

UPL Europe Ltd

Special Purpose Financial Information

Year Ended

31 March 2018

Company Number 02844616

UPL Europe Ltd

Company Information

Directors	B Dutia T J Holland
Company secretary	M J Kadam
Registered number	02844616
Registered office	The Centre Birchwood Park Birchwood Warrington Cheshire WA3 6YN
Independent auditor	BDO LLP 3 Hardman Street Spinningfields Manchester M3 3AT

UPL Europe Ltd

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UPL Europe Ltd

Strategic Report For the Year Ended 31 March 2018

The directors present their strategic report together with the audited financial statements for the year ended 31 March 2018.

Business Model

UPL Europe Limited is a crop protection company having its ultimate parent in India. The company is backed by a team of motivated and experienced industry professionals. UPL's product portfolio comprises fungicides, herbicides, fumigants and specialty chemicals. UPL replenishes and rejuvenates its portfolio to address pest resistance to crop protection chemicals following extended use. UPL's investments in research and innovation has helped the company generate various patents and registrations across Europe.

Strategy

The company's strategic priorities are directed to create long-term value for its shareholders. The company aims for qualitative excellence, its products marked by superior efficacy out-perform its competition. The company enjoys a presence almost across the crop protection chemical value-chain, from product development to registration to manufacturing to branding to distribution. The company capitalises on its parent company's manufacturing capacities that serve as raw materials for onward synthesis – a backward integration allowing the company to rationalise costs, streamline supply and standardise quality. The company combines existing molecules to deliver effective products that address pests and disease.

Financial Review

The European Market has declined slightly. As quotas for sugar beet ended, the area for its plantation went up about 5%, which helped the company to increase its sales in this market for certain products. In Northern Europe, there was high disease pressure on potatoes. In Southern Europe, hot dry weather prevailed which affected the sale and consumption of fungicides on vines and vegetable crops. During the year commodity prices remained low making farmers more careful about the amount of inputs being used. This led to the plant protection product market to decline somewhat which has led to lower inter-company sales. As a result of this the company posted a revenue of €107m against €112m of the previous year ended 31 March 2017. The stress on the input costs during the year has led to a drop in margin from 24% to 20% for FY2018.

Financial key performance indicators

We assess our performance against a set of financial and non-financial metrics;

	2018	2017
Turnover (€ Mn.)	107	112
Gross margin	20%	24%

UPL Europe Ltd

Strategic Report (continued)
For the Year Ended 31 March 2018

Principal risks and uncertainties

Irrespective of bullish and bearish markets, every corporate is always under the threat of unforeseen contingencies. At UPL, we recognise the impact of industry uncertainties and their outcomes. We leverage our long experience to engage in counter-measures that strengthen viability across verticals, products, geographies and market cycles.

Industry risk: Slowdown in demand

Impact: Reduced product offtake and inventory pile up

Mitigation measures: The company is present across all key geographies and multiple crop segments enabling the company to de-risk from any regional and crop-wise slowdown.

Product portfolio risk: Product portfolio becoming unviable

Impact: An unviable product portfolio could impact long-term sustainability.

Mitigation measures: The company created a portfolio of fungicides, herbicides and post-harvest solutions to stay relevant to the evolving needs of farmers. The company created a branded generic portfolio. The company's innovative products effectively address the evolving needs of farmers.

Margins risk: Reduction in profitability.

Impact: A decline in profitability could adversely impact the long-term sustainability of the company.

Mitigation measures: The company has always focused on profit maximisation. Even in difficult times, the company was able to maintain its margins. The company embarked on various cost optimisation initiatives, which helped strengthen profits. Leveraging on its parent company's manufacturing capacities the company is able to mitigate this risk.

Financial risk: Foreign currency fluctuations and credit crunch

Impact: Forex losses could impact profitability while a lack of funding could hurt expansion plans.

