UPL Philippines Inc.

(A Wholly Owned Subsidiary of
United Phosphorus Holdings B.V.)

Financial Statements
March 31, 2018
(With Comparative Figures for 2017)

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 1 2 0 1 9 9 2

COMPANY NAME

UPL PHILIPPINES INC. (A Wholly Owned Subsidiary of United Phosphorus Holdings B.V.)

PRINCIPAL OFFICE *(No./Street/Barangay/City/Town/Province)*

Unit 7, 3rd Floor, Metro Lifestyle Complex, Corner F. Torres Street and E. Jacinto Extension, Davao City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AFFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
sarkarbb@uniphos.com	(082) 282-4660	0917-792-9487

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
6	04/ 2nd week of April	03/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Tapash K. Bhattacharjee	tapas.bhattacharjee@uniphos.com	(082) 282-4660	0917-792-9487

CONTACT PERSON'S ADDRESS

Unit 1506 Jollibee Plaza Condominium F.Ortigas Jr. Rd., Ortigas Center, Pasig 1604 Ph.

NOTE 1: *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2: *All boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt shall not excuse the corporation from liability for its deficiencies.*

LUCIO A. MACABINGKIL
Certified Public Accountant

Rm.203, 2F, GCL Building,
#110 E. Quirino Avenue
Davao City, Philippines
8000

Tel. # 284-0935
Tel. #224-1415
Cell phone #09472212704
Email add: lamacabingkil@yahoo.com
A member of MB-MP & Co.,CPAs

BIR Accreditation
No: 19-005359-1-2017
PRC CPA Reg.
No. 36646
SEC Accreditation No.
C-1445-A
PRC-BOA Accreditation
No.: 0372
CDA Accreditation No.
0405
PTR NO. 91918346B

REPORT OF INDEPENDENT PUBLIC ACCOUNTANT

The Stockholders and the Board of Directors
UPL Philippines, Inc.
(A Wholly Owned Subsidiary of United Phosphorus Holdings B.V.)

Opinion

I have audited the financial statements of UPL Philippines, Inc. (a wholly owned subsidiary of United Phosphorus Holdings B.V.) which comprise the statement of financial position as of March 31, 2018, and the statement of comprehensive income, statement of changes in stockholders' equity and statement of cash flows for the year ended March 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UPL Philippines, Inc. as of March 31, 2018, and its financial performance in accordance with Philippine Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Philippine Standards on Auditing (PSA). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of UPL Philippines, Inc. in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to the audit of the financial statements in the Philippines, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, 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 UPL Philippines, Inc.'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 UPL Philippines, Inc. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing UPL Philippines, Inc.'s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA 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 PSA, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 UPL Philippines, Inc.'s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- 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 UPL Philippines, Inc.'s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause UPL Philippines, Inc. 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.

I 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 I identify during my audit.

Lucio A. Macabingkil, CPA
CPA Certificate No. 36646, Valid until March 04, 2021
BOA/PRC Accreditation No. 0372 Valid until December 31, 2018
SEC Acrreditation No. C-1445-A Valid until April 30, 2018
BIR Accreditation No.19-005359-1-2017, issued on December 11, 2017, valid until December 11, 2020
Tax identification No. 127-876-491
PTR No. 91918346B, January 04, 2018, Davao City

April 9, 2018
Davao City

UPL PHILIPPINES INC.

(A Wholly Owned Subsidiary of United Phosphorus Holdings B.V.)

