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***UPL LIMITED KOREA CO., LTD.***

***FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED  
MARCH 31, 2017, AND INDEPENDENT AUDITORS' REPORT***

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**Audit.Tax.Consulting.Financial Advisory.**

**Wooil Accounting Corporation**

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## Independent Auditors' Report

English Translation of a Report Originally Issued in Korean

To Shareholder and Board of Directors of  
UPL Limited Korea Co., Ltd.

We have audited the accompanying financial statement of UPL Limited Korea Co., Ltd (the "Company") as of March 31, 2017 and the related statements of operations, appropriations of retained earnings, changes in stockholders' equity and cash flows for the years then ended, all expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2017 and the results of its operations, changes in its retained earnings and its stockholders' equity, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of Korea.

*April 15, 2017*

**Wooil Accounting Corporation**

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Yeongdeungpo-gu, Seoul, Korea  
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**Notice to Readers**

This report is effective as of April 15, 2017, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

Lee Jun Sub (Certified Public Accountant), Kim Byung Mok (Certified Public Accountant)

Co Chief Executive Officer

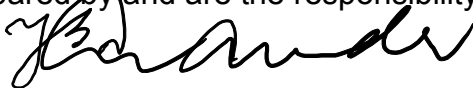
WOOIL ACCOUNTING CORPORATION



**UPL LIMITED KOREA CO., LTD.**

**FINANCIAL STATEMENTS AS OF AND  
FOR THE YEARS ENDED MARCH 31, 2017**

The accompanying financial statements including all footnote disclosures were prepared by and are the responsibility of UPL Limited Korea Co., Ltd.



Yarrapotu Bhaskara Sai Chander  
Chief Executive Officer  
UPL LIMITED KOREA CO., LTD.

**UPL LIMITED KOREA CO., LTD.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF MARCH 31, 2017 AND 2016**

(Unit : KRW)

<u>ASSETS</u>	<u>Note</u>	<u>March 31, 2017</u>	<u>March 31, 2016</u>
I. CURRENT ASSETS:			
(1) QUICK ASSETS			
1. Cash and cash equivalents	3	407,215,149	437,395,180
2. Trade receivables	12	329,258,352	146,626,556
3. Other receivables		4,852,844	-
		741,326,345	584,021,736
(2) INVENTORY	4	91,964,737	127,965,730
		833,291,082	711,987,466
II. NON CURRENT ASSETS:			
(1) PROPERTY, PLANT AND EQUIPMENT	5	2,805,284	4,217,438
(2) INTANGIBLE ASSETS	6	58,151,009	
(3) OTHER NON CURRENT ASSETS	7	36,239,800	31,239,800
		97,196,093	35,457,238
TOTAL ASSETS		930,487,175	747,444,704
 <u>LIABILITIES</u>			
I. CURRENT LIABILITIES:			
1. Trade payables	12	355,350,272	207,925,068
2. Other payables		26,384,207	107,686,139
3. Tax payables		1,125,330	2,053,510
4. Accrued Expenses		82,400	43,800
		382,942,209	317,708,517
II. NON CURRENT LIABILITIES:			
1. Long-term borrowings	8, 12	134,191,690	136,471,276
2. Provision for severance benefits		68,794,595	68,794,595
		202,986,285	205,265,871
TOTAL LIABILITIES		585,928,494	522,974,388
 <u>STOCKHOLDERS' EQUITY</u>			
I. CAPITAL STOCK:	9	70,194,000	70,194,000
II. RETAINED EARNINGS:	10	274,364,681	154,276,316
TOTAL STOCKHOLDERS' EQUITY		344,558,681	224,470,316
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		930,487,175	747,444,704

See accompanying notes to financial statements.



**UPL LIMITED KOREA CO., LTD.**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED MARCH 31, 2017 AND 2016**

(Unit : KRW)

	<u>Capital stock</u>	<u>Retained earnings</u>	<u>Total</u>
Balance as of April 1, 2015	70,194,000	(154,182,734)	(83,988,734)
Net loss	-	308,459,050	308,459,050
Balance as of March 31, 2016	70,194,000	154,276,316	224,470,316
Balance as of April 1, 2016	70,194,000	154,276,316	224,470,316
Net income	-	120,088,365	120,088,365
Balance as of March 31, 2017	70,194,000	274,364,681	344,558,681

See accompanying notes to financial statements.

