

Tata Tea Extractions, Inc.
Plant City, FL
Financial Statements
Years Ended March 31, 2021 and 2020



BodinePerry
Certified Public Accountants & Advisors

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

TABLE OF CONTENTS

| | |
|--|------------|
| INDEPENDENT AUDITOR'S REPORT | 1 |
| COMPARATIVE FINANCIAL STATEMENTS | |
| Balance Sheets | 2 |
| Statements of Earnings and Retained Earnings..... | 3 |
| Statements of Cash Flows..... | 4 |
| Notes to Financial Statements..... | 5-9 |

6815 Dairy Road
Zephyrhills, FL 33542

813.788.2155
BodinePerry.com

INDEPENDENT AUDITOR'S REPORT

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, 2021 and 2020, 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, 2021 and 2020, 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.

Bodine Perry Tampa, PLLC

Bodine Perry Tampa, PLLC
Zephyrhills, FL
May 3, 2021

TATA TEA EXTRACTIONS, INC.

BALANCE SHEETS

MARCH 31,

ASSETS

| | <u>2021</u> | <u>2020</u> |
|---|----------------------|----------------------|
| CURRENT ASSETS | | |
| Cash | \$ 4,135,679 | \$ 1,571,753 |
| Accounts Receivable - Trade | 2,363,959 | 4,279,812 |
| Prepaid Expenses | 7,500 | |
| Inventory | 3,190,450 | 3,790,682 |
| Total Current Assets | <u>9,697,588</u> | <u>9,642,247</u> |
| PROPERTY, PLANT, AND EQUIPMENT, Net of | | |
| Accumulated Depreciation of | | |
| \$2,397,326 (2021) and \$2,299,237 (2020) | 1,510,858 | 1,428,610 |
| OTHER ASSETS | | |
| Deferred Tax Asset - Noncurrent | 3,258,574 | 3,258,574 |
| Investment in Affiliated Company | 43,574,877 | 43,574,877 |
| Total Other Assets | <u>46,833,451</u> | <u>46,833,451</u> |
| TOTAL ASSETS | <u>\$ 58,041,897</u> | <u>\$ 57,904,308</u> |

LIABILITIES AND STOCKHOLDER'S EQUITY

| | | |
|---|----------------------|----------------------|
| CURRENT LIABILITIES | | |
| Short-Term Debt | \$ - | \$ - |
| Accounts Payable and Accrued Liabilities | 935,443 | 1,758,833 |
| Income Taxes Payable | 80,072 | 99,760 |
| Current Portion of Transition Tax | 260,686 | 260,686 |
| Total Current Liabilities | <u>1,276,201</u> | <u>2,119,279</u> |
| Non-Current Portion of Transition Tax | 1,955,145 | 2,215,831 |
| Total Liabilities | <u>3,231,346</u> | <u>4,335,110</u> |
| 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 | 40,810,551 | 39,569,198 |
| Total Stockholder's Equity | <u>54,810,551</u> | <u>53,569,198</u> |
| TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY | <u>\$ 58,041,897</u> | <u>\$ 57,904,308</u> |

For Bodine Perry Tampa, PLLC

Florida License No. - AD0011186

Certified Public Accountants

Marci Reutimann

Marci Reutimann

Partner

Florida License No. AC0025885

LAKSHMAN AN KRISHNA KUMAR
 For and on behalf of the Board
 by LAKSHMAN AN KRISHNA KUMAR
 Date: 2021.05.04 11:20:14 +0530
 DocuSigned by:
John Burdett
 63652024465945A...
 04 May 2021 | 8:11 AM BST
 L. Krishnakumar Chairman
 John Burdett Director
Rahul Khound
 Rahul Khound Director
 5/4/2021
Rahul Khound
 Rahul Khound Director

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,

| | 2021 | 2020 |
|---|----------------------|----------------------|
| INCOME | | |
| Sales | \$ 16,501,610 | \$ 15,365,382 |
| EXPENSES | | |
| Cost of Goods Sold | 12,739,518 | 11,633,989 |
| Operating Expenses, General Expenses | 802,142 | 633,162 |
| Total Expenses | 13,541,660 | 12,267,151 |
| EARNINGS FROM OPERATIONS | 2,959,950 | 3,098,231 |
| INVESTMENT INCOME AND EXPENSE | | |
| Gain on Sale of Assets | 7,254 | - |
| Net Investment Income and Expense | 7,254 | - |
| EARNINGS BEFORE PROVISION FOR INCOME TAXES | 2,967,204 | 3,098,231 |
| PROVISION FOR INCOME TAXES NET | 725,851 | 783,074 |
| NET EARNINGS | 2,241,353 | 2,315,157 |
| Retained Earnings, April 1 | 39,569,198 | 37,854,041 |
| Dividends Paid | (1,000,000) | (600,000) |
| Retained Earnings, March 31 | \$ 40,810,551 | \$ 39,569,198 |

