

HONASA CONSUMER GENERAL TRADING L.L.C

Financial Statements

31 March 2024

HONASA CONSUMER GENERAL TRADING L.L.C

Financial Statements *31 March 2024*

| <u>CONTENTS</u> | <u>PAGES</u> |
|--|---------------------|
| Manager's Report | 1 |
| Independent Auditor's Report | 2 – 4 |
| Statement of Financial Position | 5 |
| Statement of Profit or Loss and Other Comprehensive Income | 6 |
| Statement of Changes in Equity | 7 |
| Statement of Cash Flows | 8 |
| Notes to the Financial Statements | 9 – 17 |

HONASA CONSUMER GENERAL TRADING L.L.C
Manager's Report

The Manager submits his report, together with the audited financial statements of **HONASA CONSUMER GENERAL TRADING L.L.C** (the "company"), for the year ended 31 March 2024.

Results and appropriations

The results of the company and the appropriations made for the year ended 31 March 2024 are set out on pages 6 and 7 of the financial statements.

In my opinion, the financial statements set out on pages 5 to 17 are drawn up so as to give a true and fair view of the financial position of the company as at 31 March 2024 and the financial performance, changes in equity and cash flows of the company for the year then ended in accordance with the International Financial Reporting Standards and in compliance with the applicable provisions of the U.A.E. Federal Law No. 32 of 2021.

At the date of the statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

Review of the business

The company has carried out the activity of trading of hair products to a customer based in United Arab Emirates (U.A.E.) during the year.

The company has also rendered support services to the parent shareholder company comprising marketing activities, study of local market and identification of customers during the year.

Events since the end of the year

There were no important events which have occurred since the year-end that materially affect the company.

Shareholder and its interest

The shareholder at 31 March 2024 and its interest as at that date in the share capital of the company was as under:

| | <i>Country of incorporation</i> | <i>No. of shares</i> | <i>AED</i> |
|-------------------------|-------------------------------------|----------------------|----------------|
| Honasa Consumer Limited | India | <u>1000</u> | <u>100,000</u> |

Independent auditor

A resolution to re-appoint the auditor and fix the remuneration will be put to the shareholder at the annual general meeting.


 Mr. Ramanpreet Singh Sohi
MANAGER



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF HONASA CONSUMER GENERAL TRADING L.L.C

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HONASA CONSUMER GENERAL TRADING L.L.C** (the "company"), which comprise the statement of financial position as at 31 March 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and, statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the company as at 31 March 2024, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA" Code) together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Those Charged With Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs and the U.A.E. Federal Law No. 32 of 2021 and for such internal control as management determines is necessary to enable the preparation of financial statements that 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.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statement

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 ISAs 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF HONASA CONSUMER GENERAL TRADING L.L.C

Auditor's Responsibilities for the Audit of the Financial Statement (cont'd)

As part of an audit in accordance with ISAs, 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 control relevant to the audit 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 company's internal control.
- 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.

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.

Report on Other Legal and Regulatory Requirements

Further, as required by the U.A.E. Federal Law No. 32 of 2021, we report that for the year ended 31 March 2024:

- 1) We have obtained all the information we considered necessary for the purpose of our audit;
- 2) The financial statements have been prepared and comply, in all material respects, with applicable provisions of the U.A.E. Federal Law No. 32 of 2021;
- 3) The company has maintained proper books of accounts;
- 4) The financial information included in the Manager's report is consistent with the books of accounts of the company;

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF
HONASA CONSUMER GENERAL TRADING L.L.C**

Report on Other Legal and Regulatory Requirements (cont'd)

- 5) As stated in Note 1 to the financial statements , the company has not invested in shares during the financial year ended 31 March 2024;
- 6) Note 15 to the financial statements discloses material related party transactions and the terms under which they were conducted; and
- 7) Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the company has contravened during the year ended 31 March 2024 any of the applicable provisions of the U.A.E. Federal Law No. 32 of 2021 or in respect of the company, its Articles of Association which would materially affect its activities or its financial position as at 31 March 2024.

