

NATURELLE LLC

Financial statements and reports
Year ended 31 March 2022

NATURELLE LLC

Financial statements and reports Year ended 31 March 2022

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NATURELLE LLC

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 MARCH 2022

The director submits his report and financial statements for the year ended 31 March 2022. I approve the financial statements and confirm that I am responsible for these, including selecting the accounting policies and making the judgments underlying them. I confirm that I have made available all relevant accounting records and information for their compilation.

Results and dividends

The profit for the year amounted to AED 7,512,625. No dividend has been paid for the year ended 31 March 2022.

Review of the business

The Company's principal activity during the year was manufacturing, import, export, warehousing and distribution of beauty care and health care products.

Legal and regulatory requirements

The Company has complied with the applicable provisions of the UAE Federal Law No. (2) of 2015.

Events since the end of the year

There are no significant events since the end of the year.

Shareholders and their interests

The shareholders at 31 March 2022 and their interests as at that date in the share capital of the Company were as follows:

Name	No. of shares	AED
Shuraa Management & Consultancy LLC	1,836	1,836,000
Dabur International Limited	1,764	1,764,000
	<u>3,600</u>	<u>3,600,000</u>

Independent auditor

PKF were appointed as independent auditor for the year ended 31 March 2022 and it is proposed that they be re-appointed for the year ending 31 March 2023.



Director
14 April 2022

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of **NATURELLE LLC**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **NATURELLE LLC** (the "Company"), which comprise the statement of financial position as at 31 March 2022, 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 a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2022, and of its financial performance and its cash flows for the year then ended in accordance with 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 UAE, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises the Director's report as required by the UAE Federal Law No. (2) of 2015, which we obtained prior to the date of this auditor's report. The other information 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 on the other information that we obtained prior to the date of this auditor's report, we concluded that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

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INDEPENDENT AUDITOR'S REPORT
(continued)

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and for their compliance with the applicable provisions of the UAE Federal Law No.2 of 2015, 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 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 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.

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.

continued ...

INDEPENDENT AUDITOR'S REPORT
(continued)

- 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 gives a true and fair view.

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

As required by the UAE Federal Law No. (2) of 2015, we report that:

- i) we have obtained all the information we considered necessary for the purpose of our audit;
- ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- iii) the Company has maintained proper books of account;
- iv) the financial information included in the Director's report is consistent with the books of account of the Company;
- v) the Company has not purchased or invested in any shares during the financial year ended 31 March 2022;
- vi) note 10 to these financial statements reflects material related party transactions and balances, and the terms under which they are conducted;
- vii) the Company has not made any social contribution during the financial year ended 31 March 2022; and
- viii) 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 financial year ended 31 March 2022 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Memorandum and Articles of Association which would materially affect its activities or its financial position as at 31 March 2022, and there are no penalties imposed on the Company.

For PKF



S. D. Pereira

Partner

Registration No. 552

Dubai, United Arab Emirates

21 April 2022

NATURELLE LLC

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

	Notes	2022 AED	2021 AED
ASSETS			
Non-current assets			
Property, plant and equipment	6	<u>89,634,255</u>	93,094,803
Current assets			
Inventories	7	61,486,413	64,254,284
Trade and other receivables	8	4,200,689	3,725,667
Other current assets	9	5,730,958	3,561,243
Due from a related party	10	3,258	80,900
Cash and cash equivalents	11	987,654	254,258
		<u>72,408,972</u>	71,876,352
Total assets		<u>162,043,227</u>	<u>164,971,155</u>
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	12	3,600,000	3,600,000
Statutory reserve		1,800,000	1,800,000
Retained earnings		28,218,984	20,706,359
Equity funds		<u>33,618,984</u>	26,106,359
Loan from parent company	13	46,612,361	59,122,361
Total shareholders' funds		<u>80,231,345</u>	<u>85,228,720</u>
Non-current liabilities			
Lease liabilities	14	25,031,413	27,846,930
Provision for staff end-of-service benefits	15	3,547,869	3,340,195
		<u>28,579,282</u>	31,187,125
Current liabilities			
Short-term borrowings	16	584,778	2,327,145
Trade and other payables	17	49,546,196	44,010,152
Lease liabilities	14	1,466,698	--
Other current liabilities	18	1,634,928	2,218,013
		<u>53,232,600</u>	48,555,310
Total liabilities		<u>81,811,882</u>	<u>79,742,435</u>
Total equity and liabilities		<u>162,043,227</u>	<u>164,971,155</u>

The accompanying notes form an integral part of these financial statements.

The report of the independent auditor is set forth on pages 2 to 4.

Authorised for issue by the Board of Directors on 14 April 2022 and signed on their behalf by Mr. Krishan Kumar Chutani.

For **NATURELLE LLC**



Mr. Krishan Kumar Chutani

NATURELLE LLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 AED	2021 AED
Revenue	20	287,921,132	242,793,600
Direct costs	21	(241,196,993)	(198,336,997)
Gross profit		46,724,139	44,456,603
Other income	22	1,741,711	1,716,970
Selling and distribution expenses	23	(12,753,589)	(10,184,158)
Administrative expenses	24	(24,254,323)	(24,266,521)
Finance costs	26	(3,945,313)	(4,414,907)
PROFIT FOR THE YEAR		7,512,625	7,307,987
Other comprehensive income:			
Other comprehensive income for the year		--	--
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		7,512,625	7,307,987

The accompanying notes form an integral part of these financial statements.
The report of the independent auditor is set forth on pages 2 to 4.

