

UPL COSTA RICA, S.A.

Financial Statements as of March 31st, 2016 and 2015
with Independent Auditor's Report

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Independent Auditor 's Report

To the Stockholders and the Board of Directors of
UPL Costa Rica, S.A.

We have audited the accompanying financial statements of UPL Costa Rica, S.A., which comprise the statement of financial position as of March 31st, 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International 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.

Auditor 's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of UPL Costa Rica, S.A. as of March 31st, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Lic. Rafael Carballo Vargas
CPA No.1412
San José, Costa Rica
April 14th, 2016

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UPL Costa Rica, S.A.
(A Costa Rican entity)
Statements of Financial Position
(Expressed in Costa Rican colones)

	<u>March 31st,</u>	
	<u>2016</u>	<u>2015</u>
Assets		
Current assets:		
Cash (Note 4)	¢ 401,017,218	¢ 424,502,621
Accounts receivable (Note 5)	4,692,969,143	2,965,265,028
Related parties accounts receivable (Note 7)	960,670,715	811,145,029
Inventories (Note 6)	4,641,755,115	3,739,272,372
Prepaid expenses	16,376,764	16,481,928
Total current assets	10,712,788,955	7,956,666,978
Non-current assets:		
Vehicles, furniture and equipment, net (Note 8)	314,359,827	339,119,893
Intangible assets (Note 9)	173,252,203	39,521,967
Prepaid income tax	75,887,576	75,887,576
Other assets	22,764,361	14,376,508
Total non-current assets	586,263,967	468,905,944
Total assets	¢ 11,299,052,922	¢ 8,425,572,922
Liabilities and equity		
Current liabilities		
Notes payable (Note 12)	¢ 19,862,612	¢ 57,362,954
Accounts payable (Note 10)	1,876,222,232	1,202,338,380
Related parties accounts payable (Note 7)	9,663,524,832	7,704,523,544
Other payables and accrued expenses (Note 11)	47,611,488	29,193,432
Total current liabilities	11,607,221,164	8,993,418,310
Non-current liabilities		
Notes payable (Note 12)	29,685,215	29,685,215
Total non-current liabilities	29,685,215	29,685,215
Total liabilities	11,636,906,379	9,023,103,525
Equity		
Capital stock (Note 13)	10,000	10,000
Statutory reserve (Note 13)	9,260	9,260
Additional paid-in capital	69,581,121	69,581,121
Accumulated losses (Note 13)	(407,453,838)	(667,130,984)
Total equity	(337,853,457)	(597,530,603)
Total liabilities and equity	¢ 11,299,052,922	¢ 8,425,572,922

UPL Costa Rica, S.A.
(A Costa Rican entity)
Statements of Comprehensive Income
(Expressed in Costa Rican colones)

	Year ended	
	<u>March 31st,</u>	
	<u>2016</u>	<u>2015</u>
Net sales	€ 17,373,133,540	€ 13,890,830,630
Cost of sales	<u>(14,401,900,528)</u>	<u>(12,425,076,827)</u>
Gross profit	2,971,233,012	1,465,753,803
Operating and administrative expenses (Note 15)	(2,413,602,325)	(1,399,236,984)
Exceptional cost (Note 15)	(93,225,712)	-
Selling expenses (Note 15)	<u>(409,243,967)</u>	<u>(313,863,139)</u>
Profit (loss) from operations	55,161,008	(247,346,320)
Financial expenses	(18,512,548)	(30,064,970)
Exchange rate differences, net (Note 15)	<u>223,028,686</u>	<u>177,063,035</u>
Net profit (loss)	€ <u>259,677,146</u>	€ <u>(100,348,255)</u>

UPL Costa Rica, S.A.
(A Costa Rican Entity)
Statements of Changes in Equity
For the years ended March 31st, 2016 and 2015
(Expressed in Costa Rican colones)

	<u>Capital Stock</u>	<u>Statutory reserve</u>	<u>Additional paid-in capital</u>	<u>Accumulated losses</u>	<u>Total equity</u>
Balance as of March 31 st , 2014	¢ 10,000	¢ 9,260	¢ 69,581,121	¢ (566,782,729)	¢ (497,182,348)
Net loss	-	-	-	(100,348,255)	(100,348,255)
Balance as of March 31 st , 2015	<u>10,000</u>	<u>9,260</u>	<u>69,581,121</u>	<u>(667,130,984)</u>	<u>(597,530,603)</u>
Net profit	-	-	-	259,677,146	259,677,146
Balance as of March 31 st , 2016	<u>¢ 10,000</u>	<u>¢ 9,260</u>	<u>¢ 69,581,121</u>	<u>¢ (407,453,838)</u>	<u>¢ (337,853,457)</u>