Brijesh J. Shah .

Signed by:

Brijesh J. Shah

Partner

Registration No. 764

Shah & Alshamali Associates Chartered Accountants

20 May 2024

Dubai, United Arab Emirates



HONASA CONSUMER GENERAL TRADING L.L.C

Statement of Financial Position
as at 31 March 2024

| | <i>Notes</i> | <i>2024</i> <u>AED</u> | <i>2023</i> <u>AED</u> |
|--------------------------------------|--------------|---------------------------|---------------------------|
| ASSETS | | | |
| Current assets | | | |
| Contract assets | 5 & 15 | 1,732,128 | - |
| Other receivables | 6 | 6,770 | 78,568 |
| Bank balance | 7 | <u>711,791</u> | <u>968,232</u> |
| | | <u>2,450,689</u> | <u>1,046,800</u> |
| Total assets | | <u>2,450,689</u> | <u>1,046,800</u> |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 8 | 100,000 | 100,000 |
| Statutory reserve | 9 | 2,919 | - |
| Accumulated losses | | <u>(340,303)</u> | <u>(395,768)</u> |
| Equity deficit | | <u>(237,384)</u> | <u>(295,768)</u> |
| Liabilities | | | |
| Non-current liabilities | | | |
| Staff end of service gratuity | | 12,600 | - |
| Loan from parent shareholder company | 10 | <u>1,102,500</u> | - |
| | | <u>1,115,100</u> | - |
| Current liabilities | | | |
| Loan from parent shareholder company | 10 | - | 1,118,475 |
| Due to parent shareholder company | 11 | 1,157,632 | 59,650 |
| Staff payable | | 326,520 | 108,344 |
| Accruals and other payables | 12 | <u>88,821</u> | <u>56,099</u> |
| | | <u>1,572,973</u> | <u>1,342,568</u> |
| Total liabilities | | <u>2,688,073</u> | <u>1,342,568</u> |
| Total equity and liabilities | | <u>2,450,689</u> | <u>1,046,800</u> |

The notes on pages 9 to 17 form an integral part of these financial statements.


 Mr. Ramapreet Singh Sohi
MANAGER



HONASA CONSUMER GENERAL TRADING L.L.C

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 March 2024

| | <i>Notes</i> | <i>Year ended 31 March 2024 AED</i> | <i>10 months period ended 31 March 2023 AED</i> |
|--|--------------|---|---|
| Revenue from contracts with customers | 13 | <u>2,787,982</u> | <u>-</u> |
| Expenditure | | | |
| Cost of sales | | (65,257) | - |
| Rent | | (72,000) | (57,000) |
| Staff salaries and benefits | 14 | (2,218,574) | (190,943) |
| Other administrative expenses | | (293,810) | (95,395) |
| Foreign exchange gain/(loss) | 10 | 15,975 | (42,280) |
| Finance costs | 10 & 15 | <u>(95,932)</u> | <u>(10,150)</u> |
| Total expenditure | | <u>(2,729,598)</u> | <u>(395,768)</u> |
| Profit/(loss) for the year/period | | 58,384 | (395,768) |
| Other comprehensive income / (loss) for the year/period | | <u>-</u> | <u>-</u> |
| Total comprehensive income/(loss) for the year/period | | <u>58,384</u> | <u>(395,768)</u> |

The notes on pages 9 to 17 form an integral part of these financial statements.

