

SPECIAL PURPOSE CONSOLIDATED FINANCIAL
STATEMENTS

**United Phosphorus Cayman Limited and its Colombian
Branch**

Years ended March 31, 2016 and 2015
with Independent Auditor Report

United Phosphorus Cayman Limited and its Colombian Branch

Special Purpose Consolidated Financial Statements

Year ended March 31, 2016 and 2015

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Independent Auditor's Report

To the Board of Directors of
United Phosphorus Cayman Limited
Cayman Island

Independent auditors' report on the Consolidated Financial Statements

We have audited the accompanying special-purpose consolidated balance sheet of United Phosphorus Cayman Limited and its Colombian Branch, as of March 31, 2016 and the related consolidated income statement, shareholders' equity and cash flows for the years then ended, and the summary of significant accounting policies and other explanatory information. The consolidated financial statements have been prepared by management based on the accounting principles described in Note 1.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the special-purpose consolidated financial statements in accordance with the accounting principles described in Note 1, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these special - purpose consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special - purpose consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Our audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating 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.

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Opinion

In our opinion, the special - purpose consolidated financial statements of United Phosphorus Cayman Limited and its Colombian Branch, for the year ended March 31, 2016 are prepared, in all material respects, in accordance with accounting principles described in Note 1.

Restriction on use

The special purpose financial statement has been prepared for purposes of providing information to United Phosphorus Limited to enable it to prepare the group consolidated financial statements. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for United Phosphorus Cayman Limited and their shareholders and should not be distributed to parties other than United Phosphorus Cayman Limited and their shareholders.

A handwritten signature in black ink, appearing to read 'Henry E. Barrera López', written over a faint, illegible stamp or background.

Henry E. Barrera López
Professional Card 75239-T
Independent Accountant

Barranquilla, Colombia
April 15, 2016

United Phosphorus Cayman Limited and its Colombian Branch

Consolidated Balance Sheets

	March 31	
	2016	2015
	<i>(In US Dollars)</i>	
Assets		
Current assets:		
Cash <i>(Note 3)</i>	\$ 3,113,666	\$ 309,767
Short term investments <i>(Note 4)</i>	61,878	817,106
Accounts receivable, net <i>(Note 5)</i>	4,837,561	2,962,117
Receivables - related parties <i>(Note 13)</i>	6,336,977	8,087,870
Borrowings to related parties <i>(Note 13)</i>	3,353,176	2,324,756
Inventories, net <i>(Note 6)</i>	2,523,599	3,150,698
Prepayments	13,072	13,764
Total current assets	20,239,929	17,666,078
Borrowings to related parties <i>(Note 13)</i>	–	1,365,851
Property, plant and equipment, net <i>(Note 7)</i>	16,882,298	10,729,361
Deferred charges, net	21,963	1,219
Total assets	\$ 37,144,190	\$ 29,762,509
Liabilities and equity		
Current liabilities:		
Financial obligations <i>(Note 8)</i>	\$ 9,667,020	\$ 11,314,091
Suppliers and accounts payable <i>(Note 9)</i>	5,867,344	4,654,559
Accounts payable - Related parties <i>(Note 13)</i>	2,955,161	2,765,173
Income tax payable <i>(Note 10)</i>	194,821	45,795
Labor obligations <i>(Note 11)</i>	377,852	364,479
Customer advances <i>(Note 12)</i>	13,798,945	10,216,427
Estimated liabilities and provisions	97,079	59,880
Total current liabilities	32,958,222	29,420,404
Deferred tax liability <i>(Note 10)</i>	119,312	210,590
Equity <i>(Note 14)</i> :		
Paid-in capital	0.01	0.01
Reserves	245,643	433,567
Accumulated profit	1,203,166	3,800,799
Net (loss) profit for the year	4,452,245	(2,785,557)
Cumulative translation adjustments	(1,834,398)	(1,317,294)
Total equity	4,066,656	131,515
Total liabilities and equity	\$ 37,144,190	\$ 29,762,509

See accompanying notes.

United Phosphorus Cayman Limited and its Colombian Branch

Consolidated Statement of Income

	Year ended March 31	
	2016	2015
	<i>(In US Dollars)</i>	
Operating income <i>(Note 15)</i>	\$ 44,371,099	\$ 42,350,899
Cost of sales and rendering of services <i>(Note 16)</i>	(35,346,107)	(38,860,490)
Gross profit	9,024,992	3,490,409
Operating expenses <i>(Note 17)</i> :		
Administrative expenses	(362,457)	(408,488)
Selling and distributions costs	(1,451,539)	(1,561,436)
Operating profit	7,210,996	1,520,485
Other (expenses) income:		
Financial, net <i>(Note 18)</i>	(1,596,551)	(3,022,744)
Other income <i>(Note 19)</i>	67,693	225,100
Exceptional items <i>(Note 20)</i>	(127,938)	(1,512,896)
Profit (loss) before income tax expense	5,554,200	(2,790,055)
Income tax expense <i>(Note 10)</i> :		
Current	(1,165,042)	(63,148)
Deferred tax	63,087	67,646
	(1,101,955)	4,498
Net profit (loss)	\$ 4,452,245	\$ (2,785,557)

See accompanying notes.