STATEMENT OF FINANCIAL POSITION
March 31, 2018
(With Comparative Figures for 2017)

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash (Note 4)	**₱124,366,675**	₱23,567,444
Trade and other receivables (Note 5)	**458,217,013**	490,329,441
Merchandise inventories (Note 6)	**366,308,532**	149,982,107
Other current assets (Note 7)	**29,321,514**	510,672
	978,213,734	664,389,664
NON-CURRENT ASSETS		
Property and equipment - net (Note 8)	**9,786,968**	1,879,042
Intangible asset (Note 9)	**2,306,124**	–
Deferred income tax asset (Note 19)	**4,009,795**	4,881,903
	16,102,887	6,760,945
TOTAL ASSETS	**₱994,316,621**	₱671,150,609
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Trade and other payables (Note 11)	**₱819,651,465**	₱598,941,827
Current portion of mortgage payable (Note 12)	**1,047,942**	168,387
Loan payable (Notes 10 and 13)	**46,547,257**	30,117,600
Income tax payable	**–**	5,238,722
	867,246,664	634,466,536
NON-CURRENT LIABILITIES		
Mortgage payable - net of current portion (Note 12)	**4,112,080**	489,792
Due to parent company (Note 10)	**78,897,960**	–
	83,010,040	489,792
STOCKHOLDERS' EQUITY (Note 14)		
Capital stock	**8,600,000**	8,600,000
Retained earnings		
Appropriated	**–**	20,000,000
Unappropriated	**35,459,917**	7,594,281
	44,059,917	36,194,281
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**₱994,316,621**	₱671,150,609

The Accompanying Notes to Financial Statements is an Integral Part of The Financial Statements.

UPL PHILIPPINES INC.
(A Wholly Owned Subsidiary of United Phosphorus Holdings B.V.)

STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended March 31, 2018
(With Comparative Figures for 2017)

	2018	2017
NET SALES	**₱745,624,967**	₱420,711,876
COST OF SALES (Note 15)	**(641,671,157)**	(372,450,856)
GROSS PROFIT	**103,953,810**	48,261,020
GENERAL AND ADMINISTRATIVE EXPENSES (Note 16)	**(71,822,031)**	(26,529,233)
FOREIGN EXCHANGE LOSS	**(22,339,606)**	(19,212,834)
COMMISSION INCOME	**2,226,873**	1,142,825
INTEREST AND FINANCING CHARGES (Notes 10, 12 and 13)	**(629,211)**	(69,445)
INTEREST INCOME	**150,303**	33,547
OTHER INCOME	**226,071**	–
INCOME BEFORE INCOME TAX	**11,766,209**	3,625,880
INCOME TAX EXPENSE (Note 19)		
Current	**3,028,465**	5,972,192
Deferred	**872,108**	(4,881,903)
	3,900,573	1,090,289
NET INCOME	**7,865,636**	2,535,591
OTHER COMPREHENSIVE INCOME	**–**	–
TOTAL COMPREHENSIVE INCOME	**₱7,865,636**	₱2,535,591

The Accompanying Notes to Financial Statements is an Integral Part of The Financial Statements.

UPL PHILIPPINES INC.
(A Wholly Owned Subsidiary of United Phosphorus Holdings B.V.)

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
For the Year Ended March 31, 2018
(With Comparative Figures for 2017)

	2018	2017
CAPITAL STOCK - ₱100 par value (Note 14)		
Authorized - 100,000 shares		
Issued - 86,000 shares	**₱8,600,000**	₱8,600,000
RETAINED EARNINGS (Note 14)		
Appropriated		
Balance at April 1	**20,000,000**	20,000,000
Reversal of appropriation	**(20,000,000)**	–
Balance at March 31	–	20,000,000
Unappropriated		
Balance at April 1	**7,594,281**	5,058,690
Total comprehensive income	**7,865,636**	2,535,591
Reversal of appropriation	**20,000,000**	–
Balance at March 31	**35,459,917**	7,594,281
	₱44,059,917	₱36,194,281

The Accompanying Notes to Financial Statements is an Integral Part of The Financial Statements.

UPL PHILIPPINES INC.
(A Wholly Owned Subsidiary of United Phosphorus Holdings B.V.)

STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2018
(With Comparative Figures for 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱11,766,209**	₱3,625,880
Adjustments for:		
Depreciation (Note 8)	**1,841,668**	1,019,159
Unrealized foreign exchange loss on cash	**(3,007,438)**	777,753
Unrealized foreign exchange loss on loan payable and due to parent company	**3,397,500**	–
Interest and other financing charges (Notes 10, 12 and 13)	**629,211**	69,445
Interest income	**(150,303)**	(33,547)
Operating income before working capital changes	**14,476,847**	5,458,690
Decrease (increase) in:		
Trade and other receivables	**32,112,428**	(238,136,059)
Merchandise inventories	**(216,326,425)**	(142,608,704)
Other current assets	**(23,017,294)**	(97,803)
Increase in trade and other payables	**220,695,465**	364,346,467
Net cash generated from operations	**27,941,021**	(11,037,409)
Income tax paid	**(14,060,735)**	(6,856,580)
Interest and other financing charges paid	**(210,578)**	(66,796)
Interest received	**150,303**	33,547
Net cash flows from (used in) operating activities	**13,820,011**	(17,927,238)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment (Note 8)	**(4,668,794)**	(275,356)
Development costs of intangible asset	**(2,306,124)**	–
Net cash flows used in investing activities	**(6,974,918)**	(275,356)
CASH FLOWS FROM FINANCING ACTIVITIES		
Due to parent company	**77,236,500**	–
Net proceeds from loan payable	**14,289,157**	30,117,600
Payment of mortgage payable	**(578,957)**	(165,025)
Net cash flows from financing activities	**90,946,700**	29,952,575
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**3,007,438**	(777,753)
NET INCREASE IN CASH	**100,799,231**	10,972,228
CASH AT APRIL 1	**23,567,444**	12,595,216
CASH AT MARCH 31	**₱124,366,675**	₱23,567,444

The Accompanying Notes to Financial Statements is an Integral Part of The Financial Statements.

1. Corporate Information

UPL Philippines Inc. (the Company) was incorporated in the Philippines on February 6, 2012 and is engaged in manufacturing, production, trading, export, import, purchase, sale, distribution of any and all types of agricultural and agrochemical products and by-products, such as but not limited to seeds, fertilizers, insecticides, fungicides, herbicides, fumigants, plant-grown regulators and rodenticides. The registered office address of the Company is at Unit 7, 3rd Floor, Metro Lifestyle Complex, Corner F. Torres Street and E. Jacinto Extension, Davao City.

The Company is a wholly owned subsidiary of United Phosphorus Holdings B.V. (parent company), a company registered in the Netherlands.

The financial statements were authorized for issue by the Board of Directors (BOD) on April 9, 2018.

2. Summary of Significant Accounting Policies

The financial statements have been prepared on the historical cost basis. The financial statements are presented in Philippine peso, the Company's functional currency. All values are stated in absolute amounts, unless otherwise indicated.

The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council (FRSC) and adopted by Securities and Exchange Commission (SEC). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

Adoption of New and Amended PFRS
Adoption of new and amended PFRS are summarized below:

- PFRS 9, *Financial Instruments*

The Company has performed a preliminary assessment of its impact on the financial statements based on an analysis of the financial assets and liabilities and the facts and circumstances that exist as at March 31, 2018.

- All financial assets and financial liabilities continue to be measured on the same bases as currently under PAS 39.

- Concerning impairment, the Company follows the simplified approach to recognize lifetime expected credit loss (ECL). The application of simplified approach does not require the Company to track changes in credit risk. Rather, it shall recognize impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

- The Company uses a provision matrix to determine impairment loss allowance on the portfolio. 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, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

- The Company does not anticipate that the application of the PFRS 9 hedge accounting requirements will have a material impact on the financial statements.

- Amendments to PFRS 2, *Share-based Payment- Classification and Measurement of Share-based Payment Transactions*

- Amendments to PFRS 4, *Insurance Contracts - Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts*

- PFRS 15, *Revenue from Contract with Customers*

  The Company does not anticipate that the application of PFRS 15 will have a significant impact on its financial position and/or financial performance.

