

(Prepared in English for the Convenience of  
Readers Outside Brazil)

**UPL do Brasil Indústria e  
Comércio de Insumos  
Agropecuários S.A.**

Financial Statements For Year Ended  
March 31, 2017 and Independent  
Auditor's Report

Deloitte Touche Tohmatsu Auditores Independentes

## MANAGEMENT REPORT

Exercise 2016/17

### CONTINUED EXPANSION

UPL do Brasil ends its 2016/17 exercise (period from April 2016 to March 2017) keeping the expansion movement in revenues and profitability presented in the last years. This growth comes, despite the delicate moment of the Brazilian company, and the Strong valuation of the real towards the dollar occurred in the last semester of the year. Movement that makes a direct pressure towards the profitability of the rural producer through the reduction of the commodities' price, and impacts the input companies in the increased risk of credit as the defensive market billing, once the products have their prices based on the dollar price, by a protection need by the producer and by the importation representatively of raw material import in the sector.

The crop consolidate UPL do Brasil in the leadership of the Protectors area, strengthening the position of Unizeb Gold®, pioneer product that has over 70% of this area, and with the launching of new products as the Unizeb Glory® (herbicide) and strengthening of the Perito® (insecticid) as the main trademarks of the company.

At the same time, the company invests in innovation and development of new products, and also at the expansion of its headquarter in Ituverava-SP, so that it can support the increased demand of products, and also transform Brazil in one of the biggest producers of defensives for the UPL group.

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*"The crop consolidated UPL do Brasil in the leadership of the Protectors area."*

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In the financial and economic demonstrations, the company shows consistent and solid results, presenting the sales growth, with the increase of profitability and a

conscious management of foreign exchange risks and in the concession of credit to the clients, having 2016/17 as its best performance in the receipt and doubtful debtors.

With the result of the increase in the sales and greater profitability, the company presented better improvements in the generation of operating cashier, as well as the many indicators of liquidity, indispensable to keep the rhythm of investment and growth of the company.

#### INDICATORS

##### Liquid sales

2016/17: R\$ 1,685 Bi (+16%)

2015/16: R\$ 1,457 Bi

##### Operating margin (before income taxes)

2016/17: 15%

2015/16: 11%

##### Net debt/Ebitda

2016/17: 0,42

2015/16: 0,45



## **UPL IN BRAZIL IN 2016**

To highlight the success year of the company, UPL do Brasil assumes in this crop, the eighth position in the defensives market in Brazil (before the tenth position in 2015/16), which represents a marketing share of 4,8%, being the company of more growth in the area, in the year of 2016. A position that is also acknowledged by the magazine Exame in the "Maiores e Melhores" [Better and Bigger] edition, and UPL is the second larger company in sales growth of the year in all areas.

Another highlight point was the participation of the company in the reasearch "As melhores empresas para se trabalhar" [The best companies to work] done by Magazine Época, were we received a prize in our first year of participation, confirming the engajement and commitment of UPL and its employees.

## **NEXT CROP**

UPL starts a new crop in Brazil, with expectations that are extremely positive, accrediting in one year the retaking of the economic and politic scenario of the country.

Internally, the company is structured for more one year of growth and a bigger participation in the market, with the launching of new tecnologies, such as Start®, the first product of the company for the treatment of seeds, and with the acknowledgement of the rural producer and the scientific community towards the importance of the multisite protectors and maneuver of the plantations.

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Management of  
UPL do Brasil Indústria e Comércio de Insumos Agropecuários S.A.  
Ituverava - SP

### **Opinion**

We have audited the financial statements of UPL do Brasil Indústria e Comércio de Insumos Agropecuários S.A. ("Company"), which comprise the balance sheet as of March 31, 2017, and the statements of income, of comprehensive income, of changes in shareholders' equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of UPL do Brasil Indústria e Comércio de Insumos Agropecuários S.A. as at March 31, 2017, and its financial performance and its related cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

### **Basis for opinion**

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the relevant ethical principles set out in the Code of Ethics for Professional Accountants and professional standards issued by the Federal Accounting Council ("CFC"), and we have fulfilled our other ethical responsibilities in accordance with these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Other matters**

#### Financial statements prepared in English

The accompanying financial statements have been prepared in English for the convenience of readers outside Brazil.

### **Information other than the financial statements and auditor's report thereon**

Management is responsible for the other information, which comprises the Management Report.

Our opinion on the financial statements does not cover the Management Report and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management Report and, in doing so, consider whether such report is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting practices adopted in Brazil, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

# Deloitte.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Campinas, April 20, 2017

  
DELOITTE TOUCHE TOHMATSU  
Auditores Independentes

  
Paulo de Tarso Pereira Jr.  
Engagement Partner

UPL DO BRASIL INDÚSTRIA E COMÉRCIO DE INSUMOS AGROPECUÁRIOS S.A.

BALANCE SHEET AS OF MARCH 31, 2017

(In thousands of Brazilian reais - R\$)

ASSETS	Note	03/31/2017	03/31/2016	LIABILITIES AND SHAREHOLDERS' EQUITY	Note	03/31/2017	03/31/2016
<b>CURRENT ASSETS</b>				<b>CURRENT LIABILITIES</b>			
Cash and cash equivalents	5	308,515	113,221	Borrowings and financing	13	210,699	191,882
Trade accounts receivable	6	899,930	814,597	Forfeiting and credit letters transactions	15	135,183	148,067
Inventories	7	387,430	156,004	Trade payables	14	55,387	101,344
Recoverable taxes	8	10,806	8,258	Related parties	9	738,278	394,619
Related parties	9	159,093	89,677	Related parties - borrowings	9	129,296	-
Related parties - loan	9	37,964	-	Payroll and related taxes		29,335	28,888
Other assets		2,160	3,168	Taxes payable		5,797	2,930
Total current assets		<u>1,805,898</u>	<u>1,184,925</u>	Advances from customers		5,202	6,009
<b>NON-CURRENT ASSETS</b>				Proposed dividends	18	-	2,968
Trade accounts receivable	6	214	271	Derivative financial instruments	19	32,382	26,152
Recoverable taxes	8	-	86	Other payables		45,160	34,637
Deferred income tax and social contribution	17	103,089	106,648	Total current liabilities		<u>1,386,719</u>	<u>937,496</u>
Related parties - loan	9	26,818	85,227	<b>NON-CURRENT LIABILITIES</b>			
Other assets		10,551	10,674	Borrowings and financing	13	2,180	3,161
Investments	10	29	34	Related parties	9	63,845	74,570
Property, plant and equipment	11	81,819	55,155	Related parties - borrowings	9	79,211	-
Intangible assets	12	90,915	85,584	Provision for labour, civil and tax risks	16	1,568	1,565
Total non-current assets		<u>313,435</u>	<u>343,679</u>	Other payables		83	78
				Total non-current liabilities		<u>146,887</u>	<u>79,374</u>
				<b>TOTAL LIABILITIES</b>		<u>1,533,606</u>	<u>1,016,870</u>
				<b>SHAREHOLDERS' EQUITY</b>			
				Share capital	18	322,857	308,696
				Capital reserve	18	138,426	138,577
				Legal reserve	18	6,236	3,384
				Retained earnings		118,208	61,077
				Total shareholders' equity		<u>585,727</u>	<u>511,734</u>
<b>TOTAL ASSETS</b>		<u><u>2,119,333</u></u>	<u><u>1,528,604</u></u>	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u><u>2,119,333</u></u>	<u><u>1,528,604</u></u>

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

UPL DO BRASIL INDÚSTRIA E COMÉRCIO DE INSUMOS AGROPECUÁRIOS S.A.

STATEMENT OF INCOME FOR THE YEAR ENDED MARCH 31, 2017

(In thousands of Brazilian reais - R\$ - except income per share expressed in Brazilian Reais)

	Note	03/31/2017	03/31/2016
NET REVENUES	20	1,685,344	1,456,697
COST OF SALES	21	(1,202,489)	(1,039,770)
GROSS PROFIT		<u>482,855</u>	<u>416,927</u>
OPERATING INCOME (EXPENSES)			
Selling	21	(110,463)	(100,848)
General and administrative	21	(175,069)	(122,294)
Exchange rate variation on trade receivables and payables	21	58,591	(16,394)
Other operating expenses, net		<u>(9,866)</u>	<u>(9,909)</u>
		<u>(236,807)</u>	<u>(249,445)</u>
INCOME BEFORE FINANCIAL INCOME AND EXPENSES		<u>246,048</u>	<u>167,482</u>
Finance income	22	195,115	83,142
Finance expenses	22	(365,842)	(152,469)
Exchange rate variation on borrowing and financing	22	(553)	(11,622)
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		<u>74,768</u>	<u>86,533</u>
INCOME TAX AND SOCIAL CONTRIBUTION			
Current	17	(14,166)	(40,928)
Deferred	17	<u>(3,559)</u>	<u>12,311</u>
		<u>(17,725)</u>	<u>(28,617)</u>
NET INCOME FOR THE YEAR		<u>57,043</u>	<u>57,916</u>
NET INCOME PER COMMON SHARE - BASIC AND DILUTED (IN BRAZILIAN REAIS)	18	<u>0.1732</u>	<u>0.3927</u>

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



UPL DO BRASIL INDÚSTRIA E COMÉRCIO DE INSUMOS AGROPECUÁRIOS S.A.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED MARCH 31, 2017  
(In thousands of Brazilian reais - R\$)

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	<u>03/31/2017</u>	<u>03/31/2016</u>
NET INCOME FOR THE YEAR	57,043	57,916
OTHER COMPREHENSIVE INCOME	-	-
COMPREHENSIVE INCOME FOR THE YEAR	<u>57,043</u>	<u>57,916</u>

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

UPL DO BRASIL INDÚSTRIA E COMÉRCIO DE INSUMOS AGROPECUÁRIOS S.A.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED MARCH 31, 2017  
(In thousands of Brazilian reais - R\$)

	Note	Share capital	Capital reserve	Legal reserve	Retained earnings	Accumulated losses	Total
BALANCES AS OF APRIL 1, 2015		83,962	155,354	488	8,808	-	248,612
Reduction of capital arising from the merger of United	18	(73,911)	-	-	-	-	(73,911)
Capital increase with capital reserve	18	73,911	(73,911)	-	-	-	-
Capital increase in cash	18	224,734	-	-	-	-	224,734
Deferred income tax generated from the merger of United	17	-	57,134	-	-	-	57,134
Net income for the year		-	-	-	-	57,916	57,916
Destination:							
To legal reserve	18	-	-	2,896	-	(2,896)	-
To mandatory minimum dividends	18	-	-	-	-	(2,751)	(2,751)
To retained earnings	18	-	-	-	52,269	(52,269)	-
BALANCES AS OF MARCH 31, 2016		308,696	138,577	3,384	61,077	-	511,734
Capital increase in cash	18	14,161	-	-	-	-	14,161
Waiver of mandatory dividends	18	-	-	-	2,968	-	2,968
Reduction of capital arising from the merger of United Phosphorus do Brasil Ltda.	1	-	(151)	-	(28)	-	(179)
Net income for the year		-	-	-	-	57,043	57,043
Destination:							
To legal reserve	18	-	-	2,852	-	(2,852)	-
To mandatory minimum dividends	18	-	-	-	-	(2,710)	(2,710)
Waiver of mandatory dividends	18	-	-	-	-	2,710	2,710
To retained earnings	18	-	-	-	54,191	(54,191)	-
BALANCES AS OF MARCH 31, 2017		322,857	138,426	6,236	118,208	-	585,727

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

UPL DO BRASIL INDÚSTRIA E COMÉRCIO DE INSUMOS AGROPECUÁRIOS S.A.