HONASA CONSUMER GENERAL TRADING L.L.C

Statement of Changes in Equity
for the year ended 31 March 2024

| | <i>Share capital AED</i> | <i>Statutory reserve AED</i> | <i>Accumulated losses AED</i> | <i>Total AED</i> |
|-------------------------------|----------------------------------|--------------------------------------|---------------------------------------|-------------------------|
| Contributed during the period | 100,000 | - | - | 100,000 |
| Loss for the period | <u>-</u> | <u>-</u> | <u>(395,768)</u> | <u>(395,768)</u> |
| As at 31 March 2023 | 100,000 | - | (395,768) | (295,768) |
| Profit for the year | - | - | 58,384 | 58,384 |
| Transfer to statutory reserve | <u>-</u> | <u>2,919</u> | <u>(2,919)</u> | <u>-</u> |
| As at 31 March 2024 | <u>100,000</u> | <u>2,919</u> | <u>(340,303)</u> | <u>(237,384)</u> |

The notes on pages 9 to 17 form an integral part of these financial statements.

HONASA CONSUMER GENERAL TRADING L.L.C

Statement of Cash Flows
for the year ended 31 March 2024

| | <i>Notes</i> | <i>Year ended 31 March 2024 AED</i> | <i>10 months period ended 31 March 2023 AED</i> |
|---|--------------|---|---|
| <u>Cash flows from operating activities</u> | | | |
| Profit/(loss) for the year/period | | 58,384 | (395,768) |
| Adjustments for: | | | |
| Provision for staff end of service gratuity | | 12,600 | - |
| Foreign exchange (gain)/loss | 10 | (15,975) | 42,280 |
| Finance costs | 10&15 | <u>95,932</u> | <u>10,150</u> |
| Operating profit/(loss) before working capital changes | | 150,941 | (343,338) |
| (Increase)/decrease in contract assets | | (574,496) | - |
| (Increase)/decrease in other receivables | | 71,798 | (78,568) |
| Increase/(decrease) in staff payable | | 218,176 | - |
| Increase/(decrease) in accruals and other payables | | <u>32,722</u> | <u>164,443</u> |
| Net cash from / (used in) operating activities | | <u>(100,859)</u> | <u>(257,463)</u> |
| <u>Cash flows from financing activities</u> | | | |
| Share capital introduced by shareholder | | - | 100,000 |
| Finance costs paid | 10 | (95,932) | (10,150) |
| Loan received from/(repaid to) parent shareholder company | 10 | - | 1,076,195 |
| Funds received from/(repaid to) parent shareholder company | 11 | <u>(59,650)</u> | <u>59,650</u> |
| Net cash from / (used in) financing activities | | <u>(155,582)</u> | <u>1,225,695</u> |
| Net increase/(decrease) in bank balance | | (256,441) | 968,232 |
| Bank balance at the beginning of the year/period | | <u>968,232</u> | - |
| Bank balance at the end of the year/period | 7 | <u>711,791</u> | <u>968,232</u> |

The notes on pages 9 to 17 form an integral part of these financial statements.

HONASA CONSUMER GENERAL TRADING L.L.C**Notes to the Financial Statements
for the year ended 31 March 2024****1. Legal status and activities**

HONASA CONSUMER GENERAL TRADING L.L.C (the “company”) is a limited liability company incorporated on 23 June 2022 in the Emirate of Dubai in accordance with the provisions of The Federal Law No. 32 of 2021, concerning Commercial Companies. The registered address of the company is 08-1403, Trade Centre-1, Bur Dubai, P.O. Box 231400, Dubai, United Arab Emirates (U.A.E.).

The parent shareholder company is Honasa Consumer Limited, India.

The company is operating under commercial license no. 1073972 with general trading as its license activity.

The company has also rendered support services to the parent shareholder company comprising marketing activities, study of local market and identification of customers during the year.

The company has not purchased or invested in any shares during the financial year/period ended 31 March 2024 and 2023.

2. Basis of preparation*Going concern*

As at 31 March 2024, the company has accumulated losses amounting to AED 340,303 as of the above date and has equity deficit of AED 237,384.

