

**UPL ZIRAAT VE KIMYA SANAYI VE
TİCARET LİMİTED ŞİRKETİ**

Financial Statements
As at and for the Year Ended
31 March 2018
With Independent Auditors' Report

13 April 2018

*This report includes 3 pages of independent auditor's report and
36 pages of financial statements together with their explanatory
notes.*

UPL ZİRAT VE KİMYA SANAYİ VE TİCARET LIMITED ŞİRKETİ

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Independent Auditor's Report

To the Shareholders of UPL Ziraat Kimya ve Ticaret Limited Şirketi

Opinion

We have audited the financial statements of UPL Ziraat Kimya ve Ticaret Limited Şirketi ("the Company"), which comprise the statement of financial position as at 31 March 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Turkey and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Other Matter

The financial statements of the Company as at and for the year ended 31 March 2017 were audited by another auditor who expressed an unmodified opinion on those statements on 14 April 2017.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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



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

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

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member firm of KPMG International Cooperative

İsmail Önder Ünal, SMMM
Partner
13 April 2018
Izmir, Turkey

UPL Ziraat ve Kimya Sanayi ve Ticaret Limited Şirketi
Statement of Financial Position (Balance Sheet) As at 31 March 2018
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

ASSETS	<i>Notes</i>	31 March 2018	31 March 2017
Current assets			
Cash and cash equivalents	7	5,420,292	3,232,491
Trade receivables	8	97,676,073	73,977,745
Inventories	9	53,488,737	13,320,699
Other current assets	10	5,320,460	2,129,668
Total current assets		161,905,562	92,660,603
Non-current assets			
Property, plant and equipment	11	517,396	577,669
Intangible assets	12	4,501,115	3,560,824
Deferred tax assets	18	4,198,642	1,320,167
Total non-current assets		9,217,153	5,458,660
Total assets		171,122,715	98,119,263

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

UPL Ziraat ve Kimya Sanayi ve Ticaret Limited Şirketi
Statement of Financial Position (Balance Sheet) As at 31 March 2018
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

LIABILITIES	<i>Notes</i>	31 March 2018	31 March 2017
Current liabilities			
Bank loans	13	9,456,385	6,250,000
Trade payables	14	152,847,331	74,634,452
Provisions	16	595,000	120,000
Other payables	15	231,832	197,453
Total current liabilities		163,130,548	81,201,905
Non-current liabilities			
Other payables	15	2,708,193	2,127,819
Provision for employment termination benefits	17	135,118	100,422
Total non-current liabilities		2,843,311	2,228,241
EQUITY			
Share capital	19	9,515,219	9,515,219
Legal reserves		28,000	28,000
Capital reserves		107,830	107,830
Retained earnings / (Accumulated losses)		(4,502,193)	5,038,068
Total equity		5,148,856	14,689,117
Total equity and liabilities		171,122,715	98,119,263

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

UPL Ziraat ve Kimya Sanayi ve Ticaret Limited Şirketi
Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 March 2018

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	<i>Notes</i>	1 April 2017- 31 March 2018	1 April 2016- 31 March 2017
Revenue	20	96,054,666	62,878,864
Cost of sales (-)	21	(84,394,875)	(53,775,437)
Gross profit		11,659,791	9,103,427
Marketing and sales expenses	22	(6,631,911)	(4,740,846)
Administrative expenses	23	(2,150,329)	(1,366,067)
Other gains and losses	24	(1,185,722)	(2,985)
Operating profit		1,691,829	2,993,529
Finance costs	26	(14,110,565)	(9,054,915)
Loss before tax		(12,418,736)	(6,061,386)
Income tax	18	--	1,309,511
Current income tax charge		--	(53,557)
Deferred tax income		2,878,475	1,363,068
Loss for the year		(9,540,261)	(4,751,875)
Other comprehensive income		-	-
Total comprehensive income		(9,540,261)	(4,751,875)

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

UPL Ziraat ve Kimya Sanayi ve Ticaret Limited Şirketi

Statement of Changes in Equity

For the Year Ended 31 March 2018

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	Share capital	Retained earnings / (Accumulated losses)	Legal reserves	Capital reserve	Total
Balance at 1 April 2016	302,994	9,789,943	28,000	107,830	10,228,767
Total comprehensive income for the year	-	(4,751,875)	-	-	(4,751,875)
Issuance of share capital	9,212,225	-	-	-	9,212,225
Balance at 31 March 2017	9,515,219	5,038,068	28,000	107,830	14,689,117
Balance at 1 April 2017	9,515,219	5,038,068	28,000	107,830	14,689,117
Total comprehensive income for the year	-	(9,540,261)	-	-	(9,540,261)
Balance at 31 March 2018	9,515,219	(4,502,193)	28,000	107,830	5,148,856

