

ARVIND ENVISOL PLC

(ETHIOPIA)

AUDITORS REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018

Solomon Tiruneh & Co.

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**INDEPENDENT AUDITORS' REPORT
TO THE MANAGEMENT OF ARVIN ENVISOL PLC (ETHIOPIA)**

Opinion

We have audited the accompanying financial statements of Arvind Envisol (Ethiopia), set out on pages 3-10, which comprise the statement of financial position as at 31 March 2018, and the statement of profit and loss, and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the matters raised under basis for qualified opinion paragraph and its effect, the accompanying financial statements, give a true and fair view of the state of financial affairs of ARVIND ENVISOL PLC at 31 March 2018 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Standards and the requirements of the Commercial Code of Ethiopia 1960.

We communicate with the management regarding, among other matters, the significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Basis for Opinion

We were appointed as auditor of the company after the balance sheet date we did not attend the year-end inventory and cash count of the company. As a result we did not verify the balance included in the accounts.

Arvind Envisol PLC (Ethiopia) has recognized amount of Br 4,224,029 as current asset in work in progress account for the costs incurred in relation to Hawassa Industrial Park Project. However, the company is not a party to the project contract and the costs incurred for the project on behalf of Arvin Envisol India Limited should have been a claim from the parent office.

Managements' Responsibility for the Financial Statements

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



Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 statement is 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 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 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. An audit also includes evaluating the appropriateness 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.

Addis Ababa

7 June 2018



Solomon Tiruneh
*Chartered Certified Accountants and
authorized auditors*



ARVIND ENVISOL PLC (Ethiopia)
PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED MARCH 31,2018

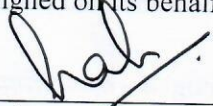
	NOTE	2018 ETB
Income	-	
Less: Cost of Sales		
Gross Profit		
Other Income	13	651,899
EXPENSES:		
General and Administration	14	<u>(8,140,896)</u>
Total Expenses		<u>(7,488,897)</u>
Loss		
Provision for Tax	10	
Balance carried Forward		<u><u>(7,488,897)</u></u>



ARVIND ENVISOL PLC (Ethiopia)
STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2018

	Notes	2018 ETB
Assets :		
Fixed Assets (net)	3a,4	689,528
Current Assets:		
Debtors & prepayment	6	24,722,494
Construction in progress	5	8,097,306
Cash at bank & On hand	7	<u>16,839,852</u>
		49,659,652
Creditors		
Creditors	8	42,345,368
Provision for profit tax	10	-
Shareholder account	12	1,012,987
Related party payable	9	<u>9,797,114</u>
		53,155,469
Net Assets current assets		<u>(3,495,817)</u>
Net assets		(2,806,289)
Capital & Reserves:		
Capital		4,682,708
Retained Earning		<u>(7,488,997)</u>
		(2,806,289)

The financial statements were approved and authorized for issue by the management on 7 June 2018 and were signed on its behalf by:



LK Kelwalramani
General Manager



Shankar B Patil
Chief Manager- Finance



ARVIND ENVISOL PLC (Ethiopia)
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31,2018

	2018
	ETB
Cash flow from operating activities	
Profit/loss before Tax	(7,488,997)
Adjusted for :	
Depreciation&amortization	<u>26,701</u>
	(7,462,296)
Decrease /increase in inventory	(8,097,306)
Decrease/increase in debtors and other receivables	(24,722,494)
Related party balance	9,797,114
Increase/decrease in creditors and other payables	<u>42,345,368</u>
	<u>19,322,682</u>
Cash used in operating activities	11,860,386
Investing activities	
Property plant and Equipment	(716,229)
Net cash used in investing activities	(716,229)
Financing activities	
Share holder Account	1,012,987
Net cash used in financing activities	1,012,987
Increase(decrease) in cash and cash equivalent	12,157,144
Cash and cash equivalents - Beginning	<u>4,682,708</u>
Cash and cash equivalent at 31/3/2018	<u>16,839,852</u>



**ARVIND ENVISOL PLC (ETHIOPIA)
NOTES TO THE FINNCIAL STTAMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

1. GENERAL INFORMATION

ARVIND ENVISOL PLC(ETHIOPIA) was established on 6 July 2017 by two Indian Companies namely, ARVIND ENVISOL LIMITED and ARVIND BRANDS&RETAIL LIMITED with initial capital of ETB 4.6 million. Its business objective is to carry out effluent treatment and disposal solutions.

2. BASIS OF ACCOUNTING

The financial statements are prepared based on accrual basis of accounting.

