

INDEPENDENT AUDITOR'S REPORT

To the Members of Nykaa-KK Beauty Private Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Nykaa-KK Beauty Private Limited** ("the Company"), which comprise the balance sheet as at 31st March 2019, and the statement of Profit and Loss, and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 in the manner so required and give a true and fair view in conformity with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, Companies (Accounting Standards) Amendment Rules, 2016 and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, and its loss, and its cash flows for the period ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon.

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Board's report including Annexures to Board's report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with



the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of Management for Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

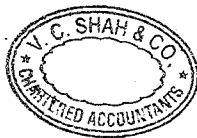
This report does not include a statement on the matters specified in paragraphs 3 and 4 of the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, Since in our opinion and according to the information and explanation given to us, the said order is not applicable to the Company.

As required by Section 143(3) of the Act, we report that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.



- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (e) On the basis of the written representations received from the directors as on 31st March, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With the Company being a Private Limited Company is eligible for the exemption from reporting on Internal Financial Controls Over Financial Reporting as required under Chapter X, Clause (i) of the sub section (3) of section 143 of the Companies Act as per the notification G.S.R 583(E) issued by MCA dated 13th June 2017. Hence reporting on Internal Financial Controls Over Financial Reporting is not required.
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company does not have any pending litigations which would impact its financial position.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.



Place: Mumbai
Date: 1st June, 2019

For V.C. Shah & Co.
Chartered Accountants
Firm Registration No. 109818W

A. N. Shah

A. N. Shah
Partner
Membership No. 42649

Nykaa-KK Beauty Private Limited

Balance Sheet	Note No.	As at March 31, 2019
I. EQUITY AND LIABILITIES		
1. Shareholders funds		
a. Share capital	3.1	1,00,00,000
b. Reserves and surplus	3.2	(4,86,576)
2. Current liabilities		
a. Short term borrowings	3.3	2,55,011
b. Trade payables		
i) Dues to MSME and;		-
ii) Dues to Other	3.4	1,56,560
b. Other current liabilities	3.5	7,843
c. Short term provisions	3.6	29,250
TOTAL		99,62,088
II. ASSETS		
1. Current assets		
a. Cash and cash equivalents	3.7	99,31,784
b. Other current assets	3.8	30,304
TOTAL		99,62,088
Significant Accounting Policies	2	

Notes form an integral part of these financials statements

1-3.27

As per our report attached

For V. C. Shah & Co.

Chartered Accountants

Firm Registration No: 109818W

A. N. Shah

A. N. Shah

Partner

Membership No: 42649

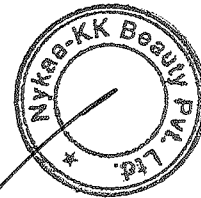


For and on behalf of Board of Directors

Reena Chhabra

Reena Chhabra
Director

DIN No. 03522080



Neha Kanoria

Neha Kanoria
Director

DIN No. 08179470

Place: Mumbai

Date: 01 JUN 2019

Nykaa-KK Beauty Private Limited

Statement of Profit and Loss	Note No.	For the period 13th July 2018 to 31st March 2019
I. Expenses:		
Finance costs	3.9	8,963
Other expenses	3.10	4,77,613
Total expenses		4,86,576
II. Profit / (Loss) before tax		(4,86,576)
III. Tax expense:		
Current tax		-
IV. Net Profit / (Loss) for the period		(4,86,576)
Earnings per equity share of Rs 10 each (in Rupees) :		
Basic (see Note 3.12)		(0.49)
Diluted		-
Significant Accounting Policies	2	

Notes form an integral part of these financials statements 1-3.27

As per our report attached
For V. C. Shah & Co.
 Chartered Accountants
 Firm Registration No: 109818W

A. N. Shah

A. N. Shah
 Partner
 Membership No: 42649



For and on behalf of Board of Directors

Reena Chhabra

Reena Chhabra
 Director
 DIN No. 03522080



Neha Kanoria

Neha Kanoria
 Director
 DIN No. 08179470

Place: Mumbai
 Date: 01 JUN 2019

Nykaa-KK Beauty Private Limited
Cash Flow Statement for the year ended on 31.03.2019