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2017  
(In thousands of Brazilian reais - R\$)

	Note	03/31/2017	03/31/2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year		57,043	57,916
Adjustments to reconcile net income for the year to net cash provided by (used in) operating activities:			
Income tax and social contribution - current and deferred	17	17,725	28,617
Depreciation and amortization	21	21,583	14,891
Allowance for doubtful accounts	6	4,089	9,062
Provision for net realizable value of inventories	7	5,580	1,447
Provision for non-realization of ICMS tax credits	8	3,844	5,365
Exchange rate variation on foreign investment	10.a	5	17
Net book value of property, plant and equipment and intangible assets disposed off	11	1,254	289
Disposals, provision / (reversal) of intangibles assets	12	2,649	(1,787)
Interest on borrowings and financing	22	38,600	20,180
Interest on intercompany loan / borrowing	9	(34,450)	(9,453)
Present value adjustments on trade accounts receivable and payables	22	4,984	20,210
Gain (loss) on derivative financial instruments	22	6,230	62,500
Exchange rate variation on borrowing and financing	19	553	11,622
Provision for labour, civil and tax risks	16	3	-
(Increase) decrease in operating assets:			
Trade accounts receivable		(112,211)	(211,510)
Inventories		(237,006)	(99,041)
Recoverable taxes		(6,306)	(4,446)
Related parties		(68,075)	(162,621)
Other assets		952	406
Increase (decrease) in operating liabilities:			
Trade payables		(48,326)	(124,031)
Forfeiting and credit letter transactions		(8,931)	125,192
Payroll and related taxes		447	15,329
Related parties		351,698	190,504
Taxes payable		2,867	(43,335)
Advances from customers		(807)	(8,097)
Other payables		10,528	25,533
Cash used in operating activities		14,522	(75,241)
Interest of borrowings and financing paid		(27,780)	(11,316)
Interest of intercompany borrowings paid		(7,262)	-
Interest of intercompany loans received		28,515	-
Income tax and social contribution paid		(14,166)	(15,800)
Net cash used in operating activities		(6,171)	(102,357)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment	11	(36,001)	(12,688)
Purchases of intangible assets	12	(21,480)	(18,644)
New intercompany loan		(198,650)	-
Receipts of intercompany loan		231,025	-
Cash from United merger		-	403
Net cash used in investing activities		(25,106)	(30,929)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Capital increase in cash	18	14,161	224,734
New borrowings and financing		365,747	285,460
New intercompany borrowing		204,638	-
Payments of borrowings and financing		(357,975)	(298,701)
Net cash provided by financing activities		226,571	211,493
INCREASE IN CASH AND CASH EQUIVALENTS		195,294	78,207
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		113,221	35,014
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		308,515	113,221

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

(Prepared in English for the convenience of readers outside Brazil)

UPL DO BRASIL INDÚSTRIA E COMÉRCIO DE INSUMOS AGROPECUÁRIOS S.A.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017  
(Amounts expressed in thousands of Brazilian Reals - R\$, unless otherwise stated)

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1. OPERATIONS

UPL do Brasil Indústria e Comércio de Insumos Agropecuários S.A. ("UPL Brasil" or "Company") headquartered in Campinas, with a factory in Ituverava, both cities located in the State of São Paulo, and branches in Cuiabá - State of Mato Grosso, Carazinho - State of Rio Grande do Sul, Apxxxarecida de Goiania - State of Goiás, Ibiporã and Londrina, both State of Paraná, Luiz Eduardo Magalhães - State of Bahia and Sumaré - State of São Paulo, is engaged in:

- Production, packaging, repackaging, handling, storage, distribution, shipment, transportation, import, export, trading and sales representation of agricultural products and other chemicals; sanitizing products; household cleaning products; pesticides; fertilizers; soil ameliorators; products for veterinary use, wood treatment and agricultural use; inoculants; anti-growth products; semiochemicals; biosynthetic products; essential products; and natural products.
- Provision of phytosanitary services and technical assistance in the application of chemicals for agricultural, veterinary, sanitary and household cleaning use.
- Temporary or definitive onerous assignment of trademarks, patents, registrations or production techniques.
- Purchase, sale, import and export of grains and other agricultural and similar products and holding equity interests in other companies as a shareholder.

The Company's yearend is March 31 of each year.

Merger of United

One of the Group's companies and previous shareholders of the Company, United Phosphorus Indústria e Comércio de Produtos Químicos Ltda. ("United"), which was engaged in the holding investment in other entities as a partner or shareholder as well as in providing services related to obtaining records of chemicals in general, essential products for agriculture, fertilizers, sanitizing products, pesticides, fertilizers, natural products with the Brazilian authorities, was merged at UPL Brasil on January 31, 2016. The merged net assets was R\$87,649, which is basically composed of total assets of R\$162,892 and total liabilities of R\$75,243.

Merger of United Brasil

One of the Group's companies United Phosphorus do Brasil Ltda. ("United Brasil") which was engaged in imports, exports, manufacturing and sale of pesticides and its sub products, among other objectives, was merged at UPL Brasil on October 31, 2016. The merged net assets was negative by R\$151, which is basically composed of total assets of R\$49 and total liabilities of R\$200.

## 2. PRESENTATION OF THE FINANCIAL STATEMENTS

### 2.1. Statement of compliance

The financial statements have been prepared and are presented in accordance with accounting practices adopted in Brazil, which comprise the policies set out in the Brazilian Corporate Law and technical pronouncements, guidelines and interpretations issued by the Accounting Pronouncements Committee ("CPC") and approved by the Federal Accounting Council ("CFC").

### 2.2. Basis of preparation

The financial statements are prepared in Real (R\$), which is the Company's functional currency, and on the historical cost basis except for certain financial instruments that are measured fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of CPC 10, leasing transactions that are within the scope of CPC 06, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in CPC 16 or value in use in CPC 01.

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

Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

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.

The summary of the significant accounting practices adopted in the preparation of the financial statements is as follows:

### 2.3. Assets and liabilities denominated in foreign currencies

In preparing the financial statement of each individual Company entity, transactions in currencies other than the Brazilian Real are recognized at the rates of exchanges prevailing on the dates of the transaction. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in period in which they arise except for exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

#### 2.4. Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss' ("FVTPL"), held-to-maturity investments, available-for-sale (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

##### Effective interest method

The effective interest method is a method of calculation the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

Financial assets are classified as at fair value through profit or loss when they are either held for trading or they are designated as at fair value through profit or loss when acquired.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term.
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on measurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 19.

##### Loans and receivables

The Company considers the following classes of financial assets and liabilities as part of the category of loans and receivables: cash and cash equivalents, trade accounts receivable, and other receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

### Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as trade accounts receivable, the allowance for doubtful accounts is calculated based on the assessment of credit risks, which includes the history of losses, the individual situation of customers, the situation of the Company to which they belong, guarantees for the debts, and the assessment by the legal counsel, and is considered sufficient to cover any losses on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade accounts receivable, where the carrying amount is reduced through the use of an allowance account. When trade accounts receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets included in the category of loans and receivables, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

### Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

## 2.5. Financial liabilities and equity instruments

### Classification as debt or equity

Debt and equity instruments issued by a Company entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Company entity are recognized at the proceeds received, net of direct issue costs.

### Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

### Financial liabilities are classified as at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing it in the near term or.
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 19.



### Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortized cost using the effective interest method.

### Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is included in net gain or losses.

### Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks. Further details of derivative financial instruments are disclosed in note 19.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

### Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a Company entity are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- The amount of the obligation under the contract, as determined in accordance with CPC 25; and
- The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

### Derecognition of financial liabilities

The Company derecognizes financial liability when, and only when, the Company's obligation are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

#### 2.6. Cash and cash equivalents

Comprise cash, banks and highly liquid short-term investments with original maturity of 90 days or less from the investment date and these short-term investments are highly liquid and stated at cost, plus income earned through the reporting date.

#### 2.7. Trade accounts receivable

Recorded in the balance sheet at their original amounts, plus exchange rate variation, when applicable, and adjusted at net present value. When deemed necessary by Management, an allowance for doubtful accounts is recorded based on an analysis of the aging of receivables, in an amount considered sufficient by Management to cover probable losses on their collection.

#### 2.9. Present value adjustment

Assets and liabilities arising from short-term or long-term transactions, when there is a material effect, are adjusted to present value based on the discount rate used by the Company for funding purposes, which is compatible with the interest rates for government securities with similar risks and terms. The reversals of adjustment to present value are recorded under "financial income and expenses". The discount rate used was approximately 1.19% per month (1.00% in 2016), which is based on effective discount rate used by the Company. Measurement of the present value adjustment was performed in "pro rata die" exponential basis, from the origin of each transaction.

#### 2.10. Inventories

Stated at the lower of cost and net realizable value (estimated selling price in the normal course of business less all estimated costs of completion and costs necessary to make the sale). The Company determines the cost of its inventory by using the absorption method based upon the weighted average cost. Provisions for slow-moving or obsolete inventories are recorded when considered necessary by Management.

#### 2.11. Other current and non-current assets

Other current and non-current assets are stated at cost plus, when applicable, accrued yields and inflation adjustment through the end of the reporting period, less any reserve for adjustment to realizable value, when applicable.