For Bodine Perry Tampa, PLLC
Florida License No. - AD0011186
Certified Public Accountants

Marci Reutimann
Marci Reutimann
Partner
Florida License No. AC0025885

For and on behalf of the Board

| | |
|---|---|
| <p>L. Krishnakumar <small>Digitally signed by L. Krishnakumar Date: 2021.05.04 11:24:02 +05'30'</small></p> <p>L. Krishnakumar Chairman</p> <p><i>[Signature]</i> Road Peaslee Director</p> | <p style="text-align: right;"><small>DocuSigned by:</small> John Burdett <small>63652824495945A...</small></p> <p style="text-align: right;">John Burdett <small>04 May 2021 8:11 AM BST</small></p> <p style="text-align: right;">John Burdett Director</p> <p style="text-align: right;"><i>[Signature]</i> Rahul Khound Director</p> |
|---|---|

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,

| | 2021 | 2020 |
|---|--------------|--------------|
| Net Earnings Before Other Income and Expense | \$ 2,241,353 | \$ 2,315,157 |
| Adjustments to Reconcile Net Earnings to Net Cash Provided by (Used in) Operating Activities: | | |
| Depreciation and Amortization | 136,693 | 106,249 |
| (Gain) on Sale of Property | (7,254) | - |
| Decrease (Increase) In: | | |
| Accounts Receivable - Trade | 1,915,853 | (242,194) |
| Prepaid Expenses | (7,500) | |
| Inventory | 600,232 | (445,662) |
| Increase (Decrease) In: | | |
| Accounts Payable | (823,390) | (172,784) |
| Income Taxes Payable | (19,688) | 56,544 |
| Net Cash Provided by Operating Activities | 4,036,299 | 1,617,310 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of Property Plant and Equipment | (260,687) | (179,527) |
| Proceeds from Sale of Property and Equipment | 49,000 | - |
| Net Cash (Used) By Investing Activities | (211,687) | (179,527) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Payment of Transition Tax | (260,686) | (260,686) |
| Payment of Cash Dividends | (1,000,000) | (600,000) |
| Net Cash (Used) by Financing Activities | (1,260,686) | (860,686) |
| NET INCREASE (DECREASE) IN CASH | 2,563,926 | 577,097 |
| CASH, APRIL 1 | 1,571,753 | 994,656 |
| CASH, MARCH 31 | \$ 4,135,679 | \$ 1,571,753 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | | |
| Cash Paid During the Year For: | | |
| Income Taxes | \$ 1,064,646 | \$ 987,216 |
| Interest Expense | \$ - | \$ - |

For Bodine Perry Tampa, PLLC
Florida License No. - AD0011186
Certified Public Accountants

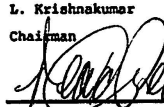
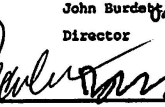
Marci Reutimann

Marci Reutimann
Partner
Florida License No. AC0025885

For and on behalf of the Board
L. Krishnakumar
Date: 2021.05.04 11:21:48
+05'30'

DocuSigned by:
John Burdett
83862924485946A

04 May 2021 | 8:11 AM BST

| | |
|---|---|
| <p>L. Krishnakumar Chairman</p>  <p>Rahul Khound Director</p> | <p>John Burdett Director</p>  <p>Rahul Khound Director</p> |
|---|---|

5/4/2021

The Accompanying Notes are an Integral Part of These Financial Statements

TATA TEA EXTRACTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

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.

Adoption of New Accounting Pronouncements

Accounting Standards Update No. 2014-09

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, "*Revenue from Contracts with Customers*", Accounting Standards Codification (ASC) Topic 606. The ASU and all subsequently issued clarifying ASUs, provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASC 606 is effective for annual reporting periods beginning after December 15,

TATA TEA EXTRACTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Pronouncements (Continued)

Accounting Standards Update No. 2014-09

2018, and interim periods within fiscal years beginning after December 15, 2019. The Company adopted ASC 606 with a date of the initial application of April 1, 2020.

The Company applied ASC 606 using the cumulative effect method, which resulted in no material adjustment to the opening balance of retained earnings as of April 1, 2020.