Mitigation measures: The company works closely with group treasury to manage currency positions in USD, Euros and Japanese Yen, sometimes using the company's natural hedging of forex reserves, or may take out forward covers to mitigate certain risks if considered necessary. The company has robust policies to select and monitor credit to customers, and works to keep any over due debts to minimum levels. The majority of sales are backed by credit insurance cover as an additional safeguard. The company has facilities with the Bank of Baroda as well as BNP Paribas to take care of the short-term financial requirements of working capital in peak business season.

Expectations for the year to 31 March 2019

The company is looking at growth mainly through organic growth of its current portfolio and investing in developing the pipeline of new products by doing development trials and investing in new regulatory projects.

During the year to 31 March 2019 the company expects to have higher sales with focus on high value product sales and recovery of the demand in South Europe. The macro economic climate especially in Europe and Brexit would continue to pose some challenges to the business, but the management is well geared and experienced to ensure the business continues to be stable.

This report was approved by the board on

17/04/2018

and signed on its behalf.



T J Holland
Director

UPL Europe Ltd

Directors' Report For the Year Ended 31 March 2018

The directors present their report together with the audited financial statements for the year ended 31 March 2018.

Results and dividends

The profit for the year, after taxation, amounted to €7,163k (2017 - €10,296k).

A detailed review is set out in the strategic report.

During the year dividends of €Nil were paid (2017 - €Nil).

Directors

The directors who served during the year were:

B Dutia
T J Holland

Disclosure of information to auditor

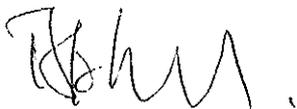
Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 17/04/2018 and signed on its behalf.



T J Holland
Director

UPL Europe Ltd

Directors' Responsibilities Statement For the Year Ended 31 March 2018

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

UPL Europe Ltd

Statement of Comprehensive Income For the Year Ended 31 March 2018

	Note	2018 €000	2017 €000
Turnover	4	107,150	112,194
Cost of sales		(85,833)	(85,655)
Gross profit		21,317	26,539
Administrative expenses		(15,933)	(13,522)
Other operating income	5	1,971	3,339
Operating profit	6	7,355	16,356
Income from fixed assets investments		-	611
Interest receivable and similar income	9	9,502	3,709
Interest payable and similar charges	10	(8,526)	(7,802)
Profit before taxation		8,331	12,874
Tax on profit	11	(1,168)	(2,578)
Profit for the financial year		7,163	10,296
Other comprehensive income		-	-
Total comprehensive income for the year		7,163	10,296

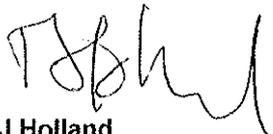
The notes on pages 8 to 26 form part of these financial statements.

UPL Europe Ltd
Registered number: 02844616

Balance Sheet
As at 31 March 2018

	Note	2018 €000	2018 €000	2017 €000	2017 €000
Fixed assets					
Intangible assets	12		16,838		11,635
Tangible assets	13		1,078		1,186
Investments	14		74,566		66,283
			<u>92,482</u>		<u>79,104</u>
Current assets					
Stocks	15	26,606		25,175	
Debtors: amounts falling due after more than one year	16	87,539		22,898	
Debtors: amounts falling due within one year	16	109,501		155,653	
Cash at bank and in hand		68,660		10,651	
			<u>292,306</u>	<u>214,377</u>	
Creditors: amounts falling due within one year	17	(279,552)		(198,514)	
Net current assets			<u>12,754</u>		<u>15,863</u>
Total assets less current liabilities			<u>105,236</u>		<u>94,967</u>
Creditors: amounts falling due after more than one year	18		(2,283)		-
Provisions for liabilities					
Deferred taxation	20		(2,240)		(1,417)
Net assets			<u>100,713</u>		<u>93,550</u>
Capital and reserves					
Called up share capital	21		69,432		69,432
Profit and loss account	22		31,281		24,118
Shareholders' funds			<u>100,713</u>		<u>93,550</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on


T J Holland
Director

17/04/2018

The notes on pages 8 to 26 form part of these financial statements.

