

ARVIND ENVISOL PRIVATE LIMITED COMPANY

AUDITORS REPORT AND ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2019

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**AUDITORS' REPORT TO THE SHAREHOLDERS OF
ARVIND ENVISOL PRIVATE LIMITED COMPANY**

Qualified opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of ARVIND ENVISOL PRIVATE LIMITED COMPANY as at 31 March 2019 and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Standards and the relevant provision of the Commercial Code of Ethiopia.

We have audited the accompanying financial statements of ARVIND ENVISOL PRIVATE LIMITED COMPANY, which comprise the balance sheet as of 31 March 2019, the Income Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Basis for qualified opinion

We have noted that the company has kept balances of receivables amount to Br.33, 115,546 being advances payment in the name of the following customers for which we could not get confirmation for balance verifications:

Name	Oustanding balance (31/03/2019) in Birr
1 Zhgmei Engg	11,971,000
2 CCECC-Adama	9,169,251
3 Xueaki YuYU	5,256,700
4 Dawit Aylom	4,718,595
5 Ayeche Abeje	1,000,000
6 Jiang mxi Jianglian	1,000,000
	<hr/>
	33,115,546



Managements' Responsibility for the Financial Statements

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

Auditors' Responsibility

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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 fair 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

Solomon



**Addis Ababa
10 May 2019**

Solomon Tirunch
Chartered Certified Accountants and authorized auditors

ARVIND ENVISOL PLC (Ethiopia)
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 MARCH 2019

	Birr	Birr	2018 Birr
Cash flow from operating activities			
Profit/loss before Tax	(3,704,329)		(7,488,997)
Adjusted for :			
Depreciation & amortisation	<u>155,890</u>	(3,548,439)	<u>26,701</u>
			(7,462,296)
Decrease /increase in inventory	(97,614,589)		(8,097,306)
Decrease/increase in debtors and other receivables	(40,278,978)		(24,722,494)
Related party balance	64,236,758		9,797,114
Increase/decrease in creditors and other payables	90,688,943	<u>17,032,134</u>	<u>42,345,368</u>
			19,322,682
Cash used in operating activities		13,483,695	11,860,386
Investing activities			
Property plant and Equipment	(392,755)		(716,229)
Net cash used in investing activities		(392,755)	(716,229)
Financing activities			
Share holder Account			1,012,987
Bank loan		40,000,000	
Loan repayment		(19,718,842)	-
Net cash used in financing activities		20,281,158	1,012,987
Increase(decrease) in cash and cash equivalent		33,372,098	12,157,144
Cash and cash equivalents - Beginning		<u>16,839,852</u>	<u>4,682,708</u>
Cash and cash equivalent at 31/3/2019		<u>50,211,950</u>	<u>16,839,852</u>



ARVIND ENVISOL PRIVATE LIMITED COMPANY
STATEMENT OF CHANGES IN SHAREHOLDERS 'EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

	<u>Paid up capital</u>	<u>Application Money</u>	<u>Legal reserve</u>	<u>Profit and loss</u>	<u>Total</u>
Balance at 01 April 2018	4,600,000	82,708	-	(7,488,997)	(2,806,289)
Net profit for the year	-	-	-	(3,704,329)	(3,704,329)
Balance at 31 MARCH 2019	4,600,000	82,708	-	(11,193,326)	(6,510,618)



ARVIND ENVISOL PRIVATE LIMITED COMPANY
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2019

Currency: Ethiopian Birr

1 ESTABLISHMENT

ARVIND ENVISOL PLC(ETHIOPIA) was established on 6 July 2017 by two Indian Companies namely , ARVIND ENVISOL LIMITED and ARVIND BRANDS & RETAIL LIMITED with initial capital of ETB 4.6 million. Its business objective is to carry out effluent treatment and disposal solutions.

The Company's Head Office is located in Addis Ababa Bole subcity, Woreda 05, House number 404/01

2 ACCOUNTING POLICIES

The principal accounting policies adopted by the company are stated below:

a) Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on a reducing balance of each pool of fixed assets for those asset acquired before 07/07/2017, and fixed asset acquired after 08/07/ 2017 depreciation is calculated on a straight line base starting the date of purchase, and for building depreciation is calculated on cost at the straight line method, at the following rates. The rates are in line with the income tax proclamation 286/2003

	Asset aquired before 07/07/2017 %	Asset aquired after 08/07/2017 %
Office equipment	20%	15%
Furniture and Equipment	20%	15%
Computer and accessories	25%	20%
Machinery and fiel equipment	20%	15%
Motor vehicles	20%	15%

b) Stock is valued at cost on a moving average method.



