

**URBAN LABORATORIES INTERNATIONAL LLC  
(INCORPORATED IN UNITED STATES OF AMERICA)  
(REGISTRATION NUMBER 2009/024682/10)  
(SOUTH AFRICAN BRANCH)  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**Urban Laboratories International LLC**

(Registration number: 2009/024682/10)

Annual Financial Statements for the year ended 31 December 2021

**General Information**

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<b>Country of incorporation and domicile</b>	United States of America (South African branch of Parent company)
<b>Nature of business and principal activities</b>	Manufacture, marketing and distribution of hair and other personal care products
<b>Registered office</b>	10 Bradford Road Bedfordview Johannesburg South Africa 2007
<b>Business and postal address</b>	17 Simba Street Sebenza Edenvale South Africa 1613
<b>Parent company</b>	Urban Laboratories International LLC incorporated in USA
<b>Holding company</b>	Namaste Laboratories LLC incorporated in USA
<b>Bankers</b>	First National Bank Ltd
<b>Auditors</b>	Boake Incorporated Registered Auditors
<b>Secretary</b>	None
<b>Company registration number</b>	2009/024682/10
<b>Level of assurance</b>	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
<b>Preparer</b>	The annual financial statements were independently compiled by: B.D. Boake CA(SA)
<b>Issued</b>	13 June 2022

**Urban Laboratories International LLC**

(Registration number: 2009/024682/10)

Annual Financial Statements for the year ended 31 December 2021

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The reports and statements set out below comprise the annual financial statements presented to the shareholder:

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## Independent Auditor's Report

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### To the Shareholder of Urban Laboratories International LLC

#### Opinion

We have audited the annual financial statements of Urban Laboratories International LLC (the company) set out on pages 7 to 19, which comprise the statement of financial position as at 31 December 2021, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Urban Laboratories International LLC as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 71 of 2008.

#### 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 Annual Financial Statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of annual financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other Information

The members are responsible for the other information. The other information comprises the information included in the document titled "Urban Laboratories International LLC annual financial statements for the year ended 31 December 2021", which includes the Members' Report as required by the Companies Act 71 of 2008 and the Detailed Statement of Financial Performance. The other information does not include the annual financial statements and our auditor's report thereon.

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

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual 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 obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Members for the Annual Financial Statements

The members are responsible for the preparation and fair presentation of the annual financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 71 of 2008, and for such internal control as the members determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the members are 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 the members either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## Independent Auditor's Report

CHARTERED ACCOUNTANTS &amp; REGISTERED AUDITORS

### Auditor's Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual 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 annual financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual 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 the members.
- Conclude on the appropriateness of the members 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 annual 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 annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the members 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.



**Boake Incorporated**  
**Per: D.I. Fraser**  
**Director**  
**Registered Auditor**

**08 June 2022**  
**Bedfordview**

**Urban Laboratories International LLC**

(Registration number: 2009/024682/10)

Annual Financial Statements for the year ended 31 December 2021

**Members' Responsibilities and Approval**

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The members are required by the Companies Act 71 of 2008, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The members acknowledges that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the members set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The members are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The members have reviewed the company's cash flow forecast for the year to 31 December 2022 and, in the light of this review and the current financial position, they is satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 3 - 4.

The annual financial statements set out on pages 6 to 21, which have been prepared on the going concern basis, were approved by the members on 13 June 2022 and are signed on their behalf by:

Mr K.C. Chutani



## Urban Laboratories International LLC

(Registration number: 2009/024682/10)

Annual Financial Statements for the year ended 31 December 2021

### Members' Report

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The authorised signatories have pleasure in submitting their report on the annual financial statements of Urban Laboratories International LLC for the year ended 31 December 2021.

#### 1. Nature of business

Urban Laboratories International LLC was incorporated as an external branch of the parent company, Urban Laboratories International LLC, incorporated in the United States of America with interests in the manufacture, marketing and distribution of hair and other personal care products. The company operates principally in South Africa.

There have been no material changes to the nature of the company's business from the prior year.

#### 2. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 71 of 2008. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the company are set out in these annual financial statements.

#### 3. Share capital

There was no share capital as this is a branch of a company incorporated in the United States of America.

#### 4. Director

The company (Urban Laboratories International LLC incorporated in the United States of America) does not have any appointed directors, therefore the South African branch will accordingly not have any directors.

#### 5. Holding company

The company's holding company is Namaste Laboratories LLC which is incorporated in the USA.

#### 6. Events after the reporting period

The members are not aware of any material event which occurred after the reporting date and up to the date of this report.

