Changes in operating assets and liabilities		
Accounts receivable	189	383
Inventories	(58)	275
Prepaid expenses and other current assets	221	(119)
Accounts payable and accrued expenses	559	(315)
Related party payable/receivable	(78)	699
Net cash (used in) / provided by operating activities	<u>1,915</u>	<u>566</u>
Net change in cash and cash equivalents	1,915	566
<b>Cash and cash equivalents</b>		
Beginning of year	<u>4,798</u>	<u>4,232</u>
End of year	<u>6,713</u>	<u>4,798</u>

**/s/ SUSAN DONDERO**

**Susan Dondero**

**VP Finance**

**Date: May 12, 2020**

## **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 TCP Group.

Tata Consumer Products US Holdings, Inc. "TCPUSH" (Formerly known as Tata Global Beverages US Holdings Inc.) was incorporated on June 9, 1995 pursuant to the laws of the State of Delaware. TCPUSH is indirectly owned 100% by the TCP 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 TCP Group on October 15, 2005.

Good Earth Teas, Inc. is indirectly owned 100% by the TCP Group.

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 TCP Group on October 15, 2005. Good Earth Corporation is indirectly owned 100% by the TCP Group.

Tata Waters, LLC (Tata Waters) was incorporated on August 18, 2016, pursuant to the laws of Delaware. Tata Waters, LLC is indirectly owned 100% by the TCP Group.

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

Tetley USA has entered a joint venture agreement with a private label competitor, Harris Freeman & Co LP forming Empirical Group LLC ("Empirical"). This combined the food service businesses of Harris and Tetley USA under Tetley USA's operational management. 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 was reached between Tetley USA and Harris Tea regarding the ongoing operational decision making of Empirical. Tetley USA has day-to-day management responsibility of Empirical.

Tetley USA and Good Earth are each 25% partners in a joint venture agreement with Harris Tea forming Southern Tea LLC ("Southern") which is a manufacturing joint venture managed, operationally, by Harris.

The following information outlines the Companies' adopted accounting policies.

### **Principles of Consolidation**

All intercompany balances and transactions are eliminated in consolidation.

### **Nature of Operations**

The Companies are engaged in the sale of tea and water products to the grocery, 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 our performance obligation is satisfied. Our primary performance obligation is satisfied upon the shipment or delivery of products to our customers. Revenue is

measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing services. Sales incentives, costs of certain promotional items, such as slotting fees, trade promotion expenses and discounts are primarily accounted for as a reduction of revenue. The Company estimates and records provisions for returns and other allowances in the period the sale is recorded based upon its past experience

#### **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.

#### **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 Consumer Products 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 Consumer Products US Holdings Inc. The Tata Consumer Products 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. As a single-member limited liability company Tata Waters, LLC is treated as a disregarded entity for income tax purposes. Therefore, the financial activity of Tata Waters, LLC is reported in conjunction with the federal income tax filings of Tata Consumer Products US Holdings Inc.

**Subsequent events**

The impact that the recent COVID-19 outbreak will have on our results of operations is uncertain. While we have seen increased orders from retail customers in North America in March 2020 in response to increased consumer demand for food at home, near-term elevated retail customer orders may decrease in the coming months. Restrictions by the government or local authorities may limit the opportunity for our customers and consumers to purchase our products. If a significant percentage of our workforce or the workforce of our suppliers is unable to work, including because of illness or travel or government restrictions in connection with this pandemic, our operations may be negatively impacted. The financial impact if any of these occur cannot be reasonably estimated at this time.