The accompanying notes form an integral part of these financial statements

UPL Ziraat ve Kimya Sanayi ve Ticaret Limited Şirketi
Statement of Cash Flows For the Year Ended 31 March 2018
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	<i>Notes</i>	1 April 2017 - 31 March 2018	1 April 2016 - 31 March 2017
Cash flows from operating activities			
Loss for the year		(9,540,261)	(4,751,875)
Adjustments for:			
- Finance costs recognised in profit or loss	26	1,673,570	1,303,747
- Employee termination provision		84,093	40,432
- Impairment on trade receivables	8	1,147,934	-
- Bonus accrual	16	595,000	120,000
- Increase in unused vacation provision		13,869	52,937
- Gain on disposal of property, plant and equipment	24	(29,820)	(14,889)
- Depreciation expense	11	106,308	53,900
- Amortization expense	12	448,962	216,925
- Income tax recognized in profit or loss	16	(2,878,475)	(1,309,511)
		(8,378,820)	(4,288,334)
Changes in:			
- Trade receivables		(24,846,262)	(27,160,070)
- Inventories	9	(40,168,038)	(6,209,595)
- Other receivables		(3,190,792)	(529,934)
- Trade payables		78,212,879	38,325,193
- Other payables	14	20,510	29,173
Cash generated from operations		1,649,477	166,433
Income tax paid	18	--	(90,840)
Employment termination benefits paid	17	(49,397)	--
Bonus premium paid	16	(120,000)	(100,000)
Net cash (used in)/ generated by operating activities		1,480,080	(24,407)
Cash flows for investing activities			
Payments to acquire property, plant and equipment and intangible assets	11,12	(1,435,772)	(3,148,162)
Proceeds from sale of property, plant and equipment		30,304	379,477
Net cash (used in) investing activities		(1,405,468)	(2,768,685)
Cash flows from financing activities			
Proceeds on issue of equity shares		--	9,212,225
Interest paid		(1,673,570)	(1,303,747)
Change in borrowings net		3,206,385	(3,250,000)
Change in payables to related parties		580,374	372,761
Net cash from financing activities		2,113,189	5,031,239
Net change in cash and cash equivalents		2,187,801	2,238,147
Cash and cash equivalents at 1 April	6	3,232,491	994,344
Cash and cash equivalents at 31 March	6	5,420,292	3,232,491

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

UPL Ziraat ve Kimya Sanayi ve Ticaret Limited Şirketi

As at and for the Year Ended 31 March 2018

Notes to the Financial Statements

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

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UPL Ziraat ve Kimya Sanayi ve Ticaret Limited Şirketi

As at and for the Year Ended 31 March 2018

Notes to the Financial Statements

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

1 Reporting entity

UPL Ziraat Kimya ve Ticaret Limited Şirketi, (the "Company") was established under the registered name of Ceraxagri Ziraat Kimya ve Ticaret Limited Şirketi, on 6 July 2001 which was subsequently changed its name to UPL Ziraat Kimya ve Ticaret Limited Şirketi in November 2014.

The Company primarily involved in trading of all kinds of agricultural goods and products those are used in the protection of crops. The Company's main shareholder is Cerexagri B.V. with 99.99% share. The Company is registered in Turkey and has the following registered office address:

Adalet Mah. Manas Blv. Folkart Towers A Kule No: 47 Kat: 31 Daire: 3107-3110, Bayraklı /İzmir.
The number of constant employees of the Company as at 31 March 2018 is 23. (31 March 2017: number of constant employees is 18 and number of temporary employees is 2)

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). They were authorized for issue by the Company's shareholders on 13 April 2018.

The accompanying financial statements were approved by the Company management on 13 April 2018. The Shareholders' Assembly has the right to change the financial statements.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The Company maintains its books of account and prepares its statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and tax legislation. The accompanying financial statements are based on the statutory records, with adjustments and reclassifications, for the purpose of fair presentation in accordance with IFRS.

(c) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

Note	Definition
Note 3	Useful lives of property and equipment
Note 3	Useful lives of intangible assets
Note 3	Impairment of non-derivative financial assets
Note 3, 18	Recognition of deferred tax assets

UPL Ziraat ve Kimya Sanayi ve Ticaret Limited Şirketi

As at and for the Year Ended 31 March 2018

Notes to the Financial Statements

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

2 Basis of preparation (continued)

(d) Comparative Informations

The Company has prepared the statement of financial position as at 31 March 2018 comparatively with the statement of financial position as at 31 March 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 March 2018 comparative to the year ended 31 March 2017 except for the following paragraph.

The Company reclassified foreign exchange losses amounting to TL 7,721,061 from other gains and losses to finance costs as of 31 March 2017.

3 Significant Accounting Policies

Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For sales of agricultural goods and products, the transfer usually occurs when the product is dispatched from the Company’s warehouse.

UPL Ziraat ve Kimya Sanayi ve Ticaret Limited Şirketi

As at and for the Year Ended 31 March 2018

Notes to the Financial Statements

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

3 Significant Accounting Policies (continued)

Foreign currency transactions

Transactions in foreign currencies are translated to TL, which is the Company's functional currency, at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to TL at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary items in foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss.

The foreign currency exchange rates of TL/ EURO and TL/ US Dollar as of the related periods are as follows:

	<u>31 March 2018</u>	<u>31 March 2017</u>
TL/ EURO	4.9556	3.8936
TL/ US Dollar	3.9968	3.6422

Inventories

Inventories are measured at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories. Inventories are valued on a weighted average out basis.

Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income/ (loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of the changes in economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the initial write-down.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss. Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation on the property and equipment is provided on straight line method according to their useful lives from the date of recognition or assembly of the related assets. Depreciation on the leaseholds is provided on straight line method according to shortest of their rent period or useful lives.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

	<u>Years</u>
Furniture and fixtures	3-10
Machinery and equipment	15
Vehicles	5

UPL Ziraat ve Kimya Sanayi ve Ticaret Limited Şirketi

As at and for the Year Ended 31 March 2018

Notes to the Financial Statements

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

3 Significant Accounting Policies (continued)

Depreciation methods, useful lives and residual values are reviewed at each financial year-end reporting date and adjusted if appropriate.

