

ARVIND LIFESTYLE APPAREL MANUFACTURING
PRIVATE LIMITED COMPANY
AUDIT REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

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TIBEBE MENGISTU & CO.
CHARTERED CERTIFIED ACCOUNTANTS AND AUDITORS

ARVIND LIFESTYLE APPAREL MANUFACTURING PLC
AUDITORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 31 MARCH 2019

CONTENTS	Page
Statement of Management's responsibilities	3
Independent auditors' report	4
Financial statements:	
Statement of Profit or Loss	5
Statement of Financial Position	6
Statement of Change in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9-17



ARVIND LIFESTYLE APPAREL MANUFACTURING PLC
CORPORATE INFORMATION

MANAGEMENT

Mr. Thevarvattath Hari Krishnan
Mr. Raja Sekhar Krovvidi

General Manager
Head-Finance&Accounts /CFO

REGISTERED OFFICE

Bole Lemi Industry Park
Bole Sub City
Woreda 11
Addis Ababa Ethiopia

AUDITORS

Tibebe Mengistu& Co.
Chartered Certified Accountants (UK)
Authorized Auditors (ETH)

Bole Sub City
Abyssinia Plaza
P.O.Box 110738
Addis Ababa
Ethiopia

BANKERS

Commercial Bank of Ethiopia
Lemi Bole Industry Park Branch
Addis Ababa
Ethiopia

Commercial Bank of Ethiopia
Hawassa Industry park Branch
Hawassa
Ethiopia

COMPANY REGISTRATION NUMBERS

Tax Identification Number 0039066383
VAT Registration Number 9124570010



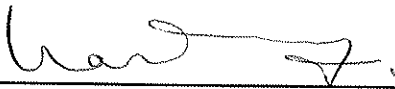
ARVIND LIFESTYLE APPAREL MANUFACTURING PLC
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

The Commercial Code of Ethiopia 1960 requires the management of the Company to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the entity as at the end of the financial year and of the operating results of the entity for that year. It also requires the management to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the entity. Management is also responsible for safeguarding the assets of the entity.

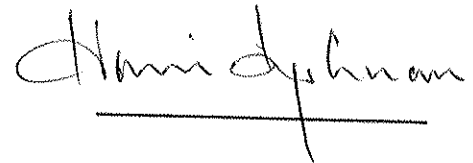
The management accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The management is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the entity and of its operating results. The management further accepts responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the management to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

Signed on behalf of the Company by:



Finance Manager



General Manager



AUDITORS' REPORT ON FINANCIAL STATEMENTS OF
ARVIND LIFESTYLE APPAREL MANUFACTURING PLC

We have audited the accompanying financial statements of Arvind Lifestyle Apparel Manufacturing Private Limited Company, which comprise the balance sheet as of 31 March 2019, the profit and loss statement, statement of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

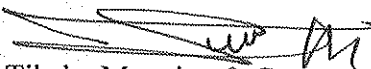
Our responsibility is to express an opinion on the financial statement based on our audit. As discussed in the following paragraphs, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

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 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 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.

OPINION

In our opinion, the accompanying financial statements presents fairly, in all material respects the financial position of Arvind Lifestyle Apparel Manufacturing Private Limited Company as at 31 March 2019 and of its financial performance and cash flows for the year then ended.


Tibebe Mengistu & Co.
Chartered Certified Accountants (UK)
Authorized Auditors (Eth.)



17 May 2019
Addis Ababa
Ethiopia

ARVIND LIFESTYLE APPAREL MANUFACTURING PLC
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED ON MARCH 31,2019

	<u>NOTES</u>	<u>2019</u> <u>Birr</u>	<u>2018</u> <u>Birr</u>
REVENUE	3	310,424,082	126,728,496
COST OF GOODS SOLD	4	<u>462,241,219</u>	<u>212,646,449</u>
GROSS LOSS		(151,817,137)	(85,917,953)
OTHER INCOME	5	<u>4,874,083</u>	<u>7,252,366</u>
EXPENSES		(146,943,053)	(78,665,587)
Selling and administrative	6	<u>78,637,690</u>	<u>36,283,547</u>
LOSS FOR THE YEAR		(225,580,743)	(114,949,134)
BALANCE BROUGHT FORWARD		<u>(224,401,599)</u>	<u>(109,452,464)</u>
BALANCE CARRIED FORWARD		<u>(449,982,342)</u>	<u>(224,401,599)</u>