NATURELLE LLC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

	Share capital AED	Statutory reserve AED	Retained earnings AED	Total AED
Balance at 1 April 2020	3,600,000	1,800,000	13,398,372	18,798,372
Total comprehensive income for the year	--	--	7,307,987	7,307,987
Balance at 31 March 2021	3,600,000	1,800,000	20,706,359	26,106,359
Total comprehensive income for the year	--	--	7,512,625	7,512,625
Balance at 31 March 2022	3,600,000	1,800,000	28,218,984	33,618,984

The accompanying notes form an integral part of these financial statements.

The report of the independent auditor is set forth on pages 2 to 4.

NATURELLE LLC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2022

	2022 AED	2021 AED
Cash flows from operating activities		
Profit for the year	7,512,625	7,307,987
Adjustments for:		
Depreciation of property, plant and equipment	9,754,781	9,903,633
Finance costs	3,945,313	4,414,907
Provision for slow/non-moving inventories	--	122,672
Credit balances written back	--	(24)
Provision for staff end-of-service benefits	257,581	479,795
(Profit)/loss on sale of property, plant and equipment	(483,824)	56,858
Reversal of impairment on property, plant and equipment	--	(134,075)
Reversal of provision on inventory	(371,793)	--
	<u>20,614,683</u>	<u>22,151,753</u>
Changes in		
- Inventories	3,139,664	(3,185,585)
- Trade and other receivables	(475,022)	(2,134,904)
- Other current assets	(2,169,715)	(944,876)
- Trade and other payables	5,536,044	14,782,993
- Other current liabilities	(583,085)	385,047
Staff end-of-service benefits paid	(49,907)	(111,715)
Cash generated from operations	<u>26,012,662</u>	<u>30,942,713</u>
Interest paid (net)	<u>(3,185,057)</u>	<u>(4,290,264)</u>
Net cash from operating activities	<u>22,827,605</u>	<u>26,652,449</u>
Cash flows from investing activities		
Proceeds on disposal of property, plant and equipment	479,448	1,183
Purchase of property, plant and equipment	(6,289,857)	(2,028,168)
Receipts from a related party (net)	77,642	521,792
Net cash used in investing activities	<u>(5,732,767)</u>	<u>(1,505,193)</u>
Cash flows from financing activities		
(Payments)/receipts of bank overdrafts	(1,742,367)	1,411,274
Payments of lease liability	(2,109,075)	--
Repayment of loan from parent company (net)	(12,510,000)	(27,200,000)
Net cash used in financing activities	<u>(16,361,442)</u>	<u>(25,788,726)</u>
Net decrease in cash and cash equivalents	<u>733,396</u>	<u>(641,470)</u>
Cash and cash equivalents at beginning of year	<u>254,258</u>	<u>895,728</u>
Cash and cash equivalents at end of year (note 11)	<u>987,654</u>	<u>254,258</u>

The accompanying notes form an integral part of these financial statements.
The report of the independent auditor is set forth on pages 2 to 4.

NATURELLE LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

1. LEGAL STATUS AND BUSINESS ACTIVITY

- a) **NATURELLE LLC** (the "Company"), is a limited liability company registered on 16 December 2006 in Ras Al Khaimah, United Arab Emirates in accordance with the provision of Article 218 of the UAE Commercial Companies Law No. 8 of 1984 as amended (repealed by UAE Federal Law No. (2) of 2015). The registered office is P. O. Box 6399, Ras Al Khaimah, UAE. The Company operates through commercial license RAKIA52RZ412060161 and industrial licenses no. RAKIA15RZ412060159 and RAKIA10RZ412060160 issued by the Ras Al Khaimah Economic Zone Authority, Ras Al Khaimah, United Arab Emirates.
- b) The Company is engaged in the manufacturing, import, export, warehousing and distribution of beauty care and health care products. The activities are carried out under general trading and industrial license issued by Ras Al Khaimah Economic Zone, UAE.
- c) The parent company is Dabur International Limited, registered in the Isle of Man, United Kingdom and the ultimate parent company is Dabur India Limited, registered in India.

2. BASIS OF PREPARATION

a) Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards issued or adopted by the International Accounting Standards Board (IASB) and which are effective for accounting periods beginning 1 April 2021, and the requirements of UAE Federal Law No. (2) of 2015.

b) Basis of measurement

The financial statements are prepared using historical cost.

Historical cost is based on the fair value of the consideration given to acquire the asset or cash or cash equivalents expected to be paid to satisfy the liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

c) Going concern

The financial statements are prepared on a going concern basis.