Intangible assets

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

Intangible assets are amortized on a straight line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

	<u>Years</u>
Computer software	3-4
Other intangibles	3

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Impairment

Non-derivative financial assets

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss events had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency of a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy and the disappearance of an active market for a security.

Non-derivative financial assets

The Company considers evidence of impairment for financial assets measured at amortized cost (loans and receivables) at specific asset level. All individually significant receivables are assessed for specific impairment.

The Company assesses impairment based on expected credit losses (ECL) model on trade receivables.

The Company uses a provision matrix to determine impairment loss allowance on the portfolio of trade receivables. The provision matrix is based on its historically observed default rates over 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.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and receivables. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

UPL Ziraat ve Kimya Sanayi ve Ticaret Limited Şirketi

As at and for the Year Ended 31 March 2018

Notes to the Financial Statements

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

3 Significant Accounting Policies (continued)

Non-financial assets

The carrying amounts of the Company's non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 or cash-generating unit. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other cash-generating unit.

Impairment losses are recognized in profit or loss. Impairment losses in respect of cash-generating units are allocated to reduce the carrying amounts of the assets in the unit (group of cash generating units) on a pro rata basis.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether any additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of multifaceted judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities, such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

UPL Ziraat ve Kimya Sanayi ve Ticaret Limited Şirketi

As at and for the Year Ended 31 March 2018

Notes to the Financial Statements

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Employee Benefits

Termination and retirement benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No. 19 (revised) "Employee Benefits" ("IAS 19"). The retirement benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligation. The actuarial losses are immaterial, they are recognized in profit or loss.

Profit-sharing and bonus plans

The Company recognizes a liability and an expense for bonuses. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified as 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, and others) are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from the date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Derecognition of financial assets

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

UPL Ziraat ve Kimya Sanayi ve Ticaret Limited Şirketi

As at and for the Year Ended 31 March 2018

Notes to the Financial Statements

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

3 Significant Accounting Policies *(continued)*

Financial liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

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

Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Standards and interpretations issued but not yet effective

Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, after the new standards and interpretations become in effect.

IFRS 15 Revenue from Contracts with Customers

The new standard replaces existing IFRS and US GAAP guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

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3 Significant Accounting Policies *(continued)*

Standards and interpretations issued but not yet effective *(continued)*

Standards issued but not yet effective and not early adopted *(continued)*

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 “*Financial Instruments: Recognition and Measurement*”. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 9.

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions

IFRS 2 Share-Based Payment has been amended by IASB to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Company does not expect that application of these amendments to IFRS 2 will have significant impact on its financial statements.

The IASB issued Annual Improvements to IFRSs - 2014–2016 Cycle. The amendments are effective as of 1 January 2018. Earlier application is permitted. The Company does not expect that application of these improvements to IFRSs will have significant impact on its financial statements.

Annual Improvements to IFRSs 2014-2016 Cycle

IFRS 1 “First Time Adoption of International Financial Reporting Standards”

IFRS 1 is amended to clarify that the deletion of short-term exemptions for first-time adopters within the context of ‘Annual Improvements to IFRSs 2012-2014 Cycle’ related to disclosures for financial instruments, employee benefits and consolidation of investment entities.

IAS 28 “Investments in Associates and Joint Ventures”

The amendment enable when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9.

Improvements to IFRSs

IAS 40 – Transfers of Investment Property

Amendments to IAS 40 - Transfers of Investment Property issued by IASB have been made to clarify uncertainty about that provide evidence of transfer of /from investment property to other asset groups. A change in management’s intentions for the use of property does not provide evidence of a change in intended use. Therefore, when an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized (eliminated from the statement of financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied

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property during the redevelopment. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Company does not expect that application of IAS 40 will have significant impact on its financial statements.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

On 8 December 2016, IASB issued IFRIC 22 Foreign Currency Transactions and Advance Consideration to clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. This IFRIC is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Company is assessing the potential impact on its financial statements resulting from the application of IFRIC 22.

IFRS 16 Leases

On 13 January 2016, IASB published the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to IAS 40 Investment Properties. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15 Revenue from Contracts with Customers. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

IFRIC 23 –Uncertainty Over Income Tax Treatments

On 17 June 2017, IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company’s tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Interpretation is effective from 1 January 2019 with earlier application is permitted. The Company is assessing the potential impact on its financial statements resulting from the application of IFRIC 23.

IFRS 17 –Insurance Contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly international standard for insurance contracts will help investors and others better understand insurers’ risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier. The Company does not expect that application of IFRS 17 will have significant impact on its financial statements.

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4 Determination of fair values

A number of the Company's disclosures require the determination of fair value, for financial assets and liabilities. Fair values have been determined for disclosure purposes based on the following methods (where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability).

(a) Trade and other receivables

The fair value of trade and other receivables which is determined for disclosure purposes, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(b) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5 Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The Shareholders of Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The management reviews and agrees on policies for managing each of these risks which are summarized below:

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country in which customers operate has an influence on credit risk.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Company is exposed to currency risk through its foreign currency transactions.

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5 Financial risk management (continued)

Interest rate risk

The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprice at different times or in differing amounts.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

6 Related party transactions

The Company's main shareholder Cerexagri B.V. and other group companies have been defined as related parties.