- Amendment to PFRS 15, *Revenue from Contract with Customers - Clarification to PFRS 15*

- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Measuring an Associate or Joint Venture at Fair Value*

- Amendments to PAS 40, *Investment Property - Transfers of Investment Property*

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration*

<u>New and Amended PFRS Not Yet Adopted</u>
Relevant new and amended PFRS are summarized below.

Effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, *Leases*

  - For the Company's non-cancellable operating lease commitment as at March 31, 2018, a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under PFRS 16.

- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments*

Deferred Effectivity:

- Amendment to PFRS 10, *Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture*

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Company except for PFRS 9.

Financial Instruments

The Company recognizes a financial asset and liability in the statement of financial position only when it becomes a party to the contractual provisions of a financial instrument.

The Company recognizes all financial assets and liabilities at fair value on initial recognition. The fair value of a financial instrument is normally represented by the transaction price. The transaction price for financial assets and liabilities other than those classified at fair value through profit and loss includes transaction costs that are directly attributable to the acquisition or issuance of the financial instrument. Transaction costs incurred on acquisition of a financial asset and issuance of a financial liability classified at fair value through profit or loss (FVPL) are expensed immediately.

Financial instruments are classified as cash, loans and receivables, financial assets at FVPL, available-for-sale (AFS) financial assets and held-to-maturity (HTM) investments. Financial liabilities are classified as either at FVPL and other financial liabilities at amortized cost.

The Company determines the classification at initial recognition and where allowed and appropriate, re-evaluates such designation at every reporting date. The classification depends on the purpose for which the financial instruments were acquired and whether these are quoted in an active market.

As of March 31, 2018 and 2017, the Company has no financial assets and liabilities at FVPL, AFS financial assets and HTM investments.

Cash. Cash includes cash on hand and in banks.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as non-current assets.

Classified as loans and receivables are the Company's trade and other receivables (excluding advances to supplier and contractors and advances subject to liquidation) and security deposits (presented under "Other current assets") (Notes 5 and 7).

Other Financial Liabilities. Other financial liabilities pertain to financial liabilities that are not held for trading or not at fair value upon the inception of the liability. These include liabilities arising from operations or non-interest bearing loans and borrowings. The financial liabilities are carried at amortized cost using the effective amortization method.

Classified as other financial liabilities are the Company's trade and other payables (excluding statutory payables), loan payable and due to parent company (Notes 10, 11 and 13).

Impairment of Financial Assets

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired based on expected credit loss.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced by setting up an allowance account. The amount of the loss shall be recognized in the statement of comprehensive income.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are no longer included in a collective assessment of impairment.

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, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive income.

A provision for impairment loss is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced by setting up an allowance account. Impaired trade receivables are derecognized when they are assessed as uncollectible.

Derecognition of Financial Assets and Liabilities
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay a third party in full without material delay under a "pass-through" arrangement; or,
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

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

Merchandise Inventories
Merchandise inventories are valued at the lower of cost and net realizable value. Cost is determined on the basis of weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation, and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as maintenance and repairs, are normally charged to income in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment. Each part of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Category	Number of Years
Transportation equipment	5
Furniture and fixtures	5
Office equipment	3-5
Machinery	5

The useful lives and the depreciation methods are reviewed periodically to ensure that the period and the methods of depreciation and amortization are consistent with the expected pattern of economic benefits from the use of property and equipment.

When property and equipment are sold or retired, their cost, accumulated depreciation and any impairment in value are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of comprehensive income.

Intangible Asset
Intangible assets are measured on initial recognition at cost. Research costs are expensed as incurred. Development expenditures are recognized as an intangible asset when the Company can demonstrate technical and commercial feasibility of making the asset available for use or sale. Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization expense is recognized in the statement of comprehensive income unless such expenditure forms part of carrying value of another asset. Amortization is calculated on a straight-line basis over 5 years, the estimated useful life of the asset. The amortization period and the amortization method for an intangible asset are reviewed at least at the end of each reporting period. Gains and losses arising from derecognition of intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of comprehensive when the asset is derecognized.

