

## Report on the Financial Statements

We have audited the accompanying financial statements of **SHARDA DE MEXICO S DE RL DE CV**, (“the Company”), which comprise the Statement of financial position for the year ending March 31, 2021, and the Statement of Comprehensive income, Statement of changes in equity and cash flows for the period then ended, including a summary of significant accounting policies and other explanatory notes.

## Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud and error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstance.

## Auditor’s Responsibility

Our Responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Financial Reporting Standards on Auditing. Those standards require that we comply ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence on the auditor’s judgment, including the assessment of risk of material miss statement of the financial statements, whether due to fraud or error. In making those risk assessment; the auditor considers internal control relevant to the company’s preparation and fair presentation of the financial statement in order to design audit procedure that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimate made by the management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In Our opinion the financial statements present fairly, in all material respect, the financial position of **SHARDA DE MEXICO S DE RL DE CV**, for the year ending March 31,2021and its financial performance and its cash flow for the period then ended in accordance with International Financial Reporting Standards.

**For V.K.BESWAL & ASSOCIATES,  
CHARTERED ACCOUNTANTS,  
FIRM REGISTRATION NO: 101083W**

**KUNAL V BESWAL  
PARTNER**

**M.NO.131054**

**PLACE: MUMBAI**

**DATED: 03.05.2021**

**UDIN: 21131054AAABMR3967**

SHARDA DE MEXICO S. DE RL DE CV  
(R.F.C. SME0707187AA)  
Statement of Financial Position  
As at 31st March, 2021

	<u>Notes</u>	<u>31.03.2021</u> <u>US \$</u>	<u>31.03.2020</u> <u>US \$</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	6	3,222	3,744
<b>Current assets</b>			
Inventories	7	42,42,875	27,85,727
Trade and other receivables	8	36,59,079	35,61,646
Prepayments	9	2,69,820	2,41,808
Cash and Cash equivalent	10	4,22,400	52,946
<b>TOTAL ASSETS</b>		<b>85,97,396</b>	<b>66,45,871</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	11	5,00,221	5,00,221
Other equity		1,68,461	(3,97,303)
<b>Equity funds</b>		<b>6,68,682</b>	<b>1,02,918</b>
<b>Total Equity</b>		<b>6,68,682</b>	<b>1,02,918</b>
<b>Current liabilities</b>			
Trade and other payables	12	76,67,608	62,57,652
Loan from related parties			
Miscellaneous Liabilities	13	2,61,106	2,85,301
Bank borrowing			
		<b>79,28,714</b>	<b>65,42,953</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>85,97,396</b>	<b>66,45,871</b>

*The accompanying notes 1 to 22 form an integral part of these financial statements.*

The Independent Reviewer's Report is attached herewith.

For SHARDA DE MEXICO S. DE RL DE CV

R.V. Bubna  
President

03<sup>rd</sup> May 2021

SHARDA DE MEXICO S. DE RL DE CV  
(R.F.C. SME0707187AA)  
Statement of Comprehensive Income  
for the period ended 31st March, 2021

		01/04/2020 to 31/03/2021	01/04/2019 to 31/03/2020
	<u>Notes</u>	<u>US \$</u>	<u>US \$</u>
<b>Revenue</b>	14	1,16,39,560	1,02,73,436
Cost of sales	15	1,06,05,009	87,63,510
<b>Profit from operating activities</b>		10,34,551	15,09,926
Other Income	16	4,83,193	1,09,320
Administrative and General Expenses	17	6,30,932	12,54,689
		8,86,812	3,64,557
Finance Expenses	18	967	1,174
<b>Profit/(Loss) before tax</b>		<b>8,85,845</b>	<b>3,63,383</b>
Income Tax		2,65,754.00	34,864
Prior Period Tax Expense/Income		97,819	
<b>Profit/(Loss) after tax</b>		<b>5,22,272</b>	<b>3,28,519</b>
<b>Other Comprehensive Income</b>			
Foreign Exchange Rate difference	19	43,492	(24,971)
<b>Total Other Comprehensive Income</b>		<b>5,65,764</b>	<b>3,03,548</b>

The accompanying notes 1 to 22 form an integral part of these financial statements.