Balances with related parties	31 March 2018			
	Receivables		Payables	
	Current	Non- Current	Current	Non- Current
Cerexagri B. V.	--	--	81,246	2,708,193
Cerexagri S.A.S.	--	--	2,477,800	--
UPL Agromed Tarım ilaçları ve Tohumculuk Sanayi ve Ticaret A.Ş. ("UPL Agromed")	17,711,387	--	4,094,399	--
UPL Corporation Ltd.	--	--	50,261,422	--
UPL Limited, Gibraltar	--	--	56,801,381	--
UPL Limited, Hong Kong	--	--	19,549,242	--
UPL Ltd	--	--	12,978,405	--
	17,711,387	--	146,243,895	2,708,193

Balances with related parties	31 March 2017			
	Receivables		Payables	
	Current	Non- Current	Current	Non-Current
Cerexagri B. V.	--	--	63,834	2,127,819
Cerexagri S.A.S.	--	--	2,914,282	--
UPL Agromed	3,992,515	--	2,128,000	--
UPL Corporation Ltd.	--	--	26,118,014	--
UPL Limited, Gibraltar	--	--	29,902,606	--
UPL Limited, Hong Kong	--	--	2,822,694	--
UPL Limited, India	--	--	1,460,959	--
	3,992,515	--	65,410,389	2,127,819

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6 Related party transactions

The trade receivables from related parties arise mainly from trade goods sales. These receivables are unsecured in nature and bear no interest.

The short term trade payables to related parties arise mainly from purchase of goods. These payables bear no interest.

Transactions with related parties	1 April 2017 – 31 March 2018			
	Sales	Purchases	Interest expense	Other income
UPL Agromed	18,151,298	6,479,014	--	155,824
UPL Vietnam CO., LTD	--	--	--	--
UPL Corporation Ltd.	--	31,522,628	--	--
UPL Limited, Gibraltar	--	24,658,690	--	--
Cerexagri S.A.S	--	4,914,366	--	--
UPL Limited, Hong Kong	--	19,807,764	--	--
UPL Limited India	--	12,110,737	--	--
Cerexagri B. V.	--	--	79,798	--
Decco Italia S.R.L.	--	963	--	--
	18,151,298	99,494,162	79,798	155,824

Transactions with related parties	1 April 2016 – 31 March 2017			
	Sales	Purchases	Interest expense	Other expense
UPL Agromed	5,076,580	3,285,022	--	152,875
UPL Vietnam CO., LTD	116,554	--	--	--
UPL Corporation Ltd.	--	21,392,970	--	--
UPL Limited, Gibraltar	--	13,868,266	--	--
Cerexagri S.A.S	--	3,494,630	--	--
UPL Limited, Hong Kong	--	3,166,771	--	--
UPL Limited India	--	2,233,595	--	--
Cerexagri B. V.	--	--	64,075	--
Decco Italia S.R.L.	--	--	--	208,125
	5,193,134	47,441,254	64,075	361,000

As of 31 March 2018, the Company has TL 7,117,076 (31 March 2017: TL 2,925,889) goods in transit that is purchased from related parties.

Compensation of key management personnel:

Key management personnel consists of members of Board of Directors and Executive Board members. The compensation of key management personnel includes salaries, bonus, health insurance, communication and transportation and total amount of compensation is explained below. The remuneration of key management personnel during the year were as follows:

	1 April 2017- 31 March 2018	1 April 2016- 31 March 2017
Salaries and short-term benefits	596,290	460,000
	596,290	460,000

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7 Cash and cash equivalents

The breakdown of cash and cash equivalents is as follows:

	31 March 2018	31 March 2017
Cash on hand	221	2,560
Cash at banks	5,420,071	3,229,931
- Demand deposits	5,420,071	3,229,931
	5,420,292	3,232,491

Cash and cash equivalents consist of balances in the following currencies:

	31 March 2018	31 March 2017
EUR	2,942,237	2,534,058
USD	2,002,357	558,592
TL	475,698	139,841
	5,420,292	3,232,491

8 Trade receivables

The breakdown of trade receivables is as follows:

	31 March 2018	31 March 2017
Trade receivables	56,546,698	48,736,760
Notes receivable	24,565,922	21,248,470
Receivables from related parties (Note 6)	17,711,387	3,992,515
Allowance for doubtful receivables	(1,147,934)	-
	97,676,073	73,977,745

The average collection period for receivables is 324 days (31 March 2017: 345 days).

The movement of provisions for doubtful trade and other receivables is disclosed in below.

	31 March 2018	31 March 2017
1 April		
Balance at beginning of the year	-	-
Provision provided during the year (Note 24)	1,147,934	-
31 March	1,147,934	-

Credit risk and foreign currency risk with respect to trade and other receivables are disclosed in Note 27.

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9 Inventories

The breakdown of inventories is as follows:

	31 March 2018	31 March 2017
Trade goods	46,371,661	10,394,810
Goods in transit	7,117,076	2,925,889
	53,488,737	13,320,699

As of 31 March 2018, the Company has TL 7,117,076 goods in transit that is purchased from related parties (31 March 2017: TL 2,925,889).

