

ARVIND WORLDWIDE INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED MARCH 31, 2019

ARVIND WORLDWIDE INC.

FOR THE YEAR ENDED MARCH 31, 2019

Contents

	Page
Independent Accountants' Review Report	1
Financial Statements	
Balance Sheet	2
Statement of Income and Retained Earnings	3
Statement of Cash Flows	4
Notes to Financial Statements	5
Supplementary Information	
Statement of Operating Expenses	11



INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors and Stockholders of
Arvind Worldwide Inc.:

We have reviewed the accompanying financial statements of Arvind Worldwide Inc., which comprise the balance sheet as of March 31, 2019, and the related statements of income and retained earnings and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

The supplementary information included on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. We have not audited or reviewed such information and we do not express an opinion, a conclusion, nor provide any assurance on it.

PRAJAPATI & COMPANY CPAs LLP

April 30, 2019

ARVIND WORLDWIDE INC.

BALANCE SHEET

MARCH 31, 2019

ASSETS

Current assets

Cash	\$ 34,734
Accounts receivable	527,406
Inventories	1,416,069
Prepaid expenses and taxes	12,497
Loans receivable	<u>3,013,975</u>
Total current assets	5,004,681

Property and equipment, net of accumulated depreciation of \$55,403

42,673

Other assets

Deposits	207,882
Deferred income taxes	<u>71,000</u>
	<u>278,882</u>
	<u>\$ 5,326,236</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities

Accounts payable	\$ 1,567,129
Accrued expenses	216,120
Loans payable	<u>2,700,000</u>
Total current liabilities	4,483,249

Other liabilities

Deferred lease liability	40,768
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Commitments and contingencies

Stockholders' equity

Common stock, no par value; 1,500 shares authorized, 502 shares issued and outstanding	502,000
Retained earnings	<u>300,219</u>
	<u>802,219</u>
	<u>\$ 5,326,236</u>

See accountants' review report and notes to financial statements.

ARVIND WORLDWIDE INC.

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 2019

Net sales	\$ 279,593
Cost of sales	<u>269,417</u>
Gross profit	10,176
Marketing support services income	<u>1,002,340</u>
Total income	1,012,516
Operating expenses	<u>832,304</u>
Income from operations	180,212
Interest expense	<u>104,463</u>
Income before provision for income taxes	75,749
Provision for income taxes	<u>27,914</u>
Net income	47,835
Retained earnings – beginning	<u>252,384</u>
Retained earnings – end	<u>\$ 300,219</u>

See accountants' review report and notes to financial statements.

ARVIND WORLDWIDE INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019

Cash flows from operating activities	
Net income	\$ 47,835
Adjustments to reconcile net income to net cash used in operating activities	
Depreciation	10,041
Deferred income taxes	13,000
Deferred lease liability	6,703
Changes in assets and liabilities	
Accounts receivable	(440,423)
Inventories	(1,416,069)
Prepaid expenses and taxes	13,065
Accounts payable	1,567,129
Accrued expenses	95,317
Net cash used in operating activities	(103,402)
Cash flows from investing activities	
Net increase in deposits	(151,686)
Net cash used in investing activities	(151,686)
Cash flows from financing activities	
Net increase in loans payable	250,000
Net cash provided by financing activities	250,000
Net change in cash	(5,088)
Cash at beginning	39,822
Cash at end	\$ 34,734
Supplemental disclosure of cash flows information	
Cash paid for interest	\$ -
Cash paid for income taxes	\$ 2,602

See accountants' review report and notes to financial statements.

ARVIND WORLDWIDE INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

Note 1 – Description of company’s business

Arvind Worldwide Inc. (the “Company”) is a majority owned subsidiary of Arvind Limited (the “Parent”), a company based in India. The Company was incorporated on February 24, 1993 in Delaware. The Company provides marketing support services to customers located in the United States of America on behalf of the Parent. The Company is also an importer and wholesaler of fiberglass reinforced plastics whose customers are located in the United States of America.

