

**ARVIND WORLDWIDE INC.**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED MARCH 31, 2018**

**ARVIND WORLDWIDE INC.**

**FOR THE YEAR ENDED MARCH 31, 2018**

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## 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, 2018, 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 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

April 24, 2018

ARVIND WORLDWIDE INC.

BALANCE SHEET  
MARCH 31, 2018

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ASSETS

**Current assets**

Cash	\$ 39,822
Accounts receivable	86,983
Prepaid expenses and taxes	23,881
Loans receivable	3,013,975
Other current assets	<u>1,681</u>
Total current assets	3,166,342

**Property and equipment**, net of accumulated depreciation of \$45,362

52,714

**Other assets**

Deposits	56,196
Deferred income taxes	<u>84,000</u>
	<u>140,196</u>
	<u>\$ 3,359,252</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

**Current liabilities**

Accrued expenses	\$ 120,803
Loans payable	<u>2,450,000</u>
Total current liabilities	2,570,803

**Other liabilities**

Deferred lease liability	34,065
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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>252,384</u>
	<u>754,384</u>
	<u>\$ 3,359,252</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, 2018**

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<b>Marketing support services income</b>	\$ 1,077,820
<b>Operating expenses</b>	<u>907,525</u>
<b>Income from operations</b>	170,295
Interest expense, net of interest income of \$51	<u>99,732</u>
<b>Income before provision for income taxes</b>	70,563
Provision for income taxes	<u>43,079</u>
<b>Net income</b>	27,484
<b>Retained earnings – beginning</b>	<u>224,900</u>
<b>Retained earnings – end</b>	<u><u>\$ 252,384</u></u>

ARVIND WORLDWIDE INC.

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2018

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<b>Cash flows from operating activities</b>	
Net income	\$ 27,484
Adjustments to reconcile net income to net cash used in operating activities	
Depreciation	5,165
Deferred income taxes	42,000
Deferred lease liability	34,065
Changes in assets and liabilities	
Accounts receivable	(86,983)
Prepaid expenses and taxes	20,519
Advance payments received	(105,722)
Accrued expenses	58,122
Net cash used in operating activities	<u>(5,350)</u>
<b>Cash flows from investing activities</b>	
Capital expenditures	(53,357)
Net decrease in deposits	55,343
Net cash provided by investing activities	<u>1,986</u>
<b>Cash flows from financing activities</b>	
Net decrease in loans payable	<u>(1,000,000)</u>
Net cash used in financing activities	<u>(1,000,000)</u>
<b>Net change in cash</b>	<u>(1,003,364)</u>
<b>Cash at beginning</b>	<u>1,043,186</u>
<b>Cash at end</b>	<u><u>\$ 39,822</u></u>

**Supplemental disclosure of cash flows information**

Cash paid for interest	<u>\$ 54,339</u>
Cash paid for income taxes	<u>\$ 3,796</u>

See accountants' review report and notes to financial statements.

**ARVIND WORLDWIDE INC.**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2018**

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**Note 1 – Description of company’s business**

Arvind Worldwide Inc. (the “Company”) is a majority owned subsidiary of Arvind Limited, 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.

**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, 2018, the management has determined that an allowance for doubtful accounts is not required.

**ARVIND WORLDWIDE INC.**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2018**

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**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, 2018, 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, 2018, 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 April 24, 2018 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, 2018**

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**Note 3 – Loans receivable**

At March 31, 2018, 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, 2018, 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>45,362</u>
	<u>\$52,714</u>

For the year ended March 31, 2018, depreciation expense was approximately \$5,165.

**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, 2018, the Company's contributions to this plan amounted to \$11,612.

**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, 2015 onwards under the general statute of limitations.

**ARVIND WORLDWIDE INC.**

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2018**

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**Note 6 – Income taxes (continued)**

For the year ended March 31, 2018, the net provision for income taxes of \$43,079 consisted of the following:

	<u>Federal</u>	<u>State and local</u>	<u>Total</u>
Current	\$ 204	\$ 875	\$ 1,079
Deferred	<u>24,000</u>	<u>18,000</u>	<u>42,000</u>
	<u>\$24,204</u>	<u>\$18,875</u>	<u>\$43,079</u>

At March 31, 2018, 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 net operating loss carryforwards. At March 31, 2018, the Company had approximately \$158,000 of net operating loss carryforwards. These losses are available to offset future taxable income and expire on March 31, 2038.

On December 22, 2017, the United States enacted tax reform legislation through the Tax Cuts and Jobs Act, which significantly changes the existing U.S. tax laws, including a reduction in the corporate tax rate from 35% to 21%. Accordingly, the Company has remeasured its net deferred tax assets at the lower enacted corporate tax rate of 21%. The effect of the change in tax rates resulted in approximately \$9,000 decrease in net deferred tax assets than if the prior tax rate was utilized.

**Note 7 – 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, 2018, the Company had outstanding accounts receivable of \$86,983 from a stockholder.

**Interest payable**

At March 31, 2018, the Company had outstanding interest payable of \$101,407 to the stockholders. These amounts are included in accrued expenses.

**ARVIND WORLDWIDE INC.**

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2018**

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**Note 7 – Related party transactions and balances (continued)**

**Loans payable**

At March 31, 2018, the Company had outstanding loans payable of \$2,450,000 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, 2018, interest on these loans amounted of \$99,783.

**Marketing support services income**

For the year ended March 31, 2018, the Company had earned marketing support services income of \$1,077,820 from a stockholder.

**Note 8 – Commitments and contingencies**

**Lease**

The Company has entered into 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, 2018, rent expense amounted to \$188,061.

At March 31, 2018, the future minimum rental payments were as follows:

March 31, 2019	\$114,640
March 31, 2020	118,079
March 31, 2021	121,621
March 31, 2022	125,270
March 31, 2023	134,380
Thereafter	<u>188,578</u>
	<u>\$802,568</u>

**Guarantees**

The Company has guaranteed payment for License and Technical Know-How Agreements entered into by a stockholder 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, 2018, the minimum payments due under these agreements were \$3,484,606. The Company is required to make payments under these agreements only in the event of a default by a primary obligor. At March 31, 2018, the Company does not anticipate any exposure on these guarantees.

**ARVIND WORLDWIDE INC.**

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2018**

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**Note 8 – Commitments and contingencies**

**Guarantees (continued)**

At March 31, 2018, the future minimum payments required under these agreements were as follows:

March 31, 2019	\$2,696,899
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>\$8,517,789</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.

**SUPPLEMENTARY INFORMATION**

ARVIND WORLDWIDE INC.

STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED MARCH 31, 2018

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Operating expenses

Salaries	\$ 290,310
Employee benefits	48,410
Payroll taxes	17,512
Retirement plan contributions	11,612
Payroll processing charges	3,971
Rent and utilities	196,844
Telephone	8,824
Insurance	12,267
Travel and entertainment	197,318
Office and miscellaneous expenses	24,821
Sampling and designing charges	33,164
Professional fees	19,061
Repairs and maintenance	3,396
Postage and delivery	13,146
Quality control charges	21,704
Depreciation	<u>5,165</u>
	<u>\$ 907,525</u>