ARVIND LIFESTYLE APPAREL MANUFACTURING PLC
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31,2019

	<u>NOTES</u>	<u>2019</u> <u>Birr</u>	<u>2018</u> <u>Birr</u>
NON CURRENT ASSETS			
Property, plant and equipment	2.3a,b,7	318,833,743	308,641,432
Preoperating expenditure	2.4,8	2,334,343	2,966,786
		<u>321,168,086</u>	<u>311,608,220</u>
CURRENT ASSETS			
Inventories	2.5,9	132,478,524	108,636,431
Trade and other receivables	2.6,10	199,248,352	83,209,514
Cash on hand and at bank	12	62,658,012	38,328,056
		<u>394,384,888</u>	<u>230,174,001</u>
TOTAL ASSETS		<u>715,552,974</u>	<u>541,782,221</u>
CAPITAL AND LIABILITIES			
Paid up capital		991,542,000	680,247,000
Paid up capital pending allotment		740	189
Retained earning		(449,982,342)	(224,401,599)
		<u>541,560,398</u>	<u>455,845,590</u>
NON CURRENT LIABILITIES			
CURRENT LIABILITIES			
Due to related parties	2.9,11	76,219,225	26,707,048
Trade and other payables	13	84,675,338	58,722,698
Bank Loan	2.10	11,830,000	-
Tax payables	14	1,268,013	506,885
		<u>173,992,576</u>	<u>85,936,631</u>
TOTAL EQUITIES AND LIABILITIES		<u>715,552,974</u>	<u>541,782,221</u>



ARVIND LIFESTYLE APPAREL MANUFACTURING PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED ON MARCH 31,2019

	<u>Paid up</u> <u>Capital</u> <u>Birr</u>	<u>Retained</u> <u>Earning</u> <u>Birr</u>	<u>Total</u> <u>Birr</u>
Balance as at April 1,2017	275,174,778	(109,452,464)	165,722,314
Capital increment	405,072,221	-	405,072,221
(Loss)/Profit for the year	<u>-</u>	<u>(114,949,134)</u>	<u>(114,949,134)</u>
Balance as at March 31,2018	<u>680,247,000</u>	<u>(224,401,599)</u>	<u>455,845,401</u>
Capital increment	311,295,929	-	311,295,929
(Loss) for the year	<u>-</u>	<u>(225,580,743)</u>	<u>(225,580,743)</u>
Balance as at March 31,2019	<u>991,542,929</u>	<u>(449,982,342)</u>	<u>541,560,587</u>



ARVIND LIFESTYLE APPAREL MANUFACTURING PLC
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED ON MARCH 31,2019

	<u>Notes</u>	<u>Birr</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss		(225,580,743)
Depreciation	7	37,265,869
Amortization	8	<u>632,443</u>
		(187,682,431)
(Increase) in inventory	9	(23,842,093)
(Increase) in trade and other receivables	10	(116,038,838)
Adjustments to property, plant and equipment		178,792,036
Increase in trade and other payables	13	25,952,640
(Decrease) in related party due to	11	49,512,178
(Decrease) in taxes payable	14	<u>761,128</u>
Net cash generated from (used in) operating activities		(72,545,380)
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	7	(226,250,215)
Additional deferred expenditure	8	<u>-</u>
Net cash generated from (used in) investing activities		(226,250,215)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital increment		311,295,552
Bank Loan		11,830,000
Net cash generated from (used in) financing activities		<u>323,125,552</u>
Increase in cash and cash equivalents		24,329,956
Cash and cash equivalents at the beginning of the year		<u>38,328,056</u>
Cash and cash equivalents at the end of the year		<u>62,658,012</u>
Represented by:		
Cash on hand and at banks		<u>62,658,012</u>



ARVIND LIFESTYLE APPAREL MANUFACTURING PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON MARCH 31,2019

1. COMPANY INFORMATION

Arvind Lifestyle Apparel Manufacturing Private Limited Company is registered in Ethiopia under commercial registration certificate no 01/004557/05 from the ministry of trade on August 05,2013. The company was established on July 24,2013 in Ethiopia with authorized share capital of Birr 62,230,000 divided into 62,230 ordinary shares, each having a nominal value of one thousand birr (Birr 1,000). During the current year, the capital of the company has been raised again and stands at Birr991,542,000 through the capitalization of injected cash.

The principal activities of the company areas manufacturing and exporting of apparels. Arvind Lifestyle Apparel Manufacturing plc , is engaged in manufacturing and exporting apparels.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements are prepared under the historical cost basis of accounting. The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies.

2.1. REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods or services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities.

i) Sales of goods

Sales of goods are recognized in the period in which company has delivered products to the customer, the buyer has got title over the goods despatched, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery does not occur until the products have been accepted by the customers.



ii) Sales of services

Sales of services are recognized in the period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a percentage of the total services to be provided.

2.2. FOREIGN CURRENCY TRANSLATIONS

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The financial statements are prepared in Ethiopian Birr which is the Company’s functional currency.