10 Other Assets

The breakdown of other current assets is as follows:

	31 March 2018	31 March 2017
VAT carried forward	5,231,305	1,864,179
Advances given	-	52,358
Prepaid expenses	-	37,283
Other receivables	89,155	175,848
	5,320,460	2,129,668

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11 Property, Plant and Equipment

	Machinery and Equipment	Vehicles	Furniture and Fixtures	Leasehold improvements	Total
Cost Value					
Opening balance as of 1 April 2017	11,307	110,358	346,195	307,554	775,414
Additions	-	-	33,347	13,171	46,519
Disposals	-	(72,640)	(1,812)	-	(74,452)
Transfers	-	-	-	-	-
Closing balance as of 31 March 2018	11,307	37,718	377,730	320,725	747,480
	11,307	37,718	377,730	320,725	747,480
Accumulated Depreciation					
Opening balance as of 1 April 2017	5,599	92,496	89,443	10,207	197,745
Charge for the year	1,131	3,143	70,783	31,250	106,308
Disposals	-	(72,640)	(1,328)	-	(73,968)
Transfers	-	-	-	-	-
Closing balance as of 31 March 2018	6,730	22,999	158,898	41,457	230,084
	6,730	22,999	158,898	41,457	230,084
Carrying value as of 31 March 2018	4,577	14,719	218,832	279,267	517,396
	4,577	14,719	218,832	279,267	517,396

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11 Property, Plant and Equipment (continued)

	Machinery and Equipment	Vehicles	Furniture and Fixtures	Leasehold improvements	Construction in Progress	Total
Cost Value						
Opening balance as of 1 April 2016	12,173	137,266	108,987	--	--	258,426
Additions	--	-	62,484	5,362	495,282	563,128
Disposals	(866)	(26,908)	(18,366)	--	--	(46,140)
Transfers	--	--	193,090	302,192	(495,282)	--
Closing balance as of 31 March 2017	11,307	110,358	346,195	307,554	--	775,414
Accumulated Depreciation						
Opening balance as of 1 April 2016	5,334	108,807	75,102	--	--	189,243
Charge for the year	1,131	7,544	35,018	10,207	--	53,900
Disposals	(866)	(26,908)	(17,624)	--	--	(45,398)
Closing balance as of 31 March 2017	5,599	89,443	92,496	10,207	--	197,745
Carrying value as of 31 March 2017	5,708	20,915	253,699	297,347	--	577,669

As of 31 March 2018 and 2017 there are no borrowing costs capitalized on the Company's property, plant and equipment. There are no mortgages and restrictions on the Company's property, plant and equipment as of 31 March 2018 and 2017.

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12 Intangible Assets

Movements of intangible assets for the year ended 31 March 2018 comprised the following:

Cost Value	Licences	Capitalized licence costs	Other	Total
Opening balance as of 1 April 2017	2,095,591	1,718,740	32,841	3,847,172
Additions	789,550	599,703	-	1,389,253
Transfer	-	-	-	-
Closing balance as of 31 March 2018	2,885,141	2,318,443	32,841	5,236,425
Accumulated Amortization				
Opening balance as of 1 April 2017	273,618	-	12,730	286,348
Charge for the year	440,364	-	8,598	448,962
Closing balance as of 31 March 2018	713,982	-	21,328	735,310
Net book value as of 31 March 2018	3,599,123	2,318,443	11,513	4,501,115

Movements of intangible assets for the year ended 31 March 2017 comprised the following:

Cost Value	Licences	Capitalized licence costs	Other	Total
Opening balance as of 1 April 2016	730,700	886,365	15,690	1,632,755
Additions	-	2,561,112	23,922	2,585,034
Disposal	-	(363,846)	(6,771)	(370,617)
Transfer	1,364,891	(1,364,891)	-	-
Closing balance as of 31 March 2017	2,095,591	1,718,740	32,841	3,847,172
Accumulated Amortization				
Opening balance as of 1 April 2016	61,504	-	14,690	76,194
Charge for the year	212,114	-	4,811	216,925
Disposal	-	-	(6,771)	(6,771)
Closing balance as of 31 March 2017	273,618	-	12,730	286,348
Net book value as of 31 March 2017	1,821,973	1,718,740	20,111	3,560,824

Depreciation and amortization expense amounting to TL 3,543 has been charged in "marketing and sales expenses" (31 March 2017: TL 4,952) and TL 551,727 has been charged in "administrative expenses" (31 March 2017: TL 265,873).

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13 Bank Loans

	31 March 2018	31 March 2017
Short term bank loans	9,456,385	6,250,000
Total Loans	9,456,385	6,250,000

Currency type	Weighted average interest rate %	31 March 2018
TL	14.75%-15.87	9,456,385
		9,456,385

Currency type	Weighted average interest rate %	31 March 2017
TL	14.75%	6,250,000
		6,250,000

14 Trade Payables

	31 March 2018	31 March 2017
Short term trade payables		
Trade payables	6,603,436	9,224,063
Trade payables to related parties (Note 6)	146,243,895	65,410,389
	152,847,331	74,634,452

Explanations related to the nature and level of risks of trade payables are disclosed in Note 27.

15 Other payables

As of 31 March 2018 and 2017, other payables comprised the following:

Other current liabilities	31 March 2018	31 March 2017
Taxes and dues payable	119,359	98,548
Unused vacation provision	112,473	98,604
Other	-	301
	231,832	197,453

Other non-current liabilities	31 March 2018	31 March 2017
Other payables due to related parties (Note 6)	2,708,193	2,127,819
	2,708,193	2,127,819

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16 Provisions

As of 31 March 2018 and 2017, provisions comprised the following:

	31 March 2018	31 March 2017
Bonus provision	595,000	123,972
	595,000	123,972

Bonus accrual is paid within 3 months after the balance sheet date.

Bonus accrual	1 April 2017- 31 March 2018	1 April 2016- 31 March 2017
Opening balance, 1 April	120,000	100,000
Provision recognized during the year	595,000	120,000
Bonus premium paid	(120,000)	(100,000)
Closing balance, 31 March	595,000	120,000

Provisions for bonus premium amounting to TL 595,000 is recognized in administrative expenses (31 March 2017: TL 123,972) (Note: 23).

