FSN GLOBAL FZE

JEBEL ALI FREE ZONE

DUBAI

Financial statements for the

Period ended March 31, 2021

FSN GLOBAL FZE, JEBEL ALI FREE ZONE, DUBAI

Financial statements for the period ended March 31, 2021

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Statement of financial position as at March 31, 2021

	Note	AED
Current assets		
Due from related party	7	**62,670**
		62,670
Current liabilities		
Accruals and other payables	8	**23,100**
Net assets		**39,570**
Equity		
Share capital	9	**150,000**
Accumulated deficit		**(110,430)**
Total equity		**39,570**

The financial statements have been approved by the Board of Directors and are signed on its behalf on January 21, 2022:

Apeksha Mehta
Digitally signed by Apeksha Mehta
DN: cn=Apeksha Mehta, o=Nykaa, ou=Nykaa D, email=apeksha.mehta@nykaa.com, c=AE
Date: 2022.01.21 21:56:49 +04'00'

Apeksha Mehta

General Manager

The notes on pages 7 to 14 form part of these financial statements

Statement of profit or loss and other comprehensive income for the period ended March 31, 2021

	Note	AED
Commission Income	10	**4,619**
Shipping Income	10	**437**
Expenses	11	**(115,486)**
Net Loss for the period		**(110,430)**

The notes on pages 7 to 14 form part of these financial statements

Statement of changes in equity for the period ended March 31, 2021

	Share capital	Accumulated deficit	Total equity
	AED	AED	AED
Share capital introduced	150,000	-	150,000
Net loss for the period	-	(110,430)	(110,430)
Balance as at March 31, 2021	**150,000**	**(110,430)**	**39,570**

The notes on pages 7 to 14 form part of these financial statements

Statement of cash flows for the period ended March 31, 2021

Cash flows from operating activities	**Note**	**AED**
Net loss for the period		**(110,430)**
Operating profit before working capital changes		**(110,430)**
Decrease in other receivables		**87,330**
Increase in accruals and other payables	8	**23,100**
Net cash used in operating activities		**-**
Cash flows from investing activities		**-**
Cash flows from financing activities		**-**
Cash and cash equivalents at end of the period		**-**

The notes on pages 7 to 14 form part of these financial statements

1 Status and activity

FSN Global FZE, Dubai ("the Establishment") is a Free Zone Establishment (FZE) registered as per Jebel Ali Free Zone Companies Regulations 2016 issued there under by the Jebel Ali Free Zone Authority (JAFZA).

The principal place of business is Workstation LB181002WS31 Building No. 18, Jebel Ali Free Zone, Dubai, United Arab Emirates.

The principal activities of the Establishment include perfumes & cosmetics trading, beauty & personal care requisites trading, soap & hair care trading, beauty & personal care equipment trading. However, the Establishment also provides services to vendors in relation to vendor management on marketplace for which they charge commission income when product is sold and delivered to customer.

The Establishment is a wholly owned subsidiary of FSN International Private Limited.

The financial statements for the period ended March 31, 2021 were authorized for issue by the Manager on January 21, 2022.

These financial statements are presented in UAE Dirhams (AED).

2 Accounting period

These financial statements relate to the period from June 21, 2020 to March 31, 2021.

3 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRSs). These financial statements have been prepared under the historical cost convention, except where otherwise stated in the accounting policies explained in Note 5. The financial statements also comply with the applicable provisions of the Jebel Ali Free Zone Companies Regulations 2016 issued there under by the Jebel Ali Free Zone Authority (JAFZA).

4 Application of new and revised International Financial Reporting Standards (IFRSs)

(a) New standards, interpretations and amendments adopted at January 1, 2020

The Establishment has adopted the following standards, new standards and amendments in the annual financial statements for the year ended 31 December 2020 which have not had a significant effect on the Establishment:

- Definition of a Business (Amendments to IFRS 3);
- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Disclosure Initiative - Definition of Material);
- Revisions to the Conceptual Framework for Financial Reporting; and
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

(b) New standards, interpretations and amendments effective from June 1, 2020

COVID-19 Related Rent Concessions (Amendments to IFRS 16)

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

1. The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
2. The reduction is lease payments affects only payments originally due on or before 30 June 2021; and
3. There is no substantive change to other terms and conditions of the lease.