When preparing the financial statements, management makes an assessment of the Company's ability to continue as a going concern. Financial statements are prepared on a going concern basis unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

d) Adoption of new International Financial Reporting Standards

Standards, amendments, improvements and interpretations effective for the current period

The following amendments that became effective for the current reporting period but did not have any significant impact on the financial statements of the Company:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark - Phase 2 (1 January 2021)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

New and revised IFRSs in issue but not yet effective and not early adopted

The following amendments, improvements and interpretations that are assessed by management as likely to have an impact on the financial statements, have been issued by the IASB prior to the date the financial statements were authorised for issue, but have not been applied in these financial statements as their effective dates of adoption are for future accounting periods.

- Amendments to IFRS 3 – Reference to Conceptual Framework (1 January 2022)
- Amendments to IAS 37 – Onerous Contracts - Cost of Fulfilling a contract (1 January 2022)
- Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use (1 January 2022)
- Annual Improvements to IFRS Standards 2020-2021 (1 January 2022)
 - IFRS 9 Financial Instruments
 - IFRS 16 Leases
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current (1 January 2023)

e) **Functional and presentation currency**

The financial statements are presented in UAE Dirhams (“AED”) which is also the Company’s functional currency.

3. **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted, and which have been consistently applied, are as follows:

a) **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost less estimated residual value, where material, is depreciated from the date the asset is available for use until it is derecognised, using the straight-line method over the estimated useful lives of the assets as follows:

Right-of-use assets	25 years
Factory buildings	30 – 60 years
Plant, machinery and equipment	10 – 15 years
Moulds	4 years
Furniture, fixtures and office equipment	5 – 10 years
Computers	3 – 6 years
Motor vehicles	8 years

The Company has presented right-of-use assets representing the right to use the underlying assets under property, plant and equipment [Refer notes 3 (g) and 6].

Capital work-in-progress is stated at cost less any impairment losses and is not depreciated. This will be depreciated from the date the relevant assets are ready for use.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate only when it is probable that future economic benefits associated with the expenditure will flow to the Company and such cost can be measured reliably. Such cost includes the cost of replacing part of the property, plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. The carrying amount of replaced parts is derecognised.

All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

An assessment of depreciation method, useful lives and residual values is undertaken at each reporting date and, where material, if there is a change in estimate, an appropriate adjustment is made to the depreciation charge.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recognised within 'other operating income/expenses' in profit or loss.

b) Impairment of tangible assets

At each reporting date, the management reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss if any. Where it is not possible to estimate the recoverable amount of an individual asset, the acquirer estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

c) **Inventories**

Inventories of raw materials and packing materials are valued at the lower of cost and net realisable value. Cost is arrived at using the Weighted Average Cost (WAC) method and includes invoice value plus applicable landing charges less discounts. Net realisable value is based on estimated selling price less any estimated cost of completion and disposal.

Work-in-progress is valued at cost of input valued at Weighted Average Cost (WAC) basis plus overheads up till the stage of completion.

Finished goods are stated at lower of cost and net realisable value. Cost comprises of direct materials, labour and other attributable overheads.

Goods-in-transit represents the inventory over which Company has legal title based on terms of purchase, but which are physically not received at the Company's warehouse.

d) **Staff benefits**

The Company provides staff end-of-service benefits to its non-UAE national employees as per the applicable local laws, the entitlement to these benefits is based on upon the employees' final salary and length of services which is accrued over the period of employment. Provision for staff end of services benefits are disclosed as non-current liability.

Provision is also made for employees' entitlement to annual leave for eligible employees as per the policy of the Establishment. Provision relating to annual leave is disclosed as current liability as employees are entitled to redeem these benefits at any point of time after the reporting period.

e) **Statutory reserve**

Statutory reserve is created by appropriating 10% of the profit of the Company as required by Article 103 of the UAE Federal Law No. (2) of 2015. The shareholders/partners may resolve to discontinue such deduction when the reserve totals 50% of the paid-up share capital. The reserve is not available for distribution except as provided in the Federal Law.

f) **Revenue recognition**

The Company is in the business of manufacturing and selling of cosmetics, oral care, food and home care products.

Revenue from contracts with customers is recognised when the control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

The Company recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

1. Identify the contracts with customers: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
3. Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
5. Recognise revenue when (or as) the Company satisfies a performance obligation at a point in time or over time.

The Company satisfies a performance obligation and recognises 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 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.

The Company is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue.

Sale of goods

The Company has concluded that revenue from sale of goods should be recognised at a point in time when the control of the asset is transferred to the customer, generally on delivery of the goods.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Company considers the effect of significant financing components.

- i) Significant financing component
The Company receives short-term advance from its customers. As the period between the transfer of promised goods or services to the customer and when the customer pays for those goods or services is expected to be less than one year, the Company has used the practical expedient in IFRS 15 and not adjusted the consideration for significant financing component.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

g) Leases

The Company leases land. Rental contracts are typically made for fixed periods of 1 to 25 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease arrangements do not impose any covenants, however leased assets may not be used as security for borrowing purposes.