Particulars	For the period 13th July 2018 to 31st March 2019 Rs.
A CASH FLOW FROM OPERATING ACTIVITIES :	
Net Profit /(Loss) before tax:	(4,86,576)
Operating Profit(Loss) before working capital changes	(4,86,576)
(Increase)/decrease in other current assets	(30,304)
Increase / (decrease) in Other liabilities and provisions	1,93,653
Net Cash Generated from /(Used in) operating activities	(3,23,227)
B CASH FLOW FROM FINANCING ACTIVITIES :	
Increase / (decrease) in Share capital	1,00,00,000
Increase / (decrease) in Short term borrowings	2,55,011
Net cash Generated from /(Used in) financing activities	1,02,55,011
Net Increase/(decrease) in cash & cash equivalent	99,31,784
Cash & Cash Equivalent at the beginning of the Period	
Cash & Cash Equivalent at the end of period	99,31,784

Notes:

- 1 The above Cash Flow Statement has been prepared under the 'Indirect Method' set out in the Accounting Standard - 3, issued by the Institute of Chartered Accountants of India
- 2 The current Period, being the first period of Operations for the company, the previous year's figure are not applicable. The Financial statement are prepared from the date of Incorporation i.e. 13th July, 2018 to 31st March, 2019

Notes form an integral part of these financials statements

As per our report attached

For V. C. Shah & Co.

Chartered Accountants

Firm Registration No: 109818W

A. N. Shah

A. N. Shah

Partner

Membership No: 42649

Place: Mumbai

Date:

01 JUN 2019



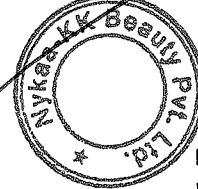
Reena Chhabra

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Director

DIN No. 03522080

For and on behalf of the Board



Neha Kanoria

Neha Kanoria

Director

DIN No. 08179470

Nykaa-KK Beauty Private Limited

Significant accounting policies and notes to accounts:

1 Background:

Nykaa-KK Beauty Private Limited ('the Company') was incorporated on 13th July 2018 having CIN:- U24290MH2018PTC311880 to carry on the business of selling of beauty, wellness, fitness, personal health care, skin care, hair care products and equipment's on / through e-commerce, m-commerce, internet, intranet, stores, stalls, etc.

2 Significant accounting policies:

2.1 Basis of preparation of financial statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 and as per further amendments and the relevant provisions of the Companies Act, 2013 ("the 2013 Act") / Companies Act, 1956 ("the 1956 Act"), as applicable. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

2.2 Use of estimates:

The preparation of financial statements requires the management to make estimates and assumptions in the reported amounts of assets and liabilities (including contingent liabilities) as at the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates.

2.3 Property, Plant and Equipment:

Property, Plant and Equipment are stated at cost less depreciation. Cost of Property, Plant and Equipment arrived after including therein attributable expenses for bringing the respective assets to working condition and reducing there from sales tax received / receivable, if any. Property, Plant and Equipment acquired upto Rs. 5,000 is directly debited to statement of Profit & Loss. Estimates and underlying assumptions are required on an ongoing basis. Any revision to accounting estimates is recognized prospectively in the current and future periods.

Depreciation on Property, Plant and Equipment has been provided on straight line method (SLM) as per the useful life prescribed in Schedule II to the Companies Act, 2013

Property, Plant and Equipment are inclusive of Leasehold improvements. Such Leasehold Improvements though included in Property, Plant and Equipment are depreciated over lower of the lease period or useful life prescribed in schedule II to the Companies Act 2013.

2.4 Intangible Assets-

Intangible assets acquired separately are measured on initial recognition cost. Intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development cost, are not capitalized and expenditure is reflected in the statement of profit and loss in the period in which the expenditure is incurred. Assets acquired upto Rs. 5,000 is directly debited to Statement of Profit & Loss.

Intangible assets are amortized over their estimated useful life. Software is amortized on straight line method over the useful life of 3 years.

2.5 Impairment of assets

The carrying amounts of assets are reviewed at each Balance Sheet date, for indication of impairment based on internal /external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets' net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to the present value at the weighted average cost of funds.