4 Application of new and revised International Financial Reporting Standards (IFRSs) *(Continued)*

(b) New standards, interpretations and amendments effective from June 1, 2020 (Continued)

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

However, there were no rent concessions granted to the Establishment during the year which satisfy the criteria as per these amendments.

(c) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Establishment has decided not to adopt early. The most significant of these are as follows:

- Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 32, IFRS 7, IFRS 4, and IFRS 16) – Effective from January 1, 2021;
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) – Effective from January 1, 2022;
- Property and Equipment: Proceeds before Intended Use (Amendments to IAS 16) – Effective from January 1, 2022;
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41) – Effective from January 1, 2022;
- References to Conceptual Framework (Amendments to IFRS 3) – Effective from January 1, 2022; and
- Classification of liabilities as current or non-current (Amendments to IAS 1) – Effective from January 1, 2023

The Establishment is currently assessing the impact of these new accounting standards and amendments and does not believe that these amendments will have a significant impact on the financial statements.

Other

The Establishment does not expect following other standards issued by IASB, but not yet effective, to have a material impact on the Establishment.

- IFRS 17 Insurance Contracts (effective January 1, 2023) - In June 2020, the IASB issued amendments to IFRS 17, including a deferral of its effective date to 1 January 2023.

5 Significant accounting policies

The significant accounting policies adopted by the Establishment are as follows:

Financial assets

The Establishment classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Establishment's accounting policy for each category is as follows:

Amortised cost

These assets arise principally from the provision of services to customers, but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition of issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for other financial assets are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those, where credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Lifetime expected credit losses represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contract, 12 month expected credit losses represent the portion of lifetime expected credit losses that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Establishment’s debt instruments at amortised cost comprise of other receivables (excluding prepayments) and due from related party that have fixed or determinable payments.

Fair value through other comprehensive income (FVTOCI)

These financial assets are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss. The Establishment does not have any investments or financial assets which are designated at fair value through other comprehensive income.

Fair value through profit or loss (FVTPL)

By default, all other financial assets not classified as amortised cost or FVTOCI are measured subsequently at fair value through profit or loss. These financial assets are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of profit or loss and other comprehensive income in the finance income or expense line. The Establishment does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

Financial liabilities

The Establishment classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Establishment's accounting policy for each category is as follows:

5 Significant accounting policies (*Continued)*

Financial liabilities (Continued)

Fair value through profit or loss

They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of profit or loss and other comprehensive income. The Establishment does not have any liabilities which is to be designated any financial liabilities as being at fair value through profit or loss.

Other financial liabilities

Other financial liabilities include accruals and other payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Provisions

Provisions are recognised when the Establishment has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

Contingent liabilities

Contingent liabilities are a possible obligation that arise from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Establishment, or a present obligation that arises from past events where it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be measured reliably. The Establishment does not recognise a contingent liability but discloses its existence in the financial statements.

Foreign currencies

Transaction entered into by the Establishment in a currency other than the currency of the primary economic environment in which it operates ("their functional currency") is recorded at the ruling rates when the transaction occurs. Foreign currency monetary assets and liabilities are translated at the rates prevailing at the reporting date. All gains and losses on exchange are taken to the statement of profit or loss and other comprehensive income.

Share capital

Financial instruments issued by the Establishment are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Establishment's ordinary shares are classified as equity instruments.

Commission Income

This is earned by the Establishment for the vendor management services provided to vendor when a product is sold on marketplace and is delivered to the end customer.

Shipping Income

This is earned by the Establishment for arranging delivery to customer's location of the product purchased on marketplace by the customer.

Related party expenses

These include freight outward, listing fees and payment gateway charges that are charged by the related party with a 10% mark up to the Establishment.

6 Critical accounting judgments and key sources of estimation uncertainty

In the application of the Establishment's accounting policies, which are described in Note 5, the management makes certain judgments, estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Assessment of key sources of estimation uncertainty due to COVID-19

The extent to which the coronavirus pandemic impacts the Establishment's business, operations and financial results is uncertain and depends on many factors and future developments, that the Establishment may not be able to estimate reliably at this point in time. These factors include the virus transmission, the duration of the outbreak, precautionary actions that may be taken by the government authorities to reduce the spread of the pandemic and the impact of those actions on economic activity, the business of the Establishment's customers and other factors.

The effect of COVID-19 on the Establishment's operations have been disclosed in Note 15 of these financial statements. The Establishment will continue to evaluate the nature and extent of the impact on its business and financial results.