For SHARDA DE MEXICO S. DE RL DE CV

R.V. Bubna  
President

03<sup>rd</sup> May 2021

SHARDA DE MEXICO S. DE RL DE CV  
(R.F.C. SME0707187AA)  
Statement of Cash flows  
for the year ended 31st March,2021

Particulars	01/04/2020 to 31/03/2021	01/04/2019 to 31/03/2020
	<u>US \$</u>	<u>US \$</u>
<b><u>Cash flows from operating activities</u></b>		
Net profit/(loss) for the period	5,22,272	3,28,519
<u>Adjustments for:</u>		
Depreciation	1,597	1,270
Finance costs	967	1,174
<b>Operating profit/(loss) before working capital changes</b>	<b>5,24,836</b>	<b>3,30,963</b>
<b><u>Changes in working capital:</u></b>		
Changes in the inventories	(14,57,148)	8,34,486
Changes in trade and other receivables	(97,433)	1,83,089
Changes in prepayments	(28,012)	7,743
Changes in Miscellaneous Liabilities	(24,195)	38,387
Changes in trade and other payables	14,09,956	(14,19,171)
<b>Net cash (used in) operating activities</b>	<b>3,28,004</b>	<b>(24,503)</b>
<b><u>Cash flows from investing activities</u></b>		
Purchase of fixed assets	(1,075)	(3,116)
<b>Net cash (used in) investing activities</b>	<b>(1,075)</b>	<b>(3,116)</b>
<b><u>Cash flows from financing activities</u></b>		
Increase in Share Capital	-	-
<b>Net cash from financing activities</b>	<b>-</b>	<b>-</b>
<b>Finance Costs</b>	<b>(967)</b>	<b>(1,174)</b>
<b>Net changes in cash and cash equivalents</b>	<b>3,25,962</b>	<b>(28,793)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>52,946</b>	<b>1,06,710</b>
<b>Prior period taxes</b>	<b>-</b>	<b>-</b>
<b>Foreign Exchange Rate difference</b>	<b>43,492</b>	<b>(24,971)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>4,22,400</b>	<b>52,946</b>

The accompanying notes 1 to 22 form an integral part of these financial statements.

For SHARDA DE MEXICO S. DE RL DE CV

R.V. Bubna  
President

03<sup>rd</sup> May 2021

SHARDA DE MEXICO S. DE RL DE CV  
(R.F.C. SME0707187AA)  
Statement of Changes in Equity  
for the year ended 31st March,2021

	<i>Share capital</i>	<i>Reserves</i>	<i>Foreign currency translation reserve</i>	<i>Total</i>
	<u>US \$</u>	<u>US \$</u>	<u>US \$</u>	<u>US \$</u>
<b>As at 1st April, 2019</b>	<b>5,00,221</b>	<b>(17,26,636)</b>	<b>10,25,785</b>	<b>(7,00,851)</b>
Increase in Share Capital				
Net profit/(loss) for the period		3,28,519		<b>3,28,519</b>
Other comprehensive income			(24,971)	<b>(24,971)</b>
<b>As at 31st March, 2020</b>	<b>5,00,221</b>	<b>(13,98,117)</b>	<b>10,00,814</b>	<b>(3,97,303)</b>
Increase in Share Capital				
Net profit/(loss) for the period		5,22,272		<b>5,22,272</b>
Other comprehensive income			43,492	<b>43,492</b>
<b>As at 31st March, 2021</b>	<b>5,00,221</b>	<b>(8,75,845)</b>	<b>10,44,306</b>	<b>1,68,461</b>

The shareholders as on 31/03/2021 and their interest as of that date in share capital of the company is as follows :

<b>Name</b>	<b>Country of Incorporation</b>	<b>No of shares</b>		<b>MXN</b>	<b>US \$</b>
M/S Siddhivinayak International Ltd.	United Arab Emirates	1		93,12,570	5,00,219
Mr.Manish Bubna	N.A.	1		30	2
<b>TOTAL</b>		<b>2</b>		<b>93,12,600</b>	<b>5,00,221</b>

\* During the year Siddhivinayak Intrnational Ltd (Holding Company) has remitted MXN 93,09,600.00 (USD 5,00,000.00) As share capital. The share holding proportion is based on value of the shares.

*The accompanying notes 1 to 22 form an integral part of these financial statements.*

**For SHARDA DE MEXICO S. DE RL DE CV**

**R.V. Bubna**  
**President**

03<sup>rd</sup> May 2021

SHARDA DE MEXICO S. DE RL DE CV  
(R.F.C. SME0707187AA)