However, the accompanying financial statements have been prepared on the basis that the company will continue as a going concern. The continuation of the company as a going concern is dependent upon the parent shareholder company continuing to provide necessary financial support to meet with its obligations as and when they fall due and the company generating sufficient cash flows and operating profit in the ensuing years.

Statement of compliance

The financial statements have been prepared under accrual basis of accounting in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the applicable requirements of the U.A.E. Federal Decree Law No. 32 of 2021.

Basis of measurement

The financial statements are prepared on the historical cost basis.

Functional and presentation currency

The financial statements are presented in U.A.E. Dirhams (AED), being the functional and presentation currency of the company.

Use of estimates and judgments

The preparation of the financial statements requires management to make estimates and assumptions that may affect the reported amount of financial assets and liabilities, revenue, expenses, disclosure of contingent liabilities and the resultant provisions and fair values. Such estimates are necessarily based on assumptions about the several factors and actual results may differ from reported amounts.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed in note 4.

HONASA CONSUMER GENERAL TRADING L.L.C**Notes to the Financial Statements**
*for the year ended 31 March 2024***Basis of preparation (cont'd)*****Application of new and revised International Financial Reporting Standards (IFRSs)****New and amended standards adopted by the company*

The company has applied the following standards and amendments for the first time for its annual reporting period commencing 01 April 2023:

- Definition of Accounting Estimates – amendments to IAS 8
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

The above stated new standards and amendments are not expected to have any significant impact on financial statements of the company.

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued but are not effective for the first time for the company's financial period beginning 01 April 2023 that would be expected to have a material impact on the financial information of the company.

3. Material accounting policy information

The accounting policies applied, which are consistent with those of the previous period except for new standards and amendments effective on 01 April 2023, in dealing with items that are considered material in relation to the financial statements are as follows:

Current versus non-current classification

The company presents assets and liabilities in the statement of financial position based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The company classifies all other liabilities as non-current.

Financial instruments

Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights to receive cash flows expire or when substantially all the risks and rewards of ownership have been transferred. Financial liabilities are derecognized when they are extinguished, cancelled or expired.

HONASA CONSUMER GENERAL TRADING L.L.C

Notes to the Financial Statements for the year ended 31 March 2024

Material accounting policy information (cont'd)

Financial instruments (cont'd)

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss on the basis of the company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The company financial assets comprise financial assets measured at amortized cost comprising contract assets, deposit and bank balance.

Contract assets

The company accounts the cost of services provided on the basis of actual costs incurred which are invoiced to the clients, as per the terms of individual contracts. When costs are incurred but invoices cannot be raised till the next billing cycle, proportionate revenue is recognized as the revenue for the year and taken to the statement of profit or loss and other comprehensive income with the corresponding receivables being shown as contract assets.

Bank balance

Bank balance in current account that is readily convertible to known amount of cash and which is subject to an insignificant risk of changes in value.

Financial liabilities

The company's financial liabilities include accruals and other payables, loan from parent shareholder company and due to parent shareholder company.

Accruals and other payables

Liabilities are recognized for amounts to be paid in the future for services received, whether invoiced or not.

Staff end of service gratuity

Provision for end of service gratuity is based upon the employees' basic salary and length of service which is equal to the benefits payable in accordance with U.A.E. Labor Law, for their period of service up to the end of the reporting period. The provision to end of service gratuity is disclosed as a non-current liability.

Value Added Tax (VAT)

Expenses and assets are recognized net of the amount of VAT except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the Federal Tax Authority (FTA), in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the FTA is included as part of receivables or payables in the statement of financial position.

Revenue recognition

The company recognizes revenue from contracts with customers based on the five-step model set out in IFRS 15:

Step 1: Identify the contract(s) with the customer

Step 2: Identify the performance obligation in the contract

HONASA CONSUMER GENERAL TRADING L.L.C**Notes to the Financial Statements**
*for the year ended 31 March 2024***Material accounting policy information (cont'd)****Revenue recognition (cont'd)**

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the company satisfies a performance obligation

The company satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the company's performance as and when the company performs; or
- The company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The company's performance does not create an asset with an alternative use to the company and the company has an enforceable right to payment for performance completed to date.

