

ARVIND WORLDWIDE INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED MARCH 31, 2023

ARVIND WORLDWIDE INC.

FOR THE YEAR ENDED MARCH 31, 2023

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying financial statements of Arvind Worldwide Inc., which comprise the balance sheet as of March 31, 2023, and the related statements of operations 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.

We are required to be independent of Arvind Worldwide Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

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 18, 2023

ARVIND WORLDWIDE INC.

**BALANCE SHEET
MARCH 31, 2023**

ASSETS

Current assets

Cash	\$ 84,525
Accounts receivable	510,707
Prepaid expenses and taxes	<u>19,075</u>
Total current assets	614,307

Property and equipment, net of accumulated depreciation of \$47,825

18,398

Other assets

Deposits	61,407
Operating lease right-of-use asset, net	89,619
Deferred income taxes	<u>28,000</u>
	<u>179,026</u>
	<u>\$ 811,731</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities

Accrued expenses	\$ 1,526
Operating lease right-of-use liabilities	<u>63,635</u>
Total current liabilities	65,161

Other liabilities

Operating lease right-of-use liabilities	27,228
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Commitments and contingencies

Stockholder's equity

Common stock, no par value; 1,500 shares authorized, 502 shares issued and outstanding	502,000
Retained earnings	<u>217,342</u>
	<u>719,342</u>
	<u>\$ 811,731</u>

See accountants' review report and notes to financial statements.

ARVIND WORLDWIDE INC.

**STATEMENT OF OPERATIONS AND RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 2023**

Marketing support services income	\$ 735,384
Operating expenses	<u>687,274</u>
Income before provision for income taxes	48,110
Provision for income taxes	<u>56,547</u>
Net loss	(8,437)
Retained earnings – beginning	<u>225,779</u>
Retained earnings – end	<u><u>\$ 217,342</u></u>

ARVIND WORLDWIDE INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2023**

Cash flows from operating activities	
Net loss	\$ (8,437)
Adjustments to reconcile net loss to net cash provided by in operating activities	
Depreciation	10,760
Operating lease right-of-use asset, net	61,743
Deferred income taxes	117,000
Changes in assets and liabilities	
Accounts receivable	(92,168)
Prepaid expenses and taxes	13,774
Accounts payable	(3,391)
Accrued expenses	(1,175)
Operating lease right-of-use liabilities	<u>(60,499)</u>
Net cash provided by operating activities	37,607
Cash flows from investing activities	-
Cash flows from financing activities	-
Net change in cash	37,607
Cash at beginning	<u>46,918</u>
Cash at end	<u>\$ 84,525</u>

Supplemental disclosure of cash flows information

Cash paid for interest	<u>\$ -</u>
Cash paid for income taxes	<u>\$ -</u>

Supplemental disclosure of non-cash investing and financial activities

Operating lease right-of-use asset and operating lease right-of-use liabilities from the adoption of the new lease accounting standard	<u>\$ 151,362</u>
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See accountants' review report and notes to financial statements.

ARVIND WORLDWIDE INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023**

Note 1 – Description of company’s business

Arvind Worldwide Inc. (the “Company”) is a wholly 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

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, 2023, management has determined that an allowance for doubtful accounts is not required.

ARVIND WORLDWIDE INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023**

Note 2 – Summary of significant accounting policies (continued)

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, 2023, 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

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, 2023, the Company does not believe it has any uncertain tax positions that would qualify for either recognition or disclosure in the financial statements.

Leases

Effective April 1, 2022, the Company adopted the new standard, and subsequent amendments thereto, which requires lessees to recognize right-of-use assets and right-of-use liabilities calculated based on the present value of lease payments for all lease agreements with terms that are greater than twelve months.

ARVIND WORLDWIDE INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023**

Note 2 – Summary of significant accounting policies (continued)

Leases (continued)

The Company elected the available practical expedients to account for existing operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

The Company elected to use the risk-free rate of 2.01% to discount the future lease payments for all leases.

The Company made an accounting policy election to exclude leases with an initial term of 12 months or less from the balance sheet. The Company will recognize the lease payments on a straight-line basis over the lease term.

