

ARVIND LIFESTYLE APPAREL MANUFACTURING
PRIVATE LIMITED COMPANY
AUDIT REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2016

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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 DECEMBER 2016

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ARVIND LIFESTYLE APPAREL MANUFACTURING PLC
COMPANY INFORMATION

MANAGEMENT

Mr. Rajarshi Dutta
Mr. Varadaraju R

General Manager
Finance Manager/CFO

REGISTERED OFFICE

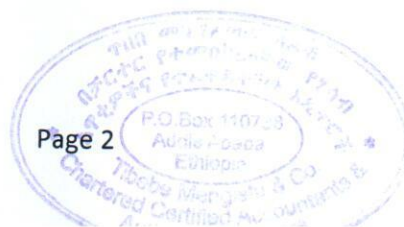
House Number BLII5 At Bole Lemi Industry park
Bole Sub City W. 11
Addis Ababa Ethiopia

AUDITORS

Tibebe Mengistu & Company
Chartered Certified Accountants (UK)
Authorized Auditors (Eth.)
P.O. Box
Addis Ababa, Ethiopia

Tax Identification Number
License Number
VAT Registration Number

0039066383
MT/AA/14/673/127912/2007
9124570010



ARVIND LIFESTYLE APPAREL MANUFACTURING PLC
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2016

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, in conformity with the International Financial Reporting Standard (IFRS) and in the manner required by the Commercial Code of Ethiopia, 1960 and 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 December 2016, Statement of profit and loss, cash flow statement 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 in accordance with International Financial Reporting Standards. 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 December 2016 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium sized Entities (IFRS for SMEs) and the requirements of the Commercial code of Ethiopia.

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



15 February 2017
Addis Ababa
Ethiopia

ARVIND LIFESTYLE APPAREL MANUFACTURING PLC
PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	<u>Notes</u>	<u>31.12.2016</u> <u>Birr</u>	<u>31.12.2015</u> <u>Birr</u>
REVENUE			
Export sales		13,769,728	1,785,341
COST OF SALES	3	<u>50,408,121</u>	<u>18,972,351</u>
GROSS LOSS		(36,638,393)	(17,187,010)
OTHER INCOME		<u>6,346,028</u>	<u>828,073</u>
EXPENSES		(30,292,365)	(16,358,937)
Selling and administrative	4	<u>32,323,852</u>	<u>10,092,997</u>
NET LOSS		(62,616,217)	(26,451,934)
BALANCE BROUGHT FORWARD		(29,212,508)	(2,021,972)
Prior years adjustment		<u>364,000</u>	<u>(738,602)</u>
		<u>(28,848,508)</u>	<u>(2,760,574)</u>
BALANCE CARRIED FORWARD		<u>(91,464,725)</u>	<u>(29,212,508)</u>



ARVIND LIFESTYLE APPAREL MANUFACTURING PLC
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Notes	31.12.2016 Birr	31.12.2015 Birr
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	90,104,166	32,348,445
Preoperational expenses	6	3,779,682	2,452,462
		<u>93,883,849</u>	<u>34,800,907</u>
CURRENT ASSETS			
Trade and other receivables	7	12,557,106	1,482,627
Inventories and goods in transit	8	45,124,878	1,457,328
Cash and cash equivalents		1,051,077	410,619
		<u>58,733,061</u>	<u>3,350,574</u>
TOTAL ASSETS		<u>152,616,910</u>	<u>38,151,481</u>
EQUITY AND LIABILITIES			
EQUITY AND RESERVES			
Capital paid up		227,652,389	62,230,000
Retained earning		(91,464,725)	(29,212,508)
		<u>136,187,664</u>	<u>33,017,492</u>
CURRENT LIABILITY			
Shareholders payable		-	1,656,937
Trade and other payables	9	16,429,246	3,477,052
		<u>16,429,246</u>	<u>5,133,989</u>
TOTAL EQUITY AND LIABILITIES		<u>152,616,910</u>	<u>38,151,481</u>



ARVIND LIFESTYLE APPAREL MANUFACTURING PLC
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	31.12.2016 Birr	31.12.2015
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	11	(83,646,057)	(14,528,166)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		-	-
TAXATION		-	-
INVESTING ACTIVITIES			
Additional Deferred expenditure		(1,599,716)	-
Purchase of fixed assets		(79,536,158)	(432,212)
NET CASH (OUTFLOW) BEFORE FINANCING		(164,781,931)	(14,960,378)
FINANCING			
Increase in capital		165,422,389	14,747,000
		640,458	(213,378)
INCREASE / (DECREASE) IN CASH	12	640,458	(213,378)