#### 2.12. Investments in subsidiaries

Investments in subsidiaries are recognized by the equity method from the date that its control is acquired. According to this method, investments in subsidiaries are recognized in the financial statements at the acquisition cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee, in the investor's statement of operations. These effects are recognized in income and expenses when selling or writing-off the investment.

After reducing to zero the balance value of investor share, additional losses are considered, and a liability (provision for unfunded liabilities) is recognized only to the extent in which the investor has incurred into legal or constructive obligations (not formalized) to make payments on behalf of the subsidiary.

On acquisition of the investment any difference between the cost of the investment and the investor's share of the net fair value of the associate's identifiable and liabilities accounted is treated as goodwill. Additionally, investment balance may be reduced by the recognition of impairment losses.

#### 2.13. Property, plant and equipment

Stated at cost less depreciation, except for land and construction in progress, which is not depreciated and subsequent accumulated impairment losses. Depreciation is calculated under the straight-line method, based on the estimated useful lives of the assets.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost include professional fees and, for qualifying asset, borrowing costs capitalized in accordance with the Company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Subsequent costs are added to the residual value of property, plant and equipment or recognized as a specific item, as appropriate, only if future economic benefits associated to these items are probable and the amounts can be reliably measured.

The residual balance of the replaced item is written off. Other repairs and maintenance are directly recognized in profit or loss for the year when incurred. The residual value and useful life of the assets are reviewed and adjusted, if necessary, at the fiscal year end. The residual value of property, plant and equipment is immediately written off at their recoverable value when the residual balance exceeds the recoverable value.

Asset held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

#### 2.14. Intangible assets

##### Software

Computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives, which is five years. Costs associated with maintaining computer software programs are recognized as an expense as incurred.

The Company reviews the amortization period and amortization method for intangible assets with finite lives every year.

### Trademarks, patents and licenses

Expenditures related to research activities undertaken for the purpose of acquiring know-how and new scientific or technical knowledge are recognized in profit and loss as incurred. Development activities relate to a plan for the production of new products or processes or significant improvement of existing products or processes.

Expenditures for development activities are recognized as an intangible asset only if: it is possible to reliably measure the development costs; it is technically and commercially possible to implement the product or process; future economic benefit is expected from the product and the Company has intentions and sufficient resources to complete development of the asset and then use or sell it. The expenditures capitalized in respect of development activities include the cost of materials and overhead expenses as well as other related costs necessary for the completion of the register within Brazilian Authorities that can be directly attributed to preparing the asset for its intended use. Other costs for development activities are recognized in profit and loss as incurred.

In subsequent periods, capitalized development costs are measured at cost less accumulated amortization and accrued impairment losses.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss when incurred.

Registration costs incurred for products that can be identified and separated, and which in the Company's estimation will produce future economic benefit, are recognized as an asset in the "intangible assets" category and are amortized over the period of economic benefit they are expected to provide.

#### 2.15. Impairment of tangible and intangible assets

On the date of each financial statement, the Company assess whether there is evidence that the carrying value of an asset will not be recovered. If such evidence is identified, the Company estimates the recoverable amount of the asset.

The recoverable amount of an asset is defined as the greater between: (a) its fair value less costs that would be incurred to sell it, and (b) its value in use. Value in use is equal to the discounted cash flow (before taxes) derived from the continued use of the asset until the end of its useful life.

Except with respect to the reduction in value of goodwill, when applicable, reversal of previously recognized losses is allowed. The reversal in these circumstances is limited to the depreciated balance of the asset at the date of the reversal, assuming that the reversal has not been recorded.

#### 2.16. Receivables and payables denominated in foreign currency or subject to inflation adjustment

Receivables and payables, legally or contractually subject to indexation, are adjusted for inflation through the end of the reporting period, and assets and liabilities denominated in foreign currency are translated into Brazilian Real at the exchange rates in effect at the end of the reporting period. The contra entries to these adjustments are reflected directly in profit or loss for the year.

## 2.17. Income tax and social contribution

The expense for income tax and social contribution is calculated in accordance with the legal tax basis existing on the date of financial statements. Management periodically evaluates positions taken in relation to tax matters which are subject to interpretation and recognizes a provision when there is an expectation of payment of income tax and social contribution in accordance with tax bases. Current tax is the tax payable or receivable on the expected taxable profit or loss for the year, the tax rates in effect on the date of the financial statements.

The Company only recognizes a provision on fiscal matters if a past event origins a present obligation. The Company determines whether a present obligation exists at year end taking into consideration all available evidence, including, for example, the legal counsel's opinion.

### Current taxes

Income tax is calculated at the rate of 15% on taxable income plus 10% of surtax on taxable income exceeding R\$240, and social contribution is calculated at the rate of 9% on taxable income.

### Deferred taxes

Deferred income tax and social contribution are recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income, including the balance of tax losses, when applicable. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and tax loss carryforwards to the extent that it is probable that taxable income will be available against which those deductible temporary differences and tax loss carryforwards can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

## 2.18. Financial instruments

Measurement of financial instruments, including derivatives: (a) at fair value or equivalent value for trading securities or available-for-sale securities, and (b) at the purchase or issue value, adjusted in conformity with contract or legal provisions and adjusted to realizable value, when this is lower, for held-to-maturity securities.

The Company has derivatives to hedge against the net exposure to exchange rate risks related to imports and exports/borrowings. Net gains or losses are recognized in the statement of operations as financial income or expenses.

## 2.19. Employee benefits

The Company has several employees benefit plans, healthcare, profit sharing plans and defined contribution retirement plans. The main plans granted to the Company's employees are described in Note 23.

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

## 2.20. Provisions

Recognized when the Company has a present obligation (legal or constructive) as a result of a past event, with probable outflow of resources, and the amount of the obligation can be reliably estimated.

The amount recognized as a provision is the best estimate of the settlement amount at the end of the reporting period, considering the risks and uncertainties related to the obligation. When the provision is measured based on the estimated cash flow to settle the current obligation, its value is determined using the present value of these cash flows.

When the economic benefit required settling a provision is expected to be received from third parties, this amount receivable is recorded as an asset only when reimbursement is virtually certain and can be reliably estimated.

## 2.21. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred

## 2.22. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances, including present value adjustment.

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the sale of goods is recognized when goods are delivered and legal title is passed. Freight on sales is recorded as selling expenses.

Deferred revenue is recognised as deferred income and amortized on a straight-line basis over five years.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by references to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset's net carrying amount on initial recognition.

### 3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 2, the Company Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### 3.1. Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the Management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

##### Income and social contribution taxes

Income projections prepared by management and approved by the Board, which contain many assumptions and judgments, aiming to measure the potential to generate future taxable income to support the realization of the recorded deferred income tax and social contribution taxes assets. The actual future taxable income may be higher or lower than the estimates made when determining the need for registering the income tax and social contribution.

##### Useful life of property, plant and equipment

The Company recognizes depreciation of its property, plant and equipment based on estimated useful lives, which is based on their practices and prior experience and reflects the economic life of these assets. However, the actual useful lives may vary due to several factors. The useful lives of property also affect the recovery testing cost.

##### Present value adjustment

The Company calculates the present value mainly for revenues by using a discount rate that reflects the best evaluations of the market, which tracks the change in the rate of interbank deposit rate ("CDI"). The discount rate used on March 31, 2017 was approximately 14% per annum (12% as of March 31, 2016). Measuring the present value adjustment was performed in "pro rata die" exponential basis, from each transaction date.

### Reduction of the recoverable amounts of assets

At each period ending date, the Company reviews the balances of property, plant and equipment and intangible, assessing whether or not an indication that those assets have suffered a reduction in their recovery values (value in use). The existence of such indicators, management performs a detailed analysis of the recoverable amount for each asset by calculating the individual future cash flow discounted to present value by adjusting the balance of the respective assets, if necessary.

### 3.2. Key sources of estimation uncertainty

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

#### Provision for carrying value and obsolete inventories

The provision for inventory is recorded based on an analysis of sales prices, net of the effects of taxes and expenditure fixed incurred on sales efforts. The provision for slow moving is determined based on the individual analysis of the age of the items in stock and the likelihood of future use.

#### Allowance for doubtful accounts

When there is an evidence of impairment loss, the directors of the Company take into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial assist's original effective interest rate (i.e. the effective interest rate computed at initial recognition). When the actual future cash flows are less than expected, a material impairment loss may arise.

#### Provision for labour, civil and tax risks

The Company is involved in labour, civil and tax risks and administrative proceedings, as described in note 16. Provisions are recognized for all risks relating to lawsuits representing probable losses and estimated with a certain degree of security.

The likelihood of loss includes evaluation of available evidence, the hierarchy of laws, case law available, the most recent court decisions and its relevance in the legal system as well as the assessment of external lawyers. Management believes that the reserves for labour, civil and tax risks are properly recognized in the financial statements.

The settlement of transactions involving these estimates may result in values different from those recorded in the consolidated financial statements due to inaccuracies inherent in the estimation process. These estimates and assumptions are periodically reviewed

#### Fair value measurements and valuation processes

In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company uses the fair values quoted by the counterparty financial institutions.



The Company used valuation technique that includes inputs that are not based on observable market data to estimate the fair value of derivative financial instruments. Additional disclosures have been made (please refers to Note 19) about the valuation inputs and key assumptions used in the determination of the fair value of various assets and liabilities

#### 4. NEW STANDARDS AND AMENDMENTS TO AND INTERPRETATIONS OF STANDARDS

##### New and revised IFRSs issued but not yet effective

As part of the CPC's commitment to adopt in Brazil all the amendments to the International Financial Reporting Standards - IFRSs introduced by the International Accounting Standards Board - IASB, amendments to certain accounting pronouncements have already been disclosed by the IASB, but have not yet been implemented by the CPC. The main accounting pronouncements that were subject to amendments are described below:

<u>Pronouncement or interpretation</u>	<u>Description</u>
Amendments to IFRS 9 - Financial Instruments (effective for reporting periods beginning on or after January 1, 2018).	IFRS 9 is the first standard issued as part of a broader process to supersede IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the combined measurement model and establishes two measurement categories for financial assets: amortized cost and fair value. The classification basis depends on the entity's business model and the characteristics of the contractual cash flow of the financial asset. The guidance in IAS 39 about the impairment of financial assets and hedge accounting continues applicable.
IFRS 15 - Revenue from Contracts with Customers (effective for reporting periods beginning on or after January 1, 2018).	IFRS 15 superseded IAS 18, IFRIC 13 and SIC 31 (CPC 30 (R1)), IAS 11 (CPC 17 (R1)), IFRIC 15 (ICPC 02) and IFRIC 18 (ICPC 11). IFRS 15 specifies how and when an entity will recognize revenue arising from contracts and relationships with customers and requires that these entities provide more detailed and relevant disclosures to users of financial statements. Such standard provides in a single document principles for recognition applicable to all types of revenues from contracts and/or relationship with customers.
IFRS 16 - Leases - (effective for reporting periods beginning on or after January 1, 2019).	IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It will supersede the following lease Standards and Interpretations upon its effective date: IAS 17 (CPC 6 (R1)), IFRIC 4, SIC-15, SIC-27.