Impairment of Non-Financial Assets
The Company assesses at each reporting date whether there is an indication that the carrying value of property and equipment and intangible assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Any impairment loss is recognized in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Mortgage Payable
Mortgage payable is recognized initially at the transaction price and subsequently measured at amortized cost using effective interest method. Interest and other financing charges is recognized in the statement of comprehensive income.

Related Parties
A party is considered to be related to the Company if it has the ability, directly or indirectly, to control the Company or exercise significant influence over the Company in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant stockholder and/or their close family members), post-employment benefit plans or any entity that is a related party of the Company.

Transactions between related parties are accounted for at arm's length prices or on terms similar to those offered to non-related entities in an economically comparable market.

Capital Stock
Capital stock is measured at par value for all shares issued.

Retained Earnings
Appropriated retained earnings represent cumulative balance of net income restricted for future capital expenditure.

Unappropriated retained earnings represent the unrestricted cumulative balance of net income at reporting date.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Revenue
Sales of Goods. Revenue from sale of goods is recognized when significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably, which is normally upon delivery.

Commission Income. Revenue is recognized when services are rendered.

Interest Income. Interest income is recognized as interest accrues, taking into account the effective yield of the asset.

Costs and Expenses
Costs and expenses are recognized when incurred.

Borrowing Costs
Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing cost commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized.

Foreign Currency Transactions
Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the rate of exchange at the end of reporting date. Exchange gains and losses arising from foreign currency transactions and translations of foreign currency denominated monetary assets and liabilities are taken to the statement of comprehensive income.

Operating Lease
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Income Tax
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Contingencies
Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote. Contingent assets are not recognized in the financial statements but disclosed when inflows of economic benefits are probable.

Events After the End of the Reporting Period
Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The financial statements were prepared in conformity with PFRS. PFRS includes PAS and Philippine Interpretations from IFRIC, issued by the Philippine FRSC and adopted by the SEC, including SEC pronouncements which requires management to make estimates that affect amounts reported in the financial statements and related notes. Future events may occur which will cause the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become more reasonably determinable. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4. Cash

	2018	2017
Cash on hand	**₱230,000**	₱125,000
Cash in banks	**124,136,675**	23,442,444
	₱124,366,675	₱23,567,444

5. Trade and Other Receivables

	2018	2017
Trade receivables	**₱441,317,730**	₱457,996,616
Advances:		
Supplier and contractors	**13,980,571**	29,261,486
Subject to liquidation	**896,509**	738,493
Other receivables:		
Related parties (Note 10)	**987,377**	1,428,109
Others	**1,034,826**	904,737
	₱458,217,013	₱490,329,441

Trade receivables are non-interest bearing and generally on 30-120 days' term.

Advances to supplier and contractors pertain to advance payments for goods and services before they are received by the Company.

Other receivables represent claims from related parties and third parties which are unsecured, non-interest bearing and settled on demand.

6. Merchandise Inventories

The Company's merchandise inventories amounting to ₱366.3 million as of March 31, 2018 (₱150.0 million as of March 31, 2017) pertain to agricultural and agrochemical products.

The cost of merchandise inventories recognized in the statement of comprehensive income amounted to ₱641.7 million in 2018 (₱372.5 million in 2017) (Note 15).

7. Other Current Assets

	2018	2017
Net input Value-Added Tax (VAT)	**₱21,105,626**	₱ –
Prepaid income tax	**5,793,548**	–
Security deposit	**2,422,340**	510,672
	₱29,321,514	₱510,672