**UPL LIMITED KOREA CO., LTD.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED MARCH 31, 2017 AND 2016**

(Unit : KRW)

	For the years ended	
	March 31, 2017	March 31, 2016
I. CASH FLOWS FROM OPERATING ACTIVITIES:	34,585,650	347,979,870
1. Net income	120,088,365	308,459,050
2. Additions of expenses not involving cash outflows		
Depreciation	2,192,154	3,642,075
Amortization	834,672	-
Loss on foreign currency translation	1,265,925	12,285,619
	4,292,751	15,927,694
3. Deduction of items not involving cash inflows:		
Gain on foreign currency translation	8,766,412	729,192
	(8,766,412)	(729,192)
4. Movements in working capital:		
Trade receivables	(183,824,063)	(124,386,822)
Other receivables	(4,852,844)	24,803,299
Prepaid Income taxes	-	2,723,380
Inventory	36,000,993	159,462,218
Other deposits	-	(11,239,800)
Trade payables	153,838,372	(132,949,152)
Other payables	(81,301,932)	104,619,895
Withholdings	(928,180)	1,253,300
Accrued expenses	38,600	36,000
	(81,029,054)	24,322,318
II. CASH FLOWS FROM INVESTING ACTIVITIES:	(64,765,681)	(983,345)
1. Cash outflows for investing activities:		
Acquisition of property, plant and equipment	780,000	-
Increase in intangible assets under construction	58,985,681	-
Acquisition of other tangible assets	5,000,000	983,345
	(64,765,681)	(983,345)
V. Net increase (decrease) in cash and cash equivalents (I + II)	(30,180,031)	346,996,525
VI. Cash and cash equivalents, at beginning of year	437,395,180	90,398,655
VII. Cash and cash equivalents, at end of year	407,215,149	437,395,180

See accompanying notes to financial statements.



**UPL LIMITED KOREA CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEARS ENDED MARCH 31, 2017 AND 2016**

**1. GENERAL**

UPL Limited Korea Co., Ltd. (the "Company") was incorporated in Korea on January 17, 2013.

The principle business of the company is to trade business and distribute agricultural chemicals and raw materials of the agricultural chemicals, primarily in Korea.

As of March 31, 2017, the Company's capital stock amounts to ₩70,194,000 and the Company's total issued shares of common stock are held by the following:

	Number of shares	Percentage of ownership
UPL Corporate Limited	138,984	99%
Others	1,404	1%
Total	140,388	100%

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying condensed financial statements are stated in Korean won, the currency of the country in which the Company is incorporated and operates. The translation of Korean won amounts into U.S. dollar amounts is included solely for the convenience of readers of financial statements and has been made at the rate of ₩1,118.32 to USD1.00, the Internal Exchange Rate of the UPL Limited(India) in Korean won on the last business day of the years ended March 31, 2017. Such translations into U.S. dollars should not be construed as representations that the Korean won amounts could be converted into U.S. dollars at that or any other rate.

The contents of significant accounting policies applied in preparing the financial statements are as follows.

(1) Cash and Cash Equivalents

Cash and cash equivalents includes cash, substitute securities including checks issued by others, and checking accounts, ordinary deposits and financial instruments, which can be easily converted into cash and whose value changes due to changes in interest rates are not material, with maturities (or date of redemption) of three months or less from acquisition.

(2) Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts to cover estimated losses on receivables (trade receivables, other receivables and other), based on collection experience and analysis of the collectability of individual outstanding receivables.

(3) Inventories

Inventories are stated at cost which is determined by using the average method except for goods in transit. The Company maintains perpetual inventory, which is adjusted to physical inventory counts performed at year end.

#### (4) Property, Plant and Equipment

Property, plant and equipment are stated at cost (acquisition cost or manufacturing cost plus expenditures directly related to preparing the assets ready for use). Assets acquired from investment-in-kind, by donation or free of charge in other ways are stated at fair value. However, certain assets for which the revaluation method in accordance with the Korean Assets Revaluation Act or revaluation model in accordance with the amendment to the Statement of Korea Accounting Standards ("SKASs") No. 5 is elected are recorded at revalued amounts.