The Establishment has reviewed the key sources of estimation uncertainties against the back-drop of COVID-19 pandemic. Management believes that all sources of estimation uncertainty remain unchanged from those described above. The Establishment will continue to monitor the situation, and any changes required will be reflected in future reporting periods.

7 Related party disclosures

Related parties include the Parent Establishment and any businesses which are controlled directly or indirectly by the Establishment or over which they exercise significant management influence. The balances due from such party, which have been disclosed separately in the financial statements, are unsecured, interest-free and are repayable on demand.

The significant related party transactions during the period are as follows:

	AED
Parent Establishment- FSN International Private Limited	
- Expenses	**96,586**

Related party balances are as under:

	AED
Receivables	
- Parent Establishment – FSN International Private Limited	**62,670**

8 Accruals and other payables

	AED
Accruals and other payables	**23,100**
	23,100

9 Share capital

	AED
Authorised, issued and unpaid up capital:	
150 shares of AED 1,000 each	**150,000**

10 Commission and shipping Income

	AED
Primary geographic markets	
United Arab Emirates (**Shipping income)**	**437**
United Arab Emirates (**Commission income)**	**4,619**

	AED
Time of transfer of goods	
Point in time	**5,056**

11 Expenses

	AED
Freight outward	**5,609**
Listing Fees	**793**
Payment Gateway Charges	**584**
Rent expense	**31,500**
Incorporation expense	**58,100**
Auditor's remuneration	**18,900**
	115,486

12 Financial instruments - risk management

Capital risk management

The capital is managed by the Establishment in a way that it is able to continue as a going concern while maximising returns to shareholder.

The capital structure of the Establishment consists of equity attributable to equity holder, comprising of authorised, issued and unpaid up capital, and retained earnings.

As a risk management policy, the Establishment reviews its cost of capital and risks associated with capital. The Establishment balances its capital structure based on the above review.

Market risk management

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as interest rates, foreign exchange rates, and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all financial assets traded in the market.

The Establishment is primarily exposed to the financial risks of changes in foreign currency exchange rates (currency risk).

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign currency risk management

The Establishment undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuation arise. The Establishment is mainly exposed to US Dollars (USD). But, as UAE Dirham (AED) is pegged to the US Dollar, the Establishment is not exposed to any significant exchange rate fluctuations.

Credit risk management

Credit risk is the risk of financial loss to the Establishment if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Establishment is potentially exposed to concentration of credit risk from its financial assets which comprise of trade receivables.

12 Financial instruments - risk management (Continued)

Liquidity risk management

Liquidity risk arises from the Establishment's management of working capital. It is the risk that an entity will encounter difficulty in meeting obligations associated with financial obligations as they fall due.

The Establishment has built an appropriate liquidity risk management framework for the management of its short, medium and long term funding and liquidity requirements. The Establishment manages liquidity risk by continuously monitoring forecast and actual cashflows.

Financial instruments by category

The carrying amounts for each class of financial instrument are listed below:

Financial assets	**AED**
Amortised cost	
- Due from related party	**62,670**
Financial liabilities	
Other financial liabilities	
- Accruals and other payables	**23,100**

Financial instruments not measured at fair value include trade receivables, other payables, and due to related party. Due to their short-term nature, the carrying value of other receivables, accruals and other payables, and due to related party approximates their fair value.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

At 31 March 2021	**Up to 12 months**	**Over 1 year**
	AED	**AED**
Accruals and other payables	**23,100**	-

13 Contingent liabilities

There were no material contingent liabilities as at the date of statement of financial position.

14 Impact of COVID-19

In light of the rapid spread of COVID-19, which was declared as a pandemic by World Health Organization ("WHO") during March 2020, various economies and sectors have faced significant disruptions due to global travel restrictions and total lockdown in most countries of the world, with negative implication on the global economy and social life. Given the scale of the outbreak, the Establishment has assessed the potential impacts of the outbreak on its operations due to the restrictions placed by various governments to curb or delay the spread of COVID-19. The Establishment has ensured to implement health and safety measures for its employees and customers. The Establishment does not expect that the outbreak will likely impact the operations. COVID-19 is considered an adjusting event and the impact has been considered in these financial statements.

15 Comparative figures

These are the first set of financial statements after commencement, and therefore, there are no comparative figures to disclose.