For performance obligations where none of the above conditions are met, revenue is recognized at the point in time at which performance obligation is satisfied.

Sale of goods

Revenue from sale of goods is recognized at the point in time when control on such goods is transferred to the customer, generally, when the goods are delivered and have been accepted by the customer and collectability of the related receivable is reasonably assured.

Service revenue

Revenue from services provided are recognized as per the terms of arrangement with the client and upon completion of obligation.

Foreign currency transactions

Transactions in foreign currencies are converted into U.A.E. Dirhams at the rate of exchange ruling as on date of transaction. Assets and liabilities expressed in foreign currencies are translated into U.A.E. Dirhams at the rate of exchange ruling at the date of statement of financial position. Resulting gain or loss is taken to the statement of profit or loss and other comprehensive income.

Corporate Income Tax

On 9 December 2022, the U.A.E. Ministry of Finance released the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the Law) to enact a Federal Corporate Tax (CT) regime in the U.A.E. The same law refers to a set of Cabinet/Ministerial decisions that will be released subsequently to clarify various aspects. The CT regime will become effective for accounting periods beginning on or after 1 June 2023. Generally, U.A.E. business will be subject to a 9% CT rate, however a rate 0% will be applied to taxable income not exceeding AED 375,000 or to certain types of entities, as prescribed by the way of a Cabinet Decision.

As the company's accounting year ends on 31 March, accordingly the effective implementation date for the company will start from 1 April 2024 to 31 March 2025, with the first return to be filed on or before 31 December 2025. The company is currently assessing the impact of these laws and regulations and will apply the requirements as they come into effect.

HONASA CONSUMER GENERAL TRADING L.L.C

Notes to the Financial Statements
for the year ended 31 March 2024**4. Significant judgment employed in applying accounting policies and key sources of estimation uncertainties****4.1 Significant judgment employed**

The significant judgment made in applying accounting policies that has most significant effect on the amounts recognized in the financial statements is as under:

Impairment of financial assets

The loss allowance for financial assets are based on assumptions about risk of default and expected credit loss rates. The company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the company's past history, existing market conditions as well as forward-looking estimates at the end of each reporting year. Any difference between the amounts actually collected in the future period and the amounts expected, will be recognized in the company's statement of profit or loss in that period.

4.2 Key sources of estimation uncertainty

Key assumption made concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is as under:

Staff end of service gratuity

The company computes provision for the liability to staff end of service gratuity assuming that all employees were to leave as of the reporting date. The management is of the opinion that no significant difference would have arisen had the liability been calculated on an actuarial basis as salary inflation and discount rates are likely to have approximately equal and opposite effects.

5. Contract assets

This represents revenue recognized to date but has not been invoiced to the parent shareholder company as at financial year end and is transferred to accounts receivable at the point when it is invoiced to the parent shareholder company and includes recharged of AED 1,157,632 on account of share based compensation granted to the employee of the company by the parent shareholder company.

| | <u>2024</u> | <u>2023</u> |
|---|-----------------------|-----------------------|
| | <u>AED</u> | <u>AED</u> |
| 6. Other receivables | | |
| Security deposit | 3,000 | 3,000 |
| Advance to a supplier | - | 72,526 |
| VAT receivable | <u>3,770</u> | <u>3,042</u> |
| | <u>6,770</u> | <u>78,568</u> |
| 7. Bank balance | | |
| This represents balance in current account with a bank. | | |
| 8. Share capital | | |
| Authorized, issued and paid up: | | |
| 1000 shares of AED 100 each | <u>100,000</u> | <u>100,000</u> |

9. Statutory reserve

Statutory reserve is created by allocating 5% of the net profit of the company as required by U.A.E. Federal Law No. 32 of 2021 ("Companies Law"), concerning Commercial Companies in the U.A.E. The company can discontinue such annual transfers when this reserve totals 50% of the paid-up share capital. The reserve is not available for distribution, except as provided in the Federal Law.

