

ARVIND LIFESTYLE APPAREL MANUFACTURING PLC
AUDITORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 31 DECEMBER 2015

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ARVIND LIFESTYLE APPAREL MANUFACTURING PLC
COMPANY INFORMATION

MANAGEMENT

Mr. Rajarshi Dutta
Mr. Varadaraju R

General Manager
Finance Manager/CFO

REGISTERED OFFICE

House Number BLII5 At Bole Lemi Industry park
Bole Sub City W. 11
Addis Ababa Ethiopia

AUDITORS

Tibebe Mengistu & Company
Chartered Certified Accountants (UK)
Authorized Auditors (Eth.)
P.O. Box
Addis Ababa, Ethiopia



ARVIND LIFESTYLE APPAREL MANUFACTURING PLC
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2015

The Commercial Code of Ethiopia 1960 requires the management of the Company to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the entity as at the end of the financial year and of the operating results of the entity for that year. It also requires the management to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the entity. Management is also responsible for safeguarding

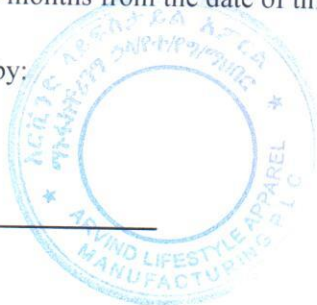
The management accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with the International Financial Reporting Standard (IFRS) and in the manner required by the Commercial Code of Ethiopia, 1960 and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The management is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the entity and of its operating results. The management further accepts responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the management to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

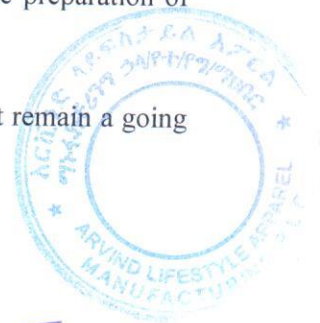
Signed on behalf of the Company by:



Finance Manager



General Manager



**AUDITORS' REPORT ON FINANCIAL STATEMENTS OF
ARVIND LIFESTYLE APPAREL MANUFACTURING PRIVATE LIMITED COMPANY**

We have audited the accompanying financial statements of Arvind Lifestyle Apparel Manufacturing Private Limited Company , which comprise the balance sheet as of 31 December 2015 and a summary of significant accounting policies and other explanatory notes.

MANAGEMENTS'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

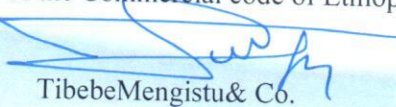
Our responsibility is to express an opinion on the financial statement based on our audit. As discussed in the following paragraphs, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 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 accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of 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 accompanying financial statements presents fairly, in all material respects the financial position of Arvind Lifestyle Apparel Manufacturing Private Limited Company as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium sized Entities (IFRS for SMEs) and the requirements of the Commercial code of Ethiopia.


TibebeMengistu& Co.
Chartered Certified Accountants (UK)
Authorized Auditors (Eth.)



Friday, April 15, 2016
Addis Ababa

ARVIND LIFESTYLE APPAREL MANUFACTURING PLC
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Notes	<u>31.12.2015</u> Birr	<u>31.12.2014</u> Birr
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	3	32,348,445	40,323,097
Preoperational expenses	4	<u>2,452,462</u>	<u>2,724,958</u>
		<u>34,800,907</u>	<u>43,048,055</u>
CURRENT ASSETS			
Trade and other receivables	5	1,482,627	567,764
Inventory	6	1,457,328	5,645,211
Cash and cash equivalents		<u>410,619</u>	<u>623,998</u>
		<u>3,350,574</u>	<u>6,836,973</u>
TOTAL ASSETS		<u>38,151,481</u>	<u>49,885,028</u>
EQUITY AND LIABILITIES			
EQUITY AND RESERVES			
Capital		62,230,000	47,483,000
Shareholders payable		1,656,937	3,898,568
Retained earning		<u>(29,212,508)</u>	<u>(2,021,972)</u>
		34,674,429	49,359,596
CURRENT LIABILITY			
Trade and other payables	7	<u>3,477,052</u>	<u>525,432</u>
TOTAL EQUITY AND LIABILITIES		<u>38,151,481</u>	<u>49,885,028</u>



ARVIND LIFESTYLE APPAREL MANUFACTURING PLC
PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	<u>Notes</u>	<u>Birr</u>	<u>31.12.2014</u> <u>Birr</u>
REVENUE			
Export sales		1,785,341	-
COST OF SALES			
Production supplies cost		524,985	-
Fabrics		1,335,251	-
Salary and wage		4,278,627	-
Packing Materials		253,251	-
Depreciation		7,099,692	-
Import cost		336,114	-
Shade rent		3,882,906	-
Employees transport		1,261,525	-
		<u>18,972,351</u>	<u>-</u>
GROSS LOSS		(17,187,010)	-
OTHER INCOME - Inventory other		755,141	-
OTHER INCOME - Gain on foreign exchange		72,932	-
		<u>(16,358,936)</u>	<u>-</u>
OPERATING EXPENSES			
Selling and administrative	8	10,092,997	2,021,972
NET LOSS		<u>(26,451,934)</u>	<u>(2,021,972)</u>
BALANCE BROUGHT FORWARD			
Prior year adjustment		(2,021,972)	-
		<u>(738,602)</u>	<u>-</u>
		<u>(2,760,574)</u>	<u>-</u>
BALANCE CARRIED FORWARD		<u>(29,212,508)</u>	<u>(2,021,972)</u>