Right-of-use assets

The Company recognises right-of-use assets at the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any reimbursement of lease liabilities. The cost of right-of-use assets includes:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial costs; and
- restoration costs.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

The Company recognises lease liabilities at the commencement date of the lease. The lease liabilities are measured at the net present value of lease payments to be made over the lease term. The lease payments include:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Company; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

The Company uses its incremental borrowing rate as the discount rate in calculating the present value of lease payments and uses the incremental borrowing rate at the commencement date of the lease if the profit rate implicit in the lease is not readily determinable. Further, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance lease payments or a change in the assessment to purchase the underlying asset.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Short-term leases

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

h) **Cash and cash equivalents**

Cash and cash equivalents comprise cash, bank current accounts, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value net of temporary bank overdrafts.

i) **Foreign currency transactions**

Transactions in foreign currencies are translated into UAE Dirhams at the rate of exchange ruling on the date of the transactions.

Monetary assets and liabilities expressed in foreign currencies are translated into UAE Dirhams at the rate of exchange ruling at the reporting date.

Gains or losses resulting from foreign currency transactions are taken to profit or loss.

j) **Provisions**

A provision is recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flow estimated to settle the present obligation, it's carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of receivable can be measured reliably.

k) **Value added tax**

The Company charges and recovers Value Added Tax (VAT) on every taxable supply and deemed supply, in accordance with the applicable commercial VAT laws. Irrecoverable VAT for which Company cannot avail the credit is charged to the relevant expenditure category or included in costs of non-current assets. The Company is also required to file its VAT returns and compute the payable tax (which is output tax less input tax) for the allotted tax periods and deposit the same within the prescribed due dates of filing VAT return and tax payment. VAT receivable and VAT Payable are offset and the net amount is reported in the statement of financial position as the Company has a legally enforceable right to offset the recognised amounts and has the intention to settle the same on net basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

l) **Current versus non-current classification**

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

- Expected to be realised or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realised 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 Company classifies all other liabilities as non-current.

m) **Financial instruments** **Classification**

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVTOCI") – debt investment; FVTOCI – equity investment; or fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial assets' contractual cash flow characteristics and the Company's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or FVTOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrumental level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cashflows, selling the financial assets, or both.

Financial liabilities are classified as financial liabilities at FVTPL or at amortised cost. The Company determines the classification of its financial liabilities at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Recognition

Financial assets and financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Derecognition

Financial assets are de-recognised when, and only when,

- The contractual rights to receive cash flows expire or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
 - (a) the Company has transferred substantially all the risks and rewards of the asset,
or
 - (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities are de-recognised when, and only when, they are extinguished i.e. when obligation specified in the contract is discharged, cancelled or expired.

Measurement

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. Transactions costs of financial assets carried at FVTPL are expensed in profit or loss.

The following accounting policies apply to the subsequent measurement of financial assets and liabilities.

Financial assets at amortised cost

Financial assets that meet the following conditions are subsequently measured at amortised cost less impairment loss and deferred income, if any (except for those assets that are designated as at fair value through other comprehensive income on initial recognition) using the effective interest method.

1. the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
2. the contractual terms of the instrument give rise to cash flows on specified dates that are solely payments of principal and profit on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The financial assets at amortised cost comprise of trade and other receivables, due from a related party and cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost comprise of short-term borrowings, trade and other payables, loan from parent company and lease liabilities.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Loss allowances are measured on either of the following basis:

- 12-month ECLs: ECLs that result from possible default events within 12 months after the reporting date; and
- Lifetime ECLs: ECLs that result from all possible default events over the expected life of a financial instrument.

The Company measures the loss allowance at an amount equal to lifetime ECLs, except for the following which are measured as 12-month ECLs:

- Bank balances, other receivables and due from related parties for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Company has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs. The Company applies a simplified approach in calculating expected credit losses. The Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportive information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 120 days past due.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

The Company considers a financial asset to be in default when:

- The customer/borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The financial asset is more than 360 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the asset.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Equity

Share capital is recorded at the value of proceeds received towards interest in share capital of the Company.

n) **Fair value measurement**

The Company discloses the fair value of financial instruments measured at amortised cost.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using assumptions that the market participants would use when pricing the asset or liability, assuming that the market participants act in their best economic interests.

4. **SIGNIFICANT JUDGMENTS EMPLOYED IN APPLYING ACCOUNTING POLICIES**

The significant judgments made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

Classification of financial assets

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

Impairment

At each reporting date, management conducts an assessment of property, plant and equipment, to determine whether there are any indications that they may be impaired. In the absence of such indications, no further action is taken. If such indications do exist, an analysis of each asset is undertaken to determine its net recoverable amount and, if this is below its carrying amount, a provision is made.

The Company applies expected credit loss (ECL) model to measure loss allowance in case of financial assets on the basis of 12-month ECLs or Lifetime ECLs depending on credit risk characteristics and how changes in economic factors affect ECLs, which are determined on a probability-weighted basis.

Leases

Determining the lease term

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional years. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. The Company considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

Discounting of lease payments

The lease payments are discounted using the Company's incremental borrowing rate ("IBR") of 3% due to the absence of implicit rates in the lease contracts.

Management has applied judgments and estimates to determine the IBR at the transition date, using borrowing rates that certain financial institutions would charge the Company against financing the different types of assets it leases over different terms and different ranges of values. IBR is further adjusted for Company's specific risk, term risk and underlying asset risk. All the leases are present in the UAE and accordingly no adjustment for the economic environment was deemed required.