UPL Europe Ltd

Statement of Changes in Equity For the Year Ended 31 March 2018

	Called up share capital €000	Profit and loss account €000	Total equity €000
At 1 April 2017	69,432	24,118	93,550
Comprehensive income for the year			
Profit for the year	-	7,163	7,163
Total comprehensive income for the year	-	7,163	7,163
At 31 March 2018	69,432	31,281	100,713

Statement of Changes in Equity For the Year Ended 31 March 2017

	Called up share capital €000	Profit and loss account €000	Total equity €000
At 1 April 2016	66,613	13,822	80,435
Comprehensive income for the year			
Profit for the year	-	10,296	10,296
Total comprehensive income for the year	-	10,296	10,296
Shares issued during the year	2,819	-	2,819
At 31 March 2017	69,432	24,118	93,550

The notes on pages 8 to 26 form part of these financial statements.

UPL Europe Ltd

Notes to the Financial Statements For the Year Ended 31 March 2018

1. General information

UPL Europe Ltd is a company limited by shares incorporated in England and Wales under the Companies Act 2006. The address of the registered office is shown on the company information page. The nature of the company's operations and its principal activities are outlined in the strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with the following disclosed accounting policies.

The preparation of financial statements in compliant with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

The directors have prepared forecasts and budgets for 2018/19 which demonstrate that the business will be able to continue to trade for the foreseeable future. In addition, the directors consider that the banking facilities with Bank of Baroda and BNP Paribas are on - going. The directors see no reasons at this time that the facility will not be renewed in the near future.

On this basis, the directors have concluded that adopting the going concern basis of accounting in preparing the financial statements is appropriate.

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

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

- the company has transferred the significant risks and rewards of ownership to the buyer;
- 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 company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

UPL Europe Ltd

Notes to the Financial Statements For the Year Ended 31 March 2018

2. Accounting policies (continued)

2.4 Intangible assets

Intangible assets are product registrations arising through either acquisitions, or through capitalisation of qualifying expenditure incurred during the development phase of product registrations. Acquired product registrations are recognised initially at cost. Internally generated product registrations are initially recognised at cost only when they meet specific relevant criteria including that they are: considered technically feasible, that it is considered probable that future economic benefits will be obtained in relation to the asset, that the company has adequate resources to complete the registration and that the company is able to measure the relevant expenditure reliably.

After recognition, under the cost model, intangible assets are measure at cost less amortisation and any accumulated impairment losses. Product registrations recognised as intangible assets are amortised once the relevant registration has been capitalised. They are then amortised over a period of 5 to 15 years.

Right of use asset represents the company's a share in the usage of an asset. It is amortised over the period of the contract.

2.5 Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Freehold buildings	-	50 years
Plant and machinery	-	4 - 16 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

2.6 Operating leases

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

2.7 Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment.

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Notes to the Financial Statements For the Year Ended 31 March 2018

2. Accounting policies (continued)

2.8 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.11 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments, like loans and other accounts receivable and payable, are initially measured at present value of the future payments and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

Impairment of financial assets

The company assesses impairment based on the expected credit losses (ECL) model on trade receivables. The company uses a provision matrix to determine the impairment loss allowance on the portfolio of trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivable and is adjusted for forward looking estimates. At every reporting date, historical observed default rates are updated and changes in forward-looking estimates are analysed. This policy is in line with the group's policy on impairment of financial assets.

2.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

UPL Europe Ltd

Notes to the Financial Statements For the Year Ended 31 March 2018

2. Accounting policies (continued)

2.13 Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each year end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

2.14 Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.15 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

2.16 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

UPL Europe Ltd

Notes to the Financial Statements For the Year Ended 31 March 2018

2. Accounting policies (continued)

2.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.18 Preference shares

Preference shares are presented as equity where the company has no contractual obligation to deliver cash to the holder of the instruments.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have had to make the following judgements and estimates:

- Determine whether there are indicators of impairment of the company's tangible fixed assets, intangible assets and investments. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Determine whether there are any indicators of impairment of the company's receivables. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

UPL Europe Ltd

Notes to the Financial Statements For the Year Ended 31 March 2018

4. Turnover

The whole of the turnover is attributable to the principal activity of the company.

