

ARVIND WORLDWIDE INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED MARCH 31, 2020

ARVIND WORLDWIDE INC.

FOR THE YEAR ENDED MARCH 31, 2020

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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, 2020, 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 12 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

June 19, 2020

ARVIND WORLDWIDE INC.

**BALANCE SHEET
MARCH 31, 2020**

ASSETS

Current assets

Cash	\$ 94,888
Accounts receivable	986,097
Inventories	460,298
Prepaid expenses	<u>4,461</u>
Total current assets	1,545,744

Property and equipment, net of accumulated depreciation of \$65,326

32,750

Other assets

Investment	3,000,000
Deposits	59,618
Deferred income taxes	<u>101,000</u>
	<u>3,160,618</u>
	<u>\$ 4,739,112</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities

Accounts payable	\$ 818,752
Accrued expenses and taxes	348,227
Loans payable	2,700,000
Other current liabilities	<u>279</u>
Total current liabilities	3,867,258

Other liabilities

Deferred lease liability	43,752
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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>326,102</u>
	<u>828,102</u>
	<u>\$ 4,739,112</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, 2020**

Net sales	\$ 2,315,061
Cost of sales	<u>2,264,387</u>
Gross profit	50,674
Marketing support services income	<u>1,203,040</u>
Total income	1,253,714
Operating expenses	<u>1,117,912</u>
Income from operations	135,802
Interest expense	<u>107,055</u>
Income before provision for income taxes	28,747
Provision for income taxes	<u>2,864</u>
Net income	25,883
Retained earnings – beginning	<u>300,219</u>
Retained earnings – end	<u><u>\$ 326,102</u></u>

See accountants' review report and notes to financial statements.

ARVIND WORLDWIDE INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2020**

Cash flows from operating activities	
Net income	\$ 25,883
Adjustments to reconcile net income to net cash used in operating activities	
Depreciation	9,923
Deferred income taxes	(30,000)
Deferred lease liability	3,263
Changes in assets and liabilities	
Accounts receivable	(458,691)
Inventories	955,771
Prepaid expenses	7,355
Accounts payable	(748,377)
Accrued expenses and taxes	<u>132,788</u>
Net cash used in operating activities	(102,085)
 Cash flows from investing activities	
Net decrease in loans receivable	13,975
Net decrease in deposits	<u>148,264</u>
Net cash provided by investing activities	162,239
 Net change in cash	60,154
Cash at beginning	<u>34,734</u>
Cash at end	<u>\$ 94,888</u>

Supplemental disclosure of cash flows information

Cash paid for interest	<u>\$ -</u>
Cash paid for income taxes	<u>\$ 2,470</u>

Supplemental disclosure of non-cash investing activities

During the year ended March 31, 2020, loans receivable of \$3,000,000 were converted into an investment.

See accountants' review report and notes to financial statements.

ARVIND WORLDWIDE INC.

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2020

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, 2020, management has determined that an allowance for doubtful accounts is not required.

ARVIND WORLDWIDE INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020**

Note 2 – Summary of significant accounting policies (continued)

Accounts receivable (continued)

Estimated costs associated with trade discounts, advertising allowances, markdowns and allowances for returns which constitute variable consideration are reflected as a reduction of sales and classified as current liabilities. The Company makes allowances against known chargebacks, as well as for an estimate of potential future deductions by customers. These allowances result from negotiations with the Company's customers, historical deduction trends and the evaluation of current market conditions.

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, 2020, the Company was not aware of any events or changes in circumstances that indicate the carrying amount of an asset may not be recoverable.

Investment

Investment is accounted for under the cost method of accounting. Under this method, the Company's share of the earnings and losses of investee company are not included in the balance sheet or statement of income. However, if the investment is found to be impaired, its carrying value will be adjusted through a charge to earnings.

ARVIND WORLDWIDE INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020**

Note 2 – Summary of significant accounting policies (continued)

Revenue recognition

Effective April 1, 2019, the Company adopted the new revenue recognition standard which requires revenue to be recognized when the contract is in place, obligations under the terms of the contract are satisfied and control is transferred to the customer. The Company considers control to have been transferred when the Company has transferred the physical possession of the product, the Company has a right to payment for the product, the customer has legal title to the product and the customer has significant risks and rewards of the product. Revenue is recognized for an amount that reflects the consideration to which the Company is entitled in exchange for the product. The Company records variable considerations as a reduction of revenue arising from implicit or explicit obligation in the period the related product revenue is recognized. Variable consideration includes trade discounts, markdowns, co-op advertising, sales returns, and other customer allowances. Variable consideration is estimated based on historical experience, customer agreements and expectations, statutory requirements, current economic conditions, and other factors that arise in the normal course of business. The allowances for variable consideration are recorded as a liability. The Company recognizes revenue from services when the services are rendered, it can be reliably measured, and collectability is reasonably assured.