United Phosphorus Cayman Limited and its Colombian Branch

Consolidated Statement of Changes in Equity

	Paid-in Capital	Reserves	Accumulated Profits	Cumulative Translation Adjustments	Net (Loss) Profit of the Year	Total
			<i>(In US Dollars)</i>			
Balance at March 31, 2014	\$ 0.01	\$ 739,782	\$ 1,718,488	\$ (346,847)	\$ 1,776,096	\$ 3,887,519
Translation adjustments	–	–	–	(970,447)	–	(970,447)
Reserves movements	–	(306,215)	306,215	–	–	–
Reclassifications	–	–	1,776,096	–	(1,776,096)	–
Net loss of the year	–	–	–	–	(2,785,557)	(2,785,557)
Balance at March 31, 2015	\$ 0.01	\$ 433,567	\$ 3,800,799	\$ (1,317,294)	\$ (2,785,557)	\$ 131,515
Translation adjustments	–	–	–	(517,104)	–	(517,104)
Reserves movements	–	(187,924)	187,924	–	–	–
Reclassifications	–	–	(2,785,557)	–	2,785,557	–
Net profit of the year	–	–	–	–	4,452,245	4,452,245
Balance at March 31, 2016	\$ 0.01	\$ 245,643	\$ 1,203,166	\$ (1,834,398)	\$ 4,452,245	\$ 4,066,656

See accompanying Notes.

United Phosphorus Cayman Limited and its Colombian Branch

Consolidated Statement of Cash Flows

	Year ended March 31	
	2016	2015
	<i>(In US dollars)</i>	
Operating activities:		
Net profit (loss) of the year	\$ 4,452,245	\$ (2,785,557)
Adjustments to reconcile net profit and net cash provided by operating activities:		
Depreciation and amortization	605,715	1,000,539
Gain on sale of equipment		(10,472)
Deferred tax provision	(91,278)	(137,893)
Inventory provision	(86,431)	20,769
Net changes in operating assets and liabilities:		
Debtors	(1,875,444)	(1,207,816)
Receivables - related parties	1,750,893	(2,605,737)
Inventories	713,530	1,697,911
Suppliers and accounts payable	1,212,785	(652,878)
Related parties	189,988	5,682,474
Labor obligations	13,373	(372,515)
Estimated liabilities and provisions	37,199	(33,902)
Advances received from customers	3,582,518	(1,720)
Prepayments	692	4,492,942
Income tax payable	149,026	(24,409)
Net cash provided by operating activities	10,654,811	5,061,736
Investing activities:		
Additions to property, plant and equipment	(8,629,760)	(2,222,295)
Proceeds from the sale of property, plant and equipment	-	10,472
Decrease in investments	755,228	(84,279)
Net cash used in investing activities	(7,874,532)	(2,296,102)
Financing activities:		
Decrease in financial obligations	(1,647,071)	(3,135,909)
Borrowing to related parties	337,431	(3,565,094)
Decrease of loan payable to related parties	-	-
Net cash used in financing activities	(1,309,640)	(6,701,003)
Effect of exchange rate changes on cash	1,333,260	2,284,993
Net Increase in cash	2,803,899	(1,650,376)
Cash at beginning of year	309,767	1,960,143
Cash at end of year	\$ 3,113,666	\$ 309,767

See accompanying notes.

United Phosphorus Cayman Limited and its Colombian Branch

Notes to the Special Purpose Consolidated Financial Statements

March 31, 2016 and 2015

(Amounts stated in US dollars unless otherwise stated)

1. Organization and Summary of Significant Accounting Policies

Organization

In April 29, 2010, United Phosphorus Cayman Limited (the Company) was incorporated according to local law in the Cayman Islands. Its corporate purpose is to carry on business of an investment company to acquire, invest and hold by way of investment, sell and deal in shares, stocks, options, debenture stock, bonds, obligations, certificates of deposit, bills of exchange and securities of all kinds created, issued or guaranteed by any government, sovereign, ruler, commissioner, public body or authority in any part of the world.