The accompanying notes are an integral part of the financial statements

UPL Costa Rica, S.A.
(A Costa Rican entity)
Statements of Cash Flows
(Expressed in Costa Rican colones)

	Year ended March 31 st ,	
	<u>2016</u>	<u>2015</u>
Cash flow from operating activities		
Profit (loss) net	¢ 259,677,146	¢ (100,348,255)
Adjustments for:		
Depreciation and amortization	85,525,820	63,844,444
Allowance for doubtful accounts	725,838,868	23,160,045
Allowance for obsolescence of inventories	93,225,712	31,690,376
Interest expenses	18,512,548	-
	<u>1,182,780,094</u>	<u>18,346,610</u>
Increase in accounts receivable	(2,453,542,983)	(41,721,732)
Increase in inventories	(995,708,455)	(260,920,778)
(Increase) decrease in related parties accounts receivable	(149,525,686)	705,722,962
Decrease (increase) in prepaid expenses	105,164	(30,176,485)
Increase (decrease) in accounts payable	673,883,852	(303,625,736)
Increase in related parties accounts payable	1,959,001,288	178,106,067
Increase (decrease) in other payable and accumulated expenses	<u>18,418,056</u>	<u>(8,746,393)</u>
Cash generated from operations	235,411,330	256,984,515
Income tax paid	-	(7,518,603)
Interest paid	<u>(18,512,548)</u>	-
Net cash flows provided by operation activities	<u>216,898,782</u>	<u>249,465,912</u>
Cash flow from investing activities		
Acquisition of vehicles, furniture and equipment and intangible assets	(194,495,990)	(183,757,361)
Increase in other assets	<u>(8,387,853)</u>	<u>(951,109)</u>
Net cash flows used in investing activities	<u>(202,883,843)</u>	<u>(184,708,470)</u>
Cash flow from financing activities		
Notes payable	-	91,882,716
Payments	<u>(37,500,342)</u>	<u>(4,834,547)</u>
Net Cash flows (used in) provided by financing activities	<u>(37,500,342)</u>	<u>87,048,169</u>
Net (decrease) increase in cash	<u>(23,485,403)</u>	<u>151,805,611</u>
Cash at beginning of year	<u>424,502,621</u>	<u>272,697,010</u>
Cash at end of year	<u>¢ 401,017,218</u>	<u>¢ 424,502,621</u>

1. Nature of operations

UPL Costa Rica, S.A. (formerly Cerexagri Costa Rica, S.A.), was duly organized as a corporation on September 18, 1995, according to the laws of the Republic of Costa Rica, its social domicile is in San José, Costa Rica and is 100% controlled by Cerexagri B.V. (Netherlands). The main activity of the Company is promoting sales on behalf of the home office and providing agrochemicals to local and international clients, imported and produced locally through a third party in Chomes, Puntarenas, Costa Rica.

The financial statements as of March 31st, 2016 were approved by Management and authorized for their issuance on April 14th, 2016.

2. Summary of the significant accounting policies

The most significant policies used to record the operations and the preparation of the financial statements are summarized as follows:

Basis for the preparation of the financial statements

The financial statements have been prepared according to International Financial Reporting Standards (IFRS), on the basis of historical cost.

Judgments and critical accounting estimates

The preparation of the financial statements in compliance with adopted International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires the Management to exercise judgment in applying the Company's accounting policies. Judgments and estimates are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The judgements and estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Judgments

Operative leasing agreement

The Company maintains an operating lease agreement related to the facilities in which the operations are carried out, it has been determined based on the terms and conditions of the agreement, that the Company is the lessee and that the lessor keeps all the risks and rewards inherent to the ownership of those assets.

Financial leasing agreements

The Company maintains financial lease agreement related to vehicles for the operations. It has been determined, based on the terms and conditions of the agreements, that the Company keeps all the risks and rewards inherent to the ownership of those assets.

