

ARVIND WORLDWIDE INC.

FINANCIAL STATEMENTS

For the year ended March 31, 2010

ARVIND WORLDWIDE INC.

For the year ended March 31, 2010

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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, 2010, and the related statements of income, accumulated deficit, and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Arvind Worldwide Inc.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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 limited assurance that there are no material modifications that should be made to the basic financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The supplementary information included in the accompanying financial statements is presented only for supplementary analysis purposes. Such information 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 22, 2010

ARVIND WORLDWIDE INC.

BALANCE SHEET

March 31, 2010

ASSETS

Current assets

Cash	\$110,452	
Marketing support services receivable	486,318	
Prepaid expenses	29,882	
Loans receivable	15,800	
Deposits	3,130	
Deferred income taxes	<u>6,000</u>	
		\$ 651,582

Property and equipment, net of accumulated depreciation of \$350,945

132,942

Other assets

Deposits	133,758	
Deferred income taxes	<u>84,000</u>	
		<u>217,758</u>

\$1,002,282

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities

Accounts payable	\$ 300	
Accrued expenses and taxes	212,399	
Loans payable	450,000	
Deferred lease liability	<u>16,358</u>	
		\$ 679,057

Other liabilities

Deferred lease liability		2,876
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Stockholder's equity

Common stock, no par value; 1,500 shares authorized, 500 shares issued and outstanding	500,000	
Accumulated deficit	<u>(179,651)</u>	
		<u>320,349</u>
		<u>\$1,002,282</u>

See accountants' review report and notes to financial statements.

ARVIND WORLDWIDE INC.

STATEMENT OF INCOME AND ACCUMULATED DEFICIT

For the year ended March 31, 2010

Marketing support services income	\$1,861,119
Operating expenses	<u>1,755,775</u>
Income before provision for income taxes	105,344
Provision for income taxes	<u>52,989</u>
Net income	52,355
Accumulated deficit – beginning	<u>(232,006)</u>
Accumulated deficit – end	<u>\$ (179,651)</u>

See accountants' review report and notes to financial statements.

ARVIND WORLDWIDE INC.

STATEMENT OF INCOME AND ACCUMULATED DEFICIT

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See accountants' review report and notes to financial statements.

ARVIND WORLDWIDE INC.

STATEMENT OF CASH FLOWS

For the year ended March 31, 2010

Cash flows from operating activities		
Net income		\$ 52,355
Adjustments to reconcile net income to net cash used in operating activities		
Depreciation	\$ 98,910	
Deferred income taxes	(24,000)	
Deferred lease liability	(11,426)	
Changes in assets and liabilities		
Marketing support services receivable	(486,318)	
Prepaid expenses	18,193	
Advance payments received	(906,181)	
Accrued expenses and taxes	<u>113,748</u>	
		<u>(1,197,074)</u>
Net cash used in operating activities		(1,144,719)
Cash flows from investing activities		
Net increase in loans receivable	<u>(15,800)</u>	
Net cash used in investing activities		(15,800)
Cash flows from financing activities		
Net increase in loans payable	<u>450,000</u>	
Net cash provided by financing activities		<u>450,000</u>
Net change in cash		(710,519)
Cash at beginning		<u>820,971</u>
Cash at end		<u>\$ 110,452</u>
Supplemental disclosure of cash flows information		
Cash paid for interest		<u>\$ -</u>
Cash paid for income taxes		<u>\$ 37,093</u>

See accountants' review report and notes to financial statements.

ARVIND WORLDWIDE INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

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

Arvind Worldwide Inc. (the "Company") is a wholly owned subsidiary of The Arvind Mills 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.

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. 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 specified amount. Such cash balances at times may exceed these limits.

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.

ARVIND WORLDWIDE INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

Note 2 Summary of significant accounting policies (continued)

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

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.

As of April 1, 2009, the Company adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes". The Company does not believe it has any uncertain tax positions that would qualify for either recognition or disclosure in the financial statements.

New authoritative accounting pronouncements

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events". SFAS 165 establishes general standards of accounting and disclosure of events that occur after the balance sheet date but before financial statements are issued or available to be issued. The Company adopted SFAS No. 165 on March 31, 2010.

ARVIND WORLDWIDE INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

Note 2 Summary of significant accounting policies (continued)

The Company evaluated the need for disclosure and / or additional adjustments resulting from subsequent events through April 22, 2010, the date the financial statements were available to be issued. The Company did not identify any further subsequent events that required disclosure and / or adjustments in the financial statements.

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, 2010, the Company had outstanding loans receivable from an employee of \$15,800. These loans are due on a demand basis, bearing no interest.

Note 4 Property and equipment

At March 31, 2010, property and equipment consisted of the following:

Furniture and fixtures	\$ 34,637
Equipment	58,665
Leasehold improvements	<u>390,585</u>
	483,887
Less: accumulated depreciation	<u>350,945</u>
	<u>\$132,942</u>

Note 5 Loans payable

At March 31, 2010, the Company had outstanding loans payable to a related party of \$450,000. The loans are due on a demand basis, bearing no interest.

ARVIND WORLDWIDE INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

Note 6 Income taxes

For the year ended March 31, 2010, the net provision for income taxes of \$52,989 consisted of the following:

	<u>Federal</u>	<u>State and local</u>	<u>Total</u>
Current	\$47,162	\$29,827	\$76,989
Deferred	<u>(15,000)</u>	<u>(9,000)</u>	<u>(24,000)</u>
	<u>\$32,162</u>	<u>\$20,827</u>	<u>\$52,989</u>

At March 31, 2010, the significant components of deferred tax assets were deferred lease liability and differences 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	\$1,861,119
Marketing support services receivable	\$ 486,318
Loans payable	\$ 450,000

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, 2011. For the year ended March 31, 2010, rent expense amounted to \$208,121. At March 31, 2010, the future minimum rental payments were as follows:

March 31, 2011	\$189,034
May 31, 2011	<u>28,375</u>
	<u>\$217,409</u>

ARVIND WORLDWIDE INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

Note 8 Commitments and contingencies (continued)

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, 2010, the minimum payments due under these agreements were \$414,836. The Company is required to make payments under these agreements only in the event of a default by a primary obligor. At March 31, 2010, the Company does not anticipate any exposure on these guarantees.

At March 31, 2010, the future minimum payments required under these agreements were as follows:

March 31, 2011	\$ 776,594
March 31, 2012	1,188,678
March 31, 2013	1,283,524
March 31, 2014	929,849
March 31, 2015	1,100,073
Thereafter	<u>7,646,855</u>
	<u>\$12,925,573</u>

SUPPLEMENTARY INFORMATION

ARVIND WORLDWIDE INC.

STATEMENT OF OPERATING EXPENSES

For the year ended March 31, 2010

Operating expenses

Salaries	\$ 824,400
Payroll taxes	43,368
Payroll processing charges	9,617
Rent and utilities	233,565
Telephone	33,449
Insurance	113,467
Travel and entertainment	201,220
Office supplies and expenses	15,721
Contributions	4,415
Sampling and designing charges	9,257
Professional fees	20,768
Repairs and maintenance	4,883
Postage and delivery	26,668
Printing and stationery	5,281
Computer supplies and expenses	1,491
Equipment rental	13,054
Guarantee expense	49,796
License fees	46,445
Depreciation	<u>98,910</u>
	<u>\$1,755,775</u>

See accountants' review report and notes to financial statements.