Recognition of revenue and allocation of transaction price

Identification of performance obligations

The Company determined that the *sale of goods* is provided as a single component to customers and accordingly it becomes single performance obligation in respect of the goods being sold.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Determine timing of satisfaction of performance obligation

The Company concluded that the revenue from sales of goods is to be recognised at a point in time when the control of the goods has transferred to the customers. Payment of the transaction price is due immediately at the point the customer purchases the goods.

5. **KEY SOURCES OF ESTIMATION UNCERTAINTY**

Key assumptions 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, are as follows:

Carrying values of property, plant and equipment

Residual values are assumed to be zero unless a reliable estimate of the current value can be obtained for similar assets of ages and conditions that are reasonably expected to exist at the end of the assets' estimated useful lives.

Inventory provisions

Management regularly undertakes a review of the Company's inventory, stated at AED 67,604,620 (previous year AED 70,744,284) in order to assess the likely realisation proceeds, taking into account purchase and replacement prices, technological changes, age, likely obsolescence, the rate at which goods are being sold and the physical damage. Based on the assessment assumptions are made as to the level of provisioning required.

Impairment

Assessments of net recoverable amounts of property, plant and equipment are based on assumptions regarding future cash flows expected to be received from the related assets.

Impairment of financial assets

The loss allowance for financial assets is based on assumptions about the risk of default and expected loss rates. The management uses judgement in making these assumptions and selecting the inputs to the impairment calculations based on the past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3 (m).

Staff end-of-service benefits

The Company computes the provision for the liability to staff end-of-service benefits stated at AED 3,547,869 (previous year AED 3,340,195), 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

	6. PROPERTY, PLANT AND EQUIPMENT									
	Capital work-in-progress	Right of use assets ^(a)	Factory building ^(a)	Plant, machinery and equipment	Moulds	Furniture, fixtures and office equipment	Computers	Motor vehicles	Total	
	AED	AED	AED	AED	AED	AED	AED	AED	AED	AED
Cost										
At 1 April 2020	139,720	30,468,728	51,551,504	62,274,670	12,700,470	2,239,542	1,300,079	342,000	161,016,713	
Additions	6,730	--	--	1,685,838	295,360	1,500	38,740	--	2,028,168	
Disposals	--	--	--	(242,400)	(23,000)	(1,009)	(74,372)	--	(340,781)	
Lease modification (Note 14)	--	(677,234)	--	--	--	--	--	--	(677,234)	
Transfer	(139,720)	--	--	139,720	--	--	--	--	--	
Transfer to a related party	--	--	--	--	(109,968)	--	--	--	(109,968)	
At 31 March 2021	6,730	29,791,494	51,551,504	63,857,828	12,862,862	2,240,033	1,264,447	342,000	161,916,898	
Additions	1,147,553	--	38,841	3,902,218	968,367	34,430	198,448	--	6,289,857	
Disposals	--	--	--	(212,542)	--	(29,031)	(230,339)	--	(471,912)	
Transfer	(11,984)	--	--	(176,535)	--	(24,450)	(3,300)	--	(216,269)	
At 31 March 2022	1,142,299	29,791,494	51,590,345	67,370,969	13,831,229	2,220,982	1,229,256	342,000	167,518,574	
Accumulated depreciation and impairment losses										
At 1 April 2020	--	2,021,293	13,797,829	32,642,300	8,556,692	1,292,989	940,347	188,326	59,439,776	
Depreciation	--	2,021,293	1,641,082	4,574,242	1,286,471	189,055	148,728	42,762	9,903,633	
Adjustment relating to disposals	--	--	--	(190,221)	(21,850)	(560)	(70,109)	--	(282,740)	
Reversal of impairment	--	--	--	(134,075)	--	--	--	--	(134,075)	
Transfer to a related party	--	--	--	--	(104,499)	--	--	--	(104,499)	
At 31 March 2021	--	4,042,586	15,438,911	36,892,246	9,716,814	1,481,484	1,018,966	231,088	68,822,095	
Depreciation	--	2,021,293	1,641,859	4,356,530	1,377,861	177,483	136,993	42,762	9,754,781	
Adjustment relating to disposals	--	--	--	(162,377)	--	(24,476)	(212,659)	--	(399,512)	
Transfer to a related party	--	--	--	(117,953)	--	(22,699)	(2,157)	--	(142,809)	
Other adjustments	--	--	--	(150,236)	--	--	--	--	(150,236)	
At 31 March 2022	--	6,063,879	17,080,770	40,818,210	11,094,675	1,611,792	941,143	273,850	77,884,319	
Carrying amount										
At 1 April 2020	139,720	28,447,435	37,753,675	29,632,370	4,143,778	946,553	359,732	153,674	101,576,937	
At 31 March 2021	6,730	25,748,908	36,112,593	26,965,582	3,146,048	758,549	245,481	110,912	93,094,803	
At 31 March 2022	1,142,299	23,727,615	34,509,575	26,552,759	2,736,554	609,190	288,113	68,150	89,634,255	

NATURELLE LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

- (a) Factory building is constructed on leasehold land, the lease period being 25 years with renewable option. The leasehold interests in land are capitalized as Right-of-use assets.