Changes in accounting policies

a) New standards, interpretations and amendments effective from April 1st, 2015.

None of the new standards, interpretations and amendments effective for the first time from April 1st, 2015, have had a material effect on the financial statements.

2. Summary of the significant accounting policies (continue)

b) New standards, interpretations and amendments not yet in effect.

The following new standard, which have not been applied in these financial statements, will or may have an effect on the Company's future financial statements:

IAS 9 Financial Instruments (Issued in November, 2009 and amended October, 2010): Its application will be required for periods starting on January 1st, 2018. This new standard amends the requirements for classification of financial statements. "The available - for - sale and held - to - maturity" categories of financial assets in IAS 39 have been eliminated. Under IFRS 9, there are three categories of financial assets: Amortized cost, fair value through profit or loss, fair value through other comprehensive income. The expected effects correspond mainly to disclosures in notes to the financial statements.

IFRS 15 Revenue from contract with customers (issued in May 2014): Effective for annual reporting periods beginning on or after January 1, 2018. This new standard supersedes IAS 18 Revenue and IAS 11 Construction Contracts, and the related interpretations. Revenue will now be recognized by a vendor when control over the goods or services is transferred to the customer. In contrast, IAS 18 based revenue recognition around an analysis of the transfer of risk and rewards; this now forms one of a number of criteria that are assessed in determining whether control has been transferred. The Company has not performed an evaluation to determine the possible impact of the application of this new standard.

None of the other new standards, interpretations and amendments, which are effective for periods beginning after April 1st, 2015 and which have not been adopted early, are expected to have a material effect on the Company's future financial statements.

Currency and transactions in foreign currency

The functional currency adopted by UPL Costa Rica, S.A. is the Costa Rican colon. The accompanying accounting records and financial statements are expressed in the functional currency. Information regarding exchange regulations and exchange rates are shown in Note 3. The transactions in any foreign currency, different to the functional currency previously described, are registered at exchange rates of the day of the transaction. To determine the financial position and the results of the operations, the Company registers their assets and liabilities in foreign currency at the exchange rate of the date of the financial statements. The translation currency effect resulting has been applied in the statement of comprehensive income of the period in which they occur.

Measurement of financial assets and liabilities

The Company recognizes initially a financial asset or a liability at their fair value plus transaction costs that are directly attributable to the acquisition or issuance, in the case that they are not recognized at its fair value through profit or loss. For the purposes of measuring financial assets or liabilities after recognition, the Company classifies financial assets and liabilities into the following categories:

Accounts receivable

Accounts receivable are financial assets with fixed or determinable payments and are not quoted in an active market. Receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in profit or loss in the accounting period in which the accounts receivable are derecognized or impaired, as well as through the amortization process.

Loans and accounts payable

Loans and accounts payable are recognized initially at their fair value at the respective recording dates. After its initial recognition, these financial liabilities are measured at their amortized cost using the effective interest method.

2. Summary of the significant accounting policies (continue)

Impairment of financial assets

Financial assets carried at amortized cost

If there is objective evidence of the existence of impairment losses in the accounts receivable carried at amortized cost, 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 discounted at the financial asset's original effective interest rate. In this situation, the carrying value is reduced through an allowance account and the amount of the loss is recognized in the statement of comprehensive income.

Derecognition of financial assets and liabilities

Financial assets

Financial assets are derecognized by the Company when the contractual rights to the cash flows from the financial assets expire; when the entity transfers the contractual rights to receive the cash flows of the financial assets; or retains the contractual rights to receive the cash flows of the financial assets, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that transfers substantially all of the risks and rewards of ownership of the financial assets to a third party.

Financial liabilities

Financial liabilities are derecognized by the Company when the obligation has been discharged, has been cancelled or expired. When a financial liability is exchanged for another financial liability, the Company cancels the original and recognizes the new financial liability. The difference between liabilities transferred and liabilities assumed is recognized in the statement of comprehensive income.

Inventories

Inventories are measured at the lower of cost and realizable value. The costing of inventories is based on the weight average method, and includes expenditures incurred in acquiring the inventories, and other cost incurred in bringing them to their existing location and conditions.

The realizable fair value is the estimated sale price in the normal course of operations, less the estimated necessary cost to complete the sale.