Expenditures after acquisition or completion that increase future economic benefit in excess of the most recently assessed capability level of the asset are capitalized and other expenditures are charged to expense as incurred.

In accordance with the Company's policy, borrowing costs in relation to the manufacture, purchase, construction or development of assets are charged to current operations as incurred.

Depreciation is computed using the declining balance method (except for buildings, structures that are depreciated using the straight-line method) over the following economic useful lives:

Description	Useful lives (years)
Machinery	5
vehicles	5
Others	5

#### (5) Intangible Assets (excluding Goodwill)

Intangible assets with definite useful lives are initially recognized at acquisition cost (purchase cost plus expenditures directly related to preparing the asset ready for use), intangible assets recognized during business combination are carried at fair values determined at the time of purchase, and subsequently presented at amortized cost. For internally developed intangible assets, costs incurred during the research phase are expensed as incurred or capitalized if, and only if the Company demonstrates all of the following criteria.

- ① When technical feasibility exist to use and sell the asset developed
- ② When the Company has intention to use and sell the asset developed
- ③ When the Company has ability to use and sell to others
- ④ When the asset developed can demonstrate its future economic use
- ⑤ When the Company can show it has technical and financial resources to use and sell asset upon completion of development
- ⑥ When the Company can reasonably distinguish the classification of costs incurred during development stage.

An intangible asset excluding developmental costs is amortized using the straight-line method over 5 years and presented in net of amortization. Amortization is included in selling, general and administrative expense.

#### (6) Impairment of Assets

At the end of each reporting period, the Company reviews the carrying values of assets except for financial assets, inventories, assets generated from construction contracts; deferred tax assets, biological assets, and non-current assets of discontinue operations to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine that the extent of impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying value of the asset is reduced to its recoverable amount, and an

impairment loss is immediately recorded in profit or loss. If a tangible asset (an individual asset or cash-generating unit) has impairment indication, cash flow from disposition of asset is less than its carrying amount, the carrying value of the asset is reduced to the net proceed on disposition, and an impairment loss is immediately recorded in profit or loss.

Also, in regardless of impairment loss indicators, assets not in use and assets held for future use are estimated for recoverable amounts.

When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of goodwill is estimated to be less than its carrying amount, an impairment loss is allocated to reduce the carrying value of the goodwill, and then allocated to reduce the carrying value of individual assets (or cash-generating unit (s)). The allocated amounts to individual assets cannot be lower than the larger of estimated recovered amount, value in use amount, and zero.

#### (7) Effects of Foreign-Exchange Fluctuations

##### 1) Functional currency and reporting currency

The Company presented the accompanying financial statements in Korean Won, the currency in which the Company performs business operations, such as, sales and purchases.

##### 2) Foreign currency transaction

The Company records transactions made in foreign currency converted at the transaction date exchange rate. Non-monetary foreign exchange items which are estimated by historical cost are converted as of the transaction date exchange rate. Non-monetary items which are fair valued are converted at the exchange rate on the date when their fair values are fixed. If the gain or loss incurred from non-monetary items is recognized as other comprehensive income, the gain or loss from the exchange rate fluctuation is also recognized as other comprehensive income. Whereas, if the related gain or loss incurred from non-monetary items is recognized in the current period profit or loss, the related exchange rate fluctuation is also recognized in the current period profit or loss.

In addition, monetary assets and liabilities denominated in foreign currency are converted at closing exchange rate at the end of reporting period and the related foreign currency translation gain or loss is recognized in current period profit or loss. However, foreign currency translation gain or loss for available-for-sale securities is recognized as other comprehensive income.

#### (8) Provision for severance benefits

In accordance with the Company's policy, all employees with more than one year of service are entitled to receive lump-sum severance payments upon termination of their employment, based on their current rates of salary and length of service.

#### (9) Revenue Recognition

The Company's revenue is composed of sale of goods, rendering of services and commissions. Revenue is measured at the fair value of the consideration received or receivable and net of any sales allowances, discounts, estimated customer returns and other allowances.

