# Tata Tea Extractions, Inc.

## Plant City, FL

## Financial Statements

## Years Ended March 31, 2023 and 2022

BodinePerry
Certified Public Accountants & Advisors

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

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# INDEPENDENT AUDITORS' REPORT

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

## Opinion

We have audited the accompanying financial statements of Tata Tea Extractions, Inc. (a Florida corporation), which comprise the balance sheets as of March 31, 2023 and 2022, 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.

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, 2023 and 2022, 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.

## Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Tata Tea Extractions, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Tata Tea Extractions, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Tata Tea Extractions, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tata Tea Extractions, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Bodine Perry

Bodine Perry PLLC
Zephyrhills, Florida
April 17, 2023

# TATA TEA EXTRACTIONS, INC.
## BALANCE SHEETS
## MARCH 31,
## ASSETS

| | 2023 | 2022 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash | $ 1,881,573 | $ 2,456,056 |
| Accounts Receivable - Trade | 2,023,780 | 2,712,243 |
| Account Receivable - Other | 80,981 | - |
| Inventory | 5,649,651 | 5,966,101 |
| Total Current Assets | 9,635,985 | 11,134,400 |
| **PROPERTY, PLANT, AND EQUIPMENT, Net of Accumulated Depreciation of $2,495,644 (2023) and $2,364,410 (2022)** | 1,228,687 | 1,311,935 |
| **OTHER ASSETS** | | |
| Deferred Tax Asset - Transition Tax | 3,258,574 | 3,258,574 |
| Investment in Affiliated Company | 43,574,877 | 43,574,877 |
| Total Other Assets | 46,833,451 | 46,833,451 |
| **TOTAL ASSETS** | $ 57,698,123 | $ 59,279,786 |

## LIABILITIES AND STOCKHOLDER'S EQUITY

| | 2023 | 2022 |
|---|---|---|
| **CURRENT LIABILITIES** | | |
| Accounts Payable and Accrued Liabilities | $ 1,339,188 | $ 2,830,886 |
| Income Taxes Payable | 652,988 | 342,400 |
| Current Portion of Transition Tax | 651,716 | 260,686 |
| Total Current Liabilities | 2,643,892 | 3,433,972 |
| Non-Current Portion of Transition Tax | 814,643 | 1,694,459 |
| Total Liabilities | 3,458,535 | 5,128,431 |
| **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 | 40,239,588 | 40,151,355 |
| Total Stockholder's Equity | 54,239,588 | 54,151,355 |
| **TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY** | $ 57,698,123 | $ 59,279,786 |

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

**For Bodine Perry**
Florida License No. - AD0011186
Certified Public Accountants
Marci Reutimann
Marci Reutimann
Partner
Florida License No. AC0025885

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For and on behalf of the Board
LKrishnakumar
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Chairman

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Nitin Keny
Director

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

| | | 2023 | | 2022 |
|---|---|---|---|---|
| **INCOME** | | | | |
| Sales | $ | 14,589,805 | $ | 15,839,871 |
| **EXPENSES** | | | | |
| Cost of Goods Sold | | 12,172,142 | | 12,357,822 |
| Operating Expenses, General, Expenses | | 1,008,353 | | 740,088 |
| Total Expenses | | 13,180,495 | | 13,097,910 |
| **EARNINGS FROM OPERATIONS** | | 1,409,310 | | 2,741,961 |
| **OTHER INCOME AND EXPENSE** | | | | |
| Dividends | | - | | 1,776,705 |
| Gain on Sale of Assets | | - | | 344,088 |
| Interest Income | | 56,707 | | - |
| Other Income | | - | | 317,851 |
| Total Other Income and Expense | | 56,707 | | 2,438,643 |
| **EARNINGS BEFORE PROVISION FOR INCOME TAXES** | | 1,466,017 | | 5,180,604 |
| **LESS PROVISION FOR INCOME TAXES** | | 1,377,785 | | 839,800 |
| **NET EARNINGS** | | 88,232 | | 4,340,804 |
| Retained Earnings, April 1 | | 40,151,356 | | 40,810,551 |
| Dividends Paid | | - | | (5,000,000) |
| Retained Earnings, March 31 | $ | 40,239,588 | $ | 40,151,355 |

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

**For Bodine Perry**

Florida License No. - AD0011186

Certified Public Accountants

Marci Reutimann

Marci Reutimann

Partner

Florida License No. AC0025885

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For and on behalf of the Board

Kkrishnakumar

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K. KrishnaKumar

Chairman

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Nitin Keny

Director

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

| | 2023 | 2022 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Net Earnings From Operations | $ 88,232 | $ 4,340,804 |
| Adjustments to Reconcile Net Earnings to Net Cash Provided by (Used in) Operating Activities: | | |
| Depreciation and Amortization | 131,234 | 131,512 |
| Gain on Sale of Property | - | (344,088) |
| Decrease (Increase) In: | | |
| Accounts Receivable - Trade | 688,463 | (348,284) |
| Accounts Receivable - Other | (80,981) | |
| Inventory | 316,450 | (2,775,651) |
| Prepaid Expenses | - | 7,500 |
| Increase (Decrease) In: | | |
| Accounts Payable | (1,491,697) | 1,895,443 |
| Income Taxes Payable | 310,588 | 262,328 |
| Net Cash Provided by Operating Activities | (37,710) | 3,169,564 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Purchase of Property Plant and Equipment | (47,986) | (42,001) |
| Proceeds from Sale of Property - Net of Closing Cost | - | 453,500 |
| Net Cash (Used) By Investing Activities | (47,986) | 411,499 |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Payment of Transition Tax Liability | (488,786) | (260,686) |
| Payment of Cash Dividends | - | (5,000,000) |
| Net Cash Provided (Used) by Financing Activities | (488,786) | (5,260,686) |
| **NET INCREASE (DECREASE) IN CASH** | (574,482) | (1,679,623) |
| **CASH, APRIL 1** | 2,456,056 | 4,135,679 |
| **CASH, MARCH 31** | $ 1,881,574 | $ 2,456,056 |
| **SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:** | | |
| Cash Paid During the Year For: | | |
| Income Taxes | $ 1,067,000 | $ 595,000 |
| Interest Expense | $ - | $ - |

