

ARVIND WORLDWIDE INC.
FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED MARCH 31, 2017

Supplementary Information

Statement of

ARVIND WORLDWIDE INC.

FOR THE YEAR ENDED MARCH 31, 2017

Contents

	Page
Independent Accountants' Review Report	1
Financial Statements	
Balance Sheet	2
Statement of Income	3
Statement of Changes in Stockholders' Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	6
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, 2017, and the related statements of income, changes in stockholders' equity 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 information included in the accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have not audited or reviewed the supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such supplementary information.

Prajapati & Company CPAs LLP

May 5, 2017

ARVIND WORLDWIDE INC.

BALANCE SHEET

MARCH 31, 2017

ASSETS

Current assets

Cash	\$ 1,043,186
Prepaid expenses and taxes	44,400
Loans receivable	3,013,975
Other current assets	1,681
Deferred income taxes	<u>21,000</u>
Total current assets	4,124,242

Property and equipment, net of accumulated depreciation of \$430,782

4,522

Other assets

Deposits	111,539
Deferred income taxes	<u>105,000</u>
	216,539
	<u>\$ 4,345,303</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities

Advance payments received	\$ 105,722
Accrued expenses	62,681
Loans payable	<u>3,450,000</u>
Total current liabilities	3,618,403

Stockholders' equity

Common stock, no par value; 1,500 shares authorized, 502 shares issued and outstanding	502,000
Retained earnings	<u>224,900</u>
	726,900
	<u>\$ 4,345,303</u>

See accountants' review report and notes to financial statements.

ARVIND WORLDWIDE INC.

STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 2017

Marketing support services income	\$ 956,267
Operating expenses	<u>874,289</u>
Income from operations	81,978
Interest expense	<u>19,419</u>
Income before provision for income taxes	62,559
Provision for income taxes	<u>15,421</u>
Net income	<u>\$ 47,138</u>

See accountants' review report and notes to financial statements.

ARVIND WORLDWIDE INC.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED MARCH 31, 2017

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, April 1, 2016	\$ 500,000	\$ 177,762	\$ 677,762
Issuance of common stock	2,000	-	2,000
Net income	<u>-</u>	<u>47,138</u>	<u>47,138</u>
Balance, March 31, 2017	<u>\$ 502,000</u>	<u>\$ 224,900</u>	<u>\$ 726,900</u>

See accountants' review report and notes to financial statements.

ARVIND WORLDWIDE INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2017

Cash flows from operating activities	
Net income	\$ 47,138
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation	1,258
Deferred income taxes	(7,000)
Changes in assets and liabilities	
Accounts receivable	762,830
Prepaid expenses and taxes	(26,850)
Advance payments received	105,722
Accrued expenses	18,830
Net cash provided by operating activities	901,928
Cash flows from investing activities	
Capital expenditures	(1,954)
Net increase in loans receivable	(3,000,000)
Net cash used in investing activities	(3,001,954)
Cash flows from financing activities	
Net increase in loans payable	3,000,000
Proceeds from issuance of common stock	2,000
Net cash provided by financing activities	3,002,000
Net change in cash	901,974
Cash at beginning	141,212
Cash at end	<u>\$ 1,043,186</u>

Supplemental disclosure of cash flows information

Cash paid for interest	\$ -
Cash paid for income taxes	<u>\$ 30,662</u>

See accountants' review report and notes to financial statements.

ARVIND WORLDWIDE INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2017

Note 1 – Description of company’s business policies (continued)

Arvind Worldwide Inc. (the “Company”) is a majority owned subsidiary of Arvind Limited (the “Parent”). 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, 2017, the Company did not have any outstanding accounts receivable.

ARVIND WORLDWIDE INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017**

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, 2017, 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.

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, 2017, the Company does not believe it has any uncertain tax positions that would qualify for either recognition or disclosure in the financial statements.

Subsequent events

The Company has evaluated subsequent events through May 5, 2017 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.

ARVIND WORLDWIDE INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017**

Note 3 – Loans receivable

At March 31, 2017, 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 4 – Property and equipment

At March 31, 2017, property and equipment consisted of the following:

Furniture and fixtures	\$ 38,888
Equipment	5,831
Leasehold improvements	<u>390,585</u>
	435,304
Less: accumulated depreciation	<u>430,782</u>
	<u>\$ 4,522</u>

For the year ended March 31, 2017, depreciation expense was approximately \$1,258.

Note 5 – 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, 2017, the Company's contributions to this plan amounted to \$12,302.

Note 6 – 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, 2014 onwards under the general statute of limitations.

ARVIND WORLDWIDE INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2017

Note 6 – Income taxes (continued)

For the year ended March 31, 2017, the net provision for income taxes of \$15,421 consisted of the following:

	<u>Federal</u>	<u>State and local</u>	<u>Total</u>
Current	\$10,282	\$12,139	\$22,421
Deferred	<u>-</u>	<u>(7,000)</u>	<u>(7,000)</u>
	<u>\$10,282</u>	<u>\$ 5,139</u>	<u>\$15,421</u>

At March 31, 2017, the significant components of the net deferred tax assets were the differences between the book and tax basis of property and equipment and unpaid interest to the stockholders.

Note 7 – Related party transactions and balances

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

Advance payments received

At March 31, 2017, the Company had received advance payments of \$105,722 from the Parent.

Interest payable

At March 31, 2017, the Company had outstanding interest payable of \$55,963 to the stockholders. These amounts are included in accrued expenses.

Loans payable

At March 31, 2017, the Company had outstanding loans payable of \$3,450,000 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, 2017, interest on these loans amounted of \$19,419.

Marketing support services income

For the year ended March 31, 2017, the Company had earned marketing support services income of \$956,267 from the Parent.

ARVIND WORLDWIDE INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

Note 8 – Contingencies

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, 2017, the minimum payments due under these agreements were \$3,306,580. The Company is required to make payments under these agreements only in the event of a default by a primary obligor. At March 31, 2017, the Company does not anticipate any exposure on these guarantees.

At March 31, 2017, the future minimum payments required under these agreements were as follows:

March 31, 2018	\$ 3,484,606
March 31, 2019	2,696,899
March 31, 2020	2,112,004
March 31, 2021	2,183,048
March 31, 2022	1,420,838
Thereafter	<u>105,000</u>
	<u>\$12,002,395</u>

ANNUAL REPORT 2017

STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED MARCH 31, 2017

Operating expenses

- Salaries
- Employee benefits
- Travel
- Professional and consulting fees
- Printing and postage charges
- Bad debt expense
- Depreciation
- Interest
- Lease and equipment
- Office supplies
- Advertising charges
- Insurance
- Repairs and maintenance
- Telephone
- Utilities

SUPPLEMENTARY INFORMATION

See the auditor's review report and notes

ARVIND WORLDWIDE INC.

STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED MARCH 31, 2017

Operating expenses

Salaries	\$ 336,780
Employee benefits	43,652
Payroll taxes	21,473
Retirement plan contributions	12,302
Payroll processing charges	4,633
Rent and utilities	235,635
Telephone	9,590
Insurance	17,451
Travel and entertainment	118,061
Office and miscellaneous expenses	7,613
Sampling and designing charges	35,126
Professional fees	16,703
Repairs and maintenance	3,330
Postage and delivery	10,682
Depreciation	<u>1,258</u>
	<u>\$ 874,289</u>

See accountants' review report and notes to financial statements.