

**ARVIND WORLDWIDE INC.**

**FINANCIAL STATEMENTS**

**For the year ended March 31, 2013**

**ARVIND WORLDWIDE INC.**

**For the year ended March 31, 2013**

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors and Stockholder of  
Arvind Worldwide Inc.:

We have reviewed the accompanying balance sheet of Arvind Worldwide Inc. as of March 31, 2013, and the related statements of income and retained earnings and cash flows for the year then ended. 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 financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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 conformity with accounting principles generally accepted in the United States of America.

Our review was made for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The information included in the accompanying supplementary information is presented only for purposes of additional analysis and has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

*Prajapati Associates LLP*

April 5, 2013

**ARVIND WORLDWIDE INC.**

**BALANCE SHEET**

**March 31, 2013**

**ASSETS**

**Current assets**

Cash	\$104,429
Accounts receivable	658,269
Prepaid expenses and taxes	40,220
Other current assets	<u>8,428</u>

\$ 811,346

**Property and equipment, net of accumulated depreciation of \$482,110**

5,102

**Other assets**

Deposits	83,505
Deferred income taxes	<u>122,000</u>

205,505

\$1,021,953

**LIABILITIES AND STOCKHOLDER'S EQUITY**

**Current liabilities**

Accrued expenses	\$ 55,279
Loans payable	<u>450,000</u>

\$ 505,279

**Stockholder's equity**

Common stock, no par value; 1,500 shares authorized, 500 shares issued and outstanding	500,000
Retained earnings	<u>16,674</u>

516,674

\$1,021,953

*See accountants' review report and notes to financial statements.*

**ARVIND WORLDWIDE INC.**

**STATEMENT OF INCOME AND RETAINED EARNINGS**

**For the year ended March 31, 2013**

<b>Marketing support services income</b>	<b>\$1,636,347</b>
<b>Operating expenses</b>	<b><u>1,529,296</u></b>
<b>Income before provision for income taxes</b>	<b>107,051</b>
<b>Provision for income taxes</b>	<b><u>40,420</u></b>
<b>Net income</b>	<b>66,631</b>
<b>Accumulated deficit – beginning</b>	<b><u>(49,957)</u></b>
<b>Retained earnings – end</b>	<b><u>\$ 16,674</u></b>

*See accountants' review report and notes to financial statements.*

**ARVIND WORLDWIDE INC.**

**STATEMENT OF CASH FLOWS**

**For the year ended March 31, 2013**

<b>Cash flows from operating activities</b>		
Net income		\$ 66,631
Adjustments to reconcile net income to net cash used in operating activities		
Depreciation	\$ 6,031	
Deferred income taxes	2,000	
Changes in assets and liabilities		
Accounts receivable	(48,471)	
Prepaid expenses and taxes	22,285	
Other current assets	177	
Accrued expenses	<u>(59,086)</u>	
		<u>(77,064)</u>
Net cash used in operating activities		(10,433)
<b>Cash flows from investing activities</b>		
Capital expenditures	<u>(980)</u>	
Net cash used in investing activities		(980)
<b>Cash flows from financing activities</b>		<u>-</u>
<b>Net change in cash</b>		(11,413)
<b>Cash at beginning</b>		<u>115,842</u>
<b>Cash at end</b>		<u>\$104,429</u>

**Supplemental disclosure of cash flows information**

Cash paid for interest	<u>\$ -</u>
Cash paid for income taxes	<u>\$ 29,061</u>

*See accountants' review report and notes to financial statements.*

**ARVIND WORLDWIDE INC.**

**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2013**

**Note 1 Description of company's business**

Arvind Worldwide Inc. (the "Company") is a wholly 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 could 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. At March 31, 2013, the entire accounts receivable balance of \$658,269 represented amounts due from the Parent.

**ARVIND WORLDWIDE INC.**

**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2013**

**Note 2      Summary of significant accounting policies (continued)**

**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, 2013, the management has determined that an allowance for doubtful accounts is not required.

**Property, plant and equipment**

Property, plant and equipment are reflected at cost. Depreciation is provided using the straight-line or an accelerated method over the estimated useful lives of the assets. Repairs and maintenance 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.

**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.



**ARVIND WORLDWIDE INC.**

**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2013**

**Note 2 Summary of significant accounting policies (continued)**

**Income taxes**

The Company provides for income taxes based on differences between the financial statement and tax bases of assets and liabilities at enacted rates in effect in the years in which the differences are expected to reverse. 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. As of March 31, 2013, 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 5, 2013 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 Property and equipment**

At March 31, 2013, property and equipment consisted of the following:

Furniture and fixtures	\$ 34,637
Equipment	61,990
Leasehold improvements	<u>390,585</u>
	487,212
Less: accumulated depreciation	<u>482,110</u>
	<u>\$ 5,102</u>

**Note 4 Loans payable**

At March 31, 2013, the Company had outstanding loans payable to a related party of \$450,000. These loans are due on a demand basis, bearing no interest.

**ARVIND WORLDWIDE INC.**

**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2013**

**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, 2013, the Company's contributions to this plan amounted to \$21,812.

**Note 6 Income taxes**

For the year ended March 31, 2013, the net provision for income taxes of \$40,420 consisted of the following:

	<u>Federal</u>	<u>State and local</u>	<u>Total</u>
Current	\$20,126	\$18,294	\$38,420
Deferred	<u>1,000</u>	<u>1,000</u>	<u>2,000</u>
	<u>\$21,126</u>	<u>\$19,294</u>	<u>\$40,420</u>

At March 31, 2013, the significant component of deferred income taxes was the difference between the book and tax bases of property and equipment.

**Note 7 Related party transactions and balances**

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

Marketing support services income	\$1,636,347
Accounts receivable	\$ 658,269
Loans payable	\$ 450,000

ARVIND WORLDWIDE INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

Note 8 Commitments and contingencies

Leases

The Company is obligated under various operating leases for the rental of office and showroom premises through May 31, 2014. For the year ended March 31, 2013, rent expense amounted to \$206,125.

At March 31, 2013, the future minimum rental payments were as follows:

March 31, 2014	\$183,329
May 31, 2014	<u>27,407</u>
	<u>\$210,736</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 nets sales, as defined.

For the year ended March 31, 2013, the minimum payments due under these agreements were \$1,056,533. The Company is required to make payments under these agreements only in the event of a default by a primary obligor. At March 31, 2013, the Company does not anticipate any exposure on these guarantees.

At March 31, 2013, the future minimum payments required under these agreements were as follows:

March 31, 2014	\$ 1,371,813
March 31, 2015	1,671,865
March 31, 2016	2,020,529
March 31, 2017	2,396,580
March 31, 2018	2,459,606
Thereafter	<u>7,692,789</u>
	<u>\$17,613,182</u>

**SUPPLEMENTARY INFORMATION**

ARVIND WORLDWIDE INC.

STATEMENT OF OPERATING EXPENSES

For the year ended March 31, 2013

Operating expenses

Salaries	\$ 690,085
Employee benefits	113,195
Payroll taxes	47,973
Pension plan contributions	21,812
Payroll processing charges	8,509
Rent and utilities	230,795
Telephone	16,573
Insurance	13,065
Travel and entertainment	154,050
Trade shows	1,553
Office supplies and expenses	13,246
Sampling and designing charges	12,481
Professional fees	25,975
Repairs and maintenance	3,338
Postage and delivery	17,015
Printing and stationery	2,836
License fees	150,764
Depreciation	<u>6,031</u>
	<u>\$1,529,296</u>

*See accountants' review report and notes to financial statements.*