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

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

Marci Reutimann

Marci Reutimann
Partner
Florida License No. AC0025885

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For and on behalf of the Board

LKrishnakumar
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L KrishnaKumar
Chairman

DocuSigned by:
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Nitin Kenny
Director

## 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.**

### Recently Adopted Accounting Standards

**Leases**

**In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standard Codification (ASC) 842, Leases) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.**

**The Company adopted the standard effective April 1, 2022 and recognized and measured leases existing at, or entered into after, April 1, 2022 (the beginning of the period of adoption). For the year ended March 31, 2023 it was determined the adoption of this standard had no impact on the financial statements of the Company. Lease disclosures, if any, for the year ended March 31, 2022 are made under prior lease guidance in FASB ASC 840.**

**Lease Arrangements for the Prior Year-Operating Leases**

**For the year ended March 31, 2022, the Company has operating leases for equipment; these leases are month-to-month agreements. The Company leases a postage meter. Annual rent for the postage meter is $648, with payments due in quarterly installments of $162. This lease is month-to-month and does not expire.**

### 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.**

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**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.**

**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 89.00% (2023) and 90.96% (2022), 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 5% (2023) and 11% (2022) of the outstanding receivables.**

## NOTE 3: PROPERTY, PLANT, AND EQUIPMENT

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

| | 2023 | 2022 |
|---|---|---|
| Buildings | $ 1,355,477 | $ 1,355,477 |
| Machinery and Equipment | 2,150,640 | 2,102,654 |
| Autos | 17,881 | 17,881 |
| Furniture and Fixtures | 159,688 | 159,689 |
| Total Depreciable Assets | 3,683,686 | 3,635,701 |
| Less, Accumulated Depreciation | 2,495,644 | 2,364,410 |
| Net Depreciable Assets | 1,188,042 | 1,271,291 |
| Land | 40,645 | 40,645 |
| Net Property, Plant and Equipment | $ 1,228,687 | $ 1,311,936 |
| Depreciation Expense | $ 131,234 | $ 131,512 |

## 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 year ended March 31, 2023 and received a dividend in 2022 of $1,776,705.**

## NOTE 5: 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 $904,075 (2023) and $2,580,903 (2022). All amounts are for the purchase of inventory.**

**From January 1, 2023, all employees of the Company were transferred to an affiliated company, Tata Consumer Products US Holdings, Inc. Payable as of March 31, 2023 was $120,549 and $0 as of March 31, 2022. This payable represents March 2023 payroll and benefits expense paid by Tata Consumer Products US Holds, Inc.**

## NOTE 6: PENSION and 401(k) 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 $47,434 (2023) and $52,000 (2022) 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. The Simplified Employee Pension Plan was terminated on December 31, 2022 and was replaced by a Safe Harbor Matching Contributions 401(k) plan on January 1, 2023.**

**Under the Safe Harbor Matching Contributions 401(k) plan, the Company will make a matching contribution to each employee's account based on employee deferral contributions with a maximum Company matching contribution of 4% of employee total compensation. The Company's matching contributions are 100% vested as of the date of the contribution.**

## NOTE 7: INCOME TAXES

**Using the applicable federal tax rate of 21% for the year and state tax rate of 4.458% for 2023 and 2022 for operating profit, the tax liabilities are as follows:**

| | 2023 | 2022 |
|---|---|---|
| Income tax reconciliation is as follows: | | |
| Expected Federal Tax | $ 535,900 | $ 717,903 |
| Expected Florida Tax | 64,900 | 154,300 |
| Prior Years' Tax Provision | 790,585 | - |
| Federal Income Tax Benefit For Florida Tax | (13,600) | (32,403) |
| Net Federal and Florida Income Tax | $ 1,377,785 | $ 839,800 |
| Deferred Tax Asset – Noncurrent | $ 3,258,574 | $ 3,258,574 |

**The Company had submitted a limited scope filing of a tax return form in relation to its investment in an overseas fellow subsidiary. Based on tax advice received, the company is in the process of filing the tax return for March 31, 2022 and revising the tax returns for fiscal years ending March 31, 2019 to 2021 and has recognized additional tax and interest liability in the financial statements ending March 31, 2023 of $790,585 for those prior years. The company will be filing a reasonable cause statement and will apply for abatement of related levies. No provisions have been made in the financials for contingent levies of $1,066,169.**

**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.**

## NOTE 8: 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 9: SUBSEQUENT EVENT

**Management has evaluated subsequent events through April 17, 2023, the date the financial statements were available to be issued. There are no open matters to disclose.**