Analysis of turnover by country of destination:

	2018 €000	2017 €000
United Kingdom	24,053	21,650
Rest of Europe	72,435	78,046
Rest of the world	10,662	12,498
	<u>107,150</u>	<u>112,194</u>

5. Other operating income

	2018 €000	2017 €000
Net management charges receivable from group undertakings	1,971	3,339

6. Operating profit

The operating profit is stated after charging:

	2018 €000	2017 €000
Research & development charged as an expense	1,492	907
Depreciation of tangible fixed assets	119	237
Amortisation of intangible assets	2,136	1,031
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	47	55
Fees payable to the company's auditor and its associates for tax compliance services	6	6
Fees payable to the company's auditor and its associates for other services	19	21
Exchange differences	725	204
Other operating lease rentals	317	311
Exceptional cost in relation to legal expenses	883	498
Exceptional cost in relation to restructuring expenses	-	80

During the year the company incurred legal expenses of €883k (2017 - €498k) in relation to pursuing legal actions against companies and individuals alleged to be counterfeiting its products. Whilst the company is fully prepared to take strong legal action against counterfeiters, these levels of fees are exceptional in nature as this is considered an isolated case.

The company incurred exceptional costs in relation to restructuring expenses of €Nil (2017 - €80K).

UPL Europe Ltd

Notes to the Financial Statements For the Year Ended 31 March 2018

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2018 €000	2017 €000
Wages and salaries	3,931	3,753
Social security costs	388	384
Cost of defined contribution scheme	173	170
	4,492	4,307
	4,492	4,307

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	2017 No.
Production	22	24
Distribution	9	10
Administration	27	24
	58	58
	58	58

8. Directors' remuneration

	2018 €000	2017 €000
Directors' emoluments	503	488
Company contributions to defined contribution pension schemes	25	26
	528	514
	528	514

The total amount payable to the highest paid director in respect of emoluments was €291k (2017 - €304k). Company pension contributions of €25k (2017 - €26k) were made to a money purchase scheme on their behalf.

The number of directors accruing retirement benefits in the pension scheme of the company is 2 (2017 - 2).

9. Interest receivable and similar income

	2018 €000	2017 €000
Interest receivable from group companies	9,502	3,709
	9,502	3,709

UPL Europe Ltd

Notes to the Financial Statements For the Year Ended 31 March 2018

10. Interest payable and similar charges

	2018 €000	2017 €000
Bank interest payable	151	546
Loans from group undertakings	7,370	4,238
Foreign exchange losses	1,005	3,018
	8,526	7,802
	8,526	7,802

11. Taxation

	2018 €000	2017 €000
Corporation tax		
Current tax on profits for the year	742	1,206
Adjustments in respect of previous periods	(499)	-
	243	1,206
Foreign tax		
Foreign tax in respect of prior periods	102	-
	345	1,206
Deferred tax		
Origination and reversal of timing differences	819	1,372
Changes to tax rates	4	-
	823	1,372
Taxation on profit on ordinary activities	1,168	2,578

UPL Europe Ltd

Notes to the Financial Statements For the Year Ended 31 March 2018

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - higher than) the standard rate of corporation tax in the UK of 19% (2017 - 20%). The differences are explained below:

	2018 €000	2017 €000
Profit on ordinary activities before tax	8,331	12,874
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20%)	1,583	2,575
Effects of:		
Expenses not deductible for tax purposes	73	58
Amounts not taxable for tax purposes	-	(1,708)
Adjustments to tax charge in respect of prior periods	(392)	75
Fixed assets ineligible depreciation	-	67
Deferred tax movement	-	1,372
Other differences leading to an increase (decrease) in the tax charge	-	139
Effect of change in tax rate	(96)	-
Total tax charge for the year	1,168	2,578

Factors that may affect future tax charges

As enacted in the Finance Act 2016, from 1 April 2020 there will be a reduction in the main rate of corporation tax to 17%. This will affect future tax charges accordingly.