Uniphos Colombia Plant Limited (the Branch), was organized on May 26, 2010, as a branch of the foreign company United Phosphorus Cayman Limited, and its duration is until 2060. Its corporate purpose consists of developing importation, exportation, manufacturing, refining, transformation, purchase, sale, distribution or commercialization of organic or inorganic products, chemical intermediaries, agrichemical, seeds, synthetic fibers, and minerals and its products or by-products. To comply with its corporate purpose, it counts upon a plant in Barranquilla (Atlántico) and the central administration in Barranquilla (Atlántico).

In June 2010 United Phosphorus de Colombia S.A.S., a company duly organized and validly existing under the laws of Colombia, entered into an Asset Purchase and Sale Agreement (APSA) with DuPont de Colombia S.A., to purchase some assets and assume some liabilities, contemplated in the first and second closing transactions.

In July 30, 2010, the Branch signed an Assignment Agreement with United Phosphorus de Colombia S.A.S., whereby the Branch acquired all rights and obligations related with the “second closing”, which includes the transfer of assets, permissions, licenses and authorizations issued by a governmental body, the existing or new collective agreement, any benefit provided or the maintenance plans and any other obligation in respect to the employees transferred; the sales price for the second closing was US\$22,235,000. The APSA contract included the purchase of the assets corresponding to the production plants of fungicides and herbicides.

All conditions identified in Resolution 0525, April 29, 2010 of Departamento Técnico Administrativo del Medio Ambiente Barranquilla – DAMAB - as constituting a purported breach of applicable legal requirements, should be repaired, corrected or remediated by DuPont de Colombia S.A. at its cost (the Permit Project). DuPont had the sole responsibility for the development, design and construction of the wastewater treatment process necessary to complete the Permit Project.

In May 2011, the Branch signed a second amendment to the APSA contract with DuPont whereby it established the delivery of US\$5,700,000 for the Branch to assume the total cost of the construction of the residual waters treatment plant. On July 28, 2011, an early termination notice was sent by the Branch to Du Pont whereby it accepts the responsibility for the construction of the Project on exchange for the payment of US\$1,800,000. Since 2012, the Branch began the construction of the residual waters treatment plant, Management expects to start operations in July 2016.

United Phosphorus Cayman Limited and its Colombian Branch

Notes to the Special Purpose Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Organization (continued)

E.I. Du Pont de Nemours and United Phosphorus Limited are the parties to the contract of Mancozeb Supply and Regulatory Support entered into June 2, 2010, which was amended and fully re-issued on May 31, 2011 through the Amended and Restated Mancozeb Supply and Regulatory Support Agreement; the Branch is taking care of the requirements of Du Pont in Barranquilla for the supply of the fungicides Manzate WG/DF and Manzate WP, in accordance with this agreement.

On May 31, 2011, Du Pont de Colombia S.A. and United Phosphorus Limited entered into the Karmex Toll Formulation contract for the rendering of the herbicides “maquila” services per the DuPont formulations. The contract term is of 18 months as of the effective date of the APSA second closing.

In according with the Code of Commerce, the Branch’s assets in the accompanying balance sheets as well as those of its Home Office (the Company) are legally available to meet the obligation of both.

In 2014 new agreements with related parties were signed; for technical assistance in IT Support and special advisory in Mancozeb program.

Basis of Presentation

The principal accounting policies and practices followed by the group are described below:

The consolidated financial statements of United Phosphorus Cayman Limited include the financial statements of Uniphos Colombia Plant Limited, which is wholly owned by United Phosphorus Cayman Limited.

The financial statements of the Branch included herein have been prepared from the accounting records, which are maintained using the historical cost method and based on to issue by Colombian Government with Decree 2649 of 1993 applicable until December 31, 2015 and have been translated into US dollar, following the foreign currency translation method set forth in below with the functional currency being the Colombian pesos, these accounting principles could differ in certain aspects with another International Accounting Standards. Translation of the financial statements has been made as follows:

- a. Assets and liabilities were translated at the Reuter’s closing rate at the date of the balance sheet, equity accounts were translated at historical rate. The resulting exchange difference is recognized as a separate component of equity.
- b. Income and expenses were translated at the Reuter’s average rate for the period, and all resulting exchange differences are recognized as a separate component of equity.

This special purpose financial statement has been prepared for purposes of providing information to United Phosphorus Limited to enable it to prepare the group consolidated financial statements.

As a result, the specified financial statements are not a complete set of financial statements of United Phosphorus Cayman Limited in accordance with group applicable financial reporting framework underlying the group’s accounting policies and are not intended to present fairly, in all material respects the financial position of United Phosphorus Cayman Limited as of March 31, 2016 and 2015 and of its financial performance, and its cash flow for the year then ended in accordance with group applicable financial reporting framework underlying the group’s accounting policies. The specified financial statements may, therefore, not be suitable for another purpose.