Foreign currency transactions are translated into Ethiopian Birr using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss. Foreign currency monetary items are translated using the foreign currency rates published by Ethiopian banks. Foreign exchange differences arising on translations are recognized in the profit or loss and other comprehensive income in the same period. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within ‘finance income or cost’. All other foreign exchange gains and losses are presented in the profit or loss within ‘other income’ or ‘other expenses’.

2.3. PROPERTY, PLANT AND EQUIPMENT

a) Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is charged in accordance with Income Tax Proclamation 286/2002, on the straight-line basis for buildings and on the written down value for other assets acquired before July 8, 2016, at the following rates per annum.

	%
Motor Vehicles	20
Computer and accessories	25
Office furniture and equipment	20
Plant and machinery	20
Others	20

b) Property, plant and equipment acquired on or after July 8, 2016 are depreciated on a declining balance method on individual assets in accordance with Income Tax Proclamation No.979/2016, at the following rate per annum:

	%
Motor Vehicles	20
Computer and accessories	25
Office furniture and equipment	20
Plant and machinery	20
Others	20



2.4. PREOPERATING EXPENDITURE

Preoperating expenditures are amortized at the rate of 10% per annum. However, starting from July 8, 2016 any preoperating expenditures are amortized by 25% per annum according to proclamation 979/2008.

2.5. INVENTORIES AND GOODS IN TRANSIT

Inventories are stated at the lower of cost and net realizable value. Cost is based on the weighted average method and expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.6. TRADE AND OTHER RECEIVABLES

Trade debtors are amounts due from customers for products sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the profit or loss.

2.7. TRADE AND OTHER PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.8. EMPLOYEE BENEFITS

(i) Retirement benefit obligations

The Company makes contributions to a statutory defined contribution pension scheme. The employer and employee make contributions of percentages of the employee's basic salary as determined by the statute.

(i) Other entitlements

The estimated monetary liability for employees' accrued annual leave at the reporting date are recognized as an expense accrual.



2.9. RELATED PARTY BALANCES AND TRANSACTIONS

A party is related to an entity if, inter alia;

(i) directly, or indirectly through one or more intermediaries, the party:

- a) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
- b) has an interest in the entity that gives it significant influence over the entity; or
- c) has joint control over the entity;

(ii) the party is an associate of the entity.

2.10. PRE-SHIPMENT LOAN

The company has borrowed Pre-shipment working capital loan of Birr17,700,000 from Commercial Bank of Ethiopia to finance the purchase of raw materials at the interest rate of 7.5 % per annum. The proportion of the export proceeds required to be channeled for the settlement of advance shall be 3 % plus the percentage of the advance made.



3. REVENUE

	2019 Birr	2018 Birr
Export sales of Denim	86,330,946	46,000,231
Export sales of Shirts	149,260,190	27,790,932
Export sales of Knits	74,832,946	52,937,333
	<u>310,424,082</u>	<u>126,728,496</u>

4. COST OF GOODS SOLD

Direct materials consumed	294,209,835	95,541,634
Direct Labour used	83,793,173	46,789,486
Overhead cost(a' below)	106,969,707	75,119,683
	<u>484,972,714</u>	<u>217,450,803</u>
Work in process (Increase) / Decrease	(10,449,734)	3,895,426
	<u>474,522,981</u>	<u>221,346,229</u>
Decrease / Increase in finished goods stocks	(12,281,762)	(8,699,781)
	<u>462,241,219</u>	<u>212,646,449</u>

Overhead costs

Factory rent	30,623,565	21,454,430
Depreciation	35,079,792	22,104,013
Car rent for factory workers	13,782,367	12,862,196
Canteen	14,486,235	10,531,365
Utility	4,713,810	4,762,242
Worker Welfare Exp	94,356	103,556
Spare parts	7,181,933	1,737,472
Repair and maintenance	704,610	998,242
Medical	293,520	458,775
Insurance	9,518	107,391
	<u>106,969,707</u>	<u>75,119,683</u>



5. OTHER INCOME

	2019 Birr	2018 Birr
Exchange rate gain	4,269,701	6,803,675
Sales of scrap fabric materials	604,382	175,928
Miscellaneous	-	272,763
	<u>4,874,083</u>	<u>7,252,366</u>