6. Fixed Assets

	<i>Computers equipment</i>	<i>Software</i>	<i>Office equipment</i>	<i>Total</i>
<b>Particulars</b>	<u><b>US \$</b></u>	<u><b>US \$</b></u>	<u><b>US \$</b></u>	<u><b>US \$</b></u>
<b>Cost</b>				
As at 01.04.2020	4,937	3,261	2,118	10,317
Exchange difference	-	-	-	-
As at 01.04.2020	<b>4,937</b>	<b>3,261</b>	<b>2,118</b>	<b>10,317</b>
Addition during the period	483	-	-	483
As at 31.03.2021	<b>5,420</b>	<b>3,261</b>	<b>2,118</b>	<b>10,799</b>
Exchange difference	-	-	-	-
Exchange difference	883	583	379	1,844
As at 31.03.2021	<b>6,302</b>	<b>3,844</b>	<b>2,497</b>	<b>12,643</b>
<b>Depreciation</b>				
As at 01.04.2020	<b>3,807</b>	<b>1,371</b>	<b>1,394</b>	<b>6,573</b>
Exchange difference	-	-	-	-
Charge for the period (apr 20 to Mar-21)	618	750	229	1,597
Exchange difference	710	281	260	1,252
As at 31.03.2021	<b>5,135</b>	<b>2,403</b>	<b>1,883</b>	<b>9,421</b>
<b>Net book value</b>				
As at 31.03.2020	<b>1,130</b>	<b>1,890</b>	<b>724</b>	<b>3,744</b>
As at 31.03.2021	<b>1,167</b>	<b>1,442</b>	<b>614</b>	<b>3,222</b>

*In the opinion of management, there was no impairment in respect of fixed assets. Hence carrying value of fixed assets as at 31st March, 2021 approximates their net book value.*

**SHARDA DE MEXICO S. DE RL DE CV**  
**(R.F.C. SME0707187AA)**  
**Notes to the Financial Statements**  
**for the year ended 31st March,2021**

<b>7 Inventories</b>	<b>31/03/2021</b>	<b>31/03/2020</b>
	<b><u>US \$</u></b>	<b><u>US \$</u></b>
Trading Goods	13,04,926	12,32,902
Goods In Transit	29,37,950	15,52,825
	<b><u>42,42,875</u></b>	<b><u>27,85,727</u></b>
<b>8 Trade and other receivables</b>	<b>31/03/2021</b>	<b>31/03/2020</b>
	<b>US \$</b>	<b>US \$</b>
Trade receivables	36,59,079	35,61,646
Right of recoveries against expected sales return	-	-
	<b><u>36,59,079</u></b>	<b><u>35,61,646</u></b>
<b>9 Prepayments</b>	<b>31/03/2021</b>	<b>31/03/2020</b>
	<b>US \$</b>	<b>US \$</b>
Rent deposit	2,912	2,471
Advance Tax	-	1,04,964
Advance to staff	-	-
Advance to suppliers	53,247	12,987
Balance with Govt Authority	1,65,944	1,19,106
COGS Impact of IND AS	45,138	
Prepaid Expenses	2,578	2,281
	<b><u>2,69,820</u></b>	<b><u>2,41,808</u></b>
<b>10 Cash and Cash Equivalents</b>	<b>31/03/2021</b>	<b>31/03/2020</b>
	<b>US \$</b>	<b>US \$</b>
Bank Balance in current account	4,22,400	52,946
	<b><u>4,22,400</u></b>	<b><u>52,946</u></b>
<b>11 Share capital</b>	<b>31/03/2021</b>	<b>31/03/2020</b>
<b>Authorised :</b>	<b>US \$</b>	<b>US \$</b>
1 Share of 2970 MXN	219	219
1 Share of 30 MXN	2	2
Share of USD 5,00,000	5,00,000	5,00,000
	<b><u>5,00,221</u></b>	<b><u>5,00,221</u></b>
<b>Issued and paid up</b>		
1 Share of 2970 MXN	219	219
1 Share of 30 MXN	2	2
Share of USD 5,00,000	5,00,000	5,00,000
	<b><u>5,00,221</u></b>	<b><u>5,00,221</u></b>

**SHARDA DE MEXICO S. DE RL DE CV**  
**(R.F.C. SME0707187AA)**  
**Notes to the Financial Statements**  
**for the year ended 31st March,2021**

<b>12 Trade and other payables</b>	<b>31/03/2021</b>	<b>31/03/2020</b>
	<b>US \$</b>	<b>US \$</b>
Trade payables	73,98,013	62,57,652
Accruals and provisions	2,16,678	-
Expected return from customer (IND AS)	52,917	-
	<b>76,67,608</b>	<b>62,57,652</b>

  

<b>13 Miscellaneous Liabilities</b>	<b>31/03/2021</b>	<b>31/03/2020</b>
	<b>US \$</b>	<b>US \$</b>
Advance from Customer	30,435	69,712
Taxes payable	2,15,048	2,01,951
Employee Benefits payable	15,623	13,638
	<b>2,61,106</b>	<b>2,85,301</b>

  