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Notes to the Financial Statements For the Year Ended 31 March 2018

12. Intangible assets

	Product registrations €000	Right of use asset €000	Total €000
Cost			
At 1 April 2017	17,857	-	17,857
Additions	6,986	359	7,345
At 31 March 2018	<u>24,843</u>	<u>359</u>	<u>25,202</u>
Amortisation			
At 1 April 2017	6,222	-	6,222
Charge for the year	2,100	42	2,142
At 31 March 2018	<u>8,322</u>	<u>42</u>	<u>8,364</u>
Net book value			
At 31 March 2018	<u>16,521</u>	<u>317</u>	<u>16,838</u>
At 31 March 2017	<u>11,635</u>	<u>-</u>	<u>11,635</u>

UPL Europe Ltd

Notes to the Financial Statements For the Year Ended 31 March 2018

13. Tangible fixed assets

	Freehold property €000	Plant and machinery €000	Total €000
Cost or valuation			
At 1 April 2017	930	12,547	13,477
Additions	-	11	11
Disposals	-	(274)	(274)
At 31 March 2018	930	12,284	13,214
Depreciation			
At 1 April 2017	428	11,863	12,291
Charge for the year	19	100	119
Disposals	-	(274)	(274)
At 31 March 2018	447	11,689	12,136
Net book value			
At 31 March 2018	483	595	1,078
At 31 March 2017	502	684	1,186

UPL Europe Ltd

Notes to the Financial Statements For the Year Ended 31 March 2018

14. Fixed asset investments

	Investments in subsidiary companies €000	Loans to subsidiaries €000	Total €000
Cost or valuation			
At 1 April 2017	57,945	8,338	66,283
Additions	8,283	-	8,283
At 31 March 2018	66,228	8,338	74,566
Net book value			
At 31 March 2018	66,228	8,338	74,566

An additional investment of €8.2 million was made in Transterra Invest SLU in the current year.

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Country of incorporation	Holding	Registered address
United Phosphorus Inc.	USA	100 %	United Phosphorus Inc., Freedom Business Center, Suite 402, King of Prussia, PA 19406
Agrodan ApS	Denmark	100 %	Agrodan, ApS Ramskovvej 11, 7550 Sorvad, Denmark
LLC UPL	Russia	100 %	107045, Russian Federation, Moscow, Bolshaya Sukharevskaya Square, 16 / 18s1,3 entrance, 4th floor, office 25
UPL Polska Sp z o o	Poland	100 %	UPL Polska Sp. z o.o., ul. Na Prze?aj 8, 03-092 Warszawa
Transterra Invest SLU	Spain	100 %	UPL Iberia S.A. Av Josep Tarradellas 20-30, 4 ^o 7a 08029 Barcelona
Cerexagri S A S	France	100 %	Energy Park-Bât.4-132-190, Boulevard de Verdun, 92400 COURBEVOIE
UPL Argentina SA (the other 5% is owned by Transterra)	Argentina	95 %	UPL Argentina SA, 1342 Viamonte St., 3rd Floor, CABA (1053), Argentina
UPL Deutschland GmbH	Germany	100 %	UPL Deutschland GmbH, Köinstrasse. 109, 50321 Brühl, Germany

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Notes to the Financial Statements For the Year Ended 31 March 2018

14. Fixed asset investments (continued)

At 31 March 2018 the directors consider that no provision for impairment is required. Additionally, any material impairment losses that may arise on fixed asset investments would be met by the immediate parent company, UPL Corporation Limited.

The principal activity of every subsidiary is the sale and marketing of pesticides, herbicides and fungicides.

A full list of subsidiaries is included in note 27.

15. Stocks

	2018 €000	2017 €000
Raw materials and consumables	7,810	7,914
Finished goods and goods for resale	18,796	17,261
	<u>26,606</u>	<u>25,175</u>

Stock recognised in cost of sales during the year as an expense was €46,994k (2017 - 44,351k).

The impairment loss recognised in the company profit or loss for the year in respect of stocks was €691k (2017 - €211k).

There is no material difference between the replacement cost of stock and the amounts stated above.