The Group Management has not yet assessed the possible impacts of the amendments that will be introduced.

In addition, the Group Management do not anticipate that the application of these amendments will have a significant impact on the Group's financial statements.

## 5. CASH AND CASH EQUIVALENTS

	March 31, 2017	March 31, 2016
Cash on hand and in banks	149,133	619
Short-term investments	159,382	112,602
Total	<u>308,515</u>	<u>113,221</u>

Short-term investments refer to Bank Deposit Certificates (CDB), with a yield equivalent to 90% to 100% of the Interbank Deposit Certificate (CDI).

## 6. TRADE ACCOUNTS RECEIVABLE

	March 31, 2017	March 31, 2016
Domestic customers	1,047,619	935,408
Present value adjustment	(59,566)	(36,720)
Sub-total	988,053	898,688
Allowance for doubtful accounts	(87,909)	(83,820)
Total	<u>900,144</u>	<u>814,868</u>
Current	899,930	814,597
Non-current	214	271
	<u>900,144</u>	<u>814,868</u>

Present value adjustment

The adjustment to present value in the amount of R\$59,566 as of March 31, 2017 (R\$36,720 as of March 31, 2016) was calculated for all trade accounts receivable, except those arising from commercial arrangements settled within a short period of time and whose effect is immaterial. Its calculation takes into account the term of realization of the asset by using a discount rate of approximately 1.19% per month (1.00% in 2016), based on effective discount rate used by the Company on its revenue transactions.

Credit assignment without recourse

During the year ended March 31, 2017, the Company conducted trade receivables credits assignment without recourse in the amount of R\$255,206 (R\$103,067 as of March 31, 2016) and incurred in finance expenses on credits assignment of R\$25,608 (R\$9,717 as of March 31, 2016), recorded as "Finance expenses" in the statement of income for the year ended.

The changes in the allowance for doubtful accounts are as follows:

	March 31, 2017	March 31, 2016
Opening balance, net	83,820	74,758
Addition to the allowance for doubtful accounts	32,707	30,361
Reversals	(28,349)	(20,271)
Write-off	(269)	(1,028)
Closing balance, net	<u>87,909</u>	<u>83,820</u>

The aging list of trade accounts receivable is as follows:

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Current:		
From 1 to 30 days	47,012	82,628
From 31 to 60 days	228,326	272,324
From 61 to 90 days	80,624	51,157
From 91 to 180 days	281,831	261,730
From 181 to 360 days	257,760	138,018
Over 360 days	<u>214</u>	<u>271</u>
Total current	895,767	806,128
Past due:		
From 1 to 30 days	5,232	13,263
From 31 to 60 days	2,967	32
From 61 to 90 days	173	533
From 91 to 180 days	462	1,862
From 181 to 360 days	20,408	20,390
Over 360 days	<u>63,044</u>	<u>56,480</u>
Total past due	92,286	92,560
	<u>988,053</u>	<u>898,688</u>

Past due amounts over 360 days increased mainly due to crop failures occurred in the 2016/2017 harvest, for which the Company recorded an allowance for doubtful accounts for the cases that risk of impairment was identified.

As of March 31, 2017, the Company had accounts receivable pledged as collateral to secure the Company's agribusiness credit right certificates and credit assignment with recourse in the amount of approximately R\$16,517 (R\$57,985 as of March 31, 2016).

## 7. INVENTORIES

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Finished goods	295,244	108,179
Raw materials	12,545	22,463
Imports in transit	78,137	23,352
Advances to suppliers	<u>1,504</u>	<u>2,010</u>
Total	<u>387,430</u>	<u>156,004</u>

As of March 31, 2017, the Company recorded a provision for net realizable value of finished goods of R\$10,296 (R\$4,716 as of March 31, 2016), which is considered sufficient by Management to cover probable losses on the realization of inventories.

Finished goods as at March 31, 2017 increased as a result of increase in production due to sales forecast not achieved as expected.

Changes in the provision for net realizable value of finished goods, which reduced the balance of inventories, are as follows:

Balance as at April 1, 2015	3,269
Recognition of provision	<u>1,447</u>
Balance as at March 31, 2016	4,716
Recognition of provision	<u>5,580</u>
Balance as at March 31, 2017	<u>10,296</u>

As of March 31, 2017 and 2016, the Company did not have inventories pledged as collateral to secure the Company's financing.

## 8. RECOVERABLE TAXES

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
ICMS (state VAT)	10,948	6,353
Income tax and social contribution	5,466	6,006
PIS and COFINS (taxes on revenue)	802	1,292
IPI (federal VAT)	3,596	855
Provision for non-realization of ICMS tax credits	<u>(10,006)</u>	<u>(6,162)</u>
Total	<u>10,806</u>	<u>8,344</u>
Current	10,806	8,258
Non-current	-	<u>86</u>
	<u>10,806</u>	<u>8,344</u>

ICMS (state VAT) credits are due on purchases of raw materials, as well as purchases of property, plant and equipment, and are available to offset the tax to be collected as a result of the Company's sales. As part of the sales is made with a reduced tax base and ICMS exemption, the Company has accumulated credits. The realization of these credits depends on the success of the measures implemented by management, which include requests for ICMS exemption on purchases of inputs, and permit the approval of credits and their consequent use for transfer to suppliers. The Company's management, based on an internal study, recorded a provision in the approximate amount of R\$10,006 as of March 31, 2017 (R\$6,162 as of March 31, 2016) to cover losses on the realization of ICMS credits.

## 9. RELATED PARTIES

Balances and transactions with related parties are summarized as follows:

	<u>March 31, 2017</u>			<u>March 31, 2016</u>				
	<u>Current assets</u>	<u>Non- Current assets</u>	<u>Current liabilities</u>	<u>Non- Current liabilities</u>	<u>Current assets</u>	<u>Non-Current assets</u>	<u>Current liabilities</u>	<u>Non- Current liabilities</u>
<b>Balances</b>								
Associated companies:								
UPL Europe (borrowing)	-	-	129,296	79,211	-	-	-	-
Advanta Comércio de Sementes Ltda.	1,173	-	-	-	-	-	-	-
RiceCo International Inc.	-	-	7,922	-	-	-	4,317	-
Cerexagri S.A.S.	-	-	3,114	-	-	-	1,076	-
Cerexagri B.V.	-	-	44,486	-	-	-	65,429	-
Decco Iberica Pos Cosecha, S.A.U.	-	-	-	-	-	-	243	-
Decco US Post	-	-	15	-	-	-	-	-
Sinagro Produtos Agropecuários Produtos S.A. (c)	125,341	-	52,773	-	76,691	-	-	-
Sinagro Produtos Agropecuários Produtos S.A. (loan)	9,422	26,818	-	-	-	85,227	-	-
S3B Fundo de Investimento em Participações (d)	14,200	-	-	-	-	-	-	-
Seara Coml Agr Ltda.	6,807	-	-	-	-	-	-	-
3SB Produtos Agrícolas S.A. (loan)	28,542	-	-	-	-	-	-	-
3SB Produtos Agrícolas S.A.	10,485	-	-	-	13,014	-	-	-
Present value adjustment	<u>(745)</u>	-	<u>(1,814)</u>	-	<u>(2,086)</u>	-	<u>(2,749)</u>	-
	<u>195,225</u>	<u>26,818</u>	<u>235,792</u>	<u>79,211</u>	<u>87,619</u>	<u>85,227</u>	<u>68,316</u>	<u>-</u>

	March 31, 2017				March 31, 2016			
	Current assets	Non-Current assets	Current liabilities	Non-Current liabilities	Current assets	Non-Current assets	Current liabilities	Non-Current liabilities
<b>Balances</b>								
Previous shareholders:								
DVA Empreendimentos (a)	-	-	-	17,731	-	-	-	21,306
DVA Agro GMBH (a)	-	-	-	46,114	-	-	-	53,264
	-	-	-	63,845	-	-	-	74,570
Controlling shareholders:								
United Phosphorus Limited, India	1,832	-	1,285	-	2,058	-	11	-
UPL Limited, Mauritius	-	-	662,486	-	-	-	342,409	-
Present value adjustment	-	-	(31,989)	-	-	-	(16,117)	-
	1,832	-	631,782	-	2,058	-	326,303	-
<b>Total</b>	<b>197,057</b>	<b>26,818</b>	<b>867,574</b>	<b>143,056</b>	<b>89,677</b>	<b>85,227</b>	<b>394,619</b>	<b>74,570</b>
Transactions	159,093	-	738,278	63,845	89,677	-	394,619	74,570
Loans / Borrowings	37,964	26,818	129,296	79,211	-	85,227	-	-
<b>Total</b>	<b>197,057</b>	<b>26,818</b>	<b>867,574</b>	<b>143,056</b>	<b>89,677</b>	<b>85,227</b>	<b>394,619</b>	<b>74,570</b>

	March 31, 2017			March 31, 2016		
	Sales	Loan (borrowing) interests	Purchases	Sales	Loan (borrowing) interests	Purchases
<b>Transactions</b>						
Associated companies:						
UPL Europe (borrowing)	-	(5,995)	-	-	-	-
RiceCo International Inc.	-	-	9,317	-	-	4,501
Cerexagri S.A.S.	-	-	5,872	-	-	4,276
Cerexagri B.V.	-	-	45,897	-	-	92,829
Decco Iberica Pos Cosecha, S.A.U.	-	-	362	-	-	629
Decco US Post	-	-	124	-	-	94
Sinagro Produtos Agropecuários Produtos S.A	189,389	15,006	30,724	51,891	9,453	-
IBI Brasil Empreendimentos e Participações S.A.	-	12,345	-	-	-	-
Advanta Comércio de Sementes Ltda.	1,173	80	-	-	-	-
Seara Coml Agr Ltda.	494	-	-	-	-	-
3SB Produtos Agrícolas S.A	19,269	13,014	-	13,180	-	-
	210,325	34,450	92,296	65,071	9,453	102,329
Controlling shareholders:						
UPL Limited, India	-	-	1,304	1,805	-	-
UPL Limited, Mauritius	-	-	864,539	-	-	540,002
	-	-	865,843	1,805	-	540,002
<b>Total</b>	<b>210,325</b>	<b>34,450</b>	<b>958,139</b>	<b>66,876</b>	<b>9,453</b>	<b>642,331</b>

### Nature of transactions

Amounts due from related parties for trading transactions, recorded in current assets, refer to sales of goods to other group companies; amounts due to related parties, recorded in current liabilities, refer to payables for purchases of inventories goods and services provided from other group companies, as shown in the table above.