	2022 AED	2021 AED
7. INVENTORIES		
Raw materials, packing materials, spares and consumables	42,644,192	43,642,728
Work-in-progress	3,248,262	2,304,488
Finished goods	19,497,656	23,605,212
	<u>65,390,110</u>	<u>69,552,428</u>
Less: Provision for slow/non-moving inventories	(6,118,207)	(6,490,000)
	<u>59,271,903</u>	<u>63,062,428</u>
Goods-in-transit	2,214,510	1,191,856
	<u>61,486,413</u>	<u>64,254,284</u>

A reconciliation of the movements in the provision for slow/non-moving inventories is as follows:

Opening balance	6,490,000	6,367,328
Provision made during the year	--	122,672
Provision reversed during the year	(371,793)	--
Closing balance	<u>6,118,207</u>	<u>6,490,000</u>
8. TRADE AND OTHER RECEIVABLES		
Trade receivables ^(a)	3,429,471	2,659,018
Deposits	397,520	415,520
Advances to employees	204,072	194,715
Other receivables	169,626	456,414
	<u>4,200,689</u>	<u>3,725,667</u>

- (a) The Company does not hold any collateral against trade receivables.

The Company grants a normal credit period of 90-120 days to its customers. An age analysis of trade receivables that are past due but not impaired is as follows:

0 to 3 months	2,404,916	2,559,427
3-6 months	175,444	--
	<u>2,580,360</u>	<u>2,559,427</u>
Trade receivables not past due and not impaired	<u>849,111</u>	<u>99,591</u>
9. OTHER CURRENT ASSETS		
Advance to suppliers	908,428	1,087,431
Prepayments	2,072,337	2,026,971
VAT receivable (net)	532,210	446,841
Excise receivable	2,217,983	--
	<u>5,730,958</u>	<u>3,561,243</u>

NATURELLE LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

10. RELATED PARTIES

The Company enters into transactions with entities that fall within the definition of a related party as contained in International Accounting Standard 24. The management considers such transactions to be in the normal course of business and at prices determined by the management.

Related parties comprise the parent/ultimate parent company, companies under common ownership/management control.

At the reporting date significant balances with related parties were as follows:

	Ultimate parent company	Parent company	Companies under common ownership / management control	Total 2022	Total 2021
	AED	AED	AED	AED	AED
Trade receivables	--	--	3,094,326	3,094,326	
	--	--	1,208,313		1,208,313
Trade payables	--	--	26,953,961	26,953,961	
	5,817,656	--	125,386		5,934,042
Due from a related party	--	--	3,258	3,258	
	--	--	80,900		80,900
Loan from parent company	--	46,612,361	--	46,612,361	
	--	59,122,361	--		59,122,361

All balances are unsecured and are expected to be settled in cash. Repayment and other terms are set out in notes 13 and 27.

Significant transactions with related parties during the year were as follows:

	Ultimate parent company	Parent company	Companies under common ownership / management control	Total 2022	Total 2021
	AED	AED	AED	AED	AED
Sales	--	272,029,894	14,736,695	286,766,589	
	--	234,113,641	8,034,541		242,148,182
Purchases	14,045,378	1,578,609	1,577,394	17,201,381	
	14,330,264	3,442,089	1,622,767		19,395,121
Management fees (note 25)	--	7,106,999	--	7,106,999	
	--	7,300,072	--		7,300,072
Property, plant and equipment	--	--	--	--	
– Transfer (In)/Out	--	--	109,968		109,968

The Company also provides funds to/receives funds from related parties as working capital facilities free of interest.

NATURELLE LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

	2022 AED	2021 AED
11. CASH AND CASH EQUIVALENTS		
Cash on hand	51,783	42,750
Bank balances in current accounts	935,871	211,508
	<u>987,654</u>	<u>254,258</u>
12. SHARE CAPITAL		
Issued and paid up:		
3,600 shares of AED 1,000 each	<u>3,600,000</u>	<u>3,600,000</u>
13. LOAN FROM PARENT COMPANY		
Opening balance	59,122,361	86,322,361
Loan taken during the year	7,490,000	2,800,000
Repaid during the year	(20,000,000)	(30,000,000)
Closing balance	<u>46,612,361</u>	<u>59,122,361</u>

This represents an interest-bearing loan at fixed rate received from Dabur International Limited (parent company), without any fixed repayment schedule. However, it is not the intention of the parent company to demand the repayment within one year from the reporting date.