<b>14 Revenue from operations</b>	<b>01/04/2020 to 31/03/2021</b>	<b>01/04/2019 to 31/03/2020</b>
	<b>US \$</b>	<b>US \$</b>
Sale of agrochemicals	1,16,39,560	1,02,73,436
	<b>1,16,39,560</b>	<b>1,02,73,436</b>

  

<b>15 Cost of Goods Sold</b>	<b>01/04/2020 to 31/03/2021</b>	<b>01/04/2019 to 31/03/2020</b>
	<b>US \$</b>	<b>US \$</b>
Opening balance	27,85,727	36,20,213
Add / (Less): Exchange rate fluctuation on account of average rate transferred to currency Translation Reserve	3,47,419	(11,898)
Purchase	1,19,17,205	96,58,124
Quality & Rate diff (Purchase)	(3,79,763)	(10,65,752)
COGS Impact of IND AS(P/L)	(43,069)	-
Add:Freight charges	5,280	9,399
Add:Custom duty paid	(2,914)	30,553
Add:Packing charges	23,481	2,350
Closing balance	42,42,875	27,85,727
Add / (Less): Exchange rate fluctuation on account of average rate transferred to currency Translation Reserve	(1,94,519)	6,93,752
	<b>1,06,05,009</b>	<b>87,63,510</b>

**SHARDA DE MEXICO S. DE RL DE CV**  
**(R.F.C. SME0707187AA)**  
**Notes to the Financial Statements**  
**for the year ended 31st March,2021**

<b>16 Other income</b>	<b>01/04/2020 to 31/03/2021</b>	<b>01/04/2019 to 31/03/2020</b>
	<b>US \$</b>	<b>US \$</b>
Miscellaneous Income	1,036	616
Inflated Income	18	923
SAT penalty Interest Recd	-	97,142
IEPS Tax W/off	325	229
Foreign Exchange Gain	4,80,748	-
BY Sundry Balance Written Back	1,066	10,411
	<b>4,83,193</b>	<b>1,09,320</b>
<b>17 Administrative and General Expenses</b>	<b>01/04/2020 to 31/03/2021</b>	<b>01/04/2019 to 31/03/2020</b>
	<b>US \$</b>	<b>US \$</b>
Salaries and benefits	1,89,243	1,95,451
Commissions	1,74,324	1,31,002
Legal Fees & Consultancy Charges for Registration	63,189	68,815
Office expenses	12,207	15,652
Travelling Expenses	24,916	49,937
Freight charges (Sales)	82,483	85,597
Rent	13,894	14,144
Professional Charges	50,346	41,213
Foreign Exchange Loss	-	6,16,810
Postage and Telegram	1,503	2,228
Telephone Charges	718	791
Taxes, Penalty and Duties	61	358
Advertising and sales promotion	5,971	15,794
Insurance exps	9,234	6,780
Membership & Subscription Charges	378	584
Depreciation	1,597	1,270
Prov rate disc debtors (ECL)	95	-
Bad Debts	-	7,351
Repairs & Maintainance	773	912.38
	-	-
	-	-
	<b>6,30,932</b>	<b>12,54,689</b>

\*During the Financial year 2018-19 under review the company has written off MXN equivalent  
The management has also initiated legal case against some debtors, the impact of which will be determined out of the outcome of the court.

SHARDA DE MEXICO S. DE RL DE CV  
(R.F.C. SME0707187AA)  
Notes to the Financial Statements  
for the year ended 31st March,2021

18 Finance Cost *01/04/2020 to 31/03/2021*    *01/04/2019 to 31/03/2020*

	<b>US \$</b>	<b>US \$</b>
Bank Charges	967	1,174
	<b>967</b>	<b>1,174</b>
	<b>967</b>	<b>1,174</b>

19 Other Comprehensive Income *01/04/2019 to 31/03/2020*    *01/04/2019 to 31/03/2020*

	<b>US \$</b>	<b>US \$</b>
Foreign currency translation difference	43,492	(24,971)
	<b>43,492</b>	<b>(24,971)</b>
	<b>43,492</b>	<b>(24,971)</b>

## 20 Related party transactions

For the purpose of this financial statement, parties are considered to be related to the company if the company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making party financial and operating decisions, or vice versa, or where the company and the party are subject to common control or common significant influence. Related party may be individuals or other entities.