6. SELLING AND ADMINISTRATIVE EXPENSES

Salary, wage and benefits	7,971,667	8,805,907
Office supplies and stationary	774,147	882,726
Cleaning and sanitation	3,816,064	2,332,704
Travel, per diem and accommodation	2,634,503	2,823,871
Interest expenses	1,042,230	-
Residence rent	3,699,520	2,033,824
Repair and maintenance	263,477	441,387
Transportation	7,349,054	284,701
Security service	2,724,000	1,468,015
Fuel and lubricant	642,508	402,394
Advertisement	88,783	144,744
Communication	1,318,839	1,107,164
Insurance	44,860	646,276
Bank service charge	2,563,177	743,726
License and registration	567,654	349,969
Commission	-	119,970
Professional fee	2,014,072	3,437,429
Depreciation	2,186,077	1,342,500
Amortization	632,443	843,258
Export cost	32,558,092	4,263,492
DHL service charge	1,753,255	892,023
Loading and unloading	839,179	269,035
Training	16,600	52,236
Guest house meal	727,535	561,924
Entertainment	1,269,925	272,603
Rejected VAT	-	1,343,885
Donation	6,658	55,000
Penalty	16,596	31,832
Miscellaneous	1,116,775	330,951
	<u>78,637,690</u>	<u>36,283,547</u>



7. PROPERTY, PLANT AND EQUIPMENT

	<u>Balance at</u> 01.04.2018 Birr	<u>Addition</u> Birr	<u>Transfer</u> Birr	<u>Balance at</u> 31.03.2019 Birr
COST				
Building	4,612,807	4,230,419	-	8,843,225
Plant and Machinery	172,301,503	204,330,525	-	376,632,028
Motor vehicles	1,866,246	4,954,978	-	6,821,224
Furniture, Fixture and Equipment	9,065,951	12,734,294	-	21,800,245
Construction in progress	178,792,036	-	(178,792,036)	-
	<u>366,638,543</u>	<u>226,250,215</u>	<u>(178,792,036)</u>	<u>414,096,723</u>
DEPRECIATION				
Building	1,147,273	275,303	-	1,422,576
Plant and Machinery	52,630,585	34,804,489	-	87,435,074
Motor vehicles	916,612	442,148	-	1,358,760
Furniture, Fixture and Equipment	3,302,641	1,743,929	-	5,046,570
	<u>57,997,111</u>	<u>37,265,869</u>	<u>-</u>	<u>95,262,980</u>
SUB NET BOOK VALUE	<u>308,641,432</u>			<u>318,833,743</u>

8. PREOPERATIONAL EXPENDITURE

	<u>Balance at</u> 01.04.2018 Birr	<u>Addition</u> Birr	<u>Balance at</u> 31.03.2019 Birr
COST			
Hawassa Project	1,698,202	-	1,698,202
Bole Lemi project	2,724,958	-	2,724,958
	<u>4,423,160</u>	<u>-</u>	<u>4,423,160</u>
AMORTIZATION			
Hawassa Project	570,762	359,947	930,709
Bole Lemi project	885,612	272,496	1,158,108
	<u>1,456,373</u>	<u>632,443</u>	<u>2,088,817</u>
	<u>2,966,786</u>	<u>(632,443)</u>	<u>2,334,343</u>



9. INVENTORY

The details are stated below:

	<u>2019</u> <u>Birr</u>	<u>2018</u> <u>Birr</u>
Finished goods	26,160,014	13,878,252
Raw material	29,039,747	40,165,653
Accessories	36,777,342	29,333,959
Chemicals & Consumables	2,154,800	614,746
Work in process	24,175,815	13,726,081
Spare parts	0.00	2,390,031
	<hr/>	<hr/>
	118,307,717	100,108,722
Add: Goods in transit	14,170,807	8,527,709
	<hr/>	<hr/>
	132,478,524	108,636,431

10. TRADE AND OTHER RECEIVABLES

Trade receivable	77,798,056	38,867,489
Advance payment	109,969,299	39,677,377
VAT receivable	11,453,016	4,425,529
Prepayment	27,980	239,119
	<hr/>	<hr/>
	199,248,352	83,209,514

11. RELATED PARTIES

Related parties with which the Company has had transactions during the year were as follows:

Amount due to related party:-

	<u>Birr</u>	<u>2018</u> <u>Birr</u>
ARVIND LIMITED	76,219,225	26,707,048

12. CASH AND BANK BALANCES

Cash and cash equivalents comprise cash on hand, cash with banks and other short-term highly liquid investments, if any, with original maturities of three months or less and are available to the company without any restriction.



13. TRADE AND OTHER PAYABLES

	<u>2019</u> <u>Birr</u>	<u>2018</u> <u>Birr</u>
Trade creditors	142,005,192	77,963,881
Salary and wage payable	10,605,616	3,720,309
Accruals	<u>8,283,756</u>	<u>3,745,554</u>
	<u>160,894,563</u>	<u>85,429,745</u>

14. TAX PAYABLES

Personal income tax payable	432,909	223,504
Pension fund payable	789,668	293,706
Withholding tax payables	<u>45,435</u>	<u>(10,325)</u>
	<u>1,268,013</u>	<u>506,885</u>