ARVIND ENVISOL PRIVATE LIMITED COMPANY
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2019

Currency: Ethiopian Birr

3 FIXED ASSETS

	<u>Balance at 01/04/2018</u>	<u>Addition</u>	<u>Adj/Rec</u>	<u>Balance at 31/03/2019</u>
COST				
Furniture and Fixture	291,344	25,874	-	317,218
Disegel Generator Set 5kv	107,391	67,611	-	175,002
Guest House - Equipment	306,859	18,270	-	325,129
Machine - Cash Register Machine	5,086	-	-	5,086
Machinery - Lifting Equipment	-	281,000	-	281,000
Office Equipment	5,550	-	-	5,550
	<u>716,230</u>	<u>392,755</u>	<u>-</u>	<u>1,108,985</u>
DEPRECIATION				
Furniture and Fixture	11,203	45,707	-	56,910
Disegel Generator Set 5kv	587	21,277	-	21,864
Guest House - Equipment	14,581	45,206	-	59,787
Machine - Cash Register Machine	191	736	-	927
Machinery - Lifting Equipment	-	42,152	-	42,152
Office Equipment	139	812	-	951
	<u>26,701</u>	<u>155,890</u>	<u>-</u>	<u>182,591</u>
NET BOOK VALUE	<u>689,529</u>			<u>926,394</u>

4 WORK IN PROGRESS

The company accumulates the current construction in progress cost to this account and transfer the proportionate amount of this cost to cost of construction when the actual payment is effected.

	<u>Balance at 01 April 2018</u>	<u>Addition</u>	<u>Transfer</u>	<u>Balance at 31 MARCH 2019</u>
OPENING	8,097,306	158,268,451	-	166,365,757
Less: Transfer to cost of Construction	-	-	60,653,862	(60,653,862)
Remaining balance	<u>8,097,306</u>	<u>158,268,451</u>	<u>60,653,862</u>	<u>105,711,895</u>

5 TRADE AND OTHER RECEIVABLE

		2018
Trade debtors	34,609,479	19,885,416
Retention receivable	13,808,007	-
Deposit receivable	3,000	529,000
Sundry Receivable	601,538	164,020
WHT Receivable	5,153,772	741,926
VAT receivable	10,825,676	3,402,132
	<u>65,001,472</u>	<u>24,722,494</u>

6 CASH AND BANK BALANCES

		2018
Cash on hand	92,278	144,235
Cash at bank	50,119,671	16,695,617
	<u>50,211,949</u>	<u>16,839,852</u>

7 PAID UP CAPITAL

Initially the company was established with a paid up capital of Birr 4,600,000.



ARVIND ENVISOL PRIVATE LIMITED COMPANY
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2019

Currency: Ethiopian Birr

15 GENERAL AND ADMINISTRATIVE		2018
Bank charge	162,577	380
Car rent expense	4,390,127	2,528,145
Cleaning & sanitary	47,914	220
Communication expense	624,917	180,104
Commission	2,400	60,375
Custom Clearing Charges	484,867	8,791
Depreciation	155,890	26,701
Entertainment expense	767,078	1,339,859
Event Management	250,000	-
Finance cost	2,093,222	-
Fuel and lubricants expense	1,793,327	126,820
Guest House Expenses	4,954,240	446,364
Insurance Premium	2,337,611	-
Lab Testing Charges	20,428	9,505
License & registration expenses	59,099	7,761
Loading and Unloading Expenses	1,025,968	192,025
Machinery rent expenses	11,943,178	-
Medical Expenses	133,809	7,961
Miscellaneous expense	369,332	48,500
Office expenses	162,368	155,021
Office Rent	324,000	-
Outsourced service cost	672,211	24,352
Penalty	339,558	-
Printing and Stationary Expenses	288,708	131,479
Professional fee	117,693	101,247
Preoperating expenses	-	1,429,049
Repair and maintenance	3,722,482	158,067
Residence permit	83,000	-
Salary & benefit	1,765,851	-
Security Guard Expenses	1,399,623	39,334
Storage rent	237,168	-
Supplies expenses	56,102	419,568
Transportation	3,153,070	635,090
Travel Expense	566,048	950
Utilities	839,853	24,300
Visa expenses	25,736	-
Welfare Expenses	298,734	-
Work permit expense	101,955	38,928
	46,013,144	8,140,896