United Phosphorus Cayman Limited and its Colombian Branch

Notes to the Special Purpose Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Consolidation Principles

The consolidated financial statements include the investment accounts of United Phosphorus Cayman Limited and its Colombia branch. The most significant balances, transactions and profits among the companies have been eliminated in consolidation.

The consolidation method used was the global integration. By means of this method, total assets, liabilities, equity and results of the branch are incorporated to the financial statements of the controlling entity, after eliminating the investment in the controlling entity made by it in the branch equity, as well as the operations and reciprocal balances existing at the cut-off date of the consolidated financial statements.

Below are assets, liabilities, equity and net profit or loss, of the entities included in the special purpose consolidated financial statements:

March 31, 2016

	UCPL Colombia Branch US\$	UP Cayman US\$
Assets	\$ 37,710,395	\$ 2,762,600
Liabilities	31,734,371	2,309,970
Net equity	5,976,024	452,630
Net profit of the year	\$ 3,534,496	\$ 416,934

March 31, 2015

Assets	\$ 29,631,977	\$ 2,462,511
Liabilities	27,174,160	2,426,815
Net equity	2,457,817	35,696
Net loss of the year	\$ (2,799,508)	\$ 13,951

Materiality Concept

An economic fact is material when due to its nature or amount and taking into account the surrounding circumstances and amount, knowing or not knowing it could significantly alter the economic decisions of information users. The financial statements break down specific headings in accordance with legal requirements, or those representing 5% or more of total assets, current assets, total liabilities, current liabilities, working capital, equity and results of operations, as appropriate. In addition lower amounts are shown when they are deemed to contribute to a better interpretation of the financial information.

Use of Estimates

The preparation of the financial statements in accordance with generally accepted accounting principles requires that management makes estimates and assumptions that could affect the amounts recorded for assets and liabilities, as well as the results of its operations. Current or market amounts could differ from those estimates.

United Phosphorus Cayman Limited and its Colombian Branch

Notes to the Special Purpose Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Recognition of Revenue, Costs and Expenses

Sales represent amounts received and receivable for goods supplied and services rendered to customers after deducting trade discounts, cash discounts and volume rebates, excluding taxes on revenues.

Revenue from the sale of products is recognized upon transfer to the customer of the significant risks and rewards of ownership. This is generally when goods are dispatched to customers. Revenue from services is recognized when the service is satisfactorily rendered.

Costs and expenses are recognized upon receipt of the goods or services. In the other cases revenue is recognized when earned and the true, probable and quantifiable right to demand payment arises.

Transactions in Foreign Currency

Transactions in currency other than Colombian pesos are entered into (for Colombian GAAP purposes) in accordance with applicable regulations and they are recorded at appropriate rates of exchange on the transaction date. Balances denominated in other currency are reflected in Colombian pesos at the Reuter's exchange rate of Col\$3,014.90, per US\$1 at March 31, 2016 (Col\$2,576.00 for 2015). Exchange differences are charged to the related asset or to results of operations, as appropriate.

Accounting for Contingencies

On the date of issuing the financial statements, conditions may exist that could result in losses for the Company, but which will only be known when future events occur or cease occurring. These situations are evaluated by management and legal counsel as far as their nature, the likelihood that they materialize and the amounts involved to decide on their accounting, increase of provisions and/or disclosure in the financial statements. This analysis includes legal processes and claims that have not yet started.

Inventories

Inventories are valued at lower of cost and net realizable value, determined on a standard cost basis approximated to the real cost for finished and semi-finished goods, and on an average cost basis for raw and packing materials.

Exceptional items

Allowances are made for inventories with a net realizable value less than cost, or which are slow moving. Unsalable inventory is fully written off. The Group's accounting policy requires that the Company present separately in the income statement the cost per net realizable value and slow moving inventory.

Property, Plant and Equipment

As part of the APSA, property, plant and equipment is recorded at acquisition cost, for the lands and constructions and buildings the acquisition cost was determined through an appraisal prepared by independent professional as of May 18, 2011. Depreciation is provided by the straight-line method on cost, since the purchase date, using the residual useful life determined by the assessment of independent professionals.

United Phosphorus Cayman Limited and its Colombian Branch

Notes to the Special Purpose Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Property, Plant and Equipment (continued)

	%
Buildings	5
Machinery and equipment	10
Furniture and fixtures	10
Vehicles and computers	20

Any gain or loss on the sale or retirement of equipment is recognized in results of operations in the transaction year. Normal disbursements for maintenance and repairs are charged to expense and significant costs that improve efficiency or extend the useful life are capitalized.

Valuations

Valuations of property, plant and equipment is permitted under Colombian statutory accounting and correspond to the difference between net cost in books and the market value determined by independent specialists. However, for the preparation of the accompanying financial statements valuations were not taken into account.