16. Debtors

	2018 €000	2017 €000
Due after more than one year		
Amounts owed by group undertakings - loan	<u>87,539</u>	<u>22,898</u>
Due within one year		
Trade debtors	11,857	28,932
Amounts owed by group undertakings - trade	12,005	22,117
Amounts owed by group undertakings - loan	82,993	103,615
Other debtors	2,421	690
Prepayments and accrued income	225	299
	<u>109,501</u>	<u>155,653</u>

UPL Europe Ltd

Notes to the Financial Statements For the Year Ended 31 March 2018

16. Debtors (continued)

All amounts shown under debtors fall due for payment within one year, except for a loan of €87,539k (2017 - €22,898k) made to UPL Brazil, which is due for repayment within 3 years. The loan balance is held at amortised cost.

The impairment loss recognised in the company profit or loss for the year in respect of bad and doubtful trade debtors was €Nil (2017 - €Nil).

17. Creditors: Amounts falling due within one year

	2018 €000	2017 €000
Trade creditors	6,277	8,951
Amounts owed to group undertakings - trade	41,609	28,128
Amounts owed to group undertakings - loan	228,169	155,409
Corporation tax	525	959
Other taxation and social security	107	755
Other creditors	198	933
Accruals and deferred income	2,667	3,379
	279,552	198,514

18. Creditors: Amounts falling due after more than one year

	2018 €000	2017 €000
Other loans	2,283	-
	2,283	-

19. Loans

Analysis of the maturity of loans is given below:

	2018 €000	2017 €000
Amounts falling due within 2 - 5 years		
Other loans	2,283	-
	2,283	-

Other loans are unsecured. Interest is payable on other loans at 2% per annum.

UPL Europe Ltd

Notes to the Financial Statements For the Year Ended 31 March 2018

20. Deferred taxation

	2018 €000	2017 €000
At beginning of year	1,417	45
Utilised in year	823	1,372
At end of year	2,240	1,417

The provision for deferred taxation is made up as follows:

	2018 €000	2017 €000
Fixed asset timing differences	2,346	1,417
Tax losses carried forward	(106)	-
	2,240	1,417

UPL Europe Ltd

Notes to the Financial Statements For the Year Ended 31 March 2018

21. Share capital

	2018 €000	2017 €000
Allotted, called up and fully paid		
19,812,277 preference shares of £1 each presented in Euros	25,043	25,043
35,297,605 ordinary shares of £1 each presented in Euros	44,389	44,389
	<u>69,432</u>	<u>69,432</u>

The preference shares are redeemable at the option of the company.

There are no voting rights associated with the preference shares.

If in so far in the opinion of the directors, a dividend should be declared, the preference shares may receive priority up to a rate of 3% on the amounts paid up.

On the occasion of winding up the preference shareholders will be priority up to the capital paid up.

22. Reserves

The company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

23. Capital and other commitments, contingent liabilities and contingent assets

The company has given a guarantee to the Bank of Baroda of GBP 400k (2017 - GBP 400k) in favour of HM Revenue and Customs.

The company has given a guarantee to Societe Generale for €7,400k (2017 - €7,400k) in favour of Cerexagri SA. The balance as at 31st March 2018 owed to Cerexagri SA by Societe Generale was €536k (2017 - €421k).

The company has given a guarantee in favour of the Bank of Baroda for €17,000k (2017 - €20,000k) on behalf of Cerexagri SA towards working capital. The balance as at 31 March 2018 owed to Cerexagri SA by Bank of Baroda was €67k (2017 - exposure of €70k).

During the year the company settled its claim against an agrochemicals trader regarding illegal parallel-trading of unauthorised copies of UPL's product. The counterfeit product was manufactured in the UK and sold under parallel trade permits in countries including Germany, Poland and the Czech Republic. In relation to this, UPL and another UPL group entity filed a claim against the trader. Accordingly the costs and proceeds of this settlement would be shared with the other group entity. No gain has been recognised during the financial year, as the receipt of the additional consideration is not considered virtually certain as it is dependent on the ability of the party to pay the compensation. Compensation of €1,700k is expected to be received, of which €850k would be passed on to the other UPL group entity.