Note 2 – Summary of significant accounting policies

Basis of accounting

The Company’s accounting policies are in accordance with accounting principles generally accepted in the United States of America. Outlined below are those policies considered particularly significant.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Concentration of credit risk

Financial instruments, which potentially subject the Company to significant concentrations of credit risk, include cash and accounts receivable. The Company holds no collateral for these financial instruments. The Company maintains cash in financial institutions that are insured by the Federal Deposit Insurance Corporation up to a specified amount. Such cash balances at times may exceed these limits. To minimize its credit risk with respect to accounts receivable, management monitors the creditworthiness of the customers and reviews the outstanding receivables at period end, as well as establishes an allowance for doubtful accounts as deemed necessary.

Accounts receivable

Accounts receivable are stated at original amount less an allowance for doubtful accounts. The allowance for doubtful accounts is determined through an analysis of the aging of accounts receivable at the date of the financial statements, assessments of collectability based on an evaluation of historic and anticipated trends, the financial condition of the Company’s customers, and an evaluation of the impact of economic conditions. At March 31, 2019, the management has determined that an allowance for doubtful accounts is not required.

ARVIND WORLDWIDE INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

Note 2 – Summary of significant accounting policies (continued)

Inventories

Inventories, which consist primarily of finished goods, are stated at the lower of cost or net realizable value, with cost being determined under the FIFO (First-in, First-out) method.

Property and equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line or an accelerated method over the estimated useful lives of the assets, ranging from 3 to 7 years. Leasehold improvements are amortized over the lesser of the lease term or the estimated useful asset lives. Major additions are capitalized and repairs and maintenance costs are expensed when incurred.

Long-lived assets

The Company periodically evaluates the carrying value of long-lived assets to be held and used whenever events and circumstances indicate that the carrying value of the asset may no longer be recoverable. An impairment loss, measured based on the fair value of the asset, is recognized if expected future undiscounted cash flows are less than the carrying value of the assets. At March 31, 2019, the Company was not aware of any events or changes in circumstances that indicate the carrying amount of an asset may not be recoverable.

Revenue recognition

Sales are recorded when merchandise is shipped, and title and risk of loss are transferred to customers, revenue can be reliably measured, and collectability is reasonably assured. Revenue is recorded net of estimated discounts, returns and allowances which are estimated based on historic trends and an evaluation of current economic conditions. The Company recognizes revenue from services when the services are rendered, it can be reliably measured, and collectability is reasonably assured.

Advertising and promotional expenses

Advertising and promotional expenses are expensed during the year in which they are incurred.

Income taxes

The Company uses the asset and liability method of accounting for income taxes, where deferred tax assets and liabilities are recognized for differences between the financial statement and tax bases of existing assets and liabilities. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The Company evaluates all significant tax positions. At March 31, 2019, the Company does not believe it has any uncertain tax positions that would qualify for either recognition or disclosure in the financial statements.

ARVIND WORLDWIDE INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

Note 2 – Summary of significant accounting policies (continued)

Subsequent events

The Company has evaluated subsequent events through April 30, 2019 which is the date the financial statements were available to be issued.

New authoritative accounting pronouncements

The Company does not anticipate the adoption of other recently issued accounting pronouncements to have a significant impact on the Company's financial statements.

Note 3 – Inventories

At March 31, 2019, inventories of \$1,416,069 consisted of finished goods.

Note 4 – Loans receivable

At March 31, 2019, the Company had outstanding loans receivable from various unrelated parties of \$3,013,975. These loans are due on a demand basis, bearing no interest.

Note 5 – Property and equipment

At March 31, 2019, property and equipment consisted of the following:

Furniture and fixtures	\$43,761
Equipment	23,384
Leasehold improvements	<u>30,931</u>
	98,076
Less: accumulated depreciation	<u>55,403</u>
	<u>\$42,673</u>

For the year ended March 31, 2019, depreciation expense was approximately \$10,041.

Note 6 – Retirement plan

The Company has established a defined contribution retirement plan, which provides for contributions to be made by the Company on behalf of each eligible employee. For the year ended March 31, 2019, the Company's contributions to this plan amounted to \$12,113.

ARVIND WORLDWIDE INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019**

Note 7 – Income taxes

The Company files federal, state and local income tax returns on a fiscal year basis ending on March 31 as prescribed by the tax laws of the jurisdiction in which it operates. In the ordinary course of business, the Company is subject to examination by federal, state and local jurisdictions, where applicable. For federal, state and local income tax purposes, the Company remains open for examination by the tax authorities for the tax years from March 31, 2016 onwards under the general statute of limitations.