The company follows the policy of including an allowance for slow turnover and obsolete inventories, in the amount that is estimated that reflects a decrease in their net realizable value. Losses are recognized in the statement of comprehensive income as incurred.

Vehicles, furniture and equipment

Vehicles, furniture and equipment are recorded initially at the acquisition and construction cost. Depreciation is computed by using the straight-line method over the estimated useful life of each asset, which is reviewed periodically by the Company's Management. A detail of estimated useful lives are as follows:

	<u>Estimated useful lives</u>
Vehicles	10 years
Furniture	10 years
Equipment	5 years

2. Summary of the significant accounting policies (continue)

The improvements to leased property are amortized during the validity of the contract agreement. Gains or losses resulting from the sale of assets are included in the results of the year in which the sale occurs. The depreciation and disbursements for repairs and maintenance are recorded as expenses during the year in which they occur.

Impairment of non-financial assets

The Company performs at the close of each period a review of the book value of the non-financial assets to identify decreases when facts or circumstances indicates that the registered values could not be recuperated. If that indication exists and the book value exceeds the carrying amount, the Company adjusts the assets and cash generating units to those recoverable amounts. The adjustment resulting from the application of this valuation procedures are recorded during the year in which they occur.

Income tax

Current

The Company calculates its income tax by applying to the profit before income tax the adjustments of certain items subject or not to tax, according to the current fiscal regulations.

Deferred

Deferred income tax results from all the temporary differences that may exist between fiscal basis in assets, liabilities and equity and the amounts presented for financial purposes at the date of the financial statements. The deferred income tax is calculated according to the tax rate applicable in the period in which it is expected that the asset will be executed or the liabilities paid. The deferred income tax asset is recognized only when a reasonable probability will be exists of its realization.

Post termination benefits

Severance benefits

The labor compensations related to severance benefits to be paid to the Company's employees are mandatory in the event of unjustified termination or if they are eligible to disability pension or death benefits. The payment for this concept represents one monthly salary per year with a maximum of 8 years and is calculated at a rate of 8.33% of the average of the accrued salaries during the last six months worked. In accordance to the Costa Rican legislation, a portion of the severance benefits are recognized through pension plans as provided by the "Protection Workers Law" (No.7983). Any excess that the Company has to paid in the labor settlement, between the liquidation calculated based on the labor benefits, and the amounts transferred to the Complementary Pension Funds, is recorded as a severance expense in the period when occurs.

Pension plans

In accordance with the "Protection Workers Law" (No.7983), the Company transfers 4.5% of the monthly salaries paid to the employees, for the concepts of severance (3%) and pension (1.5%). According to Law No.7983 those contributions are made throughout the time that the labor relation exists and are registered as an accrual in the statement of comprehensive income in the period that they occur. Those funds are administrated by the entities designated by the employees. The benefits received by the employees are determined by the contributions made by the Company and the employees, plus the gains on investments made by the administrators with the resources contributed; less the respective administration costs. Accordingly the investments administration and any related risk that can exist, are not a responsibility of the Company.

2. Summary of the significant accounting policies (continue)

Income recognition

The income is recognized when the products are released to the clients and all risks and rewards inherent to the ownership has been transferred, the amount of the income is measured with reliability, and it is probable that the Company will receive the economic benefits related to the transaction and the incurred costs are measured with reliability. Income from sales is presented in the statement of comprehensive income net of discounts and refunds.

3. Foreign currency regulations and exchange rate

The Central Bank of Costa Rica is the entity in charge of the administration of the National Banking System and of regulating the parity of the Costa Rican colon in regards to the value of other currencies. Until February 2, 2015 the Central Bank maintained an exchange rate bands regime, which allowed the exchange rate to be freely determined by the market, but within the limits set by the exchange rate bands. From that date, the Central Bank of Costa Rica adopted a managed floating exchange rate regime, in which the exchange rate is determined by the market but the Central Bank keeps the possibility of intervening in the foreign exchange market to moderate any significant fluctuations in the exchange rate and prevent deviations in the market.

As of March 31, 2016, the exchange rates of the Costa Rican colon with respect to the American dollar were ₡529.59 buying rate and ₡542.23 selling rate for U.S.\$1 (₡527.36 and ₡539.08 in 2015). As of April 14, 2016, date of the Independent Auditors' Report, the reference exchange rates were ₡529.62 buying and ₡542.10 selling for U.S.\$1.