14. LEASE LIABILITIES		
Lease liabilities for long-term lease of land	<u>26,498,111</u>	<u>27,846,930</u>

A reconciliation of the movements in the lease liabilities is as follows:

Opening balance	27,846,930	28,399,521
Lease modification (Note 6)	--	(677,234)
Interest expenses charged during the year	760,256	124,643
Payments made during the year	(2,109,075)	--
Closing balance	<u>26,498,111</u>	<u>27,846,930</u>

Disclosed in the statement of financial position as follows:

Current liabilities	1,466,698	--
Non-current liabilities	25,031,413	27,846,930
	<u>26,498,111</u>	<u>27,846,930</u>

A maturity analysis of lease liabilities is as follows:

0 – 1 year	1,466,698	--
1 year – 5 years	9,331,578	7,445,606
Above 5 years	15,699,835	20,401,324
Total	<u>26,498,111</u>	<u>27,846,930</u>

NATURELLE LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

	2022 AED	2021 AED
15. PROVISION FOR STAFF END-OF-SERVICE BENEFITS		
Opening balance	3,340,195	2,972,115
Provision for the year	257,581	479,795
Paid during the year	(49,907)	(111,715)
Closing balance	<u>3,547,869</u>	<u>3,340,195</u>
16. SHORT-TERM BORROWINGS		
Overdrafts	<u>584,778</u>	<u>2,327,145</u>
An analysis by bank of amounts outstanding is as follows:		
Citi Bank	413,542	1,673,337
BNP Paribas Bank	171,236	653,808
	<u>584,778</u>	<u>2,327,145</u>
Bank facilities are secured against assignment of insurance policies covering all stocks on pari-passu basis.		
A maturity analysis of bank borrowings is as follows:		
Overdraft	<u>584,778</u>	<u>2,327,145</u>
17. TRADE AND OTHER PAYABLES		
Trade payables	42,379,098	38,857,412
Accruals	7,167,098	5,152,740
	<u>49,546,196</u>	<u>44,010,152</u>
The entire trade and other payables are due for settlement in one year.		
18. OTHER CURRENT LIABILITIES		
Employees' payables	1,616,038	1,907,033
Excise payable	--	288,209
Advance received from customers	18,890	22,771
	<u>1,634,928</u>	<u>2,218,013</u>
19. MANAGEMENT OF CAPITAL		
The Company's objectives when managing capital are to ensure that the Company continues as a going concern and to provide the shareholders with a rate of return on its investment commensurate with the level of risk assumed.		
Capital comprises equity funds as presented in the statement of financial position together with due from related parties and loan from parent company. Debt comprises total amounts owing to third parties, net of cash and cash equivalents.		

NATURELLE LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

The Company is subject to externally imposed capital requirements as per provisions of the Article 301 of the UAE Federal Law No. (2) of 2015. The Company has complied with all the capital requirements to which it is subject.

Funds generated from internal accruals together with funds received from parent company are retained in the business, to limit bank borrowings according to the business requirements and maintain capital at desired levels.

20. REVENUE

The Company generates revenue from the transfer of goods at a point in time. The disaggregated revenue from contracts with customers by geographical segments, type of goods and timing of revenue recognition is presented below. The management believes that this best depicts the nature, amount, timing and uncertainty of the Company's revenue and cash flows.

	2022 AED	2021 AED
Primary Geographical segments		
- United Arab Emirates	<u>287,921,132</u>	<u>242,793,600</u>
Major goods		
<i>Manufactured goods</i>		
- Cosmetic products	236,154,194	194,725,281
- Oral care products	41,003,279	37,944,496
- Food products	10,452,100	9,876,057
- Home care products	311,559	247,766
	<u>287,921,132</u>	<u>242,793,600</u>
Timing of revenue recognition		
At a point in time	<u>287,921,132</u>	<u>242,793,600</u>
21. DIRECT COSTS		
Raw materials and packing materials consumed	214,746,380	177,603,660
Provision for slow/non-moving inventory	--	122,672
Wages and other benefits	9,559,155	8,888,260
Staff end-of-service benefits	225,845	234,955
Depreciation (note 25)	7,376,249	7,501,892
Short term lease expenses	20,567	361,985
Water and electricity	3,694,412	2,447,500
Freight	54,455	48,480
Other direct expenses	1,357,614	923,351
	<u>237,034,677</u>	<u>198,132,755</u>
Changes in inventories of finished goods and work-in-progress	4,162,316	204,242
	<u>241,196,993</u>	<u>198,336,997</u>

NATURELLE LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

	2022 AED	2021 AED
22. OTHER INCOME		
Profit on sale of property, plant and equipment	483,824	--
Reversal of provision for slow/non-moving inventory	371,793	--
Reversal of impairment of property, plant and equipment	--	134,075
Net exchange gains	16,520	119,020
Sale of scrap	670,516	677,068
Miscellaneous income	199,058	786,807
	<u>1,741,711</u>	<u>1,716,970</u>
23. SELLING AND DISTRIBUTION EXPENSES		
Advertisement and business promotion expenses	<u>12,753,589</u>	<u>10,184,158</u>
24. ADMINISTRATIVE EXPENSES		
Salaries and benefits	10,238,951	10,533,151
Staff end-of-service benefits	257,581	244,840
Loss on assets discarded	72,402	56,858
Depreciation (note 25)	2,378,532	2,401,741
Management fees	7,106,999	7,300,072
Other expenses	4,199,858	3,729,859
	<u>24,254,323</u>	<u>24,266,521</u>
25. DEPRECIATION		
Charged to direct costs (note 21)	7,376,249	7,501,892
Charged to administrative expenses (note 24) ^(a)	2,378,532	2,401,741
	<u>9,754,781</u>	<u>9,903,633</u>
(a) Includes depreciation on Right-of-Use asset of AED 2,021,293 (previous year AED 2,021,293).		
26. FINANCE COSTS		
On overdrafts	188,939	141,132
On lease liability	760,256	707,651
On loan from parent company	2,996,118	3,566,124
	<u>3,945,313</u>	<u>4,414,907</u>
27. FINANCIAL INSTRUMENTS		
The net carrying amounts as at the reporting date of financial assets and financial liabilities are as follows:		
	At amortised cost	
	2022	2021
	AED	AED
Financial assets		
Trade and other receivables	4,200,689	3,725,667
Due from related parties	3,258	80,900
Cash and cash equivalents	987,654	254,258
	<u>5,191,601</u>	<u>4,060,825</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