Deferred Charges

Deferred charges are recorded at cost and correspond to computer software and licenses, which are amortized over three years and the equity tax to be paid by the Colombian Branch in three years using the straight-line method.

Labor Obligations

The labor laws in Colombia provide for the payment of deferred compensation on the date of employee separation from the Branch. The amount received by each employee depends on the employment date, type of contract, and salary. In addition, in certain cases 12% annual interest is recognized on the amount due to the employee. If separation is not voluntary, the employee has the right to receive additional payments on the retirement date, which vary depending on the length of service and salary.

The Branch contributes to private or state funds the resources required by legal provisions and the integral social security system to cover both fringe benefits and future pension obligations.

Income Tax

United Phosphorus Cayman Limited is incorporated in Cayman Island, jurisdiction that does not impose taxes on corporate income. Accordingly, no provision for income taxes has been made in the financial statements related to the operation of United Phosphorus Cayman Limited.

For the Colombian Branch, the provision for income tax is calculated at the official rate of 39% in 2015 (includes income tax of 25%, the equity tax CREE 9% and a surtax of 5%) and 34% in 2014 (includes both income tax of 25% as the equity tax CREE 9%) by the accrual method, on the higher between presumptive and taxable income. The income tax liability is reflected net of advances paid and tax withholdings in favor.

United Phosphorus Cayman Limited and its Colombian Branch

Notes to the Special Purpose Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Income Tax (continued)

Deferred tax is calculated on temporary differences between the tax base of the depreciation of assets and their carrying amounts for financial reporting purposes. The effect of temporary differences involving the payment of a lower or higher income tax in the current year is recorded as deferred tax credit or debit, respectively, provided that a reasonable expectation that such differences will reverse and that sufficient taxable income in the periods in which such differences are reversed (2015 - 39%, 2016 - 40%, 2017 - 42%, 2018 - 43% and 34% in subsequent years).

Accounting Statements or Standards

Convergence to International Financial Reporting Standards for Colombian Entities

In accordance with the provisions of Law 1314 of 2009 and the regulatory decrees 2784 of 2012, 3023 and 3024 of December 2013, the Branch is required to initiate the convergence process of accounting principles generally accepted in Colombia to international financial reporting standards (IFRS) as they are issued by the IASB (International Accounting Standards Board), issued until December 31, 2012.

According to the regulatory framework implemented in Colombia, it might be exceptions to the full implementation of IFRS, which would impact the explicit and unreserved statement about its applicability.

The Branch Uniphos Colombia Plant Limited belongs to Group 1, which mandatory transition period starts on January 2014 and the issuance of the first comparative financial statements under IFRS will be at December 31, 2015. Nevertheless as of March 31, 2016, management decided to apply previous accounting principles.

2. Assets and Liabilities Denominated in Foreign Currency

Summary of assets and liabilities denominated in foreign currency:

	March 31	
	2016	2015
	<i>(In thousands of US dollars)</i>	
Cash	\$ 2,251	\$ 49
Accounts receivable – related parties	4,331	5,551
Financial obligations	–	–
Suppliers	(2,600)	(2,401)
Suppliers advances	1,196	689
Accounts payable – related parties	(647)	(361)
Customers advances	(13,804)	(10,204)
Net liability position	<u>\$ (9,273)</u>	<u>\$ (6,677)</u>

3. Cash

Petty cash	\$ 4,592	\$ 3,926
Deposits in transit	–	182,230
Banks	3,109,074	123,611
	<u>\$ 3,113,666</u>	<u>\$ 309,767</u>

United Phosphorus Cayman Limited and its Colombian Branch

Notes to the Special Purpose Consolidated Financial Statements (continued)

3. Cash (continued)

Cash do not have any restrictions or liens limiting their availability.

4. Short-term Investments

	March 31	
	2016	2015
Titles (1)	\$ 61,878	\$ 817,106

(1) Correspond to titles returned by the tax authority for balance in favor for VAT (debit VAT) in 2014 and 2015.

5. Accounts Receivable

	March 31	
	2016	2015
Dupont de Colombia S.A.(1)	\$ 2,564,040	\$ 1,181,667
Withholding tax receivables	526,842	573,761
Favor balance VAT and other tax	139,258	291,272
Advances	1,504,573	814,600
Loans to employees	19,048	19,131
VAT receivables	83,644	81,519
Other receivables	156	167
	<u>\$ 4,837,561</u>	<u>\$ 2,962,117</u>

(1) Include accounts receivables originated by Mancozeb Supply and regulatory support agreement and Karmex Toll formulation agreement.

Debtors do not have any restrictions or liens limiting their availability.