8. Property and Equipment

March 31, 2018

	Transportation Equipment	Furniture and Fixtures	Office Equipment	Machinery	**Total**
Cost					
Balance at April 1	₱1,317,655	₱1,669,279	₱623,673	₱ –	**₱3,610,607**
Acquisitions	1,256,447	1,999,081	364,159	1,049,107	**4,668,794**
Acquisitions through financing (Notes 12 and 20)	5,080,800	–	–	–	**5,080,800**
Balance at March 31	7,654,902	3,668,360	987,832	1,049,107	**13,360,201**
Accumulated Depreciation					
Balance at April 1	454,347	998,802	278,416	–	**1,731,565**
Depreciation	777,464	715,242	209,081	139,881	**1,841,668**
Balance at March 31	1,231,811	1,714,044	487,497	139,881	**3,573,233**
Net Book Value	₱6,423,091	₱1,954,316	₱500,335	₱909,226	**₱9,786,968**

March 31, 2017

	Transportation Equipment	Furniture and Fixtures	Office Equipment	Total
Cost				
Balance at April 1	₱1,317,655	₱1,613,584	₱404,012	₱3,335,251
Acquisitions	–	55,695	219,661	275,356
Balance at March 31	1,317,655	1,669,279	623,673	3,610,607
Accumulated Depreciation				
Balance at April 1	171,959	416,699	123,748	712,406
Depreciation	282,388	582,103	154,668	1,019,159
Balance at March 31	454,347	998,802	278,416	1,731,565
Net Book Value	₱863,308	₱670,477	₱345,257	₱1,879,042

Transportation equipment with carrying value of ₱6.4 million as of March 31, 2018 (₱0.9 million as of March 31, 2017) are held as collateral for the mortgage payable (Note 12).

9. Intangible Asset

This account pertains to development expenditures amounting to ₱2.3 million of the Company's new products which are commercially feasible.

10. Related Party Transactions

The Company, in its regular conduct of business, has transactions with related parties which include a company under common control, which principally consist of the following:

	2018		2017	
Nature of Transactions	**Amount of Transactions**	**Outstanding Balance**	Amount of Transactions	Outstanding Balance
Other receivables from related parties: (Note 5)				
UPL Limited				
Balance at April 1	**₱492,678**		₱535,445	
Translation adjustment	**23,389**		43,734	
Collections	**–**		(86,501)	
Balance at March 31		**₱516,067**		₱492,678
DECCO ITALIA srl				
Balance at April 1	**935,431**		209,069	
Collections	**(2,588,311)**		(416,463)	
Commission	**2,041,158**		1,142,825	
Translation adjustment	**83,032**		–	
Balance at March 31		**471,310**		935,431
		₱987,377		₱1,428,109
Trade payables to related parties: (Note 11)				
UPL Costa Rica S.A.				
Balance at April 1	**₱148,471,938**		₱34,304,278	
Purchases	**515,878,794**		178,431,798	
Payments	**(285,300,200)**		(67,515,287)	
Translation adjustment	**5,638,507**		3,251,149	
Balance at March 31		**₱384,689,039**		₱148,471,938
UPL Corporation Limited				
Balance at April 1	**359,332,162**		124,020,660	
Purchases	**165,125,779**		278,344,332	
Payments	**(163,332,409)**		(56,548,044)	
Translation adjustment	**3,956,439**		13,515,214	
Balance at March 31		**365,081,971**		359,332,162
UPL Ltd, Gibraltar				
Balance at April 1	**47,641,024**		23,629,460	
Payments	**(77,444,507)**		(17,641,187)	
Purchases	**51,207,534**		39,369,484	
Translation adjustment	**(1,623,689)**		2,283,267	
Balance at March 31		**19,780,362**		47,641,024
UPL Ltd, India				
Balance at April 1	**33,724,685**		17,584,377	
Payments	**(39,239,928)**		–	
Purchases	**10,537,520**		14,509,452	
Translation adjustment	**(1,359,247)**		1,630,856	
Balance at March 31		**3,663,030**		33,724,685
		₱773,214,402		₱589,169,809

	2018		2017	
Nature of Transactions	**Amount of Transactions**	**Outstanding Balance**	Amount of Transactions	Outstanding Balance
Due to parent company:				
United Phosphorus Holdings B.V.				
Balance at April 1	**₱–**		₱–	
Advances	**77,236,500**		–	
Interest	**404,460**		–	
Translation adjustment	**1,257,000**		–	
Balance at March 31		**₱78,897,960**		₱–
Loan payable (Note 13)				
Advanta Seed International, Mauritius				
Balance at April 1	**₱30,117,600**		₱30,204,000	
Availment of loans	**14,838,000**		–	
Payment	**(548,843)**		–	
Translation adjustment	**2,140,500**		(86,400)	
Balance at March 31		**₱46,547,257**		₱30,117,600

Other receivables from related parties and loan payable are unsecured, non-interest bearing and settled on demand.