ARVIND LIFESTYLE APPAREL MANUFACTURING PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. COMPANY INFORMATION

ARVIND LIFESTYLE APPAREL MANUFACTURING PLC) 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 August 2, 2010 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). The principal activities of the company areas Manufacturing and exporting of apparels,. Arvind Lifestyle Apparel Manufacturing plc , is engaged in manufacturing and exporting apparels though a transfer of shares from ANF GULF GARMENT FACTORY PLC

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The Financial statements are presented in Ethiopian Birr.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the company's accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. Accounting policy "significant accounting judgments and key sources of estimation uncertainty" highlights the areas that involve a higher level of judgment, or where the estimates or assumptions used are significant to the financial statements.

For the purpose of reporting under the Commercial Code of Ethiopia, the balance sheet in these financial statements is represented by the "Statement of Financial Position" and the profit and loss account is presented by the Statement of Profit or Loss and other comprehensive income.

2.1 Functional Currency and Translation

2.1.1 Functional and presentation currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional Currency'). The financial statements are presented in Ethiopian Birr which is the company's functional currency.

2.1.2 Transaction and Balances

Foreign currency transactions are translated into the functional currency of the entity using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.



2.2 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.

2.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is charged in accordance with Income Tax Proclamation 286/2002, on the written down value at the following rates per

Building	
Plant and Machinery	5
Motor vehicles	20
Furniture and Fixture	20
Water Tanker	20
Computer and related	25
Others	20

2.4 Cash and cash Equivalents

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

2.5 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.

These financial statements are prepared in Birr .Transaction in foreign currencies are translated into Birr at the rate of exchange prevailing on the date of the transaction.

Any rights and obligation in foreign currency at the balance sheet date are adjusted at the closing rate prevailing on 31 Dec 2016 E.C.

The principal accounting policies adopted by the Company, which are consistent with those applied in the previous period, are stated below:



3. COST OF SALES

	<u>31.12.2016</u>	<u>31.12.2015</u>
	<u>Birr</u>	<u>Birr</u>
Direct materials	21,220,855	1,335,251
Accessories	7,296,569	-
Production supplies cost	483,116	524,985
Import Freight cost	3,283,110	336,114
Shade rent	5,007,935	3,882,906
Salary and wage	12,874,651	4,278,627
Packing Materials	35,475	253,251
Employees transport	3,400,775	1,261,525
Depreciation	19,812,168	7,099,692
	<hr/>	<hr/>
	73,414,653	18,972,351
Less: Increase in finished goods inventory	(5,392,514)	-
Less: Increase in work in progress	(17,614,018)	-
	<hr/>	<hr/>
	<u>50,408,121</u>	<u>18,972,351</u>

4. SELLING AND ADMINISTRATIVE EXPENSE

Salary and wage	16,725,246	5,492,033
Office supplies and stationary	1,711,203	130,266
Cleaning and sanitation	355,050	18,440
Travel, per diem and accommodation	2,423,198	316,248
Vehicle rent	631,161	100,796
Residence rent	1,762,902	950,500
Repair and maintenance	987,026	293,189
Transportation	133,490	19,100
Security service	459,930	257,565
Fuel and lubricant	397,874	263,872
Advertisement	63,542	60,261
Communication	788,325	208,938
Utility	815,277	426,324
Insurance	269,090	91,593
Bank service charge	760,796	108,285
License and registration	216,957	140,225
Commission	105,000	39,845
Professional fee	246,876	23,234
Depreciation	1,968,269	568,571
Amortization	272,496	272,496
Export cost	220,565	221,521
Refreshment	226,521	41,306
Guest house	173,486	-
Miscellaneous	609,575	48,390
	<hr/>	<hr/>
	<u>32,323,852</u>	<u>10,092,998</u>