A detail of assets and liabilities in U.S. Dollars and a sensitive analysis on exchange rate variations are presented in Note 16.

4. Cash

	<u>2016</u>	<u>2015</u>
Petty cash	₡ 450,000	₡ 450,000
Banks	400,567,218	424,052,621
	<u>₡ 401,017,218</u>	<u>₡ 424,502,621</u>

5. Accounts receivables

	<u>2016</u>	<u>2015</u>
Trade	₡ 4,839,198,831	₡ 2,890,361,976
Allowance for doubtful accounts	(308,184,495)	(23,160,045)
	4,531,014,336	2,867,201,931
Suppliers advances	92,690,087	43,121,250
Others advances	54,811,386	46,441,403
Employees	14,453,334	8,500,444
	<u>₡ 4,692,969,143</u>	<u>₡ 2,965,265,028</u>

A detail of the allowance for doubtful accounts is shown below:

	<u>2016</u>	<u>2015</u>
Balance at the beginning of the year	₡ 23,160,045	₡ -
Write-off of accounts receivable	(440,814,418)	-
Amount credited to the allowance	725,838,868	23,160,045
Balance at the end of the year	<u>₡ 308,184,495</u>	<u>₡ 23,160,045</u>

5. Accounts receivables (continue)

Trade accounts receivable with delays on payments but not impaired at March 31, 2016 and 2015 are detailed below:

	<u>2016</u>	<u>2015</u>
Current	¢ 3,244,487,528	¢ 1,502,049,509
Past due but not impaired:		
Less than 30 days	236,814,883	255,656,608
Between 31 and 60 days	110,099,970	142,490,638
Between 61 and 90 days	16,622,928	116,510,017
More than 91 days	922,989,027	850,495,159
	<u>¢ 4,531,014,336</u>	<u>¢ 2,867,201,931</u>

6. Inventories

	<u>2016</u>	<u>2015</u>
Raw material	¢ 169,952,679	¢ 687,453,773
Finished goods	2,455,914,929	2,045,392,579
	<u>2,625,867,608</u>	<u>2,732,846,352</u>
Allowance for obsolescence of inventories	(124,916,088)	(31,690,376)
	<u>2,500,951,520</u>	<u>2,701,155,976</u>
Inventory in transit	2,140,803,595	1,038,116,396
	<u>¢ 4,641,755,115</u>	<u>¢ 3,739,272,372</u>

A detail of the allowance for obsolescence of inventories is as follows:

	<u>2016</u>	<u>2015</u>
Balance at the beginning of the year	¢ 31,690,376	¢ -
Amount credit to the allowance	93,225,712	31,690,376
Balance at the end of the year	<u>¢ 124,916,088</u>	<u>¢ 31,690,376</u>

7. Related parties transactions

The related parties transactions at March 31, 2016 and 2015 are detailed as follows:

	<u>Relationship</u>	<u>2016</u>	<u>2015</u>
Accounts receivables			
UPL Phillippins, Inc.	Common control	¢ 400,270,057	¢ 750,308,893
UPL Colombia, SAS	Common control	560,400,658	60,836,136
		<u>¢ 960,670,715</u>	<u>¢ 811,145,029</u>
Accounts payables			
Bio-Win Corporation Ltd.	Common control	¢ 8,945,079,599	¢ 6,839,270,293
UPL Limited Gibraltar	Common control	(61,143,044)	-
UPL Limited	Common control	-	100,352,004
Pacific Seeds PTY Ltd.	Common control	-	7,198,400
		<u>¢ 8,883,936,555</u>	<u>¢ 6,946,820,697</u>

To next page...

7. Related parties transactions (continue)

	<u>Relationship</u>	<u>2016</u>	<u>2015</u>
<i>From previous page...</i>		¢ 8,883,936,555	¢ 6,946,820,697
RICECO International Inc.	Common control	151,829,734	238,882,560
Uniphos Colombia Plant, Ltd.	Common control	-	129,540,467
UPL Colombia SAS	Common control	-	267,425,720
UPL, Ltd. Hong Kong	Common control	506,585,005	121,854,100
UPL Europe Ltd.	Common control	19,757,930	-
Cerexagri SAS		101,415,608	-
		<u>¢ 9,663,524,832</u>	<u>¢ 7,704,523,544</u>