UPL Europe Ltd

Notes to the Financial Statements For the Year Ended 31 March 2018

24. Pension commitments

The UPL Group Personal Pension is a defined contribution pension scheme. Contributions to the scheme amounted to €173k during the year (2017 - €170k). At 31 March 2018 the amount outstanding in relation to pension contributions is €Nil (2017 - €19k).

The assets of the scheme are held separately from those of the company.

25. Commitments under operating leases

At 31 March 2018 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2018	2017
	€000	€000
Land and buildings		
Not later than 1 year	110	78
Later than 1 year and not later than 5 years	331	311
Later than 5 years	-	124
	<u>441</u>	<u>513</u>
	2018	2017
	€000	€000
Other operating leases		
Not later than 1 year	82	104
Later than 1 year and not later than 5 years	173	197
	<u>255</u>	<u>301</u>

UPL Europe Ltd

Notes to the Financial Statements For the Year Ended 31 March 2018

26. Ultimate parent company and parent undertaking of a larger group

The directors regard UPL Corporation Limited a company incorporated in Mauritius, as the immediate parent company.

The directors regard UPL Limited, a company incorporated in India, as the ultimate parent company and the ultimate controlling party. UPL Limited prepares group financial statements and copies are filed at Companies House along with these financial statements.

As a subsidiary undertaking of UPL Limited the company has taken advantage of the exemption in Section 33.1A of FRS102, from disclosing transactions with other members of the group headed by UPL Limited.

During the year the company made purchases, in the ordinary course of business from JRF International Limited, a company with a common director and common shareholders. Purchases amounted to €Nil (2017 - €0.5k). Creditors includes €Nil due to JRF International Limited (2017 - €0.5k).

During the year the company made purchases in the ordinary course of business from G C Laboratories Limited at a cost of €Nil (2017 - €6k). One of the directors has interests in this entity. Creditors includes €Nil (2017 - €Nil) due to G C Laboratories Limited from the company.

The directors are considered to be the key management personnel. See note 8 for details of the total compensation paid to key management personnel for services provided to the company.

27. Subsidiary undertakings

	Country of incorporation	Holding	Registered address
<i>The other shares held by UPL Europe Ltd are:</i>			
UPL Agro SA de CV	Mexico	0.95 %	UPL Agro SA DE CV AV. INSURGENTES SUR No. 1722 PISO 9 Col. FLORIDA DELEG. ALVARO OBREGON MEXICO D.F. C.P. 01030 MEXICO
UPL Colombia SAS	Columbia	5.5 %	UPL Colombia SAS, KRA 1 No.4 – 02 Parque Industrial, K2 Chia, Cundinamarca, Colombia
<i>The subsidiaries of United Phosphorus Inc are:</i>			
Cerexagri Delaware Inc	USA	100 %	Cerexagri Delaware Inc, 1105 N Market St, Wilmington, DE 19801
Canegrass LLC	USA	70%	Canegrass LLC, Freedom Business Center, Suite 402, King of Prussia, PA 19406
Rice Co LLC	USA	100 %	RiceCo LLC, 5100 Poplar Avenue, Suite 2428, Memphis, TN 38137
UPI Finance LLC	USA	100 %	UPI Finance LLC, 2711 CENTERVILLE RD STE 400, WILMINGTON, DE 19808