### (a) Nature of relationship:

Particulars	Nature of Relationship
1. Sharda Cropchem Limited	Holding Company of Sharda International DMCC
2. Sharda International DMCC	Holding Company
3. Sharda Cropchem Espana S.L.	Fellow Subsidiary

At the balance sheet date, transactions and balances with related parties were as follows:

Particulars	01/04/2020 to 31/03/2021	01/04/2019 to 31/03/2020
	US \$	US \$
<b>Purchase of goods:</b>		
Purchase from Sharda Cropchem Limited	1,12,22,074	82,51,476
Purchase from Sharda Cropchem Espana S.L.	-	1,09,532
Purchase from Sharda International Dmcc	-	-
<b>Sale of goods:</b>		
Sales to Sharda Cropchem Limited	-	1,46,371
<b>Credit Notes issued</b>		
From Sharda Cropchem Limited on account of Exchange rate difference in MXN and USD		
<b>Creditors for goods:</b>		
Sharda Cropchem Limited	72,08,112	60,45,508
Sharda Cropchem Espana S.L.	-	1,04,246
Sharda International DMCC		

## 21 Financial instruments: Credit, interest rate, liquidity and exchange rate risk exposures

### Credit risk (As per the management)

Financial assets, which potentially expose the company to concentrations of credit risk, comprise principally of trade and other receivables, due from a related party and bank balances.

The company's bank balances in current accounts are placed with high credit quality financial institutions.

There is no significant concentration of credit risk from trade receivables within Mexico, outside Mexico and outside the industry in which the company operates.

### Liquidity risk

The following are the contractual maturities of the company's financial liabilities as of 31st March 2021:

Non-derivative financial liabilities	01/04/2020 to 31/03/2021			01/04/2019 to 31/03/2020		
	Carrying	Payable within next 12 months	Payable after 12 months	Carrying	Payable within next 12 months	Payable after 12 months
	US \$	US \$	US \$	US \$	US \$	US \$
<b>Trade and other payables:</b>						
Trade payables	73,98,013	73,98,013	-	62,57,652	62,57,652	-
Other payables	2,61,106	2,61,106	-	2,85,301	2,85,301	-

**Exchange rate risk**

Except for the following assets and liabilities, which is denominated in foreign currencies, there is no significant exchange rate risk as substantially all financial assets and financial liabilities are denominated in MXN

<i>Particulars</i>	<i>01/04/2020 to 31/03/2021</i>	<i>01/04/2019 to 31/03/2020</i>
<b>Trade receivables</b>		
USD	36,59,079	35,61,646
<b>Bank balances</b>		
USD	4,22,400	52,946
<b>Trade payables</b>		
USD	76,67,608	62,57,652

**22 Contingent Liability**

There was no contingent liability of a significant amount at the balance sheet date.

For SHARDA DE MEXICO S. DE RL DE CV

R.V. Bubna  
President

03<sup>rd</sup> May 2021

**4 b (b) Disclosures required to be given under IFRS 15 Revenue from Contracts with Customers**

(A) The Company is engaged in the business of dealing in agrochemical products in Mexico. Revenue from sale of goods is recognized when control of the goods have been passed to the buyer. Revenue from the sale of goods is measured at amount of consideration which an entity expects to be entitled in exchange for transferring promised goods to the customer, net of returns and allowances, trade discounts, volume rebates and cash discounts. The Company operates a loyalty programme where customers accumulate points for purchases made. Revenue related to the award points is deferred and recognised when the points are redeemed. The amount of revenue is based on the number of points redeemed relative to the total number expected to be redeemed.

**(B) Reconciliation of revenue recognised from Contract liability:**

(Amt in USD)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Opening Contract liability	69,712	44,017
Less: Recognised as revenue during the year	- 69,712	- 44,017
Add: Addition to contract liability during the year	30,435	69,712
Add: Other Adjustments	-	-
Closing Contract liability	<b>30,435</b>	<b>69,712</b>

**(C) Reconciliation of revenue as per contract price and as recognised in statement of profit and loss:**

(Amt in USD)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Revenue from contract with customer as per Contract price	1,19,90,970	1,05,53,961
Less: Discounts and incentives	72,369	33,226
Less:- Sales Returns /Credits / Reversals	2,79,040	2,47,299
Less:- Any other adjustments	-	-
Revenue <b>from contract with customer</b> as per statement of profit and loss	<b>1,16,39,560</b>	<b>1,02,73,436</b>

**(D) Disaggregation of revenue from contract with customers**

Year ended March 31, 2021

(Amt in USD)

Particulars	Revenue from contracts with customers (IFRS 15)	Revenue from operations from other than customers	Total Revenue from Operations	Other Income	Total Income
Agrochemicals - NAFTA	1,16,39,560	-	1,16,39,560	-	1,16,39,560
Agrochemicals - INDIA	-	-	-	-	-
Other income - Unallocated	-	-	-	4,83,193	4,83,193
<b>Total</b>	<b>1,16,39,560</b>	<b>-</b>	<b>1,16,39,560</b>	<b>4,83,193</b>	<b>1,21,22,754</b>

