

ARVIND LIFESTYLE APPAREL MANUFACTURING PLC
AUDITORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

CONTENTS	<u>Page</u>
Corporate Information	2
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	9-16



ARVIND LIFESTYLE APPAREL MANUFACTURING PLC
CORPORATE INFORMATION

MANAGEMENT

Mr. Venugopal Srinivasan

Mr. Sundarrajan Iyer

General Manager

Chief Manger/Finance and Accounts

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:

Chief Manager/Finance and Accounts

General Manager



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AUDITORS' REPORT ON FINANCIAL STATEMENTS OF

ARVIND LIFESTYLE APPAREL MANUFACTURING PLC

TIBEBE MENGISTU

CERTIFIED AUDIT FIRM

Chartered Certified Accountants (UK)

Authorized Auditors (Ethiopia)

We have made limited review of the accompanying financial statements of Arvind Lifestyle Apparel Manufacturing Private Limited Company, which comprise the balance sheet as of 31 March 2023, the profit and loss statement, statement of changes in equity and cash flow statements for year 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

Based on our review conducted, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with the applicable accounting standards and other recognized accounting practices and policies has not disclosed the information required to be disclosed including the manner in which it is to be disclosed, or that it contains any material misstatement.

Tibebe Mengistu Certified Audit Firm
Chartered Certified Accountants (UK)
Authorized Auditors (Eth.)



12 May 2023
Addis Ababa
Ethiopia

ARVIND LIFESTYLE APPAREL MANUFACTURING PLC
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED MARCH 31, 2023

	<u>NOTES</u>	<u>Birr</u>	<u>31.03.2022</u> <u>Birr</u>
REVENUE	3	113,936,062	296,485,703
COST OF GOODS SOLD	4	<u>141,248,637</u>	<u>240,375,243</u>
GROSS LOSS		(27,312,575)	56,110,461
OTHER INCOME	5	<u>2,527,977</u>	<u>3,226,307</u>
EXPENSES		(24,784,598)	59,336,767
Selling and administrative	6	99,243,466	99,523,067
Loss due to change in foreign currency exchange rate		<u>2,084,302</u>	<u>8,570,611</u>
		<u>101,327,768</u>	<u>108,093,678</u>
LOSS FOR THE YEAR		<u>(126,112,366)</u>	<u>(48,756,911)</u>



ARVIND LIFESTYLE APPAREL MANUFACTURING PLC**STATEMENT OF FINANCIAL POSITION****AS AT MARCH 31, 2023**

	NOTES	Birr	31.03.2022 Birr
NON CURRENT ASSETS			
Property, plant and equipment	2.3a,b,7	103,938,335	195,644,268
Due from related company	11	101,901,704	97,963,814
		<u>205,840,038</u>	<u>293,608,082</u>
CURRENT ASSETS			
Inventories	2.5,9	2,934,746	11,639,906
Trade and other receivables	2.6,10	215,655,841	175,965,138
Cash on hand and at bank	12	1,966,392	44,213,542
		<u>220,556,978</u>	<u>231,818,587</u>
TOTAL ASSETS		<u>426,397,016</u>	<u>525,426,668</u>
CAPITAL AND LIABILITIES			
Paid up capital		1,063,445,000	1,063,445,000
Paid up capital, pending allotments		40	40
Profit and loss account		(886,974,684)	(760,862,318)
		<u>176,470,356</u>	<u>302,582,722</u>
NON CURRENT LIABILITIES			
Due to related parties	2.9,11	164,949,892	146,798,486
CURRENT LIABILITIES			
Trade and other payables	13	84,677,175	75,054,063
Tax payables	14	299,593	991,397
		<u>84,976,768</u>	<u>76,045,460</u>
		0	
TOTAL EQUITIES AND LIABILITIES		<u>426,397,016</u>	<u>525,426,668</u>



ARVIND LIFESTYLE APPAREL MANUFACTURING PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED MARCH 31, 2023

	<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, 2021	1,063,445,040	(718,322,637)	345,122,403
Prior Year Adjustment	-	6,217,230	6,217,230
(Loss) for the year	-	(48,756,911)	(48,756,911)
Balance as at March 31, 2022	<u>1,063,445,040</u>	<u>(760,862,318)</u>	<u>302,582,722</u>
(Loss) for the year	-	(126,112,366)	(126,112,366)
Balance as at March 31, 2023	<u>1,063,445,040</u>	<u>(886,974,684)</u>	<u>176,470,356</u>



