ARVIND ENVISOL PRIVATE LIMITED COMPANY

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

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Ethiopia



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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:

	Oustanding balance
Name	(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 Ayech Abeje	1,000,000
6 Jiang mxi Jianglian	1,000,000
	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.

Addis Ababa 10 May 2019 Solomon Tiruneh
Chartered Certified Accountants and authorized auditors

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ARVIND ENVISOL PRIVATE LIMITED COMPANY BALANCE SHEET AS AT 31 MARCH 2019

Currency: Ethiopian Birr

	NOTES			
ASSET				<u>2018</u>
NON-CURRENT ASSETS				
Fixed assets	2a,3		926,394	689,528
CURRENT ASSETS				
Work in progress	4	105,711,895		8,097,306
Trade and other receivable	.5	65,001,472		24,722,494
Cash and balances	6	50,211,949		16,839,852
			220,925,316	49,659,652
TOTAL ASSETS			221,851,710	50,349,180
EQUITY AND LIABILITY				
CAPITAL AND RESERVES				
Paid up capital	7		4,600,000	4,600,000
Share application money			82,708	82,708
Legal reserve	8			-
Profit and loss	12		(11,193,326)	(7,488,997)
			(6,510,618)	(2,806,289)
NON-CURRENT LIABILITIES				
Term loan	10		20,281,158	-
CURRENT LIABILITIES				
Creditors and accrual	9	133,034,311		42,345,368
Related party Transaction	11	75,046,859		10,810,101
Profit tax payable	12	-		
The state of the s			managemental consistence of applications	

The Financial Statements were approved and authorized for issue by the management on 10 May 2019 and were signed on its behalf by:

LK.Kelwalarmani Generla Manager

TOTAL EQUITY AND LIABILITIES

Shankar B Patil
 Chief Manager-Finance

53,155,469 50,349,180

208,081,170

221,851,710



ARVIND ENVISOL PRIVATE LIMITED COMPANY STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2019

Currency: Ethiopian Birr

	NOTES			2018
REVENUE	13		287,488,666	
COST OF CONSTRUCTION	14		(255,653,880)	-
GROSS PROFIT			31,834,786	-
OTHER INCOME			10,474,029	651,899
			42,308,815	_
EXPENSE				
GENERAL & ADMINISTRATION	15	43,919,922	-	(8,140,896)
FINANCE COST		2,093,222	(46,013,144)	-
NET PROFIT FOR THE YEAR			(3,704,329)	(7,488,997)
PROVISION FOR PROFIT TAX	12			-
NET PROFIT AFTER TAX			(3,704,329)	(7,488,997)



ARVIND ENVISOL PLC (Ethiopia) STATEMNT OF CASH FLOW FOR THE YEAR ENDED 31 MARCh 2019

			2018
Cash flow from operating activities	Birr	Birr	Birr
Profit/loss befor Tax	(3,704,329)		(7,488,997)
Adjusted for :			
Deprciation & amortisation	155,890	(3,548,439)	26,701
			(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 pyables	90,688,943	17,032,134	42,345,368
			19,322,682
Cash used in operating activities		13,483,695	11,860,386
Investing activites			
Property plant and Equipment	(392,755)		(716,229)
Net cash used in investing activities		(392,755)	(716,229)
Financing activites			
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 eqivalents - Beginning		16,839,852	4,682,708
Cash and cash egivalent at 31/3/2019		50,211,950	16,839,852



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

	Paid up capital	Application Money	<u>Legal</u> reserve	Profit and loss	<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 LIMTED and ARVIND BRANDS & RETAIL LIMTED with initial capital of ETB 4.6 million. Its business objective is to carry out effluent teatment and disposal soloutions.

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 aquired 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	Asset aquired after
	07/07/2017	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	
	ASSETS

				Balance at
	Balance at 01/04/2018	Addition	Adj/Rec	31/03/2019
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
	716,230	392,755		1,108,985
DEPRECATION				
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	18 P	42,152		42,152
Office Equipment	139	812		951
	26,701	155,890		182,591
NET BOOK VALUE	689,529			926,394
Work winner oppos				

4 WORK IN PROGRESS

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

	Balance at 01 April 2018	Addition	Transfer	Balance at 31 MARCH 2019
OPENING	8,097,306	158,268,451	4	166,365,757
Less: Transfer to cost of Construction			60,653,862	(60,653,862)
Remaining balance	8,097,306	158,268,451	60,653,862	105,711,895
TRADE AND OTHER RECEIVABLE				2018
Trade debtors			34,609,479	19,885,416