The intercompany transactions follow prices and payments terms determined by the Group Board. For trade payables amounts, the average payment term is 266 days (265 days in 2016).

- Refers to earn-out that the Company is required to pay to related parties based on some contractual conditions assumed by the merged controlling shareholder United.
- Refers to services related to obtaining registration of chemicals in general, especially agricultural products, and laboratory synthesis provided by the merged controlling shareholder United.
- The average receipt term of revenues to Sinagro is 231 days. As of March 31, 2017 there is R\$81,791 of overdue accounts receivable from Sinagro from 1 to 30 days (R\$35,608 of overdue accounts receivable from 180 to 360 in 2016). The breakdown of the accounts receivable from Sinagro regarding sales transactions as of March 31, 2017 is as follows:

	March 31, 2017	March 31, 2016
Trade accounts receivable from Sinagro	125,341	76,691
Present value adjustment	(358)	(826)
<b>Total</b>	<b>124,983</b>	<b>75,865</b>

The Company has collateral from Sinagro in the total amount of R\$15,614 to secure the accounts receivable.

- d) The Company has acquired trade accounts receivable from the related party S3B in the amount of R\$14,200 during the year ended March 31, 2017 that are due in May 2017, and received as a collateral for such receivables 6% of capital shares of the related party Sinagro and 6% of capital shares of the related party 3SB that currently are held by Sinagro's partner Marcos Antônio Vimercati.

Management compensation for years ended March 31, 2017 and 2016 is as follows:

<u>Short-term benefits</u>	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Salaries, fees and charges	6,957	5,650
Healthcare plan	440	353
Total	<u>7,397</u>	<u>6,003</u>

As of March 31, 2017, liabilities related to short-term benefits amounted to R\$2,765 (R\$2,331 as of March 31, 2016), recorded in caption payroll and related taxes.

The amount shown above is in conformity with the limits established by the Board of Directors.

The above management compensation amounts do not include social charges such as social security contributions - INSS, FGTS and others.

## 10. INVESTMENTS

The list below shows the equity that the Company has in its subsidiary, which is presented as investments in the financial statements.

	<u>Equity interest - %</u>		<u>Operating activities</u>
	<u>March 31, 2017</u>	<u>March 31, 2016</u>	
DVA Technology Argentina S.A. ("DVA Argentina")	100,00	100,00	Provision of services related to the obtaining of registration of chemicals in general, especially agricultural products, and laboratory synthesis and development of product formulations in general

The main balance sheet and statement of operations accounts of subsidiary for the years ended March 31, 2017 and 2016 are as follows:

	<u>DVA Argentina</u>	
	<u>March 31, 2017</u>	<u>March 31, 2016</u>
<u>Balance sheet</u>		
Current assets	29	34
Total assets	<u>29</u>	<u>34</u>
Equity	29	34
Total liabilities and equity	<u>29</u>	<u>34</u>
<u>Transactions</u>		
Loss before income tax and social contribution	-	-
Loss for the year	<u>-</u>	<u>-</u>

a) Changes in investments in subsidiary

	<u>DVA Argentina</u>	
	<u>March</u> <u>31, 2017</u>	<u>March</u> <u>31, 2016</u>
Share capital	4	5
Equity	29	34
Loss for the year	-	-
Number of shares	20,000	20,000
Number of shares held	20,000	20,000
Equity interest percentage	100%	100%
Carrying amount of investment	29	34
Exchange rate gain (loss) on foreign investment	(5)	(17)
Equity pick up	-	-

Due to the immateriality of this investment at the Company's financial statements, management decided to not present consolidated financial statements.

## 11. PROPERTY, PLANT AND EQUIPMENT

Cost	Land	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Computers and peripherals	Leasehold improvements	Communication equipment	Facilities	Property, plant and equipment in progress	Total
Balance at April 1, 2015	5,727	25,075	11,142	9,154	1,660	2,237	424	190	1,871	1,732	59,212
Acquisitions	-	757	1,943	5,047	254	1,611	30	20	865	5,215	15,742
Disposals	-	-	(36)	(689)	(5)	(52)	-	(1)	-	(28)	(811)
Transfers	-	1,258	-	-	-	-	131	-	-	(1,389)	-
Balance at March 31, 2016	5,727	27,090	13,049	13,512	1,909	3,796	585	209	2,736	5,530	74,143
Acquisitions	-	209	2,629	10,764	410	489	17	25	262	21,196	36,001
Disposals	-	(45)	(85)	(2,767)	(62)	(535)	-	(4)	-	(410)	(3,908)
Transfers	-	4,844	4,584	(151)	95	33	(14)	54	228	(9,673)	-
Balance at March 31, 2017	5,727	32,098	20,177	21,358	2,352	3,783	588	284	3,226	16,643	106,236
<b>Depreciation</b>											
Balance at April 1, 2015	-	(5,914)	(3,103)	(2,313)	(765)	(1,250)	(202)	(110)	(706)	-	(14,363)
Depreciation for the year	-	(828)	(948)	(2,600)	(171)	(365)	(85)	(15)	(135)	-	(5,147)
Disposals	-	-	12	510	-	-	-	-	-	-	522
Balance at March 31, 2016	-	(6,742)	(4,039)	(4,403)	(936)	(1,615)	(287)	(125)	(841)	-	(18,988)
Depreciation for the year	-	(951)	(1,456)	(4,386)	(300)	(658)	(102)	(30)	(200)	-	(8,083)
Disposals	-	8	60	1,976	48	451	-	4	107	-	2,654
Transfers	-	903	(911)	21	(16)	(16)	8	(12)	23	-	-
Balance at March 31, 2017	-	(6,782)	(6,346)	(6,792)	(1,204)	(1,838)	(381)	(163)	(911)	-	(24,417)
Property, plant and equipment, net at March 31, 2017	5,727	25,316	13,831	14,566	1,148	1,945	207	121	2,315	16,643	81,819
Property, plant and equipment, net at March 31, 2016	5,727	20,348	9,010	9,109	973	2,181	298	84	1,895	5,530	55,155
Average depreciation rate in 2017 - %	-	3%	9%	22%	10%	21%	15%	10%	8%	-	-
Average depreciation rate in 2016 - %	-	3%	9%	22%	10%	21%	10%	10%	10%	-	-

**Impairment of property, plant and equipment**

In view of the approval of CPC 01, which addresses the impairment of assets, as at March 31, 2017 and 2016 the Company analysed whether property, plant and equipment items has any indicator of impairment and concluded that no indication of the need to record a provision for impairment of property, plant and equipment was identified.

**Collaterals**

As of March 31, 2017, the Company held the amount of R\$5,129 related to machinery, equipment and vehicles collateralized under financing and finance leases (R\$6,314 as of March 31, 2016).



## 12. INTANGIBLE ASSETS

	Annual amortization rate - %	March 31, 2017			March	
		Cost	Accumulated		Net	Net
			amortization	Impairment		
Trademarks, patents and licenses in use	20%	78,806	(46,105)	-	32,701	32,400
Trademarks, patents and licenses under approval (a)	-	58,062	-	(1,091)	56,971	52,640
Software licenses	20%	<u>2,679</u>	<u>(1,436)</u>	<u>-</u>	<u>1,243</u>	<u>544</u>
Total		<u>139,547</u>	<u>(47,541)</u>	<u>(1,091)</u>	<u>90,915</u>	<u>85,584</u>

- a) The Company recognized an impairment loss of licenses under approval of R\$1,091 as of March 31, 2017 and 2016 as the fair value provided by an appraisal report prepared by independent appraiser was below the net book value.

The changes in intangible assets are summarized as follows:

	March 31, 2017	March 31, 2016
Opening balance, net	85,584	74,897
Additions (b)	21,480	18,644
Disposals	(2,649)	(482)
Reversal of impairment loss	-	2,269
Amortization	<u>(13,500)</u>	<u>(9,744)</u>
Closing balance, net	<u>90,915</u>	<u>85,584</u>

- b) Refers to the addition of licenses under approval acquired to increase the Company's portfolio of products.

## 13. BORROWINGS AND FINANCING

<u>Nature</u>	<u>Annual finance charges</u>	<u>Final maturity</u>	March 31, 2017	March 31, 2016
Foreign currency - denominated in US dollars:				
Import financing	Interest of 3.25% to 3,44% p.y.	06/16/2016	-	48,365
			-	48,365
Local currency:				
Discounted trade receivables	16.08% p.y	08/04/2017	16,505	39,370
Working capital	CDI + 3.04% p.y.	09/06/2016	-	673
FINAME	6.00% to 17.60% p.y.	06/15/2021	2,648	1,607
Finance lease	13.89% to 16.58% p.y.	08/17/2018	2,481	5,664
Import financing	3.26% to 4.01%	05/26/2017	113,737	94,935
Working capital (4131)	3.23% to 3.54%	05/31/2017	72,966	-
Farmers bond ("Rural credit")	8.75% p.y to 9,50% p.y	07/31/2017	<u>4,542</u>	<u>4,429</u>
			212,879	146,678
Total			<u>212,879</u>	<u>195,043</u>
Portion of current liabilities			210,699	191,882
Portion of non-current liabilities			<u>2,180</u>	<u>3,161</u>
			<u>212,879</u>	<u>195,043</u>

CDI - "Bank Deposit Certificates".

Collateral and guarantees

As mentioned in Note 6 and 11, the Company has accounts receivable pledged as collateral for credit assignments with recourse and has machinery, equipment and vehicles collateralized under financing and finance leases, respectively.