ARVIND LIFESTYLE APPAREL MANUFACTURING PLC**STATEMENT OF CASH FLOW****FOR THE YEAR ENDED MARCH 31, 2022**

	Notes	Birr	31.03.2022 Birr
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year		(126,112,366)	(48,756,911)
Prior Year Adjustment		-	6,217,230
Depreciation	7	28,015,395	47,323,533
		(98,096,971)	4,783,852
(Increase) in inventory	9	8,705,160	54,712,446
(Increase) in trade and other receivables	10	(39,690,703)	(109,682,868)
(Increase) in due from related party		(3,937,890)	80,012,225
Increase in trade and other payables	13	9,623,112	(28,931,837)
(Decrease) in taxes payable	14	(691,804)	318,584
Net cash generated from (used in) operating activities		(124,089,095)	1,212,402
CASH FLOW FROM INVESTING ACTIVITIES			
Disposal of PPE		63,763,019	-
Acquisition of property, plant and equipment	7	(72,480)	(338,139)
Net cash generated from (used in) investing activities		63,690,539	(338,139)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan from related party		18,151,406	31,332,039
Net cash generated from (used in) financing activities		18,151,406	31,332,039
Increase in cash and cash equivalents		(42,247,150)	32,206,301
Cash and cash equivalents at the beginning of the year		44,213,542	12,007,241
Cash and cash equivalents at the end of the year		1,966,392	44,213,542
Represented by:			
Cash on hand and at banks		1,966,392	44,213,542



ARVIND LIFESTYLE APPAREL MANUFACTURING PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2023

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).

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 dispatched, 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.

	%
Computer and accessories	25
Others fixed assets	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:

	%
Computer and accessories	25
Others fixed assets	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.



3. REVENUE

	<u>Birr</u>	<u>31.03.2022</u> <u>Birr</u>
Export sales of garments	-	33,205,598
Export sales of fabrics	-	2,139,680
Sales of Accessories-Export	-	1,749,686
Export sales Processing Income	109,448,460	260,111,620
Sales - Domestic - Accessories	769,542	-
Sales - Domestic - Fabrics	10,033,791	-
	<u>120,251,793</u>	<u>297,206,584</u>
Claim Export sales	6,315,731	720,880
	<u>113,936,062</u>	<u>296,485,703</u>

4. COST OF GOODS SOLD

Direct materials consumed	29,692,027	66,452,533
Direct Labour used	31,458,080	42,586,222
Processing charges	922,467	9,893,568
Overhead cost('a' below)	81,177,319	108,724,408
	<u>143,249,894</u>	<u>227,656,731</u>
Work in process decrease	-	1,375,088
	143,249,894	229,031,818
Decrease / Increase in finished goods stocks	(2,001,256)	11,343,425
	<u>141,248,637</u>	<u>240,375,243</u>
<u>Overhead costs</u>		
Factory rent	33,270,820	33,826,002
Depreciation	28,015,395	47,323,533
Car rent for factory workers	6,356,153	10,808,204
Canteen	5,210,779	7,112,176
Utility	6,392,717	6,787,600
Worker Welfare Exp	235,214	259,658
Repair and maintenance	1,161,109	2,233,037
Medical	86,752	93,274
Insurance	448,380	280,922
	<u>81,177,319</u>	<u>108,724,408</u>



5. OTHER INCOME

	<u>Birr</u>	<u>31.03.2022</u> <u>Birr</u>
Sales of scrap materials	2,485,898	3,226,307
Gain on disposal of fixed asset	42,079	-
	<u>2,527,977</u>	<u>3,226,307</u>

6. SELLING AND ADMINISTRATIVE EXPENSES

Salary and benefits	40,507,066	49,311,501
Office supplies and stationary	223,772	872,908
Cleaning and sanitation	1,128,271	1,557,751
Travel, per diem and accommodation	1,141,137	35,256
Interest expenses	9,755,681	3,628,910
Residence rent	4,745,867	4,447,896
Repair and maintenance	1,126,413	506,061
Transportation	171,964	558,336
Security service	1,050,257	1,138,999
Communication	533,192	751,598
Insurance	653,796	645,076
Bank service charge	3,589,181	3,631,119
Membership Fee	869,357	789,876
License and registration	248,452	205,301
Professional fee	1,589,670	2,251,984
Export cost	15,715,733	17,130,587
DHL service charge	1,859,693	2,385,964
IPDC Management fee	1,385,562	1,499,791
Loading and unloading	194,800	32,650
Guest house meal	1,016,053	1,196,413
Entertainment	175,384	71,682
Rejected VAT	853,997	2,877,108
Penalty	54,161	537,666
	2,001,256	
Customs duty expense	7,459,374	2,345,794
Miscellaneous	1,193,375	1,112,839
	<u>99,243,466</u>	<u>99,523,067</u>