HONASA CONSUMER GENERAL TRADING L.L.C

Notes to the Financial Statements
for the year ended 31 March 2024

10. Loan from parent shareholder company

This represents unsecured 8.60% interest-bearing loan, payable monthly, from the parent shareholder company to meet with the working capital requirements of the company. The loan amount is initially repayable within a period of one (1) year. During the year, the company extended the repayment tenure of the loan for another two (2) years to be repayable on 19th January 2026 as mutually decided by the parties. In view of the same, this is reclassified as non-current liability.

Movements in the loan from the parent shareholder company and interest payable accounts were as follows:

| | <i>2024</i> | <i>2023</i> |
|---|-------------------------|-------------------------|
| | <u>AED</u> | <u>AED</u> |
| Loan from the parent shareholder company | | |
| Opening balance | 1,118,475 | - |
| Funds received/(repaid) – net | - | 1,076,195 |
| Foreign exchange (gain)/loss | <u>(15,975)</u> | <u>42,280</u> |
| Closing balance | <u>1,102,500</u> | <u>1,118,475</u> |
| Interest payable | | |
| Opening balance | - | - |
| Interest charge for the year/period | 95,932 | 10,150 |
| Repaid during the year/period | <u>(95,932)</u> | <u>(10,150)</u> |
| Closing balance | <u>-</u> | <u>-</u> |
| | <u>1,102,500</u> | <u>1,118,475</u> |

11. Due to parent shareholder company

This represents amount payable to the parent shareholder company on account of share based compensation granted to the employee of the company by the parent shareholder company amounting to AED 1,157,632 and will be exercised at the parent shareholder company (*refer Note 15*).

| | <i>2024</i> | <i>2023</i> |
|--|-------------------------|----------------------|
| | <u>AED</u> | <u>AED</u> |
| 12. Accruals and other payables | | |
| Royalty payable (<i>Note 15</i>) | 5,579 | - |
| Other payables | - | 49,761 |
| Accruals | <u>83,242</u> | <u>6,338</u> |
| | <u>88,821</u> | <u>56,099</u> |
| | <i>Year ended</i> | <i>10 months</i> |
| | <i>31 March</i> | <i>period ended</i> |
| | <i>2024</i> | <i>31 March</i> |
| | <u>AED</u> | <u>AED</u> |
| 13. Revenue from contracts with customers | | |
| Sales | 223,148 | - |
| Business support services# | <u>2,564,834</u> | <u>-</u> |
| | <u>2,787,982</u> | <u>-</u> |

#This represents revenue earned from the parent shareholder company for the business support services provided during the year as per the terms of an agreement with the parent shareholder company.

HONASA CONSUMER GENERAL TRADING L.L.C

Notes to the Financial Statements
for the year ended 31 March 2024

14. Staff salaries and benefits

This includes share based compensation expense of AED 1,157,632 (*previous year: AED Nil*) for the exercise of employee stock option granted to the employee of the company by the parent shareholder company.

15. Related party transactions and balances

The company enters into transactions with parties that fall within the definition of a related party as contained in International Accounting Standard-24: *Related Party Disclosures*. Transactions between the company and its related parties are made on terms equivalent to those that prevail in arm's length transactions.