3. ACCOUNTING POLICIES

A. Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and depreciation using the following depreciation rate:

Description of fixed assets	Method of Depreciation	Rate per annum %
Building and Land improvement	Straight line	5
Plant & Machineries	Straight line	15
Office Equipment's	Straight line	15
Computer & related	Straight line	20
Motor Vehicles	Straight line	15

B. Revenue

Revenue comprises the fair value of consideration received or receivable for the sale goods or services in the ordinary course of business. The company recognizes revenue when performance obligation is satisfied. Revenue is stated net of VAT.



C. STOCK

Finished Goods are valued at actual costs of production material stocks are valued at weighted average cost method work in progress are valued at actual cost of services.

D. Foreign Currency Translation

Foreign currency transactions are translated in to Ethiopian Birr using the exchange rates prevailing at the date of transactions. Foreign exchange gains or losses resulting from the settlement of such transactions are recognized in profit or loss.



4. FIXED ASSET

Description	COST		DISPOSAL/TRAN SFER	Balance 31/03/2018
	Balance 31/03/2017	ADDITIONS		
Furniture and Fixture	-	291,343	-	291,343
Diesel Generator Set 5kv	-	107,391	-	107,391
Guest House - Equipment & Furniture	-	306,859	-	306,859
Machine - Cash Register Machine	-	5,086	-	5,086
Office Equipment	-	5,550	-	5,550
TOTAL		716,229	-	716,229

ACCUMULATED DEPRECIATION

Furniture and Fixture	-	11,203	-	11,203
Diesel Generator Set 5kv	-	587	-	587
Guest House – Equipment & Furniture	-	14,581	-	14,581
Machine - Cash Register Machine	-	191	-	191
Office Equipment	-	<u>139</u>	-	<u>139</u>
		26,701		26,701
Net Book Value				689,528



5. WORK IN PROGRESS

WIP - Hawassa O&M - BS A/c
Construction in progress Kilinto

2018
Birr
4,224,029
3,873,277
8,097,306

6. DEBTORS AND PREPAYMENTS

Trade Debtors
Prepayment and Deposits
VAT Receivables
Sundry debtors
Withholding tax receivables

Birr
19,885,416
529,000
3,402,132
164,020
741,926
24,722,494

7. CASH & BANK BALANCES

Cash in hand
Cash at bank

Birr
144,235
16,695,617
16,839,852

8. CREDITORS

Trade Creditors
VAT payable
WHT payable
Audit fee payable

Birr
37,096,273
4,604,363
547,485
97,247
42,345,368

9. RELATED PARTY PAYABLE

Related party balance represents interest free loan amount of USD 500,000 obtained from sister company- Arvind Lifestyle Apparel Manufacturing PLC – Ethiopia.

Arvind lifestyle Apparel manufacturing plc.

Birr
9,797,114



10. PROVISION FOR PROFIT TAX

Profit/loss for the year before tax		(7,488,997)
Add back:		
Other disallowed expenses	1,500,022	
Guest house expenses-not allowance	950,378	
Entertainments	<u>1,339,859</u>	
		<u>3,790,259</u>
Taxable profit/Loss		(3,698,738)
Profit tax Provision (30%)	-	=
Profit/ loss carried forward		<u>(7,488,997)</u>

11. CAPITAL

	Birr
Arvind Envisol Limited – Shares	4,636,708
Arvind Brands & Retails Limited	<u>46,000</u>
	4,682,708

12. SHAREHOLDERS' ACCOUNT

	Birr
Arvind Envisol Ltd – India	<u>1,012,987</u>



13. OTHER INCOME

	2018 ETB
Foreign Exchange Gain/Loss Account	620,759
Miscellaneous Income	<u>31,140</u>
	651,899

14. GENERAL & ADMINISTRATION

Birr

Outsourced service cost	22,108
Medical expenses	7,961
Commission	60,375
Guesthouse expenses	446,364
Printing & stationery	131,479
Work permit	38,928
Rent expenses	2,528,145
Office expenses	155,021
Security expenses	39,334
Supplies	419,568
Cleaning & sanitary	220
Telephone ,fax and internet	171,479
Audit fee	97,247
Preoperating expense	1,429,049
Quantity survey and drawing	4,000
Custom clearing charges	8,791
Installation & Testing	9,505
Repair & maintenance	158,067
License & registration	7,761
Entertainment	1,339,859
Subcontract	2,244
Chemical Used	366
Utilities	24,300
loading & unloading	192,025
Transportation	635,090
Finance charges	380
Advertising & promotion	8,625
Fuel & lubricant	126,820
Depreciation & amortization	26,701
Others	44,977
Miscellaneous	<u>3,157</u>
	8,140,896