#### 7. Going concern

The members believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The members have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The foreseeable impact and effect of the National State of Disaster declared by the South African Government on the 15th of March 2020 have been taken into consideration within the going concern assessment of the business. The members are not aware of any new material changes that may adversely impact the company. The members are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the authorised signatories continue to procure funding for the ongoing operations for the company and that the subordination agreement referred to in note 7 of these annual financial statements will remain in force for so long as it takes to restore the solvency of the company.

The fact that the total liabilities exceed the assets has not hindered the company's ability to pay its debts as they become due in the normal course of business.

#### 8. Secretary

The company had no secretary during the year.

#### 9. Auditors

Boake Incorporated continued in office as auditors for the company.

## Urban Laboratories International LLC

(Registration number: 2009/024682/10)

Annual Financial Statements for the year ended 31 December 2021

### Statement of Financial Position as at 31 December 2021

	Notes	2021 R	2020 R
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	2	46 037	57 497
Other financial assets	3	5 171	5 171
		<b>51 208</b>	<b>62 668</b>
<b>Current Assets</b>			
Inventories	4	12 391 087	5 534 722
Trade and other receivables	5	51 965 550	45 537 419
Cash and cash equivalents	6	3 082 205	5 497 727
		<b>67 438 842</b>	<b>56 569 868</b>
		<b>67 490 050</b>	<b>56 632 536</b>
<b>Total Assets</b>			
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Accumulated loss		(7 102 812)	(17 241 112)
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Current tax payable		1 352 244	-
Other financial liabilities	7	50 990 080	46 811 000
Provisions	8	3 428 796	3 089 665
Trade and other payables	9	18 821 742	23 972 983
		<b>74 592 862</b>	<b>73 873 648</b>
		<b>67 490 050</b>	<b>56 632 536</b>
<b>Total Equity and Liabilities</b>			



## Urban Laboratories International LLC

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Annual Financial Statements for the year ended 31 December 2021

### Statement of Comprehensive Income

	Notes	2021 R	2020 R
Revenue	10	157 151 033	131 004 305
Cost of sales	11	(94 366 627)	(79 974 978)
<b>Gross profit</b>		<b>62 784 406</b>	<b>51 029 327</b>
Other income	12	164	12 997
Operating expenses		(51 291 529)	(47 722 083)
<b>Operating profit</b>	13	<b>11 493 041</b>	<b>3 320 241</b>
Investment revenue	14	2 321	1 444
Finance costs	15	(4 818)	(364 976)
<b>Profit before taxation</b>		<b>11 490 544</b>	<b>2 956 709</b>
Taxation	16	(1 352 244)	-
<b>Profit for the year</b>		<b>10 138 300</b>	<b>2 956 709</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>10 138 300</b>	<b>2 956 709</b>

## Urban Laboratories International LLC

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Annual Financial Statements for the year ended 31 December 2021

### Statement of Changes in Equity

	Accumulated loss R	Total equity R
<b>Balance at 01 January 2020</b>	<b>(20 197 821)</b>	<b>(20 197 821)</b>
Profit for the year	2 956 709	2 956 709
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>2 956 709</b>	<b>2 956 709</b>
<b>Balance at 01 January 2021</b>	<b>(17 241 112)</b>	<b>(17 241 112)</b>
Profit for the year	10 138 300	10 138 300
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>10 138 300</b>	<b>10 138 300</b>
<b>Balance at 31 December 2021</b>	<b>(7 102 812)</b>	<b>(7 102 812)</b>

## Urban Laboratories International LLC

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Annual Financial Statements for the year ended 31 December 2021

### Statement of Cash Flows

	Notes	2021 R	2020 R
<b>Cash flows from operating activities</b>			
Cash receipts from customers		150 722 902	117 865 414
Cash paid to suppliers and employees		(157 291 207)	(138 134 925)
Cash generated used in operations	17	(6 568 305)	(20 269 511)
Interest income		2 321	1 444
Finance costs		(4 818)	(364 976)
<b>Net cash from operating activities</b>		<b>(6 570 802)</b>	<b>(20 633 043)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(23 800)	(13 964)
<b>Cash flows from financing activities</b>			
Advance of other financial liabilities		4 179 080	24 563 000
<b>Net cash from financing activities</b>		<b>4 179 080</b>	<b>24 563 000</b>
<b>Total cash movement for the year</b>		<b>(2 415 522)</b>	<b>3 915 993</b>
Cash at the beginning of the year		5 497 727	1 581 734
<b>Total cash at end of the year</b>	6	<b>3 082 205</b>	<b>5 497 727</b>

## Urban Laboratories International LLC

(Registration number: 2009/024682/10)

Annual Financial Statements for the year ended 31 December 2021

### Accounting Policies

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#### 1. Basis of preparation and summary of significant accounting policies

The annual financial statements have been prepared on a going concern basis in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the Companies Act 71 of 2008. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

#### 1.1 Property, plant and equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, or for rental to others or for administrative purposes; and are expected to be used during more than one period.