Related parties are the parent shareholder company and key management personnel as under:

Parent shareholder company

Honasa Consumer Limited, India

Key management personnel

Ramanpreet Singh Sohi – *Manager*

Varun Alagh – *Manager*

As at the date of statement of financial position, balances and significant transactions during the year/period with related parties were as follows:

| | <i>Parent shareholder company AED Dr/(Cr)</i> | <i>2024 Total AED Dr/(Cr)</i> | <i>2023 Total AED Dr/(Cr)</i> |
|--|---|---|---|
| <u>Balances:</u> | | | |
| Contract assets | 1,732,128 | 1,732,128 | - |
| Loan from the parent shareholder company | (1,102,500) | (1,102,500) | (1,118,475) |
| Due to the parent shareholder company | (1,157,632) | (1,157,632) | (59,650) |
| Royalty payable | (5,579) | (5,579) | - |
| | | <i>Year ended 31 March 2024 Total AED Dr/(Cr)</i> | <i>10 months period ended 31 March 2023 Total AED Dr/(Cr)</i> |
| <u>Transactions:</u> | | | |
| Business support services [^] | (2,564,834) | (2,564,834) | - |
| Royalty expense | 5,579 | 5,579 | - |
| Finance costs | 95,932 | 95,932 | 10,150 |

[^] This includes recharged of share based compensation expense of AED 1,157,632 (*previous year: AED Nil*) granted to the employee of the company by the parent shareholder company.

Amounts due to related parties are disclosed in notes 10, 11 and 12 to the financial statements.

HONASA CONSUMER GENERAL TRADING L.L.C

Notes to the Financial Statements
for the year ended 31 March 2024

16. Capital risk management

The company manages its capital to ensure that the company will be able to continue as a going concern while maximizing the return to the shareholder through optimization of the debt and equity balance. The capital structure of the company comprises net debt and equity (comprising share capital, statutory reserve and accumulated losses).

17. Financial instruments: Credit, liquidity and market risk exposure

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial assets, which potentially expose the company to concentrations of credit risk comprise principally of bank balance in current account. The company's bank balance in a current account is placed with a high credit quality financial institution.

The company maintains procedures to minimize the risk of default by customers. Outstanding accounts receivable and amounts to be billed are regularly monitored. There are no significant concentrations of credit risk from receivables inside and outside the industry in which the company operates.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet financial obligations as they fall due. The liquidity requirements are monitored on a regular basis by the parent shareholder company and the management who ensure that sufficient funds are made available to the company to meet any future commitments.

Market risk

Market risk is a risk that changes in market prices, such as interest rate risk and currency risk, will affect the company's income or the value of its holdings of financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Loan from parent shareholder company is at fixed rate of interest.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Except for below, there is no significant currency risk as substantially all financial assets and financial liabilities are denominated in U.A.E. Dirhams or US Dollars to which the U.A.E. Dirham rate is fixed.

| | <i>2024</i> <i>Equivalent</i> <i>AED</i> | <i>2023</i> <i>Equivalent</i> <i>AED</i> |
|--|--|--|
| Foreign currency financial liability: | | |
| <i>Loan from parent shareholder company</i> | | |
| Indian Rupee (INR) | 1,102,500 | 1,118,475 |

HONASA CONSUMER GENERAL TRADING L.L.C

Notes to the Financial Statements
for the year ended 31 March 2024

18. Financial instruments: Fair values

The fair values of the company's financial assets, comprising, contract assets, deposit and bank balance and financial liabilities, comprising, accruals and other payables, loan from parent shareholder company and due to parent shareholder company, are approximate to their carrying values.

19. Contingent liabilities and capital commitments

There were no contingent liabilities and capital commitments outstanding at the date of statement of financial position.

20. Comparative figures

Previous period's figures have been regrouped/reclassified wherever necessary to conform to the presentation adopted in the current year. Such reclassifications do not affect the previously reported loss, net assets or equity of the company.

Previous period's figures are for 10 months and hence not comparable with those of current year.

21. Approval of the financial statements

To the best of the knowledge of the management and those charge with governance, the financial statements fairly present, in all material respects, the financial position, financial performance and cash flows of the company as of, and for the year ended 31 March 2024. The financial statements were approved by the board of directors and authorized Mr. Ramanpreet Singh Sohi to sign on behalf of the board on 20 May 2024.