5. PROPERTY, PLANT AND EQUIPMENT

	<u>Balance at</u> <u>01.01.2016</u> <u>Birr</u>	<u>Addition</u> <u>Birr</u>	<u>Balance at</u> <u>31.12.2016</u> <u>Birr</u>
COST			
Building	2,432,798.01	2,162,226.22	4,595,024
Plant and Machinery	34,431,950	68,981,677.68	103,413,628
Motor vehicles	907,954	911,499.70	1,819,454
Furniture and Fixture and Equipment	1,694,996	5,541,332	7,236,328
Water Tanker	188,100	-	188,100
Computer and Related	787,161	921,225	1,708,387
Others	312,350	1,018,198	1,330,547
	<u>40,755,309</u>	<u>79,536,158</u>	<u>120,291,467</u>
DEPRECIATION			
Building	121,640	229,751	351,391
Plant and Machinery	6,886,390	19,305,448	26,191,838
Motor vehicles	326,863	298,518	625,381
Furniture and Fixture	598,618	1,327,542	1,926,160
Water Tanker	67,716	24,077	91,793
Computer and related	339,551	342,209	681,760
Others	66,086	252,892	318,978
	<u>8,406,865</u>	<u>21,780,437</u>	<u>30,187,301</u>
NET BOOK VALUE	<u><u>32,348,445</u></u>		<u><u>90,104,166</u></u>

6. PRE OPERATIONAL EXPENSES

COST			
Hawassa Project	-	1,599,716	1,599,716
Bole Lemi project	2,724,958	-	2,724,958
	<u>2,724,958</u>	<u>1,599,716</u>	<u>4,324,674</u>
AMORTIZATION			
Bole Lemi project	272,496	272,496	544,992
	<u>2,452,462</u>	<u>272,496</u>	<u>3,779,682</u>

7. TRADE AND OTHER RECEIVABLES

	<u>2016</u> <u>Birr</u>	<u>2015</u> <u>Birr</u>
Prepayment	132,319	30,805
Trade receivable	2,292,451	-
Security Deposit	1,186,756	1,081,756
VAT receivable	3,343,022	164,512
Work advance	126,098	205,554
Sundry receivable	191,738	-
Hawassa tenant association	363,481	-
Advance	4,921,242	-
	<u>12,557,106</u>	<u>1,482,627</u>

8. INVENTORIES AND GOODS IN TRANSIT

Finished goods	5,814,551	422,037
Work in process	17,614,018	-
Raw material	12,883,819	302,488
Interlining	-	287,141
Stationary supplies	-	26,346
Consumables	-	387,172
Accessories	4,568,554	32,144
	<u>40,880,942</u>	<u>1,457,328</u>
Goods in transit	4,243,936	-
	<u>45,124,878</u>	<u>1,457,328</u>

9. TRADE AND OTHER PAYABLES

Trade creditor	11,821,924	5,132
Salary payable	2,084,418	800,727
Pension payable	289,800	49,328
Accrued payable	1,970,642	2,566,916
Withholding tax payable	42,705	-
Income tax payable	219,758	54,949
	<u>16,429,246</u>	<u>3,477,052</u>



10. CONTINGENT LIABILITIES, COMMITMENTS AND RELATED PARTY TRANSACTIONS

a) Contingent Liabilities

As per the information furnished to us and based on the audit work carried out the Company doesn't have contingent liability on 31 Dec 2016 G.C.

b) Related Party Transaction	<u>2016</u> <u>Birr</u>	<u>2015</u> <u>Birr</u>
Beginning balance	1,719,662	3,961,718
-Adjustments made	-	(2,653,928)
- Export sales	(13,769,728)	(1,785,341)
- Settlement made	(33,492,708)	-
- Export Advance cash transferred, import and invoice settled	<u>53,711,268</u>	<u>2,197,213</u>
	<u>8,168,494</u>	<u>1,719,662</u>

11. RECONCILIATION OF OPERATING LOSS TO NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES

Net loss	(62,616,217)	(26,451,934)
Depreciation	21,780,437	7,668,262
Prior years adjustment	364,000	-
Amortization	272,496	272,496
(Increase) in Inventory	(43,667,550)	4,187,883
(Increase) in trade and other receivables	(11,074,479)	(914,863)
Increase in shareholder's account	(1,656,937)	(2,241,630)
Increase in trade and other payables	<u>12,952,194</u>	<u>2,951,620</u>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	<u>(83,646,057)</u>	<u>(14,528,166)</u>

12. ANALYSIS OF THE BALANCES OF CASH AS SHOWN IN THE BALANCE SHEET

	<u>Balance at</u> <u>01.01.2016</u> <u>Birr</u>	<u>Balance at</u> <u>31.12.2016</u> <u>Birr</u>	<u>Change during</u> <u>the year</u> <u>Birr</u>
Cash on hand and at bank	<u>410,619</u>	<u>1,051,077</u>	<u>640,458</u>