For the year ended March 31, 2019, the net provision for income taxes of \$27,914 consisted of the following:

	<u>Federal</u>	<u>State and local</u>	<u>Total</u>
Current	\$ 5,955	\$ 8,959	\$14,914
Deferred	<u>7,000</u>	<u>6,000</u>	<u>13,000</u>
	<u>\$12,955</u>	<u>\$14,959</u>	<u>\$27,914</u>

At March 31, 2019, the significant components of the net deferred tax assets were the differences between the book and tax basis of property and equipment, unpaid interest to the stockholders and deferred lease liability.

Note 8 – Related party transactions and balances

In the ordinary course of business, the Company had the following related party transactions and balances:

Accounts receivable

At March 31, 2019, the Company had outstanding accounts receivable of \$386,823 from the Parent.

Accounts payable

At March 31, 2019, the Company had outstanding accounts payable of \$1,547,187 to the Parent.

Interest payable

At March 31, 2019, the Company had outstanding interest payable of \$205,870 to the stockholders. These amounts are included in accrued expenses.

ARVIND WORLDWIDE INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019**

Note 8 – Related party transactions and balances (continued)

Loans payable

At March 31, 2019, the Company had outstanding loans payable of \$2,700,000 to the stockholders. These loans are due on a demand basis and bear interest at 3.9% per annum. For the year ended March 31, 2019, interest on these loans amounted of \$104,463.

Net purchases

For the year ended March 31, 2019, the Company made net purchases of \$1,634,530 from the Parent.

Marketing support services income

For the year ended March 31, 2019, the Company had earned marketing support services income of \$1,002,340 from the Parent.

Note 9 – Commitments and contingencies

Lease

The Company is obligated under a long-term operating lease for the rental of office space through July 31, 2024. In addition to minimum rental payments, the lease requires payment of various expenses incidental to the use of property. For the year ended March 31, 2019, rent expense amounted to \$111,977.

At March 31, 2019, the future minimum rental payments were as follows:

March 31, 2020	\$118,079
March 31, 2021	121,621
March 31, 2022	125,270
March 31, 2023	134,380
March 31, 2024	141,088
Thereafter	<u>47,490</u>
	<u>\$687,928</u>

ARVIND WORLDWIDE INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019**

Note 9 – Commitments and contingencies (continued)

Guarantees

The Company has guaranteed payment for License and Technical Know-How Agreements entered into by the Parent on various dates. These agreements expire on various dates to December 31, 2022 and require payments to be computed at specified percentages of net sales, as defined.

For the year ended March 31, 2019, the minimum payments due under these agreements were \$2,696,899. The Company is required to make payments under these agreements only in the event of a default by a primary obligor. At March 31, 2019, the Company does not anticipate any exposure on these guarantees.

At March 31, 2019, the future minimum payments required under these agreements were as follows:

March 31, 2020	\$2,112,004
March 31, 2021	2,183,048
March 31, 2022	1,420,838
December 31, 2022	<u>105,000</u>
	<u>\$5,820,890</u>

Other contingencies

The Company may be involved in claims and legal proceedings arising in the ordinary course of business. In the opinion of management, the ultimate outcome of these matters will not have a material adverse effect on the Company's financial position, liquidity or results of operations.

Note 10 – Concentrations

Major customer

For the year ended March 31, 2019, sales to one customer represented approximately 92% of net sales. At March 31, 2019, accounts receivable from this customer was approximately \$133,441.

Major vendor

For the year ended March 31, 2019, purchases from one vendor represented approximately 97% of net purchases. At March 31, 2019, accounts payable to this vendor was approximately \$1,547,187.

SUPPLEMENTARY INFORMATION

ARVIND WORLDWIDE INC.

STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED MARCH 31, 2019

Operating expenses

Salaries	\$ 302,829
Employee benefits	57,688
Payroll taxes	19,761
Retirement plan contributions	12,113
Payroll processing charges	4,332
Rent and utilities	117,714
Telephone	6,514
Insurance	12,246
Travel and entertainment	192,914
Office and miscellaneous expenses	12,094
Sampling and designing charges	41,091
Professional fees	23,335
Repairs and maintenance	3,907
Postage and delivery	15,725
Depreciation	<u>10,041</u>
	<u>\$ 832,304</u>