17 Provisions for Employment Termination Benefits

Under the Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002 there are certain transitional provisions relating to the length of service prior to retirement.

The severance pay is calculated as one month gross salary for every employment year and as of 31 March 2018 the ceiling amount has been limited to TL 5,001.76 (31 March 2017: TL 4,426.16)

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

IAS 19 “Employee Benefits” requires actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans. The principal statistical assumptions used at 31 March, are as follows:

	31 March 2018	31 March 2017
Discount rate %	11	11
Expected rates of salary/limit increases %	7	7
Turnover rate %	3.74	3,74

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation.

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17 Provisions for Employment Termination Benefits (continued)

Movement in the reserve for employee severance indemnity during the period is as follows:

	1 April 2017- 31 March 2018	1 April 2016- 31 March 2017
Provision at 1 the beginning of the year	100,422	59,990
Service cost	23,201	38,324
Interest cost	8,778	2,108
Termination benefits paid	(49,397)	-
Termination cost	52,114	-
Provision at the end of the year	135,118	100,422

Retirement pay provisions amounting to TL 23,201 (31 March 2017: TL 33,448) is recognized as marketing and sales expenses (Note: 22), TL 8,778 as administrative expenses (31 March 2017: TL 6,984) (Note: 23).

18 Taxation on Income

Current tax asset / (liability)	1 April 2017- 31 March 2018	1 April 2016- 31 March 2017
Current corporate tax provision	-	-
Less: prepaid taxes and funds (Note: 10)	-	(37,283)
	-	(37,283)

Income tax recognized in profit or loss

<u>Tax income comprises:</u>	1 April 2017- 31 March 2018	1 April 2016- 31 March 2017
Tax deduction for liabilities arising from tax base under Law No.6736 (*)	-	(53,557)
Deferred tax income relating to temporary differences	2,878,475	1,363,068
Total tax income	2,878,475	1,309,511

(*) The Law No.6736 Regarding the Restructuring of Certain Debts (The Amnesty Law) was approved on 3 August, 2016 and has entered into force as of 19 August, 2016. The Amnesty Law granted the taxpayers the opportunity to voluntarily increase the taxes and tax bases declared during the fiscal years 2011, 2012, 2013, 2014 and 2015. Accordingly, the taxpayers will not undergo any tax inspection or tax assessment regarding the income tax, corporate tax, income withholding tax (i.e. on salary payments, rental payments, independent professional service fee payments and the payments associated with multiyear construction works) and VAT amounts declared during the concerning fiscal years on condition that the tax/tax base amounts are increased and the tax amounts are paid at rates specified by the law. Based on the Law No.6736, the Company increased tax base declaration for 2014 period.

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18 Taxation on Income (continued)

Corporate tax

The Company is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Company's results for the years. Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

Corporate income tax is levied at the rate of 20% (2017: 20%) for the year ended 31 March 2018. However with regard to the Official Gazete dated 5 December 2017 and numbered 30216, 91th clause in "Law regarding to change in some tax laws and some other laws" and temporary 10th clause of Corporate Tax Law numbered 5520, corporate tax rate predicted as 22% for the years 2018,2019 and 2020 and the following years' corporate tax rate will remain as 20%. During this period, the council of ministers is authorized to decrease corporate tax rate from 22% to 20%

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 31 March 2018 is 20% (31 March 2017: 20%). Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. Tax carry back is not allowed.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income withholding tax

In addition to corporate taxes, companies should also calculate income withholding taxes on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax applied in between 24 April 2003 - 22 July 2006 is 10% and commencing from 23 July 2006, this rate has been changed to 15% upon the Council of Ministers' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Deferred tax

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its IFRS financial statements and statutory based financial statements.

These differences usually result in the recognition of revenue and expenses in different reporting years for IFRS and tax purposes and they are given below. For calculation of deferred tax asset and liabilities, the rate of 20% is used.

	1 April 2017- 31 March 2018	1 April 2016- 31 March 2017
Deferred tax (assets) / liabilities		
Differences on depreciation of property, plant and equipment/amortization of intangible assets	(62,497)	(58,974)
Provision for employment termination benefits and unused vacation liabilities	49,518	39,805
Foreign exchange difference	100,886	(19,381)
Provisions	108,900	24,000
Tax losses carried forward	3,772,248	1,390,446
ECL Provision	229,587	-
Other	-	(55,729)
	4,198,642	1,320,167

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18 Taxation on Income (continued)

Movement of deferred tax assets for the period ended 31 March 2018 is as follows:

	31 March 2018	31 March 2017
Opening balance	1,320,167	(42,901)
Charged to income statement	2,878,475	1,363,068
Closing balance	4,198,642	1,320,167

Total charge for the year can be reconciled to the accounting profit as follows:

	1 April 2017- 31 March 2018	1 April 2016- 31 March 2017
Loss from operations before tax	(12,418,736)	(6,061,386)
Tax at the domestic income tax rate of 20%	2,483,747	1,212,277
Tax effects of:		
- expenses that are not deductible in determining taxable profit	(29,652)	(11,722)
- tax rate differences due to new tax legislation	356,322	-
- other	68,058	108,956
- Income tax expense	2,878,475	1,309,511

As of 31 March 2018, the Company has calculated deferred tax asset amounting to TL 3,597,953 (31 March 2017: TL 1,390,446) over tax loss carryforwards amounting to TL 16,354,332 (31 March 2017: TL 6,600,835 thousand) that is highly probable to be deductible from future taxable profits. The distribution of the tax loss carryforwards which deferred tax asset is calculated by their year of expiration is as shown below:

Expiration year	1 April 2017- 31 March 2018	1 April 2016- 31 March 2017
2022	6,279,928	6,600,835
2023	10,074,404	-
	16,354,332	6,600,835

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19 Share Capital

The breakdown of share capital is as follows:

<u>Shareholders</u>	<u>%</u>	<u>31 March 2018</u>	<u>%</u>	<u>31 March 2017</u>
Cerexagri B. V.		9,350,825	99.99	9,350,825
Cerexagri S .A.		1,400	0.01	1,400
Nominal Capital		9,352,225	100.00	9,352,225
Inflation adjustment		162,994		162,994
Adjusted capital (TL)		9,515,219		9,515,219

The total number of ordinary shares is TL 379,089 as of 31 March 2018 (31 March 2017: TL 379,089) with a per value of TL 25 per share (31 March 2017: 25 per share). During the year, 368,489 shares were issued at an aggregate fair value of TL 9,212,225, TL 25 per share. All issued shares are fully paid.

Restricted reserves

According to the Turkish Commercial Code ("TCC"), legal reserves are comprised of first and legal reserves. The first legal reserves are generated by annual appropriations amounting to 5 percent of income disclosed in the Company's statutory accounts until it reaches 20 percent of paid-in share capital. Further 1/10 of dividend distributions, in excess of 5 percent of paid-in capital is to be appropriated to increase second legal reserves. If the dividend distribution is made in accordance with statutory records, a further 1/11 of dividend distributions, in excess of 5 percent of paid-in capitals are to be appropriated to increase second legal reserves. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50 percent of paid-in capital.

As of 31 March 2018, nominal amount of the restricted reserves amounted to TL 28,000 (31 March 2017: TL 28,000).

20 Revenue

	<u>1 April 2017- 31 March 2018</u>	<u>1 April 2016- 31 March 2017</u>
Revenue from domestic sales	100,882,195	62,332,698
Revenue from export sales	4,104,220	5,369,550
Sales returns (-)	(2,445,853)	(1,341,751)
Other discounts (-)	(6,485,896)	(3,481,633)
	96,054,666	62,878,864

21 Cost of Sales

	<u>1 April 2017- 31 March 2018</u>	<u>1 April 2016- 31 March 2017</u>
Cost of sale of trading goods (Note 9)	(84,394,875)	(53,775,437)
	(84,394,875)	(53,775,437)

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22 Marketing and Sales Expenses

For the years ended 31 March, marketing and sales expenses by nature comprised the following:

	1 April 2017- 31 March 2018	1 April 2016- 31 March 2017
Personnel expenses	(2,840,627)	(2,023,886)
Transportation expenses	(964,708)	(595,869)
Travel expenses	(843,755)	(573,083)
Export cost	(676,676)	(489,605)
Representation and hospitality expenses	(584,059)	(485,994)
Advertising expense	(282,916)	(171,158)
Rent expenses	(94,426)	(211,314)
Depreciation and amortization expenses (Note 10,11)	(3,543)	(4,952)
Other expenses	(341,201)	(184,985)
	(6,631,911)	(4,740,846)

23 Administrative Expenses

For the years ended 31 March, administrative expenses by nature comprised the following:

	1 April 2017- 31 March 2018	1 April 2016- 31 March 2017
Personnel expenses	(765,487)	(366,298)
Depreciation and amortization expense (Note 10,11)	(551,727)	(265,873)
Rent expenses	(375,000)	(244,217)
Consultancy expenses	(296,447)	(240,186)
Subscription expenses	(56,140)	(38,656)
Stationery expenses	(44,260)	(21,500)
Notary, stamp tax, telephone and membership fees	(7,938)	(65,748)
Other expenses	(53,330)	(123,589)
	(2,150,329)	(1,366,067)

24 Other Gains and Losses

For the years ended 31 March, other gains and losses by nature comprised the following:

	1 April 2017- 31 March 2018	1 April 2016- 31 March 2017
Expected Credit Loss (“ECL”) provision	(1,147,934)	--
Gain on sale of property, plant and equipment	29,820	14,889
Other	(67,608)	(17,874)
	(1,185,722)	(2,985)

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25 Expenses by Nature

For the years ended 31 March, expenses by nature comprised the following:

	1 April 2017- 31 March 2018	1 April 2016- 31 March 2017
Raw material expenses	(84,394,875)	(53,775,437)
Personnel expenses	(3,606,114)	(2,390,184)
ECL provision	(1,147,934)	--
Transportation expenses	(964,708)	(595,869)
Travel expenses	(843,755)	(573,083)
Export expenses	(676,676)	(489,605)
Depreciation and amortization expenses	(555,270)	(270,825)
Other expenses	(2,173,505)	(1,790,332)
	(94,362,837)	(59,885,335)

26 Finance Costs

For the years ended 31 March, finance costs comprised the following:

	1 April 2017- 31 March 2018	1 April 2016- 31 March 2017
Foreign exchange gain and (losses), net	(12,409,695)	(7,721,061)
Interest expenses	(1,673,570)	(1,303,747)
Bank commission expenses	(27,300)	(30,107)
	(14,110,565)	(9,054,915)

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27 Financial Risk Management Objectives and Policies

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of debt, which includes the borrowings, cash and cash equivalents and equity, comprising issued capital, reserves and retained earnings.