ARVIND LIFESTYLE APPAREL MANUFACTURING PLC
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2015

	<u>Notes</u>	<u>Birr</u>
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	10	(14,528,166)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		-
TAXATION		-
INVESTING ACTIVITIES		
Purchase of fixed assets		<u>(432,212)</u>
NET CASH (OUTFLOW) BEFORE FINANCING		(14,960,378)
FINANCING		
Increase in capitals		<u>14,747,000</u>
		<u>(213,378)</u>
(DECREASE) IN CASH	11	<u>(213,378)</u>



ARVIND LIFESTYLE APPAREL MANUFACTURING PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1. COMPANY INFORMATION

ARVIND LIFESTYLE APPAREL MANUFACTURING PLC) is registered in Ethiopia under commercial registration certificate no 01/004557/05 from the ministry of trade on august 05,2013. The company was established on August 2, 2010 July 24,2013 in Ethiopia with authorized share capital of Birr 62,230,000 divided into 62,230 ordinary shares, each having a nominal value of one thousand birr (Birr 1,000). The principal activities of the company areas Manufacturing and exporting of apparels,. Arvind Lifestyle Apparel Manufacturing plc , is engaged in manufacturing and exporting apparels though a transfer of shares from ANF GULF GARMENT FACTORY PLC

PLACE OF PRINCIPAL ACTIVITY

With the agreement signed on September 17,2013 ,the company has acquired 11,000 square meters of land and industrial shade from the ministry of industry in Bole Lemi Industry Zone through rental (leas) for a period of ten years, counting from March 1st 2014 and Currently the company acquired additional 11,000 m2(Eleven thousand square meter) on 03 April 2015 and counting from .

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The Financial statements are presented in Ethiopian Birr. The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the company's accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. Accounting policy "significant accounting judgments and key sources of estimation uncertainty" highlights the areas that involve a higher level of judgment, or where te estimates or assumptions used are significant to the financial statements.

For the purpose of reporting under the Commercial Code of Ethiopia, the balance sheet in these financial statements is represented by the "Statement of Financial Position" and the profit and loss account is presented by the Statement of Profit or Loss and other comprehensive income.

2.1 Functional Currency and Translation

2.2.1 Functional and presentation currency translation

Items included in the financial statements are measured using the currency of the primary economic

2.2.2 Transaction and Balances

Foreign currency transactions are translated into the functional currency of the entity using the exchange



2.4 Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods or

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is charged in accordance with Income Tax Proclamation 286/2002, on the written down value at the following rates per annum.

Building	
Plant and Machinery	5
Motor vehicles	20
Furniture and Fixture	20
Water Tanker	20
Computer and related	25
Others	20

2.9 Cash and cash Equivalents

Cash and cash equivalents comprise cash on hand, cash with banks and other short-term highly liquid investments, if any, with original maturities of three months or less and are available to the company without any restriction.

2.10 Related Party Balances and Transactions

A party is related to an entity if, inter alia;

(i) directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
- has an interest in the entity that gives it significant influence over the entity; or
- has joint control over the entity;

(ii) the party is an associate of the entity.

These financial statements are prepared in Birr .Transaction in foreign currencies are translated into Birr at the rate of exchange prevailing on the date of the transaction.

Any rights and obligation in foreign currency at the balance sheet date are adjusted at the closing rate prevailing on 31 Dec 2015 E.C.

The principal accounting policies adopted by the Company, which are consistent with those applied in the previous period, are stated below:

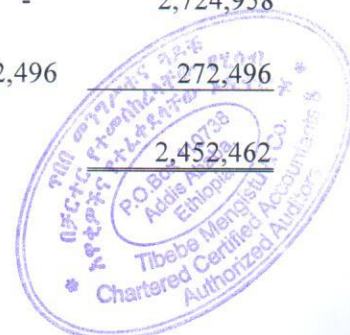


3. PROPERTY, PLANT AND EQUIPMENT

	<u>Balance at</u> 01.01.2015 Birr	<u>Addition</u> Birr	<u>Adjustment</u> <u>Transfer</u> Birr	<u>Balance at</u> 31.12.2015 Birr
COST				
Building	-	-	2,432,798	2,432,798
Plant and Machinery	34,431,950	-	-	34,431,950
Motor vehicles	907,954	-	-	907,954
Furniture and Fixture	1,622,619	72,377	-	1,694,996
Water Tanker	188,100	-	-	188,100
Computer and Related	761,390	25,771	-	787,161
Others	22,600	289,750	-	312,350
Construction in progress	2,388,484	44,314	(2,432,798)	-
	<u>40,323,097</u>	<u>432,212</u>	<u>-</u>	<u>40,755,309</u>
DEPRECIATION				
Building	-	121,640	-	121,640
Plant and Machinery	-	6,886,390	-	6,886,390
Motor vehicles	-	145,273	181,591	326,863
Furniture and Fixture	-	274,095	324,524	598,618
Water Tanker	-	30,096	37,620	67,716
Computer and related	-	149,203	190,348	339,551
Others	-	61,566	4,520	66,086
	<u>-</u>	<u>7,668,262</u>	<u>738,602</u>	<u>8,406,865</u>
NET BOOK VALUE	<u>40,323,097</u>			<u>32,348,445</u>

4. PRE OPERATIONAL EXPENSES

	<u>Balance at</u> 01.01.2015 Birr	<u>Addition</u>	<u>Balance at</u> 31.12.2015 Birr
EXPENSES	2,724,958	-	2,724,958
AMORTIZATION	-	272,496	272,496
	<u>2,724,958</u>		<u>2,452,462</u>



5. TRADE AND OTHER RECEIVABLES

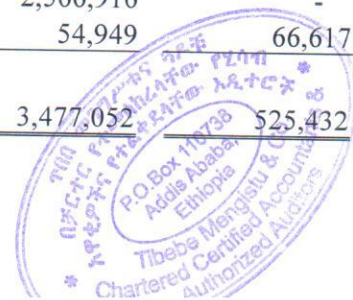
	<u>2015</u>	<u>2014</u>
Prepaid insurance	30,805	31,155
Security Deposit	1,081,756	536,609
VAT receivable	164,512	-
Work advance	205,554	-
	<u>1,482,627</u>	<u>567,764</u>

6. INVENTORIES

Finished goods	422,037	-
Raw material	302,488	3,819,342
Interlining	287,141	-
Chemical	-	677,580
Stationary supplies	26,346	92,824
Consumables	387,172	1,004,611
Accessories	32,144	-
	<u>1,457,328</u>	<u>5,594,357</u>
Goods in transit	-	50,854
	<u>1,457,328</u>	<u>5,645,211</u>

7. ACCOUNTS PAYABLE

Trade creditor	5,132	-
Salary payable	800,727	454,870
Pension payable	49,328	3,945
Accrued payable	2,566,916	-
Income tax payable	54,949	66,617
	<u>3,477,052</u>	<u>525,432</u>



8. SELLING AND ADMINSTRATIVE EXPENSE

	<u>2015</u>	<u>2014</u>
Salary and wage	5,492,033	789,208
Office supplies and stationary	130,266	27,696
Cleaning and sanitation	18,440	13,313
Vehicle rent	100,796	155,388
Accommodation	286,764	210,000
Residence rent	950,500	-
Repair and maintenance	293,189	377,367
Transportation	19,100	109,000
Security service	257,565	53,356
Fuel and lubricant	263,872	29,510
Advertisement	60,261	3,450
Communication	208,938	60,757
Utility	426,324	2,025
Insurance	91,593	37069
Bank service charge	108,285	9,766
License and registration	140,225	22,125
Air Freight	29,484	2,191
Commission	39,845	-
Day care	19,054	-
Depreciation	568,571	-
Amortization	272,496	-
Export cost	221,521	-
Refreshment	41,306	23,123
Professional fee	23,234	22,712
Donation	-	5,000
Miscellaneous	29,336	68,916
	<u>10,092,997</u>	<u>2,021,972</u>

9. CONTINGENT LIABILITIES AND COMMITMENTS

a) Contingent Liabilities

As per the information furnished to us and based on the audit work carried out the Company doesn't have contingent liability on 31 Dec 2015 G.C.

c) Related Party Transaction

Beginning balance	3,961,718
-Adjustments made	(2,653,928)
- Export sales	(1,785,341)
- Export Advance cash transferred	2,197,213
	<u>1,719,662</u>



10. RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES

	<u>2015</u>
Net loss	(26,417,809)
Depreciation	7,668,262
Amortization	272,496
(Increase) in Inventory	4,189,168
(Increase) in trade and other receivables	(914,863)
(Increase) in shareholder's account	(2,241,630)
Increase in trade and other payables	<u>2,916,210</u>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	<u>(14,528,166)</u>

11. ANALYSIS OF THE BALANCES OF CASH AS SHOWN IN THE BALANCE SHEET

	<u>Balance at</u> <u>01.01.2015</u> <u>Birr</u>	<u>Balance at</u> <u>31.12.2015</u> <u>Birr</u>	<u>Change during</u> <u>the year</u> <u>Birr</u>
Cash on hand and at bank	<u>623,998</u>	<u>410,619</u>	<u>(213,378)</u>