UPL Europe Ltd

Notes to the Financial Statements For the Year Ended 31 March 2018

United Phosphorus Do Brasil Ltda	Brazil	1%	United Phosphorus Indústria, E Comércio de Produtos Químicos Ltda. Avenida General Furtado do Nascimento, nº 740, Conj 113 Edif Empresarial Bachiana, Alto do Pinheiro. City: São Paulo/SP. Country: Brazil Zip Code: 05465-070
Advanta USA Inc	USA	100 %	201 East John Carpenter Fwy. Suite 660, Irving, Texas 75062
<i>The subsidiary of Cerexagri Delaware Inc is: Cerexagri Inc</i>	USA	100 %	Cerexagri Inc, Freedom Business Center, Suite 402, King of Prussia, PA 19406
<i>The subsidiaries of Transterra Invest SLU are:</i>			
UPL IBERIA, SOCIEDAD ANONIMA	Spain	100 %	UPL Iberia, Av Josep Tarradellas 20-30, 4ªa 08029 Barcelona
UPL Argentina SA	Argentina	5 %	UPL Argentina SA, 1342 Viamonte St., 3rd Floor, CABA (1053), Argentina
United Phosphorus Bolivia S R L	Bolivia	95%	UPL Bolivia S.R.L Av. Beni S/n Barrio 23 De Noviembre N° 3731 Zona: Norte
UPL Columbia SAS	Columbia	89 %	UPL Colombia SAS, KRA 1 No.4 – 02 Parque Industrial, K2 Chia, Cundinamarca, Colombia
<i>The subsidiaries of UPL IBERIA, SOCIEDAD ANONIMA are:</i>			
Phosphonia SA	Spain	100%	UPL Iberia S.A. Av Josep Tarradellas 20-30, 4ªa 08029 Barcelona
Decco Iberica Postcosecha, S A U	Spain	0.01 %	Vía 40 No 85-85 Zona Industrial Vía 40
<i>The subsidiaries of UPL Argentina SA are:</i>			
Icona San Luis S A	Argentina	100 %	UPL Argentina SA, 1342 Viamonte St., 3rd Floor, CABA (1053), Argentina
UPL Bolivia S R L	Bolivia	5 %	UPL Bolivia S.R.L Av. Beni S/n Barrio 23 De Noviembre N° 3731 Zona: Norte
Cerexagri S A S has the following holding:			
UPL France SAS	France	100%	Energy Park-Bât.4-132-190 Boulevard de Verdun 92400 COURBEVOIE
UPL Ziraat	Turkey	1%	Cerexagri Ziraat Ve Kimya San Ve Tic Ltd. Sti Cumhuriyet Bulvari No. 82 Daire 802 Pasaport - Izmir

Independent Auditors' Report on Financial Information Prepared for Consolidation Purposes

To: B S R & Co. LLP - Mumbai

As requested in your instructions dated 28 February 2018, we have audited, for purposes of your audit of the consolidated financial statements of UPL Limited, the accompanying financial information of UPL Europe Limited as of 31 March 2018 and for the year then ended. This financial information has been prepared solely to enable UPL Limited to prepare its consolidated financial statements.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and presentation of this financial information in accordance with policies contained in UPL Europe Limited's disclosed accounting policies. These responsibilities includes designing, implementing and maintaining internal control relevant to the preparation and presentation of the financial information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on this financial information based on our audit. We conducted our audit in accordance with International Standards on Auditing (UK). As requested, our audit procedures also included the additional procedures identified in your instructions. International Standards on Auditing (UK) require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial information is free from material misstatement. As requested by you, we planned and performed our audit using the materiality level specified in your instructions, which is different than the materiality level that we would have used had we been designing the audit to express an opinion on the financial information of the component alone.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The conclusions reached in forming our opinion are based on the component materiality level specified by you in the context of the audit of the consolidated financial statements of the group.

Opinion

In our opinion, the accompanying financial information for UPL Europe Limited as of 31 March 2018 and for the year then ended has been prepared, in all material respects, in accordance with the policies contained in the UPL Europe Limited disclosed accounting policies of the accompanying financial information.

Restriction on Use and Distribution

This financial information has been prepared for purposes of providing information to UPL Limited to enable it to prepare the consolidated financial statements of the group. As a result, the financial information is not a complete set of financial statements of UPL Europe Limited in accordance with UK Generally Accepted Accounting Practice (UK GAAP) and is not intended to present fairly, in all material respects, the financial position of UPL Europe Limited as of 31 March 2018, and of its financial performance for the year then ended in accordance with UK GAAP. The financial information may, therefore, not be suitable for another purpose.

This report is intended solely for B S R & Co. LLP and should not be used by (or distributed to) other parties.

BDO LLP

BDO LLP
3 Hardman Street
Spinningfields
Manchester
M3 3AT
United Kingdom

Date: 17 / 4 / 2018