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses.

Cost includes costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Depreciation is provided using the straight-line method to write down the cost, less estimated residual value over the useful lives of the property, plant and equipment as follows:

Item	Depreciation method	Average useful life
Equipment		
- Moulds	Straight line	4 years
- Scales	Straight line	5 years
Furniture and fixtures	Straight line	6 years
Office equipment	Straight line	1 year
IT equipment	Straight line	3 years

The residual value, depreciation method and useful life of each asset are reviewed only where there is an indication that there has been a significant change from the previous estimate.

Gain and losses on disposals are recognised in profit or loss.

#### 1.2 Financial instruments

##### Initial measurement

Financial instruments are initially measured at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction in which case it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

##### Financial instruments at amortised cost

These include loans, trade receivables and trade payables. Those debt instruments which meet the criteria in section 11.8(b) of Section 11 Basic Financial Instruments of the International Financial Reporting Standard for Small and Medium-sized Entities, are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

At each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence, the recoverable amount is estimated and compared with the carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

## Urban Laboratories International LLC

(Registration number: 2009/024682/10)

Annual Financial Statements for the year ended 31 December 2021

### Accounting Policies

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#### 1.2 Financial instruments (continued)

##### Financial instruments at fair value

All other financial instruments, including equity instruments that are publicly traded or whose fair value can otherwise be measured reliably, are measured at fair value through profit and loss.

#### 1.3 Tax

##### Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

##### Tax expenses

Tax expense is recognised in the same component of total comprehensive income or equity as the transaction or other event that resulted in the tax expense.

#### 1.4 Inventories

Inventories are measured at the lower of cost and estimated selling price less costs to complete and sell, on the weighted average cost basis.

#### 1.5 Impairment of assets

The company assesses at each reporting date whether there is any indication that property, plant and equipment or other financial assets may be impaired.

If there is any such indication, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.

#### 1.6 Employee benefits

##### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as leave pay and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

#### 1.7 Provisions

Provisions are recognised when the company has an obligation at the reporting date as a result of a past event; it is probable that the company will be required to transfer economic benefits in settlement; and the amount of the obligation can be estimated reliably.

#### 1.8 Revenue

Revenue is recognised to the extent that the company has transferred the significant risks and rewards of ownership of goods to the buyer, or has rendered services under an agreement provided the amount of revenue can be measured reliably and it is probable that economic benefits associated with the transaction will flow to the company. Revenue is measured at the fair value of the consideration received or receivable, excluding sales taxes and discounts.

## Urban Laboratories International LLC

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Annual Financial Statements for the year ended 31 December 2021

### Accounting Policies

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#### 1.8 Revenue (continued)

Interest is recognised, in profit or loss, using the effective interest rate method.

#### 1.9 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

#### 1.10 Foreign exchange

##### Foreign currency transactions

Exchange differences arising on monetary items are recognised in profit or loss in the period in which they arise.

All transactions in foreign currencies are initially recorded in Rand, using the spot rate at the date of the transaction. Foreign currency monetary items at the reporting date are translated using the closing rate. All exchange differences arising on settlement or translation are recognised in profit or loss.



## Urban Laboratories International LLC

(Registration number: 2009/024682/10)