	At amortised cost	
	2022	2021
	AED	AED
Financial liabilities		
Bank borrowings	584,778	2,327,145
Trade and other payables	49,546,196	44,010,152
Lease liabilities	26,498,111	27,846,930
Loan from parent company	46,612,361	59,122,361
	<u>123,241,446</u>	<u>133,306,588</u>

Management of risks

The management conducts and operates the business in a prudent manner, taking into account the significant risks to which the business is or could be exposed.

The primary risks to which the business is exposed, which are unchanged from the previous year, comprise credit risks, liquidity risks and market risks (including currency risks, cash flow interest rate risks and fair value interest rate risks).

Credit risk is managed by assessing the creditworthiness of potential customers and the potential for exposure to the market in which they operate, combined with regular monitoring and follow-up.

Management continuously monitors its cash flows to determine its cash requirements and makes comparison with its funded and un-funded facilities with bank and makes arrangement with its related parties in order to manage exposure to liquidity risk.

The Company also buys and sells goods and services in foreign currencies. Exposure to foreign currency transactions is minimised where possible by denominating such transactions in US Dollar to which the UAE Dirham is pegged.

Borrowing facilities are regularly reviewed to ensure that the Company obtains the best available pricing, terms and conditions on its borrowings.

Exposures to the aforementioned risks are detailed below:

Credit risk

Financial assets that potentially expose the Company to concentrations of credit risk comprise principally bank accounts, trade and other receivables and amount due from related parties.

The Company's bank accounts are placed with high credit quality financial institutions.

The management assesses the credit risk arising from trade and other receivables and amounts due from related parties taking into account their financial position, past experience and other factors. Based on the assessment individual risk limits are determined.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

At the reporting date, the Company's maximum exposure to credit risk from such receivables situated outside the UAE is as follows:

	2022	2021
	AED	AED
United Kingdom	--	101,464
Australia	7,337	--
Canada	24,178	--
USA	75,567	--
Kuwait	75,179	--
Oman	192,061	--
Egypt	--	508,985
South Africa	--	88,238

At the reporting date, 69% of trade receivables was due from a related party (previous year 90% from a related party.)

At the reporting date, 100% of amount due from a related party was due from a party situated in Egypt (previous year 100% from a related party situated in Egypt).

The Company uses an allowance matrix to measure the expected credit losses of trade receivables, which comprise a very large number of small balances. Loss rates are calculated using a 'flow rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Flow rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, age of customer relationship and type of product purchased.

Based on the assessment, the management believes that the impairment requirement under IFRS 9 does not have any significant impact on the financial statements.

Currency risk

There are no significant currency risks as substantially all financial assets and financial liabilities are denominated in UAE Dirhams or US Dollars to which the Dirham is fixed, except for the following:

Bank balances		
Euro	106,128	86,273
Trade payables		
Swiss Franc	65,946	682,154
Rupees	--	3,092,998
Omani rial	--	83,715
Egyptian pounds	--	114,563
Malaysian dollars	--	857,838
Singapore dollars	--	404,514
Pound Sterling	--	90,488
Euro	107,613	350,596

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

At the reporting date, if the above-mentioned currencies had been weaker or stronger against the Dirham by 1%, profit for the year and equity would have been lower or higher by AED 674 (previous year AED 55,904).

Interest rate risk

Loan from parent company is subject to fixed interest rates at levels generally obtained in the UAE and are therefore exposed to fair value interest rate risk. All other borrowings are subject to floating interest rates at levels generally obtained in the UAE and are therefore exposed to cash flow interest rate risk.

At the reporting date, if interest rates had been 1% higher or lower, interest expense on variable rate debt would have been higher or lower by AED 5,848 (previous year AED 23,271) resulting in equity being higher or lower by AED 5,848 (previous year AED 23,271).

Fair values

The management assesses the fair values of all its financial assets and financial liabilities at each reporting date.

The fair values of cash and cash equivalents, trade and other receivables, amount due from related parties, short-term borrowings, non-current lease liabilities and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to determine the fair values of other financial assets/liabilities:

Fair values of non-current lease liabilities and loan from parent company are estimated by discounting future cash flows using rates currently available for debts on similar items, credit risk and remaining maturities. As at the reporting date, the carrying amounts of such liabilities, are not materially different from their fair values.

	2022	2021
	AED	AED
28. CONTINGENT LIABILITIES		
Unutilised balances of commercial letters of credit	<u>4,909,437</u>	<u>1,457,391</u>

For **NATURELLE LLC**



DIRECTOR