Year ended March 31, 2020

(Amt in USD)

Particulars	Revenue from contracts with customers (IFRS 15)	Revenue from operations from other than customers	Total Revenue from Operations	Other Income	Total Income
Agrochemicals - NAFTA	1,02,73,436	-	1,02,73,436	-	1,02,73,436
Agrochemicals - INDIA	-	-	-	-	-
Other income - Unallocated	-	-	-	1,09,320	1,09,320
<b>Total</b>	<b>1,02,73,436</b>	<b>-</b>	<b>1,02,73,436</b>	<b>1,09,320</b>	<b>1,03,82,756</b>

**SHARDA DE MEXICO S.DE RL DE CV**  
(Incorporated in the Chamber of Commerce in Mexico)  
(R.F.C. SME0707187AA)

**Notes to the Financial Statements**  
*for the year ended 31 March 2021*

**1. Legal status and business activity**

- a) **SHARDA DE MEXICO S.DE RL DE CV** is a limited liability company registered in the Chamber of Commerce of Mexico incorporated on 18.07.2007.

The Company is principally engaged in the trading of agro-chemicals (technical grade and formulations).

**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 on or after 1 January 2020 and the applicable rules and regulations of the chamber of commerce in Mexico.

b) **Basis of measurement**

The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments) which are being measured at fair value. Historical cost is based on the fair value of the consideration given to acquire the asset or cash and 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety as described below:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### c) **Functional and presentation currency**

The functional currency of the company is Mexican Pesos (MXN). These financial statements are presented in United States Dollars (USD), which in the opinion of the management is the most appropriate presentation currency in view of the global presence of the company. Mexican Pesos (MXN) is currently pegged to USD and there are no differences on translation from functional to presentation currency.

## 3. **Use of estimates and judgments**

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

As a result of the COVID-19 and the resulting disruptions to the social and economic activities, the Company continues to assess regularly the impact of COVID-19 on its business, in particular the reduction of sales and the estimation of expected credit loss/fair value and collectability of trade receivables. The management considered several foreseeable areas of operational risk and implemented various measures to ensure the continuity of the operations and the ability of the organization to cope with the lock-down situation.

### **Judgments made in applying accounting policies**

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

#### ***Revenue from contracts with customers***

##### ***Sale of goods***

##### ■ **Timing for transfer of control of goods:**

In case of performance obligation satisfied at point in time, the control of goods is transferred, when physical delivery of the goods to the agreed location has occurred, as a result, the company has a present right to payment and retains none of the significant risks and rewards of the goods.

##### ■ **Financing components**

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

##### ■ **Determining the transaction price:**

The company's revenue from sale of goods is derived from fixed price contracts with customers and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices. Based on the historical performance of the company, it is highly probable that there will not be reversal of

previously recognized revenue on account of the return of goods or volume rebates.

■ Allocating the transaction prices:

There is a fixed unit price for each item sold to the customer. Therefore, there is no judgment involved in allocating the contract price to each unit ordered in contracts with customers. Where a customer orders more than one item, the company is able to determine the split of the total contract price between each item by reference to each product's standalone selling prices (all product lines are capable of being, and are, sold separately).

■ Provision of rights to return goods, volume rebates and other similar obligations:

The company reviews its estimate of expected returns at each reporting date on basis of the historical data for the returns, rebates and other similar obligations and updates the amounts of the asset and liability accordingly.

***Impairment of non-financial assets***

At each reporting date, management conducts an assessment of fixed assets 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.

***Financial assets at amortized cost***

The company classifies its financial assets as at amortized cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest

***Financial assets at fair value through profit or loss***

The company has elected to record the investments at fair values through profit and loss account as the financial assets are held primarily for trading. All derivatives (except those designated hedging instruments) and financial assets acquired or held for the purpose of selling in the short term or for which there is a recent pattern of short-term profit taking are considered as held for trading.

**Key sources of estimation uncertainty and assumptions**

The key assumptions concerning the future, and other key sources of estimation uncertainty and assumptions at the reporting date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

***Residual values of fixed assets***

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.

### ***Estimated useful life of fixed assets***

Management determines the estimated useful lives and depreciation charge for its fixed assets at the time of addition of the assets and is reviewed on annual basis.

### **Inventory provision**

Management regularly undertakes a review of the company's inventory, in order to assess the likely realization proceeds, taking in account purchase and replacement prices, 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.