Additionally, the agribusiness credit right certificates are collateralized by surety letter.

Finance lease commitments

The future minimum lease payment in respect to assets under finance lease is as follow:

<u>Finance lease</u>	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Payable no later than 1 year	2,133	3,242
Payable later than 1 year	348	2,422
Total minimum lease payments	<u>2,481</u>	<u>5,664</u>
(-) Future finance charges	<u>(307)</u>	<u>(946)</u>
Present value of minimum lease payments	<u><u>2,173</u></u>	<u><u>4,718</u></u>

Contractual obligation

Certain loan agreements are subject to clauses that require the Company to comply with some contractual obligations. As at March 31, 2017, the Company is compliant with all contractual obligations.

As of March 31, 2017, the portion classified in non-current liabilities have the following maturity schedule:

Maturity year:	
2018	802
2019	514
2020	373
2021	491
Total	<u><u>2,180</u></u>

## 14. TRADE PAYABLES

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Domestic suppliers	21,996	15,004
Foreign suppliers	35,540	90,858
Present value adjustment	<u>(2,149)</u>	<u>(4,518)</u>
Total	<u><u>55,387</u></u>	<u><u>101,344</u></u>

The average term for settlement of trade payables is 167 days in 2017 (136 days in 2016).

Present value adjustment

The adjustment to present value of purchases is recorded under line item "Trade payables" (with a contra entry to line item "Inventories" and "Cost of sales") and its reversal is recorded under line item "Financial income and expenses", according to maturity. Its calculation takes into account the term of realization of the asset by using a discount rate of approximately 1.19% per month (1.00% in 2016), which is based on effective discount rate applied by the supplier.

15. FORFAITING AND CREDIT LETTERS TRANSACTIONS

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Forfaiting transactions	138,335	138,841
Credit letter transactions	5,699	14,124
Present value adjustment	<u>(8,851)</u>	<u>(4,898)</u>
Total	<u>135,183</u>	<u>148,067</u>

The average term for settlement of this forfaiting and credit letter transactions are 347 and 368 days, respectively.

Present value adjustment

The adjustment to present value of purchases is recorded under line item "Forfaiting and credit letters transactions" (with a contra entry to line item "Inventories" and "Cost of sales") and its reversal is recorded under line item "Financial income and expenses", according to maturity. Its calculation takes into account the term of realization of the asset by using a discount rate of approximately 1.19% per month (1.00% in 2016), which is based on effective discount rate applied by the supplier.

16. RESERVE FOR LABOUR CLAIMS

Probable risks

As of March 31, 2017 the Company recognized a reserve for labour claims in the amount of R\$1,568 (R\$ 1,565 in 2016) related to social security lawsuits in which they are the defendants and for which the likelihood of loss is considered probable by its legal counsel.

Possible risks

The Company is part to various lawsuits that are at administrative or judicial level or in their initial stages, involving labour, tax and civil matters. The Company contest in court all claims and, based on the assessment of their legal counsel, record a provision when the risk of loss is considered probable. The reserve recorded as of March 31, 2017 and 2016 refer to labour lawsuits in which the Company are the defendants, involving mainly secondary liability of outsourced companies.

The Company is part to tax and civil lawsuits involving approximately R\$15,556 as of March 31, 2017 (R\$18,097 as of March 31, 2016) for which the assessment made by its legal counsel classifies the likelihood of loss as possible, reason why no provision was recorded by Management in the financial statements.

Pursuant to prevailing legislation, the Company' operations are open for review by tax authorities for a period of 5 years with respect to federal taxes (income tax, social contribution, PIS, COFINS and IPI) and state tax (ICMS). As a result of these reviews, transactions and payments may be challenged and the identified amounts may be subject to fines, interest and inflation adjustment.

The Company's management, based on the opinion of its legal counsel, understands there are no significant risks not covered by sufficient provisions in the financial statements or that might have a significant impact on the Company's future results.

## 17. INCOME TAX AND SOCIAL CONTRIBUTION

The reconciliation of the tax effect on loss before income tax and social contribution is as follows:

	March 31, 2017	March 31, 2016
Income before income tax and social contribution	74,768	86,533
Effective rate - income tax and social contribution	34%	34%
	<u>(25,421)</u>	<u>(29,421)</u>
Reconciliation to effective rate:		
Tax benefits from Technology Innovation Law of Good (Lei nº 11.196/2005)	7,654	2,820
Other permanent differences	42	(2,016)
Income tax and social contribution - current and deferred	<u>(17,725)</u>	<u>(28,617)</u>

### Breakdown of deferred income tax

As of March 31, 2017 and 2016, the Company recognized deferred income tax and social contribution on temporary differences as follows:

	March 31, 2017	March 31, 2016
Temporary differences on tax credits:		
Tax benefit from the merger of United (a)	131,637	165,237
Provision for labour, civil and tax risks	1,568	1,565
Allowance for doubtful accounts receivable	72,011	67,922
Adjustment to present value on trade accounts receivable	59,566	36,720
Adjustment to present value on trade accounts receivable with related parties	745	2,086
Provision for service providers	46,409	39,797
Provision for net realizable value of inventories	10,296	4,716
Impairment of intangible assets	1,091	1,091
Derivative financial instruments at the fair value	9,439	26,152
Impairment of recoverable taxes	10,006	6,162
Exchange rate customer, loans, suppliers	10,041	-
Provision for punctuality discount	948	1,666
Provision of freight and other services	9,280	6,304
Others temporary differences	2,412	2,750
Tax base	<u>365,449</u>	<u>362,168</u>
Statutory rate	34%	34%
Deferred income tax and social contribution - tax credit	<u>124,253</u>	<u>123,137</u>
Temporary differences on tax debits:		
Adjustment to present value on trade payables	2,149	4,518
Adjustment to present value on forfaiting and credit letters	8,851	4,898
Adjustment to present value on related parties	33,803	18,866
Exchange rate customer, loans, suppliers	-	14,712
Interest provision on loan with related party	17,157	5,227
Others temporary differences	286	277
Tax base	<u>62,246</u>	<u>48,498</u>
Statutory rate	34%	34%
Deferred income tax and social contribution - tax debit	<u>21,164</u>	<u>16,489</u>
Deferred income tax and social contribution balance	<u>103,089</u>	<u>106,648</u>
Effect on the statement of operations for the year		<u>(3,559)</u>

(a) Refers to the goodwill tax benefit, net of the provision for the difference between its value and the tax benefit generated by its amortization arising from the merger of United as discussed in Note 18.

The Company, based on projections of future taxable profits approved by Management, recognized deferred income tax and social contribution on temporarily taxable and non-deductible differences, which can be carried forward indefinitely.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Based on these projections of future taxable profits, the Company estimates to realize the deferred income tax and social contribution as follows:

	<u>March 31, 2017</u>
2018	45,895
2019	<u>57,194</u>
	<u>103,089</u>

## 18. SHAREHOLDERS' EQUITY

### a) Share capital

As of March 31, 2017, the Company's subscribed and paid-in capital was R\$322,857 (R\$308,696 in 2016) represented by 338,765,890 (324,600,648 in 2016) common shares and represented as follows:

	<u>As of March 31, 2017</u>		<u>As of March 31, 2016</u>	
	<u>Shares</u>	<u>Equity interest</u>	<u>Shares</u>	<u>Equity interest</u>
UPL Corporated Limited	4,242	0,001%	-	-
Uniphos Indústria e Comércio de Produtos Químicos Ltda.	338,761,648	99,99%	324,596,406	99,99%
United Phosphorus do Brasil Ltda.	-	-	4,242	0,001%
Total	<u>338,765,890</u>	<u>100%</u>	<u>324,600,648</u>	<u>100%</u>

Net assets merged as of January 31, 2016 are represented by shareholders' equity amounting to R\$73,817, as result of this transaction the capital decreased by R\$73,718 arising from the merger of United, the Company's former parent company, as shown in Note 1. In addition, net assets merged as at October 31, 2016 are represented by negative equity of United Brasil of R\$ 151.

### Transactions during the year ended March 31, 2017

During the year ended March 31, 2017 the Company received capital increases in cash that amounted to R\$14,161 as summarized as follows:

<u>Date</u>	<u>Shareholder</u>	<u>Amount</u>	<u>Shares issued</u>
November 30, 2016	Uniphos Ind. e Comércio de Produtos Químicos Ltda.	14,161	14,165,242

### b) Capital reserve

On July 25, 2011, United provided R\$175,462 in cash to the Company, for which R\$20,114 was allocated as share capital and R\$155,354 was allocated as share premium.

On January 1, 2016 the Company recorded the amount of R\$57,134 of deferred income tax in capital reserve as a result of the merger of United.

On February 29, 2016 the Company's shareholders decided to increase capital with capital reserve in the amount of R\$73,911 issuing 73,911,106 shares.

### c) Legal reserve

Recognized pursuant to the corporate legislation and articles of organization, based on 5% (five percent) of net income for the year.

## d) Dividends

The shareholders are entitled to annual mandatory minimum dividends of 5% (five percent) of net income for the year after recognition of legal reserve and as statutorily adjusted, when applicable.

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Net income for the year	57,043	57,916
(-) Recognition of legal reserve - 5%	<u>(2,852)</u>	<u>(2,896)</u>
Base income for calculating mandatory minimum dividends	54,191	55,020
Mandatory minimum dividends - 5%	2,715	2,751
Waiver of mandatory dividends (i)	(2,715)	-
Dividend per share - in R\$	-	0.0085

(i) According to Company's bylaws the shareholder's waived the mandatory dividends.

## e) Income per share

In compliance with technical pronouncement, the following table reconciles the net income to the amounts used to calculate the basic and diluted income per share:

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Net income for the year	57,043	57,916
Weighted average number of shares issued (in thousands)	<u>329,297</u>	<u>147,488</u>
Basic and diluted loss per share in Brazilian Reais	<u>0.1732</u>	<u>0.3927</u>

## 19. FINANCIAL INSTRUMENTS AND OPERATING RISKS

Financial assets and liabilities are stated in the financial statements at cost, plus income earned and less expenses incurred through the end of the reporting period, which approximate the fair values for transactions with similar nature and risks.