Annual Financial Statements for the year ended 31 December 2021

### Notes to the Annual Financial Statements

	2021 R	2020 R		
<b>6. Cash and cash equivalents</b>				
Cash and cash equivalents consist of:				
Bank balances	3 082 205	5 497 727		
<b>7. Other financial liabilities</b>				
<b>At amortised cost</b>				
Urban Laboratories International LLC - Loan	50 990 080	46 811 000		
The loan is unsecured, interest free and is repayable on demand.				
This loan with Urban Laboratories International LLC has been subordinated in favour of all other creditors of the company until such time as the company's total assets fairly valued, exceed its total liabilities, fairly valued.				
<b>Current liabilities</b>				
At amortised cost	50 990 080	46 811 000		
<b>8. Provisions</b>				
<b>Reconciliation of provisions - 2021</b>				
	<b>Opening balance</b>	<b>Additions</b>	<b>Reversed during the year</b>	<b>Total</b>
Legal proceedings	1 653 492	257 148	-	1 910 640
Provisions for employee benefits	-	310 156	-	310 156
Other provisions	1 436 173	-	(228 173)	1 208 000
	<b>3 089 665</b>	<b>567 304</b>	<b>(228 173)</b>	<b>3 428 796</b>
<b>Reconciliation of provisions - 2020</b>				
	<b>Opening balance</b>	<b>Utilised during the year</b>		<b>Total</b>
Legal proceedings	4 181 767	(2 528 275)		1 653 492
Other provisions	1 672 666	(236 493)		1 436 173
	<b>5 854 433</b>	<b>(2 764 768)</b>		<b>3 089 665</b>
<b>9. Trade and other payables</b>				
Trade payables		12 371 281		14 773 484
VAT		-		86 832
Other payables		5 365 651		8 504 165
Accrued bonus		769 259		598 577
Accruals		315 551		9 925
		<b>18 821 742</b>		<b>23 972 983</b>
<b>10. Revenue</b>				
Sale of goods		157 151 033		131 004 305



## Urban Laboratories International LLC

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Annual Financial Statements for the year ended 31 December 2021

### Notes to the Annual Financial Statements

	2021 R	2020 R
<b>11. Cost of sales</b>		
<b>Sale of goods</b>		
Cost of goods sold	94 366 627	79 974 978
<b>12. Other income</b>		
Recoveries	164	32
Service fees earned	-	12 965
	<b>164</b>	<b>12 997</b>
<b>13. Operating profit</b>		
Operating profit for the year is stated after accounting for the following:		
Loss on exchange differences	2 916 162	398 487
Depreciation on property, plant and equipment	35 260	46 624
Employee costs	8 833 542	9 974 756
<b>14. Investment revenue</b>		
<b>Interest revenue</b>		
Bank	2 321	1 444
<b>15. Finance costs</b>		
Bank	4 818	364 976

## Urban Laboratories International LLC

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Annual Financial Statements for the year ended 31 December 2021

### Notes to the Annual Financial Statements

	2021 R	2020 R
<b>16. Taxation</b>		
<b>Major components of the tax expense</b>		
<b>Current taxation</b>		
Local normal tax - year	1 352 244	-
<b>Reconciliation of the tax expense</b>		
Reconciliation between accounting profit and tax expense.		
Accounting profit	11 490 544	2 956 709
Tax at the applicable tax rate of 28%	3 217 352	827 879
<b>Tax effect of adjustments on taxable income</b>		
<b>Exempt income</b>		
Income received in advance	(13 063)	97 410
	<b>(13 063)</b>	<b>97 410</b>
<b>Non-deductible expenses</b>		
Provision for bonuses	47 791	53 269
Provision for legal fees	72 002	-
Provision for advertising and promotion	1 443 812	-
General provisions	(716 438)	-
Bad debts	8 231	-
Travel expenses	41 807	-
Professional fees	89 035	-
Legal fees	-	58 042
	<b>986 240</b>	<b>111 311</b>
<b>Other</b>		
Tax losses carried forward (utilised)	(2 838 285)	(1 036 600)
	<b>(2 838 285)</b>	<b>(1 036 600)</b>
	<b>1 352 244</b>	<b>-</b>
<b>17. Cash used in operations</b>		
Profit before taxation	11 490 544	2 956 709
<b>Adjustments for:</b>		
Depreciation and amortisation	35 260	46 624
Interest received	(2 321)	(1 444)
Finance costs	4 818	364 976
Movements in provisions	339 131	(2 764 768)
<b>Changes in working capital:</b>		
Inventories	(6 856 365)	1 368 335
Trade and other receivables	(6 428 131)	(13 138 891)
Trade and other payables	(5 151 241)	(9 101 052)
	<b>(6 568 305)</b>	<b>(20 269 511)</b>

## Urban Laboratories International LLC

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Annual Financial Statements for the year ended 31 December 2021