### ***Provision for expected credit losses of trade receivables and contract assets***

The Company follows simplified approach for recognition of impairment loss allowance on trade receivables and other receivables

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument.
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/expense in the statement of profit and loss (P&L). This amount

is reflected under the head 'other expenses' in the P&L. The balance sheet presentation for various financial instruments is described below:

- Financial assets measured as at amortised cost, contractual revenue receivables and lease receivables: ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

#### **4. Adoption of new and revised International Financial Reporting Standards**

##### **a) New and revised International Financial Reporting Standards**

The following International Financial Reporting Standards, amendments thereto and interpretations issued by IASB that became effective for the current reporting period:

- Definition of Material - amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform - Amendments to IFRS 9 IAS 39 and IFRS 7.
- Revised Conceptual framework for Financial Reporting

During the current year, the management has adopted the above standards and amendments to the extent applicable to them from the financial reporting year commencing on or after 1 April 2020.

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

##### **b) International Financial Reporting Standards issued but not effective**

IFRS17 -Insurance Contracts- The effective date of the standard is set for annual periods beginning on or after 1 January 2021 (likely to be extended to 1 January 2023).

Amendments to IAS 16 - COVID -19 – Related Rent Concessions the effective date of the amendment is set for annual periods beginning on or after 1 January 2021.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 –Interest Rate Benchmark Reform – Phase 2 beginning on or after 1 January 2021.

Amendments to IFRS 3 Reference to Conceptual Framework, IAS 37 Onerous Contract – cost of fulfilling a contract, and IAS 16 Property, Plant & Equipment: proceeds before intended use – beginning on or after 1 January 2022.

Annual improvements to IFRS Standards 2018 - 2020 Cycle - beginning on or after 1 January 2022.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

## 5. Significant Changes in the current reporting period

The Company has initially adopted Definition of a Business (Amendments to IFRS 3) and Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) from 1 January 2020. A number of other new standards are also effective from 1 January 2020 but they do not have a material effect on the Company's financial statements

## 5. Significant accounting policies:

### a) Property, Plant and Equipment

#### • Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

#### • Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

#### • Depreciation

The cost of fixed assets is depreciated by equal annual installments over their estimated useful lives as under:

Computers	3.3 years
Office equipment	5.0 years
Software	7.0 years

The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

### b) Financial instruments

#### i. Recognition and Initial measurement

The company recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are measured at fair value on initial recognition. Transaction costs that are directly attributable in relation to financial assets and financial liabilities, other than those carried at fair value through profit or loss (FVTPL), are added to the fair value on initial recognition.

#### ii. Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified as follows:

*Financial assets at amortized cost (debt instruments)*

Financial assets that are held within a business model whose objective is to hold the asset in order to collect contractual cash flows that are solely payments of principal and interest are subsequently measured at amortized cost less impairments, if any. Interest income calculated using effective interest rate (EIR) method and impairment loss, if any are recognised in the statement of profit and loss. Gains and losses are recognised in profit or loss when the asset is derecognized, modified or impaired.

**Classification and subsequent measurement of financial assets (contd):**

*Financial assets at amortized cost (debt instruments) (contd.):*

The company's financial assets at amortised cost include trade and other receivables and cash and cash equivalents. Due to the short term nature of these financial assets, their carrying amounts are considered to be the same as their fair value.

*Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments)*

Financial assets that are held within a business model whose objective is achieved by both holding the asset in order to collect contractual cash flows that are solely payments of principal and interest and by selling the financial assets, are subsequently measured at fair value through other comprehensive income. Changes in fair value are recognized in the other comprehensive income (OCI) and on derecognition, cumulative gain or loss previously recognised in OCI is reclassified to the statement of profit and loss. Interest income calculated using EIR method and impairment loss, if any are recognised in the statement of profit and loss.

*Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments)*

The investments in equity instruments, which are strategic in nature and held on a long-term basis are initially measured at fair value. Accordingly, the Company has elected irrevocable option to measure such investments at FVOCI. The Company makes such election on an instrument-by-instrument basis. Pursuant to such irrevocable option, changes in fair value are recognised in the OCI and is subsequently not reclassified to the statement of profit and loss.

*Financial assets at fair value through profit or loss*

A financial asset which is not classified in any of the above categories are subsequently measured at fair value through profit or loss. Changes in fair value and income on these assets are recognised in the statement of profit and loss. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial

assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

**iii. *Classification and subsequent measurement of financial liabilities***

For the purpose of subsequent measurement, financial liabilities are classified as follows:

- Amortised cost - Financial liabilities are classified as financial liabilities at amortised cost by default. Interest expense calculated using EIR method is recognised in the statement of profit and loss.
- Fair values through profit or loss (FVTPL) - Financial liabilities are classified as FVTPL if it is held for trading, or is designated as such on initial recognition. Changes in fair value and interest expense on these liabilities are recognised in the statement of profit and loss.