As part of the adoption of ASC 606, the Company elected to use the following transition practical expedients: (1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 is applied only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

The Company does not expect the adoption of the new revenue standards to have a material impact on its statement of earnings on an ongoing basis and identified no material differences in the account balances due to adoption. Since a material difference was not found, no retrospective analysis of account balance changes was required. Revenue recognition disclosures in the notes to these financial statements were significantly enhanced to conform to the new standard.

Revenue Recognition

Revenue is measured based on consideration specified in a contract with a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Revenue from performance obligations satisfied at a point in time consists of sales of instant tea powders. These goods are sold to customers.

For performance obligations related to the sale of instant tea powders, control transfers to the customer at a point in time. The Company's principal terms of sale are FOB Shipping Point and the Company transfers control and records revenue for product sales upon shipment to the customer. The payment terms and conditions in customer contracts vary from 30-365 days from transfer of control.

The Company does not have any significant financing components as payments are received in accordance with its credit terms that have been established for each customer. One significant customer has established a method to extend its credit terms by using an outside funding source.

The nature of the Company's business gives rise to variable considerations, including discounts and allowances, that generally decrease the transaction price which reduces revenue. These variable amounts are generally credited to the customer. Variable considerations are estimated at the most likely amount that is expected to be earned.

NOTE 2: SIGNIFICANT CUSTOMERS

As of March 31, three customers accounted for approximately 93.42% (2021) and 97.10% (2020), 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. As of March 31, this customer represents approximately 6% (2021) and 50% (2020) of the outstanding receivables.

TATA TEA EXTRACTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

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>2021</u> | <u>2020</u> |
|--------------------------------------|---------------------|---------------------|
| Buildings | \$ 1,355,477 | \$ 1,185,982 |
| Machinery and Equipment | 2,102,654 | 1,899,207 |
| Autos | 17,881 | 98,495 |
| Furniture and Fixtures | 159,689 | 159,688 |
| Non-Factory Building | <u>167,238</u> | <u>167,238</u> |
| | | |
| Total Depreciable Assets | 3,802,939 | 3,510,610 |
| Less, Accumulated | | |
| Depreciation | <u>2,397,326</u> | <u>2,299,237</u> |
| Net Depreciable Assets | <u>1,405,613</u> | <u>1,211,373</u> |
| Capital Projects in Process | - | 111,992 |
| Land | <u>105,245</u> | <u>105,245</u> |
| Net Property, Plant and Equipment | <u>\$ 1,510,858</u> | <u>\$ 1,428,610</u> |
| | | |
| Depreciation Expense | <u>\$ 136,693</u> | <u>\$ 106,249</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%.

The Company did not receive a dividend on this investment in the years ended March 31, 2021 and 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, 2021 and 2020, the Company had not drawn any funds against this line.

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 Consumer Products LTD. of \$306,000 (2021) and \$1,191,750 (2020). All amounts are for the purchase of inventory.

TATA TEA EXTRACTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

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 \$52,000 (2021) and \$41,000 (2020) 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% for the year and state tax rate of 4.458% for 2021 and 5.5% for 2020 for operating profit, the tax liabilities are as follows:

| | 2021 | 2020 |
|--|--------------|--------------|
| Income tax reconciliation is as follows: | | |
| Expected Federal Tax | \$ 618,437 | \$ 650,628 |
| Expected Florida Tax | 129,056 | 167,653 |
| Federal Income Tax Benefit | | |
| For Florida Tax | (27,102) | (35,207) |
| Net Federal and Florida Income Tax | \$ 720,391 | \$ 783,074 |
| Deferred Tax Asset – Noncurrent | \$ 3,258,574 | \$ 3,258,574 |

The Company has open tax years for the periods ended March 31, 2019, 2020 and 2021. The Company's returns for 2017 and 2018 have been reviewed by the Internal Revenue Service without any material change. The Florida Department of Revenue has closed all years except for 2019, 2020 and 2021. 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, 2021 AND 2021

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 10: CORONAVIRUS PANDEMIC (COVID-19)

In 2021, the spread of the COVID-19 pandemic affected the United States and the Company's operations and those of third parties on which the Company relies. While during 2021 the Company did not see a material COVID-19 impact on the results of operations, given the circumstances surrounding the duration of the outbreak, it is not currently possible to ascertain the overall long-term impact of COVID-19 on the Company. Management is monitoring the situation in order to mitigate any potential impact on the Company's operations and financial performance.

NOTE 11: SUBSEQUENT EVENT

Management has evaluated subsequent events through May 3, 2021, the date the financial statements were available to be issued. The only matter which management has determined to disclose is in regard to a dividend payment approved by the Board. This dividend was paid April 29, 2021 in the sum of \$3,000,000.