Cost of goods sold

Cost of goods sold consist of expenses incurred to acquire and prepare inventory for sale, including freight, import costs, packaging materials and other costs. The new revenue recognition standard requires that the costs expected to be incurred when products are returned should be accrued for upon the sale of the product as a component of cost of goods sold.

Advertising and promotional expenses

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

Shipping and handling costs

The Company includes shipping and handling costs associated with outbound freight in operating expenses. For the year ended March 31, 2020, shipping and handling costs amounted to \$99,928.

ARVIND WORLDWIDE INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020**

Note 2 – Summary of significant accounting policies (continued)

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, 2020, 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 June 19, 2020 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, 2020, inventories of \$460,298 consisted of finished goods.

Note 4 – Property and equipment

At March 31, 2020, 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>65,326</u>
	<u>\$32,750</u>

For the year ended March 31, 2020, depreciation expense was approximately \$9,923.

Note 5 – Investment

During the year ended March 31, 2020, the Company made an investment in an entity based in Ethiopia. This investment has been accounted for using cost method of accounting.

ARVIND WORLDWIDE INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020**

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, 2020, the Company's contributions to this plan amounted to \$10,970.

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, 2017 onwards under the general statute of limitations.

For the year ended March 31, 2020, the net provision for income taxes of \$2,864 consisted of the following:

	<u>Federal</u>	<u>State and local</u>	<u>Total</u>
Current	\$30,711	\$2,153	\$32,864
Deferred	<u>(31,000)</u>	<u>1,000</u>	<u>(30,000)</u>
	<u>\$ (289)</u>	<u>\$3,153</u>	<u>\$ 2,864</u>

At March 31, 2020, 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, 2020, the Company had outstanding accounts receivable of \$713,533 from the Parent.

Accounts payable

At March 31, 2020, the Company had outstanding accounts payable of \$818,752 to the Parent.

ARVIND WORLDWIDE INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020**

Note 8 – Related party transactions and balances (continued)

Interest payable

At March 31, 2020, the Company had outstanding interest payable of \$312,925 to the stockholders. These amounts are included in accrued expenses.

Loans payable

At March 31, 2020, 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, 2020, interest on these loans amounted of \$107,055.

Net purchases

For the year ended March 31, 2020, the Company made net purchases of \$1,200,451 from the Parent.

Marketing support services income

For the year ended March 31, 2020, the Company had earned marketing support services income of \$1,203,040 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, 2020, rent expense amounted to \$118,079.

At March 31, 2020, the future minimum rental payments were as follows:

March 31, 2021	\$121,621
March 31, 2022	125,270
March 31, 2023	134,380
March 31, 2024	141,088
July 31, 2024	<u>47,490</u>
	<u>\$569,849</u>

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.

ARVIND WORLDWIDE INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020**

Note 9 – Commitments and contingencies (continued)

Guarantees (continued)

For the year ended March 31, 2020, the minimum payments due under these agreements were \$2,112,004. The Company is required to make payments under these agreements only in the event of a default by a primary obligor. At March 31, 2020, the Company does not anticipate any exposure on these guarantees.

At March 31, 2020, the future minimum payments required under these agreements were as follows:

March 31, 2021	\$2,183,048
March 31, 2022	1,420,838
December 31, 2022	<u>105,000</u>
	<u>\$3,708,886</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 customers

For the year ended March 31, 2020, sales to two customers represented approximately 77% of net sales. At March 31, 2020, accounts receivable from these customers were approximately \$119,464.

Major vendor

For the year ended March 31, 2020, purchases from one vendor represented approximately 92% of net purchases. At March 31, 2020, accounts payable to this vendor was approximately \$818,752.

Note 11 – Subsequent events

As a result of the recent and 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, 2020**

Operating expenses

Salaries	\$ 274,248
Employee benefits	60,301
Payroll taxes	18,527
Retirement plan contributions	10,970
Payroll processing charges	4,446
Commissions	150,000
Rent and utilities	128,465
Telephone	7,175
Insurance	13,557
Travel and entertainment	202,130
Office and miscellaneous expenses	13,845
Sampling and designing charges	46,278
Professional fees	32,542
Repairs and maintenance	13,755
Shipping expenses	99,928
Postage and delivery	31,822
Depreciation	<u>9,923</u>
	<u>\$ 1,117,912</u>