The company's financial liabilities include trade and other payables. The carrying amounts of these financial liabilities are considered as to be the same as their fair values, due to their short term nature.

**iv. *Derecognition of financial assets and financial liabilities***

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.

***Derecognition of financial assets and financial liabilities (contd):***

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

**v. *Offsetting of financial instruments***

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position, if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

**vi. *Impairment of financial assets***

The Company recognizes an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. Expected credit losses 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.

Expected credit losses are recognized in two stages.

- For credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12-months.
- For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

For trade receivables and contract assets, the Company applies a simplified approach in calculating expected credit losses. The Company does not track changes in credit risk, but instead recognised 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.

**vii. *Derivative financial instruments***

*Initial recognition and subsequent measurement*

The company uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value at the end of each reporting date. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

**c) *Inventories***

Inventories are valued at lower of cost using the weighted average method or net realizable value.

Cost comprises invoice value plus attributable direct expenses.

Net realizable value is based on estimated selling price less any further costs expected to be incurred for disposal.

**d) *Foreign currency transactions***

Transactions in foreign currencies are converted into United States Dollars at the rate of exchange ruling on the date of the transaction. Assets and liabilities expressed in foreign currencies are translated into United States Dollars at the rate of exchange

ruling at the balance sheet date. Resulting gain or loss is taken to the Statement of Comprehensive Income.

**e) Impairment of non-financial assets**

The company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount.

Where the carrying amount of an asset or cash generating units exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognized in the Statement of Comprehensive Income in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. Such reversal is recognized in the Statement of Comprehensive Income.

**f) Provision**

Provisions are recognized when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period, using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

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

**g) Leases**

***The Company as lessee***

**Lessee accounting**

The Company has elected to apply the expedient allowed by IFRS 16 on its general requirements to short-term leases (i.e. one that does not include a purchase option and has a lease term at commencement date of 12 months or less) and leases of low value assets. For this the Company recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term or another systematic basis if that basis is representative of the pattern of the lessee's benefits, similar to the current accounting for operating leases.

**Short-term leases and leases of low value assets**

The Company applies the short-term lease recognition exemption to its short-term leases office premises (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 and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

The Company has assessed that the impact of IFRS 16 is not material on the financial statements of the company as at the adoption date and the reporting date.

#### **h) Revenue recognition**

##### **Sales of goods**

The company is in the business of trading of rubber items such as conveyer belts and agro chemicals.

Revenue from sale of goods is recognized at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customers and have been accepted by the customers at their premises and there is no unfulfilled obligation that could affect customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer or the company has objective evidence that all criteria for acceptance have been satisfied.

The amount of revenue is shown as net of discounts, returns, other similar obligations and VAT as per the performance obligations determined as per the provisions of the contracts with customers

##### **Interest income**

Interest income from a financial asset at FVPL is included in the net fair value gains or loss on these assets. Interest income on financial assets at amortized cost and at FVOCI calculated using the effective interest method is recognized in statement of profit or loss as other income.

Interest income is presented as financial income where it is earned from financial asset that are held for cash management purposes.

##### **Dividend income**

Dividends are recognized as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case the dividend is recognized in OCI if it relates to investment measured at FVOCI.

#### **i) Cash and cash equivalents**

Cash and cash equivalents for the purpose of the cash flow statement comprise cash and cheques on hand, bank balance in current accounts, deposits free of encumbrance with a maturity date of three months or less from the date of deposit and highly liquid investments with a maturity date of three months or less from the date of investment.

#### **j) Dividend and interim dividend**

Dividend including interim dividend is paid out of accumulated profits, when declared.

#### **k) Trade and Other Receivables**

Trade Receivable are carried at the original invoice amount to the customer. And estimate is made for doubtful receivable based on periodic review of all outstanding amounts. Bad debts are written off when identified.

**l) Trade and Other Payables**

Liabilities are recognised for amounts to be paid for goods or services received, whether invoice by the supplier or not.

**m) Fair Value**

The Fair Value of foreign exchange contracts is calculated by reference to current forward exchange rates with the same maturity.

**n) Income Tax**

The Income tax expenses or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of laws enacted or substantively enacted at the end of the reporting period in the country where the company generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**o) Borrowing costs**

Finance expenses comprises finance cost on bank borrowing and interest paid to a shareholder is recognized in statement of comprehensive income.

**For SHARDA DE MEXICO S. DE RL DE CV**

**R.V. Bubna  
President**

**03<sup>rd</sup> May 2021.**