6. Inventories, Net

	March 31	
	2016	2015
Finished products	\$ 1,197,099	\$ 1,269,973
Raw materials	512,699	1,124,378
Materials, spare parts and accessories	192,256	183,016
Products in process	64,382	62,496
Packing	693,123	560,364
Provision	(135,960)	(49,529)
	<u>\$ 2,523,599</u>	<u>\$ 3,150,698</u>

Provision movement:

Initial balance	\$ (49,529)	\$ (28,760)
Recovery	-	-
Increase	(86,431)	(20,769)
Ending balance	<u>\$ (135,960)</u>	<u>\$ (49,529)</u>

United Phosphorus Cayman Limited and its Colombian Branch

Notes to the Special Purpose Consolidated Financial Statements (continued)

6. Inventories, Net (continued)

Inventories do not have any restrictions or liens limiting their availability.

7. Property, Plant and Equipment, Net

	March 31	
	2016	2015
Lands	\$ 5,040,195	\$ 5,898,945
Buildings	924,531	1,037,809
Machinery and equipment	5,673,603	5,925,423
Office equipment	56,608	66,253
Computers and communication	139,877	152,334
Work in progress (2)	9,166,097	1,793,094
	<u>21,000,911</u>	<u>14,873,858</u>
Accumulated depreciation	(4,469,532)	(4,763,879)
Deferred depreciation (2)	350,919	619,382
	<u>\$ 16,882,298</u>	<u>\$ 10,729,361</u>

(1) Corresponds to the projects: Secondary waste water treatment unit and expansion and new construction plant.

(2) Corresponds to the difference between accounting depreciation expense determined under the straight-line method and depreciation expense for tax purposes (accelerated depreciation).

At March 31, 2016 and 2015 the depreciation recognized in statements of operations was \$600,957 and \$991,569, respectively.

Property, plant and equipment have no restrictions or liens limiting their realization or marketability and represent assets fully owned by the Company.

8. Financial Obligations

	March 31	
	2016	2015
Citibank S.A.:		
Financial Obligation No. 001-2014 (1)	\$ 3,582,208	\$ 4,192,545
Financial Obligation No. 002-2014 (2)	1,366,248	1,599,030
Financial Obligation No. 001-2015 (3)	4,718,564	5,522,516
	<u>\$ 9,667,020</u>	<u>\$ 11,314,091</u>

As of March 31, 2016 and 2015, loans are denominated in Colombian pesos and unsecured guaranteed by UPL India.

(1) Annual fixed interest rate: 7.38%
Payment of the interest and Capital at expiration date.
Original date: November 2014
Expiration: April 2016.

(2) Annual fixed interest rate: 7.38%
Payment of the interest and Capital at expiration date.
Original date: December 2014

United Phosphorus Cayman Limited and its Colombian Branch

Notes to the Special Purpose Consolidated Financial Statements (continued)

8. Financial Obligations (continued)

Expiration: April 2016.
 (3) Annual fixed interest rate: 7.38%
 Payment of the interest and Capital at expiration date.
 Original date: January 2015
 Expiration: April 2016.

9. Suppliers and Accounts Payable

	March 31	
	2016	2015
Suppliers	\$ 263,050	\$ 283,943
Costs and expenses payable	4,637,453	3,783,367
Tax withholdings payable	88,284	63,254
Withholding and payroll contributions	63,421	56,632
Sundry creditors	815,136	467,363
	<u>\$ 5,867,344</u>	<u>\$ 4,654,559</u>

10. Income Tax Payable

Income tax	\$ 152,683	\$ -
Wealth tax	42,138	45,795
	<u>\$ 194,821</u>	<u>\$ 45,795</u>

The 2014, 2013 and 2012, income tax returns may be reviewed by the tax authorities, within two years of the filing due date. However, in Management opinion, in the event that such review takes place no significant differences are expected.

The reconciliation between the net profit before the income tax and taxable income in the Colombian Branch is shown below:

	March 31	
	2016	2015
Profit (loss) before income tax	\$ 5,554,200	\$ (2,790,055)
Non deductible expenses for tax purposes:		
Wealth tax	29,485	56,154
Previous period expenses	-	(10,159)
Contributions for valuations of assets	-	-
Inventory provision	97,452	33,837
Other non deductible expenses	250,800	286,388
Accelerated depreciation for tax purposes	185,551	226,959
Non taxable income	-	(78,770)
Previous period tax losses	(2,468,069)	-
UP Cayman non taxable profit	(416,934)	(13,951)
Tax discounts – Environmental investment project	(434,915)	-
Prior year taxes on payroll benefits paid (Bonus VC)	(135,959)	(178,622)
Others	(49,277)	-
(Loss) income taxable (A)	<u>\$ 2,612,334</u>	<u>\$ (2,468,219)</u>