The main market risk factors that affect the Company's and its subsidiaries' businesses are as follows:

- **Credit risk:** arises from the possibility of the Company not receiving amounts arising from sales. To mitigate this risk, the Company perform a detailed analysis of the financial position of its customers, establishing an ongoing monitoring of the debt balance of their counterparties.
- **Price risk of products sold or manufactured or inputs acquired:** arises from the possibility of fluctuations in the market prices of products sold or manufactured by the Company and other inputs used in the production process. These price fluctuations may cause substantial changes in the Company and subsidiaries' revenues and costs. In order to mitigate these risks, the Company perform an ongoing monitoring of local and foreign markets, seeking to anticipate any price changes.
- **Interest rate risk:** this risk arises from the possibility of the Company incurring losses because of fluctuations in interest rates that increase the financial expenses related to borrowings and financing. Borrowings are controlled in terms of exposure and contracted rates, considering their nature, to avoid exposing the Company to excessive risks.

- **Exchange rate risk:** this risk arises from the possibility of the Company incurring losses or cash constraints due to fluctuations in exchange rates, affecting the balance of foreign currency-denominated assets (or liabilities).

#### Derivative financial instruments

As mentioned above, during the year ended March 31, 2017 the Company contracted derivatives to reduce its liabilities exposure to exchange variation, mainly U.S. Dollars. As a result of the hedges acquired to reduce such exposures, during the year ended March 31, 2017 the Company recorded the amount of R\$135,521 of loss in hedging transactions which is recorded in financial income and expenses captions in the statement of income. Since the related instrument is combined for receivables, payables and borrowing and financing, the Company's management has allocated the aforesaid gain in hedging transaction in the proportion of their respective average balances during the year ended March 31, 2017 as follows:

<u>Balances denominated in foreign currency - U.S Dollars</u>	Average balance during the	Balance as of
	year ended March 31, 2017	March 31, 2017
	R\$	R\$
<u>Operating activities</u>		
Trade account receivables	278,110	393,680
Trade payables	(116,778)	(47,188)
Forfaiting and credit letters transactions	(100,220)	(144,035)
Related parties (liabilities)	(551,824)	(699,351)
Operating exposure - liabilities	(490,712)	(496,894)
Hedge loss on operating activities		(135,105)
<u>Financing activities</u>		
Borrowing and financing	(6,298)	-
Related parties borrowings	(3,247)	(6,513)
Financing exposure - liabilities	(9,545)	(6,513)
Hedge loss - financing activities		(416)
Net exposure – liabilities	(500,257)	(503,407)
Total hedge loss		(135,521)

The average balances and balances as of March 31, 2017 for each caption refer to the Brazilian Real amounts of assets and liabilities denominated in U.S. Dollars currency.

As of March 31, 2017, the position of derivative financial instruments and the adjustment at the fair value recorded in the balance sheet is as follow:

<u>NDF</u>	<u>Maturity</u>	<u>Position</u>	<u>Fixed rate</u>	<u>Notional</u>	<u>Fair value</u>	<u>Adjustment</u>
			(US\$)	amount		
NDF - U.S. Dollar	4/26/2017	Long	3.2866	1,753	1,678	(75)
NDF - U.S. Dollar	4/26/2017	Long	3.2413	21,899	21,262	(637)
NDF - U.S. Dollar	4/26/2017	Long	3.2400	67,262	65,462	(1,800)
NDF - U.S. Dollar	4/26/2017	Long	3.2402	64,804	63,066	(1,738)
NDF - U.S. Dollar	5/24/2017	Long	3.2188	2,673	2,630	(43)
NDF - U.S. Dollar	5/26/2017	Long	3.1740	46,249	46,180	(69)
NDF - U.S. Dollar	5/26/2017	Long	3.1320	13,229	13,379	150
NDF - U.S. Dollar	5/26/2017	Long	3.1320	45,462	45,978	516
NDF - U.S. Dollar	5/26/2017	Long	3.2019	65,974	65,310	(664)
NDF - U.S. Dollar	6/23/2017	Long	3.1795	56,166	56,314	148
NDF - U.S. Dollar	6/23/2017	Long	3.2115	14,449	14,350	(99)
NDF - U.S. Dollar	6/23/2017	Long	3.2398	23,249	22,886	(363)
NDF - U.S. Dollar	6/28/2017	Long	3.3977	16,989	15,979	(1,010)
NDF - U.S. Dollar	6/28/2017	Long	3.3697	16,849	15,981	(868)
NDF - U.S. Dollar	6/28/2017	Long	3.1853	8,097	8,112	15
NDF - U.S. Dollar	7/26/2017	Long	3.3636	1,700	1,626	(74)
NDF - U.S. Dollar	10/25/2017	Long	3.4386	1,738	1,658	(80)
NDF - U.S. Dollar	10/27/2017	Long	3.4544	11,393	10,815	(578)
NDF - U.S. Dollar	10/27/2017	Long	3.4940	25,605	24,047	(1,558)
NDF - U.S. Dollar	10/27/2017	Long	3.5447	7,297	6,761	(536)
NDF - U.S. Dollar	1/24/2018	Long	3.4791	1,778	1,701	(77)
				514,615	505,175	(9,440)

Swap	Counterparty	Contract start date	Maturity date	Position (notional amounts)	Asset (liability)	Fair value
Asset position	Bradesco	10/05/2016	5/24/2017	USD + 4,16% p.a.	16,016	
Liability position				109,65% CDI	(17,226)	(1,210)
Asset position	Santander	7/07/2016	4/28/2017	USD + 4,34% p.a.	34,881	
Liability position				117,25% CDI	(40,040)	(5,159)
Asset position	Santander	8/10/2016	4/28/2017	USD + 4,30% p.a.	40,013	
Liability position				120% CDI	(43,179)	(3,166)
Asset position	JP Morgan	7/15/2016	5/31/2017	USD + 4% p.a.	26,642	
Liability position				120,5% CDI	(30,316)	(3,674)
Asset position	JP Morgan	8/10/2016	5/26/2017	USD + 4,01% p. a.	11,809	
Liability position				117,5% CDI	(12,759)	(950)
Asset position	Deutsche Bank	8/24/2016	5/26/2017	USD + 3,80% p.a.		
Liability position				116,5% CDI		(1,431)
Asset position	Votorantim	21/09/2016	26/05/2017	USD + 4,01% p. a.	10,064	
Liability position				117,5% CDI	(11,047)	(983)
Asset position	Pine	10/26/2016	10/25/2017	USD + 6% p. a.	80,973	
Liability position				104,2% CDI	(82,285)	(1,312)
Asset position	Pine	11/04/2016	11/08/2017	USD + 6% p. a.	48,506	
Liability position				103,9% CDI	(50,932)	(2,426)
Asset position	Votorantim	9/28/2016	5/24/2017	USD + 3,80% p. a.	29,615	
Liability position				113,6% CDI	(32,246)	(2,631)
						(22,942)
Total						<u>(32,382)</u>

As of March 31, 2016, the position of derivative financial instruments and the adjustment at the fair value recorded in the balance sheet is as follow:

Transaction	Maturity	Position	Fixed rate (US\$)	Notional amount	Fair value	Adjustment
NDF - U.S. Dollar	5/13/2016	Long	4.0301	26,439	23,850	(2,589)
NDF - U.S. Dollar	4/29/2016	Long	3.6956	1,740	1,703	(37)
NDF - U.S. Dollar	5/25/2016	Long	3.7135	53,570	52,571	(999)
NDF - U.S. Dollar	5/20/2016	Long	3.7761	20,186	19,287	(899)
NDF - U.S. Dollar	5/25/2016	Long	3.6918	21,793	21,670	(123)
NDF - U.S. Dollar	6/15/2016	Long	3.7286	37,286	37,215	(71)
NDF - U.S. Dollar	5/20/2016	Long	3.7190	521	511	(10)
NDF - U.S. Dollar	4/27/2016	Long	4.0640	73,737	65,666	(8,071)
NDF - U.S. Dollar	5/13/2016	Long	4.0848	74,114	66,023	(8,091)
NDF - U.S. Dollar	6/15/2016	Long	3.7291	59,800	58,769	(1,031)
NDF - U.S. Dollar	4/27/2016	Long	4.0099	26,297	23,730	(2,567)
NDF - U.S. Dollar	5/20/2016	Long	3.7370	64,601	62,937	(1,664)
Total				<u>460,084</u>	<u>433,932</u>	<u>(26,152)</u>

### Sensitivity analysis of the financial instruments

#### a) Interest rate risk:

The analysis is made considering the changes in the related interest rates: what would be the impact of the changes in interest rates on profit or loss under different scenarios. The table below summarizes all the Company's positions impacted by the changes in interest rates.



Description - March 31, 2017	Notional amount	Impact in a scenario of		Impact in a scenario of		Impact in a scenario of	
	R\$	10%	-10%	25%	-25%	50%	-50%
Interest rate - CDI	13.76%	15.14%	12.38%	16.51%	11.01%	20.64%	6.88%
Import financing	(112,175)	(5,389)	4,983	(5,589)	4,777	(6,177)	4,145
Related parties borrowings	(126,656)	(11,161)	9,178	(12,146)	8,179	(15,072)	(5,152)
FINAME	(197)	(30)	24	(33)	22	(41)	14
Working capital	(73,166)	(3,853)	3,567	(3,995)	3,421	(4,410)	2,975
Financial investments	307,389	7,130	(5,895)	7,739	(5,627)	9,529	(3,346)
	<u>(4,805)</u>	<u>(13,303)</u>	<u>11,857</u>	<u>(14,024)</u>	<u>10,772</u>	<u>(16,171)</u>	<u>(1,364)</u>
Interest rate - TJLP	7.50%	8.25%	6.75%	9.00%	6.00%	11.25%	3.75%
FINAME	(1,379)	(114)	93	(124)	83	(155)	52
Impact on operating profit or loss	<u>(6,184)</u>	<u>(13,417)</u>	<u>11,950</u>	<u>(14,148)</u>	<u>10,855</u>	<u>(16,326)</u>	<u>(1,312)</u>

In the scenario above, the interest rate was combined in two manners under three scenarios: probable, possible and remote. For these scenarios, the changes shown above were presumed (e.g.: +/- 10% of the interest rate in the probable scenario), based on observations of the current market conditions. All other variables of the amounts above were kept constant.

Below are the main assumptions for the analysis:

- Borrowings with floating interest rate, without hedge.
- Investments with floating interest rate, without hedge.

The interest rates were compared with the LIBOR, CDI and TJLP.

b) Exchange rate risk:

The analysis is made considering the changes in the related exchange rates: what would be the impact of the changes in exchange rates on profit or loss or on equity under different scenarios.