### Notes to the Annual Financial Statements

	2021 R	2020 R
<b>18. Auditor's remuneration</b>		
Fees	150 000	150 000
<b>19. Related parties</b>		
<b>Relationships</b>		
Holding company		Namaste Laboratories LLC
Entity with significant influence		Urban Laboratories International LLC - Head office
Entities with common shareholding		Dabur Egypt Dabur South Africa (Pty) Ltd Namaste Laboratories LLC Namaste UAE Branch D&A Cosmetics (Pty) Ltd African Consumer Care Limited Dabur International Limited
<b>Related party balances and transactions with entities with control, joint control or significant influence over the company</b>		
<b>Related party balances</b>		
<b>Loan accounts - Owing (to) by related parties</b>		
Urban Laboratories International LLC	50 990 080	46 811 000
<b>Amounts included in trade payable regarding related parties</b>		
Dabur Egypt	-	154 683
Dabur South Africa (Pty) Ltd	8 178 699	9 533 326
Namaste Laboratories LLC	101 668	-
Namaste UAE Branch	142 871	-
D&A Cosmetic (Pty) Ltd	97 601	604 513
<b>Amounts included in trade receivable regarding related party</b>		
Dabur South Africa (Pty) Ltd	110 402	1 592 141
African Consumer Care Limited	81 669	978 142
Namaste Laboratories LLC	-	1 048 591
Namaste UAE Branch	635 257	1 255 501
Urban Laboratories International LLC	320 808	224 594
Dabur International Limited	2 626 135	-

## Urban Laboratories International LLC

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### Notes to the Annual Financial Statements

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#### 20. Going concern

The members believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The members have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The foreseeable impact and effect of the National State of Disaster declared by the South African Government on the 15th of March 2020 have been taken into consideration within the going concern assessment of the business. The members are not aware of any new material changes that may adversely impact the company. members are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the authorised signatories continue to procure funding for the ongoing operations for the company and that the subordination agreement referred to in note 7 of these annual financial statements will remain in force for so long as it takes to restore the solvency of the company.

The fact that the total liabilities exceed the assets has not hindered the company's ability to pay its debts as they become due in the normal course of business.

#### 21. Events after the reporting period

The members are not aware of any material event which occurred after the reporting date and up to the date of this report.

#### 22. Risk management

##### Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the company consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in note 7, cash and cash equivalents disclosed in note 6, and equity as disclosed in the statement of financial position.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statements of financial position plus net debt.

## Urban Laboratories International LLC

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Annual Financial Statements for the year ended 31 December 2021

### Notes to the Annual Financial Statements

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#### 22. Risk management (continued)

##### Financial risk management

The company's activities expose it to a variety of financial risks, market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

##### Liquidity risk

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

##### Interest rate risk

As the company has no significant interest-bearing assets, the company's income and operating cash flows are substantially independent of changes in market interest rates.

#### 23. Members' remuneration

No emoluments were paid to the members or any individuals holding a prescribed office during the year.

## Urban Laboratories International LLC

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Annual Financial Statements for the year ended 31 December 2021

### Detailed Statement of Financial Performance

	Notes	2021 R	2020 R
<b>Revenue</b>	10	<b>157 151 033</b>	<b>131 004 305</b>
<b>Cost of sales</b>	11	<b>(94 366 627)</b>	<b>(79 974 978)</b>
<b>Gross profit</b>		<b>62 784 406</b>	<b>51 029 327</b>
<b>Other income</b>			
Recoveries		164	32
Service fees earned		-	12 965
		<b>164</b>	<b>12 997</b>
<b>Operating expenses</b>			
Accounting fees		(43 093)	-
Advertising		(1 018 618)	(455 142)
Annual duty		(3 000)	(3 000)
Auditor's remuneration	18	(150 000)	(150 000)
Bad debts		(1 498 642)	-
Bank charges		(126 595)	(112 236)
Commission paid		(2 402 017)	(1 605 402)
Computer expenses		(35 043)	(9 478)
Consulting and professional fees		(66 555)	(5 917)
Depreciation, amortisation and impairments		(35 260)	(46 624)
Employee costs		(8 833 542)	(9 974 756)
Entertainment		(10 000)	-
Fair & exhibition		-	(124 000)
General expenses		(324 099)	(80 681)
Insurance		(45 500)	(213 588)
Legal expenses		-	(207 292)
Loss on exchange differences		(2 916 162)	(398 487)
Media and exhibition costs		(17 066 997)	(16 930 032)
Placement fees		(73 309)	(241 700)
Postage		(44 852)	(25 607)
Printing and stationery		(6 833)	-
Repairs and maintenance		-	(659)
Subscriptions		-	(8 882)
Trade development costs		(15 821 838)	(16 748 536)
Travel - overseas		(769 574)	(380 064)
		<b>(51 291 529)</b>	<b>(47 722 083)</b>
<b>Operating profit</b>	13	<b>11 493 041</b>	<b>3 320 241</b>
Investment revenue	14	2 321	1 444
Finance costs	15	(4 818)	(364 976)
		<b>(2 497)</b>	<b>(363 532)</b>
<b>Profit before taxation</b>		<b>11 490 544</b>	<b>2 956 709</b>
Taxation	16	(1 352 244)	-
<b>Profit for the year</b>		<b>10 138 300</b>	<b>2 956 709</b>