The related parties transactions made during the years ended on March 31, 2016 and 2015, are detailed as follows:

	<u>Relationship</u>	<u>2016</u>	<u>2015</u>
Sales			
UPL Colombia, S.A.S	Common control	¢ 1,164,057,722	¢ 286,231,208
UPL Philipines Inc.	Common control	718,272,782	1,305,740,443
		<u>¢ 1,882,330,504</u>	<u>¢ 1,591,971,651</u>
Purchases			
UPL, Ltd. Hong Kong	Common control	¢ 896,012,861	¢ 595,359,032
United Phosphorus Ltd.	Common control	-	100,365,054
Bio-Win Corporation Ltd.	Common control	5,836,573,923	3,324,233,646
Uniphos Colombia Plant, Ltd.	Common control	-	1,011,817,768
Advanta Seed International	Common control	29,401,493	-
UPL Europe Ltd.	Common control	19,848,994	-
Cerexagri SAS	Common control	103,097,852	-
UPL Limited	Common control	485,103,712	-
UPL Limited Gibraltar	Common control	-	17,903,250
Pacific Seeds PTY Ltd.	Common control	-	7,268,130
UPL Colombia S.A.S.	Common control	-	267,425,719
RICECO International Inc.	Common control	212,652,240	242,256,000
		<u>¢ 7,582,691,075</u>	<u>¢ 5,566,628,599</u>

The balance with related parties corresponds to purchases and sales of products. This amount generates no interest.

8. Vehicles, furniture and equipment

	<u>Vehicles</u>	<u>Computer equipment</u>	<u>Furniture and equipment</u>	<u>Total</u>
Net balance as of March 31, 2014	¢ 38,177,143	¢ 6,180,889	¢ 174,848,944	¢ 219,206,976
Additions	168,691,964	4,954,872	10,110,525	183,757,361
Depreciation for the year	<u>(41,946,723)</u>	<u>(2,116,879)</u>	<u>(19,780,842)</u>	<u>(63,844,444)</u>
Net balance as of March 31, 2015	¢ 164,922,384	¢ 9,018,882	¢ 165,178,627	¢ 339,119,893

8. Vehicles, furniture and equipment (continue)

	<u>Vehicles</u>	<u>Computer equipment</u>	<u>Furniture and equipment</u>	<u>Total</u>
Net balance as of March 31, 2015	¢ 164,922,384	¢ 9,018,882	¢ 165,178,627	¢ 339,119,893
Additions	34,661,000	8,841,793	6,094,282	49,597,075
Depreciation for the year	<u>(50,754,587)</u>	<u>(3,082,456)</u>	<u>(20,520,098)</u>	<u>(74,357,141)</u>
Net balance as of March 31, 2016	<u>¢ 148,828,797</u>	<u>¢ 14,778,219</u>	<u>¢ 150,752,811</u>	<u>¢ 314,359,827</u>
As of March 31, 2015				
Cost	¢ 212,114,454	¢ 24,612,455	¢ 212,233,350	¢ 448,960,259
Accumulated depreciation	<u>(47,192,070)</u>	<u>(15,593,573)</u>	<u>(47,054,723)</u>	<u>(109,840,366)</u>
	<u>¢ 164,922,384</u>	<u>¢ 9,018,882</u>	<u>¢ 165,178,627</u>	<u>¢ 339,119,893</u>
As of March 31, 2016				
Cost	¢ 246,775,454	¢ 33,454,248	¢ 218,327,632	¢ 498,557,334
Accumulated depreciation	<u>(97,946,657)</u>	<u>(18,676,029)</u>	<u>(67,574,821)</u>	<u>(184,197,507)</u>
	<u>¢ 148,828,797</u>	<u>¢ 14,778,219</u>	<u>¢ 150,752,811</u>	<u>¢ 314,359,827</u>

9. Intangible Assets

A detail of the intangible assets is shown as follows:

Balance at March 31st, 2014	¢ -
Additions	44,461,574
Amortization	<u>(4,939,607)</u>
Balance at March 31st, 2015	39,521,967
Additions	144,898,915
Amotization	<u>(11,168,679)</u>
Balance at March, 31st, 2016	<u>¢ 173,252,203</u>

Intangible assets are related to product registrations paid, in order to sell product in the local and international market.