Description March 31, 2017	Notional amount	Impact in a scenario of		Impact in a scenario of		Impact in a scenario of	
	R\$	10%	-10%	20%	-20%	30%	-30%
Reference exchange rate - US\$	3.1684	3.4852	2.8516	3.8021	2.5347	4.1189	2.2179
Related parties borrowings in foreign currency	(79,210)	(7,921)	7,921	(15,842)	15,842	(23,763)	23,763
Financial liabilities in foreign currency	(901,790)	(90,179)	90,179	(180,358)	180,358	(270,537)	270,537
Financial assets in foreign currency	370,490	37,049	(37,049)	74,098	(74,098)	111,147	(111,147)
Impact on operating profit or loss		<u>(61,051)</u>	<u>61,051</u>	<u>(122,102)</u>	<u>122,102</u>	<u>(183,153)</u>	<u>183,153</u>

The table above shows the sensitivity of the Company's operating profit or loss and equity to possible changes in the currency parity.

The currency parity included in the analysis is the U.S. Dollar against Reais.

Each parity was combined in two manners, under three scenarios: probable, possible and remote. For these scenarios, the changes shown above were presumed (e.g.: +/- 10% in the probable scenario), based on observations of the current market conditions. All other variables were kept constant.

Below are the main assumptions for the analysis:

- Net value of financial assets and liabilities in foreign currency.
- Receivables and payables in foreign currency.



The table below details the remaining contractual maturity of the Company's financial liabilities and the contractual amortization as of March 31, 2017:

	On demand on within 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 5 years	Total undiscounted cash flows	Carrying amount at March 31, 2017
Borrowing and financing	229,905	802	514	864	232,085	232,085
Trade payables	55,387	-	-	-	55,387	55,387
Forfeiting and credit letters transactions	135,183	-	-	-	135,183	135,183
Related parties	738,278	-	-	63,845	802,123	802,123
Related parties – borrowings	129,292	-	79,215	-	208,507	208,507
	<u>1,288,045</u>	<u>802</u>	<u>79,729</u>	<u>64,709</u>	<u>1,433,285</u>	<u>1,433,285</u>

## 20. NET REVENUES

	March 31, 2017	March 31, 2016
Sales of product	1,969,634	1,651,775
Returns and rebates	(95,846)	(47,659)
Taxes on sales	(44,946)	(37,241)
Present value adjustment	(143,498)	(110,178)
Net revenues	<u>1,685,344</u>	<u>1,456,697</u>

## 21. OPERATING COSTS AND EXPENSES BY NATURE

<u>Costs and expenses by nature</u>	March 31, 2017	March 31, 2016
Raw materials and consumables used	1,294,222	1,126,707
Salaries, charges and benefits	156,948	122,911
Freight	7,734	6,217
Services from third parties	35,048	29,067
Materials for use and consumption	10,638	5,697
Depreciation and amortization	21,583	14,891
Travel and lodging	13,631	10,851
Warehouse	14,809	6,138
Rental	2,720	2,598
Cost of discarded packaging	2,178	2,061
Inventories adjustment	5,580	1,447
Tax retention and other fees	7,925	2,958
Allowance for doubtful accounts	4,089	9,062
Present value adjustment of trade payables	(113,021)	(96,182)
Other costs and expenses	26,385	18,489
Total of costs and operating expenses	<u>1,488,021</u>	<u>1,262,912</u>
Exchange rate variation on trade receivables	35,407	7,318
Exchange rate variation on trade payables	(93,998)	9,076
Total of exchange variation on trade receivables and payables	<u>(58,591)</u>	<u>16,394</u>
Total of cost and operating expenses, including exchange variation	<u>1,429,430</u>	<u>1,279,306</u>
Classified as:		
Cost of sales	1,202,489	1,039,770
Selling expenses	110,463	100,848
General and administrative expenses	175,069	122,294
Exchange rate variation on trade receivables and payables	(58,591)	16,394
	<u>1,429,430</u>	<u>1,279,306</u>

## 22. FINANCE INCOME AND EXPENSES

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Finance income:		
Discounts obtained	230	563
Yield from investments	7,089	5,495
Present value adjustment of trade account receivable	121,993	102,213
Gain on derivative financial instruments, realized contracts	-	25,839
Gain on derivative financial instruments, non-realized contracts	24,752	(62,500)
Interest arising from the loan related parties	40,445	9,453
Other finance income	<u>606</u>	<u>2,079</u>
	195,115	83,142
Finance expenses:		
Cash discount	(78)	(77)
Discounts granted and other exchange rate effect	(33,273)	(35,172)
Interest on borrowings and financing	(38,600)	(20,180)
Interest arising from the borrowings related parties	(5,995)	-
Present value adjustment of trade payables	(96,500)	(82,003)
Loss on derivative financial instruments, realized contracts	(160,273)	-
Interest on remised trade receivables	(25,608)	(9,717)
Other finance expenses	<u>(5,515)</u>	<u>(5,320)</u>
	(365,842)	(152,469)
Exchange rate variation on borrowing and financing	<u>(553)</u>	<u>(11,622)</u>
Total	<u><u>(171,280)</u></u>	<u><u>(80,949)</u></u>

## 23. EMPLOYEE BENEFITS

The Company offers to its employees' health care benefits, dental reimbursement, life insurance, meal ticket, transportation voucher, among others.

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Benefits expenses	9,970	7,536
Number of employees	413	348

## 24. INSURANCE

The Company have insurance contracts for operational risks, vehicles, civil liability - property damage, bodily injury and general civil liability. The coverage of these insurance contracts is determined by specialists, in amounts considered by Management sufficient to cover eventual risks on its assets and/or liabilities. As of March 31, 2017, insurance coverage is as follows:

Coverage	Effective period	Coverage amount R\$
<u>Plant and office</u>		
Fire, lightning, implosion/explosion, smoke and aircraft, fire in rural area		31,000
Extraordinary expenses (extra production costs in third party)		12,000
Windstorm, hail, cyclone, tornado and smoke		5,000
Expenses - indemnity period: 1 month		3,293
Vehicle impact and aircraft		3,000
Work damage		3,000
Small civil works projects		3,000
Robbery or theft		2,000
Loss of rent - indemnity period: 6 months		2,000
Expenses with new locations		2,000
Insured's assets in third party locations	03/31/2017 to	2,000
Auditor's fee	03/31/2018	1,000
Stationary equipment		800
Electrical damage		500
Electronic equipment		400
Riots, strikes and lock out		400
Goods contamination		400
Vinilona shed (Fire, Lightning, Explosion and Windstorm)		300
Mobile equipment		200
Valuable papers		100
Breaking of glasses, mirror, marble and granite		100
All risk (portable electronics)		50
Directors and officer liability	03/31/2017 to 03/31/2018	20,000
<u>Civil liability</u>		
Sudden pollution		
Moral damage		
Civil liability of employer		
Civil liability fairs and exhibitions		
Civil liability robbery / theft third party goods		
Contingent liability vehicles and transport employees		15,000
Liability products in the national territory		
Liability products abroad		
Civil liability for project error in Brazil and abroad		
Pain and suffering		
Garage keeper's liability		1,000
International transport insurance	03/31/2017 to 10/14/2017	100% of value imported
Vehicles insurance	03/31/2017 to 03/31/2018	100% of vehicles
Surety	02/07/2016 to 02/07/2021	12,740
Surety	10/10/2016 to 10/10/2021	210
Surety	02/17/2017 to 02/17/2019	632
Construction all risks	11/16/2016 to 07/17/2017	21,023
Stock	03/31/2017 to 10/14/2017	746,769

## 25. TRANSACTIONS NOT AFFECTING CASH

Changes in equity not affecting the Company's cash flows are as follows:

	<u>March 31, 2017</u>	<u>March 31, 2018</u>
Purchases of property, plant and equipment with financing leasing	-	3,054
Waiver of dividends	2,968	-

## 26. NET PRESENT VALUE ADJUSTMENT

As required by its Parent Company, in order for them to follow Indian accounting practices ("Indian GAAP"), the following are the adjustments that could be made if the net present value needs to be reversed for the purposes of Indian GAAP:

	Total net present value	Net present value from related parties (a)	Others
Opening balance sheet entry (March 31, 2015):			
Dr. Trade accounts receivable and related party	30,841	5	30,836
Cr. Retained earnings	(9,293)	1,531	(10,824)
Cr. Net effect on profit and loss	(7,446)	4,512	(11,958)
Cr. Trade payables, related party and forfeiting	(14,102)	(6,047)	(8,055)
Current period entry (April 1,2015 to March 31,2016):			
Dr. Trade accounts receivable and related party	7,965	54	7,911
Cr. Trade payables, related party and forfeiting	(14,810)	(12,823)	(1,987)
Dr. Cost of sales	96,182	61,385	34,797
Dr. Financial income	102,213	24	102,189
Cr. Net revenues	(110,178)	(79)	(110,099)
Cr. Financial expenses	(82,003)	(48,563)	(33,440)
Closing balance sheet entry (March 31, 2016):			
Dr. Trade accounts receivable and related party	38,806	59	38,747
Cr. Retained earnings	(16,739)	6,043	(22,782)
Dr. Net effect on profit and loss	6,215	12,768	(6,553)
Cr. Trade payables, related party and forfeiting	(28,282)	(18,870)	(9,412)
Current period entry (April 1,2016 to March 31,2017):			
Dr. Trade accounts receivable and related party	21,504	79	21,425
Cr. Trade payables, related party and forfeiting	(16,521)	(14,933)	(1,588)
Dr. Cost of sales	113,021	85,680	27,341
Dr. Financial income	121,993	72	121,921
Cr. Net revenues	(143,498)	(151)	(143,347)
Cr. Financial expenses	(96,500)	(70,746)	(25,754)
Closing balance sheet entry (March 31, 2017):			
Dr. Trade accounts receivable and related party	60,310	137	60,173
Cr. Retained earnings	(10,524)	18,811	(29,335)
Cr. Net effect on profit and loss	(4,984)	14,856	(19,840)
Cr. Trade payables, related party and forfeiting	(44,803)	(33,803)	(11,000)

a) Refers to net present value of group related parties Advanta Comércio de Sementes Ltda. and controlling shareholders.

## 27. APPROVAL OF FINANCIAL STATEMENTS

The financial statements for the year ended March 31, 2017 were approved by the shareholders and authorized for issue on April 20, 2017.