On April 1, 2022, as a result of the adoption of the standard, the Company recognized a right-of-use liability of \$151,362 and a right-of-use asset at the carrying amount.

The adoption of the standard did not have a material impact on the Company's financial statements.

Subsequent events

The Company has evaluated subsequent events through April 18, 2023 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 – Property and equipment

At March 31, 2023, property and equipment consisted of the following:

Furniture and fixtures	\$20,859
Equipment	19,508
Leasehold improvements	<u>25,856</u>
	66,223
Less: accumulated depreciation	<u>47,825</u>
	<u>\$18,398</u>

ARVIND WORLDWIDE INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023**

Note 3 – Property and equipment (continued)

For the year ended March 31, 2023, depreciation expense was \$10,760.

Note 4 – 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, 2023, the Company's contributions to this plan amounted to \$10,877.

Note 5 – 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, 2020 onwards under the general statute of limitations.

For the year ended March 31, 2023, the net provision for income taxes of \$56,547 consisted of the following:

	<u>Federal</u>	State <u>and local</u>	<u>Total</u>
Current	\$(60,511)	\$ 58	\$ (60,453)
Deferred	<u>74,000</u>	<u>43,000</u>	<u>117,000</u>
	<u>\$ 13,489</u>	<u>\$43,058</u>	<u>\$ 56,547</u>

At March 31, 2023, the significant components of the net deferred tax assets were the differences between the book and tax basis of property and equipment, operating lease right-of-use assets, operating lease right-of-use liabilities and net operating loss carryforwards. At March 31, 2023, the Company had approximately \$153,000 of net operating loss carryforwards. These losses are available to offset future taxable income.

ARVIND WORLDWIDE INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023**

Note 6 – 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, 2023, the Company had outstanding accounts receivable of \$510,707 from the Parent.

Marketing support services income

For the year ended March 31, 2023, the Company had earned marketing support services income of \$735,384 from the Parent.

Note 7 – Commitments and contingencies

Lease

The Company is obligated under a long-term operating lease for rental of office premises, which expires on July 31, 2024.

At March 31, 2023, supplemental information related to the lease were as follows:

Operating lease right-of-use assets	\$89,619
Operating lease right-of-use liabilities	\$90,863

For the year ended March 31, 2023, lease cost amounted to \$67,298, which comprised of the following:

Amortization of operating right-of-use asset	\$61,743
Variable cost	3,169
Interest	<u>2,386</u>
	<u>\$67,298</u>

At March 31, 2023, future minimum lease payments were as follows:

March 31, 2024	\$64,768
July 31, 2024	<u>21,855</u>
	<u>\$86,623</u>

ARVIND WORLDWIDE INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023**

Note 7 – Commitments and contingencies (continued)

Guarantees

The Company has guaranteed payment for License and Technical Know-How Agreement entered into by the Parent. The agreement expires on December 31, 2023, and require payments to be computed at specified percentages of net sales, as defined.

For the year ended March 31, 2023, the minimum payments due under this agreement were \$105,000. The Company is required to make payments under this agreement only in the event of a default by a primary obligor. At March 31, 2023, the Company does not anticipate any exposure on these guarantees.

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.

COVID-19

As a result of ongoing COVID-19 outbreak, the Company's operations may be affected. Since the extent and duration of the outbreak is uncertain, this may result in a material adverse impact on the Company's financial position, operations, and cash flows. Possible areas that may be affected include, but are not limited to, disruption on the Company's customers and revenue, labor workforce, unavailability of products and supplies used in the operations, and the decline in value of assets held by the Company.

SUPPLEMENTARY INFORMATION

ARVIND WORLDWIDE INC.

**STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED MARCH 31, 2023**

Operating expenses

Salaries	\$ 271,925
Employee benefits	48,485
Payroll taxes	13,325
Retirement plan contributions	10,877
Payroll processing charges	2,656
Lease cost	67,298
Telephone	6,383
Insurance	15,910
Travel and entertainment	143,116
Office and miscellaneous expenses	22,349
Sampling and designing charges	1,600
Professional fees	23,114
Repairs and maintenance	7,715
Trade shows	1,350
Postage and delivery	40,411
Depreciation	<u>10,760</u>
	<u>\$ 687,274</u>