United Phosphorus Cayman Limited and its Colombian Branch

Notes to the Special Purpose Consolidated Financial Statements (continued)

10. Income Tax Payable (continued)

	March 31	
	2016	2015
Presumptive income tax (B)	\$ 100,161	\$ 185,728
Taxable income (higher between A and B)	\$ 2,612,334	\$ 185,728
Income tax expense	\$ 653,083	\$ 46,432
Tax equity (CREE -acronym in Spanish) (1)	511,959	16,716
Deferred tax	(63,087)	(67,646)
Income tax expense	\$ 1,101,955	\$ (4,498)

(1) The detail of the net income for tax CREE is:

Profit (loss) before income tax	\$ 5,554,200	\$ (2,790,055)
Non deductible expenses for tax purposes:		
Bank tax – 50%	53,860	61,280
Wealth tax	29,485	–
Previous period expenses	–	(10,159)
Donation	13,235	13,812
Inventory provision	97,452	–
Other non deductible expenses	196,940	258,944
Accelerated depreciation for tax purposes	185,551	226,959
Non taxable income	–	–
Previous period tax losses	(1,820,595)	–
UP Cayman non taxable profit	(416,934)	(13,951)
Prior year taxes on payroll benefits paid (bonus VC)	(135,959)	(178,622)
Previous income	(1,762)	(78,770)
(Loss) income taxable	\$ 3,755,473	\$ (2,510,562)

(Balance in favor) payable balance was determined as follows:

Income tax expense and CREE	\$ 1,165,042	\$ 51,499
Prior year income tax payable	–	–
Withholding taxes	(966,807)	(625,260)
	\$ 198,235	\$ (573,761)

Deferred taxes were determined as shown below:

Deferred depreciation (Note 7)	\$ 350,919	\$ 619,382
Deferred tax	\$ 119,312	\$ 210,590

United Phosphorus Cayman Limited and its Colombian Branch

Notes to the Special Purpose Consolidated Financial Statements (continued)

10. Income Tax Payable (continued)

Transfer Pricing

The income taxpayers that sign transactions with related parties, are required to determine, for the purposes of income tax, ordinary and extraordinary income, costs and deductions, assets and liabilities, bearing these the prices and profit margins that had been used in comparable transactions with or between unrelated economically. The Company with their consultants are carrying out the update of the transfer pricing study, required by tax provisions, intended to demonstrate that operations with foreign related parties were entered at market value during 2015. For this purpose, the Company must file an information return and will have available the referred to study by mid of 2016. Failing to comply could result in penalties and higher income tax. However, Management and its legal counsel are of the opinion that the study will be completed on time and will not reflect significant changes in the base used to determine the provision for 2016 income tax, as occurred in 2015.

Wealth Tax

By means of Law 1739 of 2014, the wealth tax was created. Under general terms, all individuals and legal entities in Colombia, who are deemed income taxpayers, including nonresidents (not expressly excluded by the law to pay this tax) are subject to this tax, provided their tax net equity (gross assets minus debts) as of 1 January 2015, is greater than COP 1,000,000,000 (approx. USD 388,800) with a rate between 0.2% and 1.15% plus a fixed amount defined by tax law for 2015.

The taxable basis will accrue (also for accounting purposes as expressed by the law) annually on 1 January 2015, 2016 and 2017 for corporations.

The taxable basis is the gross equity minus debts as of each year. The reform protects the taxable basis from potential fluctuations of the equity (increase/decrease).

The Company recognized wealth tax for 2015 as an account payable and as an expense.

Tax Reform

On December 23, 2014, a new tax reform was enacted in Colombia, which main aspects are:

- Modifications to CREE, permanently establishing a fee of 9% and introducing changes in its structure and compensation, are stipulated.
- Surtax on CREE 2015 (5%), 2016 (6%), 2017 (8%) and 2018 (9%) is established.
- Standards related to mechanisms to combat evasion, modifications to GMF (tax on financial transactions) and other changes in income tax are incorporated

United Phosphorus Cayman Limited and its Colombian Branch

Notes to the Special Purpose Consolidated Financial Statements (continued)

11. Labor Obligations

	March 31	
	2016	2015
Severance	\$ 169,544	\$ 159,936
Accumulated vacations	95,984	94,886
Wages payable	18,425	–
Interest on severance	4,388	4,717
Premium services	21,236	22,059
Extralegal fringe benefits	68,275	82,881
	<u>\$ 377,852</u>	<u>\$ 364,479</u>

12. Customer Advances

Customer advances (Note 13)	<u>\$ 13,798,945</u>	<u>\$ 10,216,427</u>
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13. Transactions with Related Parties