Trade payables are non-interest bearing and generally on 30-180 days' term.

Due to parent company bears an annual interest of 3.5% for a period of three years or any other extended period as agreed by the parties. The Company recognized interest expense related to due to parent company amounting to ₱0.4 million in 2018.

Total compensation of key management personnel of the Company amounted to ₱10.0 million in 2018 (₱4.1 million in 2017).

11. Trade and Other Payables

	2018	2017
Trade payables:		
Related parties (Note 10)	**₱773,214,402**	₱589,169,809
Suppliers	**42,373,889**	3,691,720
Net output VAT	–	3,615,968
Accrued expenses and other payables	**4,063,174**	2,464,330
	₱819,651,465	₱598,941,827

Trade payables are non-interest bearing and generally on 30-180 days' term. Accrued expenses and other payables are obligations that will be settled within the year.

The Company has no contingent assets and liabilities as of March 31, 2018 and 2017.

12. Mortgage Payable

This represents financing loans obtained from a local commercial bank for the acquisition of transportation equipment which bear annual interests of 9% to 10% and are payable in 60 monthly installments. The loans are collateralized by chattel mortgage on the transportation equipment financed, with carrying value of ₱6.4 million as of March 31, 2018 (₱0.9 million as of March 31, 2017) (Note 8).

The current portion of the mortgage payable amounting to ₱1.0 million as of March 31, 2018 (₱168,387 as of March 31, 2017) is presented as part of "Current liabilities" in the statement of financial position.

The Company recognized interest and other financing charges from mortgage payable amounting to ₱224,751 in 2018 (₱69,445 in 2017).

13. Loan Payable

This represent a foreign currency denominated loan obtained from a related party amounting to US$889,512 in 2018 (US$600,000 in 2017), which is payable on demand upon reasonable notice in writing. The loan payable is free of interest and maybe varied by mutual consent (Note 10).

14. Stockholders' Equity

On November 30, 2017, the BOD approved the reversal of the appropriated retained earnings utilized for business expansion in 2017.

On March 8, 2018, the members of the BOD, at which meeting there was a quorum, and the stockholders representing at least two-thirds (2/3) of the outstanding capital stock approved the increase of the corporation's authorized capital stock from ₱10.0 million divided into 100,000 shares with the par value of ₱100.00 per share to ₱35.0 million divided into 350,000 shares with a par value of ₱100.00 per share. On the same date, the BOD approved the declaration of ₱18.2 million stock dividend to all stockholders of record as at December 31, 2017, as subscription to the unsubscribed capital stock amounting to ₱1.4 million and the increase in authorized capital stock.

As of April 9, 2018, the Company has been undertaking necessary steps to obtain approval from SEC.

15. Cost of Sales

	2018	2017
Merchandise inventories at April 1	**₱149,982,107**	₱7,373,403
Add purchases during the year	**857,997,582**	515,059,560
Goods available for sale	**1,007,979,689**	522,432,963
Less merchandise inventories at March 31 (Note 6)	**366,308,532**	149,982,107
	₱641,671,157	₱372,450,856