2.6 Inventories

Inventories are valued at lower of cost and net realizable value. Cost of inventories comprise all costs of purchase incurred in bringing the inventories to their present condition and location. Cost is determined by the FIFO basis method.

2.7 Revenue recognition

Sales are recorded net of trade discounts & rebates. Revenue from sale of products is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

Other Income: It is recognised on accrual basis.

2.8 Foreign currency transactions

Transactions in foreign currency are recorded at the rate of exchange prevailing on the date of transaction. Foreign currency monetary items are reported using closing rate of exchange at the end of the year. The resulting exchange gain/loss is reflected in the Statement of profit and loss. Other non-monetary items like fixed assets, investments in equity shares, are carried in terms of historical cost using the exchange rate at the date of transaction.

2.9 **Employment benefits:**

a) Defined contribution Plan - The Company makes defined contribution to the statutory provident fund at the prescribed rate which is recognized in the statement of profit and loss on accrual basis.

b) Defined Benefit Plan - Employee Benefits under Defined Benefit Plans in respect of gratuity are recognized based on the present value of defined benefit obligation, which is computed on the basis of actuarial valuation using the Projected Unit Credit method. Past services are recognised on a straight line basis over the average period until the benefits become vested. Actuarial gains and losses are recognised immediately in the Statement of Profit and Loss as Income or Expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to the market yields at the Balance Sheet date on Government Bonds where the currency and the terms of the Government Bonds are consistent with the currency and estimated terms of the defined benefit obligation.

2.10 **Borrowing Cost:**

General and specific borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed in the period in which they are incurred.

2.11 **Taxation**

Tax expense comprises of current and deferred tax. Provision for current tax is made on the basis of estimated taxable income for the current accounting year in accordance with the Income Tax Act, 1961.

The deferred tax for timing differences between the book and tax profits for the year is accounted for, using the tax rates and laws that have been substantively enacted as of the balance sheet date. Deferred tax assets arising from timing differences are recognized to the extent there is reasonable certainty that these would be realized in future.

In case of unabsorbed losses and unabsorbed depreciation, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profit.

2.12 **Lease**

Where the Company is Lessee:

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on a straight-line basis, over the lease term.

Where the Company is Lessor:

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease Income under operating leases are recognised in the Statement of Profit and Loss on a straight-line basis, over the lease term.

2.13 Contingent Liabilities & Provisions

Contingent Liabilities are possible but not probable obligations as on the balance sheet date, based on the available evidence. Provisions are recognized when there is a present obligation as a result of past event; and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on best estimate required to settle the obligation at the balance sheet date. Contingent assets are not recognised in the financial statements. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

2.14 Earnings Per Share

Basic and Diluted Earning per Share are calculated by dividing the net profit for the year attributable to equity shareholders by the weighted-average number of the equity shares outstanding during the period.

2.15 Cash & Cash Equivalents

In the Cash Flow statement, cash & cash equivalents include cash on hand, demand deposits with banks, other short-term highly liquid investments, if any, with original maturities of three months or less.

Nykaa-KK Beauty Private Limited

3 Notes to financial statements

3.1 Share Capital

Particulars	As at Mar 31, 2019
Authorised Capital	
1,000,000 Equity shares of Rs. 10 each	1,00,00,000
Issued, Subscribed & Paid up Capital	
1,000,000 Equity shares of Rs. 10 each, fully paid up	1,00,00,000
Total	1,00,00,000

The reconciliation of the number of shares outstanding and the amount of share capital

Particulars	As at Mar 31, 2019	
	No. of shares	Amount
Shares outstanding at the beginning of the Period	-	-
Shares issued during the period, fully paid up	10,00,000	1,00,00,000
Shares outstanding at the end of the Period	10,00,000	1,00,00,000

The details of shareholder holding more than 5% shares

Name of the shareholder	As at Mar 31, 2019	
	No. of shares	% held
FSN E-Commerce Ventures Pvt. Ltd.	5,10,000	51%
Katrina Kaif	4,15,000	42%
Matrix India Entertainment Consultants Pvt. Ltd.	75,000	8%