	March 31	
	2016	2015
Sales:		
Export sales to Bio-Win	\$ 17,871,511	\$ 18,700,894
Export sales to UPL Limited	14,076,442	–
Sales to UPL Colombia S.A.S. (Evo farms in 2012)	2,413,482	2,496,710
Management fee to Bio-Win	500,000	100,000
Export sales to UPL Costa Rica (Cerexagri Costa Rica in 2014)	–	1,263,515
Export sales to Uniphos Limited (Mauritius)	–	12,161,970
Export sales to United Phosphorus Inc (UPL USA Inc in 2014)	–	1,609
Export sales to UPL Agro S.A. de C.V.	–	32,210
	<u>\$ 34,861,435</u>	<u>\$ 34,756,908</u>
Purchases:		
UPL Limited	\$ 506,000	\$ 711,620
Cerexagri B.V.	28,148	180,215
Cerexagri S.A.S.	22,006	21,482
	<u>\$ 556,154</u>	<u>\$ 913,317</u>
Accounts receivable:		
Bio - Win	\$ 2,127,203	\$ 1,810,412
UPL Colombia S.A.S.	1,655,335	2,437,279
UPL Costa Rica S.A. (Cerexagri Costa Rica in 2014)	–	177,906
United Phosphorus Inc.	–	1,313
UPL Agro S.A. de C.V.	25,439	26,268
UPL Limited	2,529,000	3,634,692
	<u>6,336,977</u>	<u>8,087,870</u>

United Phosphorus Cayman Limited and its Colombian Branch

Notes to the Special Purpose Consolidated Financial Statements (continued)

13. Transactions with Related Parties (continued)

	March 31	
	2016	2015
Loan receivable:		
UPL Colombia S.A.S. (1)	3,353,176	2,324,756
Long term portion	–	1,365,851
	<u>3,353,176</u>	<u>3,690,607</u>
	<u>\$ 9,690,153</u>	<u>\$ 11,778,477</u>
Accounts payable:		
Cerexagri B.V.	\$ 81,697	\$ 82,602
Cerexagri S.A.S.	33,327	32,984
Uniphos Phosphorus Inc.	–	328
UPL Limited	536,567	232,444
	<u>651,591</u>	<u>348,358</u>
Loan payable - Bio - Win	2,303,570	2,416,815
Advances received from Bio – Win	13,798,945	10,216,427
	<u>\$ 16,754,106</u>	<u>\$ 12,981,600</u>

(1) Include interest receivable for \$307,078 in 2016 (\$125,513 in 2015).

The payment conditions and terms of the accounts receivable are stipulated in 150 for UPL Colombia S.A.S. and 180 days to Bio-Win.

13. Equity

Capital of \$0.01 is divided into 1 share stock at a nominal amount of \$0.01. The legal reserve is set up in accordance with tax provisions by means of the appropriation of 70% over excess of tax depreciation over accounting depreciation.

15. Operating Incomes

	March 31	
	2016	2015
Export sales to Related Parties (Note 13)	\$ 34,861,435	\$ 34,756,908
Tolling Sales to DuPont	9,509,664	7,593,991
	<u>\$ 44,371,099</u>	<u>\$ 42,350,899</u>

16. Cost of sales and rendering of services

Cost of sales	<u>\$ (35,346,107)</u>	<u>\$ (38,860,490)</u>
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United Phosphorus Cayman Limited and its Colombian Branch

Notes to the Special Purpose Consolidated Financial Statements (continued)

17. Operating Expenses

	March 31	
	2016	2015
Administrative expenses:		
Fees	\$ (181,958)	\$ (203,514)
Taxes	(150,499)	(168,642)
Insurance	(30,000)	(36,332)
	<u>(362,457)</u>	<u>(408,488)</u>
Selling expenses:		
Distribution cost	(1,451,539)	(1,561,436)
Others	—	—
	<u>\$ (1,451,539)</u>	<u>\$ (1,561,436)</u>

18. Financial, Net

Exchange difference, net	\$ (863,736)	\$ (2,507,949)
Interest and other bank expenses	(598,305)	(381,367)
Assumed taxes	(107,719)	(119,616)
Prior period expenses	(13,556)	—
Other	(13,235)	(13,812)
	<u>\$ (1,596,551)</u>	<u>\$ (3,022,744)</u>

19. Other Income

Recovery income	\$ 48,381	\$ 77,323
Other sales	10,818	6,753
Other income	6,811	21,810
Prior period income	1,683	119,214
	<u>\$ 67,693</u>	<u>\$ 225,100</u>

20. Exceptional items

Inventory provision	\$ (96,164)	\$ (33,837)
Employee severance	(31,774)	(1,479,059)
	<u>\$ (127,938)</u>	<u>\$ (1,512,896)</u>