

ARVIND WORLDWIDE INC.

FINANCIAL STATEMENTS

For the year ended March 31, 2012

ARVIND WORLDWIDE INC.

For the year ended March 31, 2012

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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, 2012, and the related statements of income and accumulated deficit 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 23, 2012

ARVIND WORLDWIDE INC.

For the year ended March 31, 2012

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April 23, 2012

ARVIND WORLDWIDE INC.

BALANCE SHEET

March 31, 2012

ASSETS

Current assets

Cash	\$115,842	
Marketing support services receivable	609,798	
Prepaid expenses and taxes	62,505	
Other current assets	<u>3,765</u>	
		\$ 791,910

Property and equipment, net of accumulated depreciation of \$476,079 10,153

Other assets

Deposits	88,345	
Deferred income taxes	<u>124,000</u>	
		<u>212,345</u>
		<u>\$1,014,408</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities

Accrued expenses	\$114,365	
Loans payable	<u>450,000</u>	
		\$ 564,365

Stockholder's equity

Common stock, no par value; 1,500 shares authorized, 500 shares issued and outstanding	500,000	
Accumulated deficit	<u>(49,957)</u>	
		<u>450,043</u>
		<u>\$1,014,408</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, 2012

Marketing support services income	\$1,628,648
Operating expenses	<u>1,522,101</u>
Income before provision for income taxes	106,547
Provision for income taxes	<u>39,415</u>
Net income	67,132
Accumulated deficit – beginning	<u>(117,089)</u>
Accumulated deficit – end	<u>\$ (49,957)</u>

See accountants' review report and notes to financial statements.

ARVIND WORLDWIDE INC.

STATEMENT OF CASH FLOWS

For the year ended March 31, 2012

Cash flows from operating activities

Net income		\$ 67,132
Adjustments to reconcile net income to net cash used in operating activities		
Depreciation	\$ 27,079	
Deferred income taxes	(4,000)	
Deferred lease liability	(2,876)	
Changes in assets and liabilities		
Marketing support services receivable	(79,746)	
Prepaid expenses and taxes	(6,573)	
Accrued expenses	(13,576)	
Other current assets	<u>(3,765)</u>	
		<u>(83,457)</u>
Net cash used in operating activities		(16,325)

Cash flows from investing activities

Capital expenditures	(1,733)	
Net decrease in deposits	<u>45,413</u>	
Net cash provided by investing activities		43,680

Cash flows from financing activities

-

Net change in cash

27,355

Cash at beginning

88,487

Cash at end

\$115,842

Supplemental disclosure of cash flows information

Cash paid for interest	\$ <u>-</u>
Cash paid for income taxes	<u>\$ 62,034</u>

See accountants' review report and notes to financial statements.

ARVIND WORLDWIDE INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

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.

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.

ARVIND WORLDWIDE INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

Note 2 **Summary of significant accounting policies (continued)**

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.

The Company evaluates all significant tax positions. As of March 31, 2012, 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 23, 2012 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 **Property and equipment**

At March 31, 2012, property and equipment consisted of the following:

Furniture and fixtures	\$ 34,637
Equipment	61,010
Leasehold improvements	<u>390,585</u>
	486,232
Less: accumulated depreciation	<u>476,079</u>
	<u>\$ 10,153</u>

ARVIND WORLDWIDE INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

Note 4 **Loans payable**

At March 31, 2012, the Company had outstanding loans payable to a related party of \$450,000. The loans are due on a demand basis, bearing no interest.

Note 5 **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, 2012, the Company's contributions to this plan amounted to \$4,449.

Note 6 **Income taxes**

For the year ended March 31, 2012, the net provision for income taxes of \$39,415 consisted of the following:

	<u>Federal</u>	<u>State and local</u>	<u>Total</u>
Current	\$23,388	\$20,027	\$43,415
Deferred	<u>5,000</u>	<u>(9,000)</u>	<u>(4,000)</u>
	<u>\$28,388</u>	<u>\$11,027</u>	<u>\$39,415</u>

At March 31, 2012, the significant component of deferred income taxes was the difference 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	\$1,628,648
Marketing support services receivable	\$ 609,798
Loans payable	\$ 450,000

ARVIND WORLDWIDE INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

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, 2014. For the year ended March 31, 2012, rent expense amounted to \$201,904.

At March 31, 2012, the future minimum rental payments were as follows:

March 31, 2013	\$206,125
March 31, 2014	183,329
May 31, 2014	<u>27,407</u>
	<u>\$416,861</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, 2012, the minimum payments due under these agreements were \$725,334. The Company is required to make payments under these agreements only in the event of a default by a primary obligor. At March 31, 2012, the Company does not anticipate any exposure on these guarantees.

At March 31, 2012, the future minimum payments required under these agreements were as follows:

March 31, 2013	\$ 1,056,533
March 31, 2014	1,371,813
March 31, 2015	1,671,865
March 31, 2016	2,020,529
March 31, 2017	2,396,580
Thereafter	<u>10,152,395</u>
	<u>\$18,669,715</u>

SUPPLEMENTARY INFORMATION

ARVIND WORLDWIDE INC.

STATEMENT OF OPERATING EXPENSES

For the year ended March 31, 2012

Operating expenses

Salaries	\$ 601,231
Payroll taxes	44,647
Pension plan contributions	4,449
Payroll processing charges	11,619
Rent and utilities	224,834
Telephone	19,707
Insurance	120,540
Travel and entertainment	219,602
Trade shows	9,340
Office supplies and expenses	13,852
Computer supplies and expenses	5,306
Dues and subscriptions	1,390
Sampling and designing charges	10,463
Professional fees	21,274
Repairs and maintenance	9,512
Postage and delivery	16,578
Printing and stationery	3,847
Equipment rental	2,582
License fees	154,249
Depreciation	<u>27,079</u>
	<u>\$1,522,101</u>

See accountants' review report and notes to financial statements.