7. PROPERTY, PLANT AND EQUIPMENT

	<u>Balance at</u>			<u>Balance at</u>
	<u>31.03.2022</u>	<u>Addition</u>	<u>Disposal/Transfer</u>	<u>31.03.2023</u>
	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>
COST				
Building	8,843,225	-	-	8,843,225
Plant and Machinery	402,868,767	-	(250,087,916)	152,780,851
Motor vehicles	5,888,102	-	-	5,888,102
Furniture, Fixture and Equipment	23,765,898	-	(156,980)	23,608,918
Computer and Related	12,410,966	-	-	12,410,966
Construction in progress	3,443,314	72,480	(3,515,794)	-
	<u>457,220,271</u>	<u>72,480</u>	<u>(253,760,690)</u>	<u>203,532,062</u>
DEPRECIATION				
Building	2,752,787	442,161	-	3,194,948
Plant and Machinery	234,492,154	23,991,624	(189,872,515)	68,611,264
Motor vehicles	3,470,974	481,370	-	3,952,344
Computer and Related	6,860,364	1,147,580	-	8,007,944
Furniture, Fixture and Equipment	13,999,724	1,952,660	(125,156)	15,827,228
	<u>261,576,003</u>	<u>28,015,395</u>	<u>(189,997,671)</u>	<u>99,593,728</u>
SUB NET BOOK VALUE	<u>195,644,268</u>			<u>103,938,335</u>

8. PREOPERATIONAL EXPENDITURE

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>-</u>	<u>4,423,160</u>

AMORTIZATION

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>-</u>	<u>4,423,160</u>



9. INVENTORY

		31.03.2022
	Birr	Birr
Finished goods	2,001,256	-
Raw material	18,523,532	22,893,169
Spare parts, chemicals and consumables	2,631,470	2,948,460
Accessories	15,866,832	19,887,463
Fuel	30,867	28,769
	<u>39,053,957</u>	<u>45,757,861</u>
Less: provision for stock obsolescence	<u>(36,119,211)</u>	<u>(34,117,955)</u>
	<u>2,934,746</u>	<u>11,639,906</u>

10. TRADE AND OTHER RECEIVABLES

Trade receivable	193,665,168	136,900,129
Advance payment	9,419,112	17,586,636
Prepaid Expense	1,166,392	2,378,070
Withholding tax receivable	386,713	175,385
VAT receivable	<u>11,018,455</u>	<u>25,296,653</u>
	215,655,841	182,336,872
Provision for bad debt	<u>-</u>	<u>(6,371,734)</u>
	<u>215,655,841</u>	<u>175,965,138</u>



11. RELATED PARTIES

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

Amount from to related party:-

Arvind Envisol Limited

The Company has lending loan to Arvind Limited USD 300,000 and ETB 1,000,000 with free interest.

ARVIND ENVISOL PLC

The Company has lending loan to Arvind Limited USD 2,397,000 and ETB 5,220,511. The loan bears an interest rate of 0%.

		31.03.2022
	<u>Birr</u>	<u>Birr</u>
Arvind Envisol Limited	16,455,760	9,517,870
ARVIND ENVISOL PLC	85,445,944	88,445,944
	<u>101,901,704</u>	<u>97,963,814</u>

Amount due to related party:-

The Company has obtained from Arvind Limited USD 2,650,000. The loan bears an interest rate of 6.2% per annum and capitalized First of April every year.

ARVIND LIMITED

<u>164,949,892</u>	<u>146,798,486</u>
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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.

Cash at bank	1,944,110	44,173,261
Cash on hand	22,282	40,282
	<u>1,966,392</u>	<u>44,213,542</u>



13. TRADE AND OTHER PAYABLES

	<u>Birr</u>	<u>31.03.2022</u> <u>Birr</u>
Trade creditors	49,340,501	25,685,758
Salary and wage payable	8,899,407	7,521,882
Accruals	26,437,268	41,846,423
	<u>84,677,175</u>	<u>75,054,064</u>

14. TAX PAYABLES

Personal income tax payable	143,009	391,203
Pension fund payable	130,686	525,803
Withholding tax payables	25,897	74,391
	<u>299,593</u>	<u>991,397</u>

15. COMPARATIVE FIGURES

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the Current year.