Revenue from the sale of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods and 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 and the costs incurred or to be incurred in respect of the transaction can be measured reliably, and when it is probable that the economic benefits associated with the transaction will flow to the Company.

Revenue from rendering of services is recognized by reference to the stage of completion of the contract. Revenue is recognized when stages of the contract 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. For construction contracts, when the outcome of a construction contract can be estimated reliably, revenue is recognized by reference to the stage of completion of the contract activity.

(10) Special Accounting Treatment for Small and Medium-sized Companies

The Company is classified as a small and medium-sized entity under the Basic Law on Small and Medium-sized Entities, and following items are treated in accordance with KAS-NPEs No.31 Special Treatment for the Small and Medium-sized Entities.

Item	Special treatment
Property, plant and equipment (Tangible assets) and Intangible Assets	Economic useful lives and residual values after the economic useful lives are determined by the corporate income tax law.
Present value method	Receivables and payables, arising from sales transactions under the long-term payment deferral terms and from other transactions involving long-term loans or borrowings, are accounted for at their nominal values in the statements of financial position.
Corporate income tax expense	The amount of corporate income tax expense is equal to the amount that must be paid in accordance with relevant laws, such as the corporate tax law.

(11) Critical Accounting Judgments and Key sources of Estimation Uncertainty

In application of the Company's accounting policies, estimates and assumptions are applied to measure the carrying values of assets and liabilities, disclosures on provision, income and expense. The estimates and associated assumptions are also applied to measure the carrying values of property, plant and equipment, accounts receivable, inventory, evaluation of deferred tax asset, and evaluation of derivatives. Actual result may differ from these estimates.

### 3. Cash and cash equivalents

Details of Cash and cash equivalents as of March 31, 2017 and 2016 are as follows:

Account	Financial Institutions	(Unit : KRW)	
		March 31, 2017	March 31, 2016
Cash		466,650	799,650
Deposits on demand	Woori bank	183,084,175	142,747,456
Foreign currency deposit	Woori bank	223,664,324	293,848,074
		<u>407,215,149</u>	<u>437,395,180</u>

### 4. Inventory

Details of Inventory as of March 31, 2017 and 2016 are as follows:

Account	(Unit : KRW)	
	March 31, 2017	March 31, 2016
Merchandise	91,964,737	127,965,730

### 5. Property, Plant and Equipment

Changes in property, plant and equipment for the years ended March 31, 2017 and 2016, are as follows:

	(Unit : KRW)	
	For the Years ended	
	March 31, 2017	March 31, 2016
Beginning balance	4,217,438	6,876,168
Acquisition	780,000	983,345
Depreciation	(2,192,154)	(3,642,075)
Ending balance	<u>2,805,284</u>	<u>4,217,438</u>

## 6. Intangible assets

Changes in intangible assets for the years ended March 31, 2017 is as follows:

Account	(Unit : KRW)				
	Beginning balance	Acquisition	Amortization	Replacement	Ending balance
Product registration	-	-	(834,672)	25,041,181	24,205,509
Intangible assets under construction	-	58,985,681	-	(25,041,181)	33,945,500
	-	58,985,681	(834,672)	-	58,151,009

## 7. Other Non-Current Assets

Details of Other non-current assets as of March 31, 2017 and 2016 are as follows:

Account	(Unit : KRW)	
	March 31, 2017	March 31, 2016
Leasehold Deposits	20,000,000	20,000,000
Other Deposits	16,239,800	11,239,800
	36,239,800	31,239,800

## 8. Long-term borrowings

Details of Long-term borrowings as of March 31, 2017 and 2016 are as follows:

Creditor	Description	Interest rate	(Unit : KRW)	
			March 31, 2017	March 31, 2016
UPL Corporate Limited	Fund for facility	-	134,191,690	136,471,276

## 9. Capital stock

Details of Capital stock as of March 31, 2017 and 2016 are as follows:

	March 31, 2017	March 31, 2016
Number of shares authorized	561,552	561,552
Face value per share	₩ 500 ₩	500
Number of shares issued	140,388	140,388
Capital stock amounts	₩ 70,194,000 ₩	70,194,000