3.2 Reserve & Surplus

Particulars	As at Mar 31, 2019
Surplus / (Deficit) in the statement of profit and loss	
Balance at the beginning of the period	-
Net Profit/(Loss) for the period	(4,86,576)
Closing Balance	(4,86,576)
Total	(4,86,576)

3.3 Short Term Borrowings

Particulars	As at Mar 31, 2019
Loan from Related Parties:	
FSN Ecommerce Ventures Private Limited	2,55,011
Total	2,55,011

3.4 Trade Payables

Particulars	As at Mar 31, 2019
Trade Payables	
i) Due to MSME	
ii) Due to Others	1,56,560
Total	1,56,560

3.5 Other current liabilities		As at
Particulars		Mar 31, 2019
Statutory dues		7,843
Total		7,843
3.6 Short Term Provisions		As at
Particulars		Mar 31, 2019
Provision		
Provision for Audit Fees		29,250
		-
Total		29,250
3.7 Cash and cash equivalents		As at
Particulars		Mar 31, 2019
a)Cash on hand		-
b)Balance with Bank		
- Current accounts		99,31,784
Total		99,31,784
3.8 Other current assets		As at
Particulars		Mar 31, 2019
GST Input Credit		30,304
Total		30,304
3.9 Financial Cost		For the period ended
Particulars		31st Mar 2019
Interest expense		5,944
Bank charges		3,019
Total		8,963
3.10 Other Expenses		For the period ended
Particulars		31st Mar 2019
Printing & Stationery		10,000
Rates & Taxes		38,187
ROC Charges		2,23,066
Legal and Professional Fees		1,73,860
Auditors remuneration :		
Audit fees		25,000
Taxation Matters		7,500
Total		4,77,613

3.11 Related party disclosure**I. Holding Company**

FSN E Commerce Ventures Private Limited

II. Fellow Subsidiary Company

- a) FSN Brands Marketing Private Limited
- b) Nykaa E-Retail Private Limited
- c) Nykaa Fashion Private Limited

II. Names of the related parties where transactions have taken place during the year

The following provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

Sr. No.	Name of the related party	Nature of relationship	Nature of transactions	Volume of transactions during the year		Outstanding balance debit / (credit)
				As at Mar 31, 2019		
1	FSN E Commerce Ventures Private Limited	Holding Company	(i) Loan taken	2,49,067	(2,49,067)	
			(ii) Interest Expenses	5,944	(5,944)	

3.12 Earnings per share

The computation of earnings per share is set out below:

Particulars	Year ended March 31, 2019
a) Shareholders (loss) / earnings as per statement of profit and loss	(4,86,576)
b) Calculation of weighted average number of equity shares of Rs 10 each:	
- Number of shares issued during the Period	10,00,000
Total number of equity shares outstanding at the end of the Period	10,00,000
Weighted average number of equity shares outstanding during the Period	40,378
c) Basic EPS of face value of Rs 10 each (Rs)	(0.49)

3.13 Micro, Small and Medium Enterprises

The MSME information has been determined to the extent such parties have been identified on the basis of information available with the company and the same has been relied upon by the auditors.

3.14 Contingent liabilities - NIL

3.15 The current Period, being the first period of Operations for the company, the previous year's figure are not applicable. The Financial statement are prepared from the date of Incorporation i.e. 13th July, 2018 to 31st March, 2019

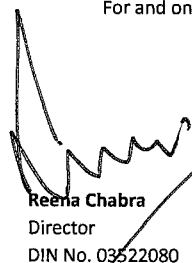
As per our report attached
For V. C. Shah & Co.
 Chartered Accountants
 Firm Registration No: 109818W

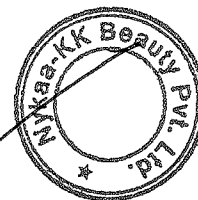


A. N. Shah
 Partner
 Membership No: 42649
 Place: Mumbai
 Date:



For and on behalf of Board of Directors


Reena Chabra
 Director
 DIN No. 03522080




Neha Kanoria
 Director
 DIN No. 08179470

01 JUN 2019