The Company's Board of Directors reviews the capital structure annually. As a part of this review, the board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the board, the Company aims to balance its overall capital structure through the payment of dividends, issuance of new shares, as well as drawing down new debt or the redemption of existing debt.

The gearing ratios at 31 March 2018 and 2017 were as follows:

	31 March 2018	31 March 2017
Financial borrowings	9,456,385	6,250,000
Less: Cash and cash equivalents and short-term financial investments (Note 6)	(5,420,292)	(3,232,491)
Net debt	4,036,093	3,017,509
Total equity	2,270,381	14,689,117
Total capital	6,306,474	17,706,626
Gearing ratio	64%	17%

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27 Financial Risk Management Objectives and Policies (continued)

The following table shows the carrying amounts and fair values of financial assets and financial liabilities as of 31 March 2018 and 2017:

	Loans and receivables	Financial liabilities at amortized cost	Carrying value	Note
31 March 2018				
<u>Financial assets</u>				
Cash and cash equivalents	5,420,292	-	5,420,292	7
Trade receivables (including receivables from related parties)	97,676,073	-	97,676,073	8
Other receivables	5,320,460	-	5,320,460	10
<u>Financial liabilities</u>				
Borrowings	-	9,456,385	9,456,385	13
Trade payables	-	152,847,331	152,847,331	14
Other current liabilities	-	2,940,025	2,940,025	15
31 March 2017				
<u>Financial assets</u>				
Cash and cash equivalents	3,232,491	-	3,232,491	7
Trade receivables (including receivables from related parties)	73,977,745	-	73,977,745	8
Other receivables	2,129,668	-	2,129,668	10
<u>Financial liabilities</u>				
Trade payables	-	74,634,452	74,634,452	13
Bank loans	-	6,250,000	6,250,000	14
Other payables	-	2,325,272	2,325,272	15

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27 Financial Risk Management Objectives and Policies (continued)

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Market risk

Interest rate risk

As at 31 March, the interest rate profile of the Company's interest-bearing and interest earning financial instruments were as follows:

Fixed rate instruments	<u>31 March 2018</u>	<u>31 March 2017</u>
Loans and borrowings	9,456,385	6,250,000

Cash flow sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate as of the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

There is no variable rate instrument as at 31 March 2018 and 31 March 2017, any change in interest rates would have not affect the profit or loss and equity.

Foreign currency risk management

The Company is exposed to foreign exchange risk arising from transactions denominated in foreign currencies. The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	TL	TL	Total
	Equivalent of	Equivalent of	TL
31 March 2018	EUR	USD	
Bank deposit	2,942,237	2,002,357	4,944,594
Trade receivables (including related parties)	36,150,524	1,111,563	37,262,087
Trade payables (including related parties)	(60,151,994)	(88,340,711)	(148,492,705)
Net foreign currency position	(21,059,233)	(85,226,791)	(106,286,024)
31 March 2017			
Bank deposit	2,534,180	558,070	3,092,250
Trade receivables (including related parties)	487,764	24,288,979	24,776,743
Trade payables (including related parties)	(6,414,880)	(38,440,155)	(44,855,035)
Net foreign currency position	(3,392,936)	(13,593,106)	(16,986,042)

Foreign currency sensitivity

The Company is exposed to foreign exchange risk arising from Euro and USD.

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27 Financial Risk Management Objectives and Policies (continued)

The following table details the Company's sensitivity to a 10% increase and decrease in the Euro and USD exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in net profit.

Foreign currency sensitivity

	Euro impact		USD Impact	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Profit and loss	(2,105,923)	(339,294)	(8,522,679)	(1,359,311)

Interest rate risk management

The Company is exposed to interest rate risk as entities in the Company borrow funds at fixed interest rates. The Company's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. Interest rate risk exposures are continuously reviewed by the Company management.

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The carrying amount of financial assets represents the maximum credit risk exposure. The maximum exposure to credit risk at the reporting date was as follows:

	<u>31 March 2018</u>	<u>31 March 2017</u>
Cash and cash equivalents (*)	5,420,071	3,229,931
Trade and other receivables	97,676,073	73,977,745
	103,096,144	77,207,676

(*) Cash on hand is excluded from cash and cash equivalents.

At 31 March 2018 and 31 March 2017 the aging of trade and other receivables that were not impaired was as follows.

	<u>31 March 2018</u>	<u>31 March 2017</u>
Neither past due nor impaired	88,478,562	68,718,439
Past due 1–30 days	2,308,957	1,545,949
Past due 31–90 days	1,313,627	157,436
Past due 91–180 days	1,424,743	2,187,894
Past due 181–360 days	3,167,742	531,958
Past due 360+ days	2,130,376	256,123
Total	98,824,007	73,397,799

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27 Financial Risk Management Objectives and Policies (continued)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

31 March 2018	Up to 3 months	3-12 months	Total
Borrowing	5,031,319	4,425,065	9,456,384
Trade payables	113,110,384	39,729,769	152,840,153
Other current liabilities	-	2,708,193	2,708,193
	118,141,703	46,863,027	165,004,730

31 March 2017	Up to 3 months	3-12 months	Total
Borrowing	6,250,000	-	6,250,000
Trade payables	74,634,452	-	74,634,452
Other payables	-	2,127,819	2,127,819
	80,884,452	2,127,819	83,012,271

28 Commitments and Contingencies

As at 31 March 2018, commitments and contingent liabilities arising in the ordinary course of business for the Company comprised letters of guarantee obtained from banks and given to suppliers amounting to TL 1,656,083 (31 March 2017: TL 1,571,566).

29 Events After The Reporting Period

None.