16. General and Administrative Expenses

	2018	2017
Advertising and promotion	**₱25,226,124**	₱1,903,784
Salaries and allowances	**7,758,244**	3,981,568
Rent (Note 18)	**5,851,184**	3,461,540
Taxes and licenses	**5,215,514**	2,576,883
Employees' benefits	**5,161,064**	3,660,586
Transportation and travel	**5,116,649**	3,094,342
Outside services	**4,551,979**	1,994,887
Representation and entertainment	**2,915,151**	1,367,918
Professional fees	**2,595,513**	1,005,698
Depreciation (Note 8)	**1,841,668**	1,019,159
Communication, light and water	**990,660**	606,103
Office supplies	**488,704**	234,491
Insurance	**321,397**	604,384
SSS, Pag-IBIG and other contributions	**315,386**	222,960
Miscellaneous	**3,472,794**	794,930
	₱71,822,031	₱26,529,233

17. **Personnel Expenses**

	2018	2017
Salaries and allowances	**₱7,758,244**	₱3,981,568
Employees' benefits	**5,161,064**	3,660,586
SSS, Pag-IBIG and other contributions	**315,386**	222,960
	₱13,234,694	₱7,865,114

The Company has a total number of 12 employees as of March 31, 2018 (8 employees as of March 31, 2017). Permanent employees were 9 in 2018 (5 in 2017) including one foreigner. Contractual employees were 3 in 2018 (3 in 2017).

18. **Lease Agreement**

The Company entered into contracts of lease with third parties for the use of office spaces. The terms of the leases are from one to three years, renewable upon mutual agreement. Upon expiration of the leases, the Company shall immediately turn over and deliver the premises leased and improvements to the landowners without delay or need of demand.

Rent expense amounted to ₱5.9 million in 2018 (₱3.5 million in 2017).

Future minimum lease payments under an operating non-cancellable lease follow:

	2018	2017
Within one year	**₱1,113,851**	₱730,398
After one year but not more than five years	**2,170,220**	78,369
	₱3,284,071	₱808,767

19. **Income Tax**

The provision for income tax pertains to regular corporate income tax (RCIT) in 2018 (RCIT in 2017). The regular corporate income tax rate is 30% in 2018 and 2017.

a. The components of income tax expense as reported in the statement of comprehensive income follow:

	2018	2017
Current	**₱3,028,465**	₱5,972,192
Deferred	**872,108**	(4,881,903)
	₱3,900,573	₱1,090,289

b. Deferred income tax asset amounting to ₱4.0 million as of March 31, 2018 (₱4.9 million as of March 31, 2017) pertains to unrealized foreign exchange loss.

c. The reconciliation between the income tax expense computed at the statutory income tax rate to actual income tax expense follows:

	2018	2017
Income before income tax	**₱11,766,209**	₱3,625,880
At statutory income tax rate	**3,529,863**	1,087,764
Additions to (reduction in) income tax resulting from:		
Interest income already subjected to a final tax at a lower tax rate	**(45,091)**	(10,064)
Limitation on deductibility of interest expense	**34,325**	7,092
Non-deductible expense	**381,476**	5,497
	₱3,900,573	₱1,090,289

20. Statement of Cash Flows

Non-Cash Transactions

The principal non-cash transactions pertain to the following:

- Availments of mortgage payable amounting to ₱5.1 million for the acquisitions of transportation equipment in 2018 (Notes 8 and 12).
- Unrealized foreign exchange loss amounting to ₱1.3 million and ₱2.1 million for the translation of U.S. dollar denominated long-term loans and advances from parent company to current exchange rate as at March 31, 2018, respectively.
- Accrued interest payable amounting to ₱0.4 million related to related to due to parent company (Note 10).

Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes:

		Non-cash Changes				
	2017	Fair Value Adjustments	Foreign Exchange Changes	Other Changes	Financing Cash Flows – Proceeds (Payments)	**2018**
Due to parent company	₱–	₱–	₱1,257,000	₱404,460	₱77,236,500	**₱78,897,960**
Loan payable	30,117,600	–	2,140,500	–	14,289,157	**46,547,257**
Mortgage payable	658,179	–	–	5,080,800	(578,957)	**5,160,022**
	₱30,775,779	₱–	₱3,397,500	₱5,485,260	₱90,946,700	**₱130,605,239**