## 10. Retained earnings

Statements of loss disposition for the years ended March 31, 2017 and 2016, are as follows:

(Unit : KRW)

	For the Years ended	
	March 31, 2017	March 31, 2016
I. Unappropriated retained earnings at the end of the period		
Deficit brought forward from the previous term	154,276,316	(154,182,734)
Net income (loss)	120,088,365	308,459,050
	274,364,681	154,276,316
II. Voluntary reserves and other	-	-
III. Appropriation of earned surplus	-	-
IV. Surplus profit carried forward to the following term (deficit carried forward to the following term)	274,364,681	154,276,316

## 11. Income taxes

The amount of corporate income tax expense is equal to the amount that must be paid in accordance with relevant laws, such as the corporate tax law.

Income chargeable for income tax for the years ended March 31, 2017 is ₩32 thousand, and the statutory tax rates for the years ended March 31, 2017 and 2016, are 11% and 22%.

## 12. Transactions with related parties

Significant transactions and account balances with related parties as of and for the years ended March 31, 2017 and 2016 are as follows:

### (1) Transactions

Parties	(Korean won)		(U.S. dollars)	
	For the years ended		For the years ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Sales and other :				
UPL Limited, Hong Kong	546,684,439	807,925,325	457,904.93	714,025.00
Purchases and other:				
UPL Limited, India	361,032,440	76,996,141	317,100.00	67,700.00
UPL Corporate Limited	12,095,660	72,219,423	10,600.00	63,500.00
	<u>373,128,100</u>	<u>149,215,564</u>	<u>327,700.00</u>	<u>131,200.00</u>

### (2) Accounts balances

Parties	(Korean won)		(U.S. dollars)	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Trade receivable				
UPL Limited, Hong Kong	37,103,308	78,387,506	33,177.72	68,923.00
Trade payables ::				
UPL Limited, India	354,619,272	22,291,423	317,100.00	19,600.00
UPL Corporate Limited	-	185,633,645	-	163,220.60
	<u>354,619,272</u>	<u>207,925,068</u>	<u>317,100.00</u>	<u>182,820.60</u>
Long-term Borrowings :				
UPL Corporate Limited	134,191,690	136,471,276	119,994.00	119,994.00

## 13. Statements of Cash flow:

The statements of cash flows are presented using the indirect method. The cash and cash equivalents in the statements of cash flows are the same as the cash and cash equivalents in the statements of financial position.



#### 14. Selling and administrative expenses

Details of selling and administrative expenses for the years ended March 31, 2017 and 2016, are as follows:

(Unit : KRW)

	For the Years ended	
	March 31, 2017	March 31, 2016
Salary	209,552,400	191,346,000
Other Employee Benefits	17,822,372	10,952,063
Rental Charge	44,778,643	79,536,644
Depreciation	2,192,154	3,642,075
Amortization	834,672	-
Tax & Dues	26,497,380	31,682,150
Payment commission	4,264,935	10,643,305
Seminar Expenses	12,933,991	11,594,400
Vehicles Rental	15,851,000	16,448,345
Gas & Oil	8,983,484	7,288,756
Repairs & Maintenance	6,926,412	8,025,038
Educational Training	8,572,429	1,390,000
Advertisement	1,480,000	3,057,000
Taxi & Bus (Domestic)	1,336,115	1,853,740
Transportation Charge	3,593,470	7,722,931
Business Trip Expense	5,431,157	13,273,788
Research Expenses	-	1,447,500
Communication	6,004,544	6,350,556
Parking fee	224,673	177,800
Sales promotional expenses	18,255,615	21,744,300
Entertainment expenses	3,283,400	5,450,000
Office Supplies	2,046,838	2,433,240
Toll fee	1,625,770	1,344,380
Legal & Professional	638,240	30,294,640
Books & Periodical	1,592,226	1,475,219
	<u>404,721,920</u>	<u>469,173,870</u>

Number of Employees as of March 31, 2017 and 2016 are as follows:

(Unit : Number)

Type of Employees	March 31, 2017	March 31, 2016
Permanent	3	3
Contract	-	-