

ARVIND WORLDWIDE INC.

FINANCIAL STATEMENTS

For the year ended March 31, 2015

ARVIND WORLDWIDE INC.

For the year ended March 31, 2015

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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, 2015, 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 16, 2015

ARVIND WORLDWIDE INC.

BALANCE SHEET

March 31, 2015

ASSETS

Current assets

Cash	\$ 40,887	
Accounts receivable	845,300	
Prepaid expenses and taxes	16,650	
Loans receivable	13,975	
Other current assets	<u>3,098</u>	
		\$ 919,910

Property and equipment, net of accumulated depreciation of \$485,558

5,358

Other assets

Deposits	111,539	
Deferred income taxes	<u>115,000</u>	
		<u>226,539</u>
		<u>\$1,151,807</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities

Accrued expenses	\$ 74,765	
Loans payable	<u>450,000</u>	
		\$ 524,765

Stockholder's equity

Common stock, no par value; 1,500 shares authorized, 500 shares issued and outstanding	500,000	
Retained earnings	<u>127,042</u>	
		<u>627,042</u>
		<u>\$1,151,807</u>

See accountants' review report and notes to financial statements.

ARVIND WORLDWIDE INC.

STATEMENT OF INCOME AND RETAINED EARNINGS

For the year ended March 31, 2015

Marketing support services income	\$1,182,365
Operating expenses	<u>1,087,222</u>
Income from operations	95,143
Interest expense, net of interest income of \$106	<u>17,686</u>
Income before provision for income taxes	77,457
Provision for income taxes	<u>25,186</u>
Net income	52,271
Retained earnings – beginning	<u>74,771</u>
Retained earnings – end	<u>\$ 127,042</u>

See accountants' review report and notes to financial statements.

ARVIND WORLDWIDE INC.

STATEMENT OF CASH FLOWS

For the year ended March 31, 2015

Cash flows from operating activities		
Net income		\$ 52,271
Adjustments to reconcile net income to net cash used in operating activities		
Depreciation	\$ 1,663	
Deferred income taxes	4,000	
Changes in assets and liabilities		
Accounts receivable	(114,474)	
Prepaid expenses and taxes	23,231	
Other current assets	725	
Accrued expenses	<u>2,231</u>	
		<u>(82,624)</u>
Net cash used in operating activities		(30,353)
Cash flows from investing activities		
Net increase in loans receivable	(4,600)	
Capital expenditures	(568)	
Net increase in deposits	<u>(29,319)</u>	
Net cash used in investing activities		(34,487)
Cash flows from financing activities		<u>-</u>
Net change in cash		(64,840)
Cash at beginning		<u>105,727</u>
Cash at end		<u>\$ 40,887</u>
Supplemental disclosure of cash flows information		
Cash paid for interest		<u>\$ -</u>
Cash paid for income taxes		<u>\$ 5,041</u>

See accountants' review report and notes to financial statements.

ARVIND WORLDWIDE INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

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, 2015, the entire accounts receivable balance of \$845,300 represented amounts due from the Parent.

ARVIND WORLDWIDE INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

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, 2015, 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, 2015

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, 2015, 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 16, 2015 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 Loans receivable

At March 31, 2015, the Company had outstanding loans receivable from an unrelated party of \$13,975. These loans are due on a demand basis, bearing no interest.

Note 4 Property and equipment

At March 31, 2015, property and equipment consisted of the following:

Furniture and fixtures	\$ 38,888
Equipment	61,443
Leasehold improvements	<u>390,585</u>
	490,916
Less: accumulated depreciation	<u>485,558</u>
	<u>\$ 5,358</u>

ARVIND WORLDWIDE INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

Note 5 Loans payable

At March 31, 2015, the Company had outstanding loans payable to a related party of \$450,000. These loans are due on a demand basis and bear interest at the prevailing market rate, as determined by management. For the year ended March 31, 2015, interest on these loans amounted of \$17,792.

Note 6 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, 2015, the Company's contributions to this plan amounted to \$16,736.

Note 7 Income taxes

For the year ended March 31, 2015, the net provision for income taxes of \$25,186 consisted of the following:

	<u>Federal</u>	<u>State and local</u>	<u>Total</u>
Current	\$ 9,897	\$11,289	\$21,186
Deferred	<u>2,000</u>	<u>2,000</u>	<u>4,000</u>
	<u>\$11,897</u>	<u>\$13,289</u>	<u>\$25,186</u>

At March 31, 2015, the significant component of deferred income taxes was the difference between the book and tax bases of property and equipment.

Note 8 Related party transactions and balances

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

- (a) For the year ended March 31, 2015, the Company had earned marketing support services income of \$1,182,365 from an affiliate.

ARVIND WORLDWIDE INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

Note 8 Related party transactions and balances (continued)

- (b) At March 31, 2015, the Company had accounts receivable from an affiliate of \$845,300.
- (c) At March 31, 2015, the Company had outstanding loans payable to a related party of \$450,000. These loans are due on a demand basis and bear interest at the prevailing market rate, as determined by management. For the year ended March 31, 2015, interest on these loans amounted of \$17,792.

Note 9 Commitments and contingencies

Lease

The Company is obligated under a long-term operating lease for the rental of office space through May 31, 2017. For the year ended March 31, 2015, rent expense amounted to \$193,873.

At March 31, 2015, the future minimum rental payments were as follows:

March 31, 2016	\$215,530
March 31, 2017	221,996
May 31, 2017	<u>37,180</u>
	<u>\$474,706</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, 2015, the minimum payments due under these agreements were \$1,671,865. The Company is required to make payments under these agreements only in the event of a default by a primary obligor. At March 31, 2015, the Company does not anticipate any exposure on these guarantees.

ARVIND WORLDWIDE INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

Note 9 Commitments and contingencies (continued)

At March 31, 2015, the future minimum payments required under these agreements were as follows:

March 31, 2016	\$ 2,020,529
March 31, 2017	2,396,580
March 31, 2018	2,459,606
March 31, 2019	1,871,899
March 31, 2020	2,112,004
Thereafter	<u>3,708,886</u>
	<u>\$14,569,504</u>

STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES
For the year ending 1998

Supplementary Information

- Inventory
- Accounts receivable
- Prepaid expenses
- Accounts payable
- Accrued liabilities
- Capital assets
- Deferred maintenance
- Leases
- Intangible assets
- Other assets
- Liabilities
- Other liabilities
- Other information

SUPPLEMENTARY INFORMATION

For accounting review

ARVIND WORLDWIDE INC.

STATEMENT OF OPERATING EXPENSES

For the year ended March 31, 2015

Operating expenses

Salaries	\$ 522,803
Employee benefits	82,029
Payroll taxes	39,897
Pension plan contributions	16,736
Payroll processing charges	7,346
Rent and utilities	200,514
Telephone	10,842
Insurance	23,387
Travel and entertainment	109,189
Office supplies and expenses	12,491
Sampling and designing charges	20,700
Professional fees	20,525
Repairs and maintenance	4,305
Postage and delivery	14,795
Depreciation	<u>1,663</u>
	<u>\$1,087,222</u>

See accountants' review report and notes to financial statements.