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
	65,001,472	24,722,494

6	CASH AND BANK BALANCES		2018
	Cash on hand	92,278	144,235
	Cash at bank	50,119,671	16,695,617
		50,211,949	16,839,852

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

Arvind Brand & Retail Ltd 46	14, 44, 66, 133, ank of Ethiopia at 11.5 Interest balan (31/03/19) 58 (10, 7, 77, 75,	nce Total	4,554,000 46,000 4,600,000 2018 5,151,848 - 97,247 37,096,273 42,345,368 1 balance as at (7/2019) 20,281,158 2018 10,810,101 - 10,810,101 2018
Arvind Brand & Retail Ltd 46 46 4600 46 LEGAL RESERVE It represents a transfer of 5 % of the Company's net profit, from each year, until it amounts to one tenth of the company's capital in compliance with the requirements of the Commercial Code of Ethiopia. CREDITORS AND ACCRUALS Duties and taxes Retention payable Accruals Trade Payable BANK LOAN The company has borrowed working capital loan amount of Br 40,000,000 from Commercial Ba The loan was granted against cash collateral amount to USD 1.5million. Loan Type Principal balance(31/03/2019) Term loan 20,281.1 RELATED PARTY TRANSACTION Arvind Envisol Ltd - Ethiopia Branch Arvind Envisol Ltd - India Arvind Lifestyle Apparel Manf PLC - Ethiopia PROVISION FOR PROFIT TAX Profit before taxation Less: loss brought forward from previous years Add: Non allowable expenses Entertainment Penalty Welfare Expenses	6, 14, 44, 66, 133, ank of Ethiopia at 11.5 Interest balan (31/03/19) 58 (10, 7, 77, 75, 75, 75, 75, 75, 75, 75, 75,	1,000 958,618 969,794 944,358 161,541 034,311 % interest rate. Total 31/03. 464,312) 996,986 514,185	46,000 4,600,000 2018 5,151,848 97,247 37,096,273 42,345,368 1 balance as at 1/2019 20,281,158 2018 10,810,101
LEGAL RESERVE It represents a transfer of 5 % of the Company's net profit, from each year, until it amounts to one tenth of the company's capital in compliance with the requirements of the Commercial Code of Ethiopia. CREDITORS AND ACCRUALS Duties and taxes Retention payable Accruals Trade Payable BANK LOAN The company has borrowed working capital loan amount of Br 40,000,000 from Commercial Ba The loan was granted against cash collateral amount to USD 1.5million. Loan Type Principal balance(31/03/2019) Term loan 20,281,1 RELATED PARTY TRANSACTION Arvind Envisol Ltd - Ethiopia Branch Arvind Envisol Ltd - India Arvind Lifestyle Apparel Manf PLC - Ethiopia PROVISION FOR PROFIT TAX Profit before taxation Less: loss brought forward from previous years Add: Non allowable expenses Entertainment Penalty Welfare Expenses	6,14,44,66,133,66 of Ethiopia at 11.5 Interest balan (31/03/19) 58 (10,7,77,75,	.958,618 .969,794 .944,358 .161,541 .034,311 .034,311 .034,311 .996,986 .514,185	2013 5,151,848 5,151,848 97,247 37,096,273 42,345,368 1 balance as at 1/2019 20,281,158 201 10,810,101
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Arvind Envisol Ltd - Ethiopia Branch Arvind Envisol Ltd - India Arvind Lifestyle Apparel Manf PLC - Ethiopia PROVISION FOR PROFIT TAX Profit before taxation Less: loss brought forward from previous years Add: Non allowable expenses Guest house expenses Entertainment Penalty Welfare Expenses	7, 77, 75.	,996,986 ,514,185	10,810,10
Arvind Envisol Ltd - Ethiopia Branch Arvind Envisol Ltd - India Arvind Lifestyle Apparel Manf PLC - Ethiopia PROVISION FOR PROFIT TAX Profit before taxation Less: loss brought forward from previous years Add: Non allowable expenses Guest house expenses Entertainment Penalty Welfare Expenses	7, 77, 75.	,996,986 ,514,185	10,810,10
Arvind Envisol Ltd - India Arvind Lifestyle Apparel Manf.PLC - Ethiopia PROVISION FOR PROFIT TAX Profit before taxation Less: loss brought forward from previous years Add: Non allowable expenses Guest house expenses Entertainment Penalty Welfare Expenses	77,	,514,185	
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Less: loss brought forward from previous years Add: Non allowable expenses Guest house expenses Entertainment Penalty Welfare Expenses	(3,		
Guest house expenses Entertainment Penalty Welfare Expenses		,704,329)	(7,488,99
Entertainment Penalty Welfare Expenses	1	,793,327	950,37
Penalty Welfare Expenses		435,180	1,339,859
Welfare Expenses		225,839	
		298,734	
			1,500,02
			(3,698,73
Less: Income taxed at source		(951,249)	*(3,698,73
Taxable profit Loss Brought forward from year ended March 31, 2018		,488,997)	-
Total loss to be set off against current year profit	(3	3,698,738)	, .
Total loss to be set off against future profit Provision for tax	(4	1,649,987)	(3,698,73
Accumulated profit or loss	(11	,193,326)	(7,488,99
Currency: Ethiopia	n Birr		
INCOME	207	1 188 666	201
Construction Income		7,488,666	651,89
Other income	W. 1976	7,962,695	651,89
S world he by	NO.		
COST OF CONSTRUCTION	222.2	11.014.00	201
Construction cost		11,914.00	
Construction material	22,/1	11,966.00 53,880.00	-

ARVIND ENVISOL PRIVATE LIMITED COMPANY NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 Currency: Ethiopian Birr

15

GENERAL AND ADMINISTRATIVE	162 527	2018 380
Bank charge	162,577 4,390,127	2,528,145
Car rent expense Cleaning & sanitary	47,914	2,328,143
Communication expense	624.917	180,104
Commission	2,400	60,375
	484,867	8,791
Custom Clearing Charges	155,890	26,701
Depreciation		1,339,859
Entertainment expense	767,078	1,339,839
Event Management	250,000	π
Finance cost	2,093,222	8
Fuel and lubricants expense	1,793,327	126,820
Guest House Expenses	4,954,240	446,364
Insurance Premium	2,337,611	0.505
Lab Testing Charges	20,428	9,505
License & registration expenses	59,099	7,761
Loading and Unloading Expenses	1,025,968 11,943,178	192,025
Mahcinery rent expnses	133,809	7,961
Medical Expenses Miscellanous 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
Profession fee	117,693	101,247
Preoperaing expenses	-	1,429,049
Repair and maintenance	3,722,482	158.067
The state of the s	83,000	130,007
Residence permit	1,765,851	
Salary & benefit	1,399,623	20.224
Security Guard Expenses		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	-
Walfare Expenses	298,734	-
Work permit expense	101,955	38,928
	46,013,144	8,140,896