10. Accounts payable

	<u>2016</u>	<u>2015</u>
Suppliers	¢ 1,876,222,232	¢ 1,202,338,380
	<u>¢ 1,876,222,232</u>	<u>¢ 1,202,338,380</u>

11. Other payables and accrued expenses

	<u>2016</u>	<u>2015</u>
Social security	¢ 10,746,473	¢ 9,188,747
Taxes on salaries	2,226,525	1,765,687
Vacation	11,370,263	10,081,295
Christmas bonus	12,545,742	8,104,111
Other accounts payable	<u>10,722,485</u>	<u>53,592</u>
	<u>¢ 47,611,488</u>	<u>¢ 29,193,432</u>

12. Notes payable

The notes payable at March 31st, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
ATI Capital Solutions, S.A.:		
Financial leasing operations for amount of \$220,000, annual effective interest rate between 16.28% and 25.80%, due date between February 2016 and October 2019.	¢ 49,547,827	¢ 87,048,169
Current portion	<u>(19,862,612)</u>	<u>(57,362,954)</u>
	<u>¢ 29,685,215</u>	<u>¢ 29,685,215</u>

13. Equity

Capital stock

As of March 31st, 2016 and 2015 the capital stock authorized, subscribed and paid, amounts to ¢10,000 represented by 10 common nominal shares of ¢1,000 each, totally subscribed and paid according to the conditions set in the statutes of the Company.

Statutory reserve

According to the Costa Rican legislation all corporations should record a legal reserve equivalent to 5% of the net profits of every year until 20% of the capital stock is reached.

Accumulated losses

As of March 2016 and 2015 the Company has accumulated losses which exceeds 50% of capital stock. According to the Costa Rican Commercial Legislation the permanent loss of 50% of the capital stock could be a cause of dissolution of a Company, unless the stockholders replenish or agree to decreasing it proportionally.

14. Income tax

The current corporate income tax rate is 30%. In 2016 and 2015 the Company has not presented taxable income, therefore, it shows no current income tax. During 2016 year the Company applied carry forward fiscal losses on the income tax form.

According to the Costa Rican income tax law, industrial companies can carry forward fiscal losses as a deductible expenses over the following three years. The Company did not record a deferred income tax related to the carry forward fiscal losses, for the amount of ¢152,307,033 and ¢677,499,355, at March 31st, 2016 and 2015, respectively.

15. Income and expenses

	<u>2016</u>	<u>2015</u>
Operating and administrative expenses:		
Salaries and benefits	¢ 528,940,692	¢ 469,176,356
Traveling	146,674,902	128,096,072
Travel meals	31,272,524	25,833,598
Rent of equipment	<u>34,983,113</u>	<u>47,088,620</u>
<i>To next page...</i>	¢ 741,871,231	¢ 670,194,646

15. Income and expenses (continue)

	<u>2016</u>	<u>2015</u>
<i>From previous page...</i>	€ 741,871,231	¢ 670,194,646
Product registration expenses	33,696,896	63,436,953
Leases	6,965,762	6,057,125
Depreciation	85,525,821	68,784,051
Insurance	31,117,446	31,639,432
Maintenance and reparation	61,528,291	55,394,501
Professional fees	267,580,468	201,900,560
Audit fees	7,352,515	8,582,722
Other fees and charges	367,509,881	233,106,359
Subscriptions and membership	3,938,078	4,595,414
Electricity, telephone and connectivity	26,503,071	21,653,504
Municipal business license	85,542	170,366
Conveyance	6,328,589	5,192,154
Postage	-	5,892,261
Office expenses	589,497	119,280
Office supplies	18,664,500	14,336,396
Miscellaneous expenses	5,518,554	3,398,837
Vehicles	3,243,364	4,576,982
Others	19,743,951	205,441
Allowance for doubtful accounts	285,024,450	-
Bad debt written-off	440,814,418	-
	<u>€ 2,413,602,325</u>	<u>¢ 1,399,236,984</u>
Exceptional cost		
Obsolescence of inventories	<u>€ 93,225,712</u>	<u>¢ -</u>
Selling expenses		
Freight & insurance	€ 300,574,650	¢ 250,525,648
Promotional sales expense	31,727,032	31,276,596
Freight, shipment and customs	67,504,833	8,900,850
Others	9,437,452	23,160,045
	<u>€ 409,243,967</u>	<u>¢ 313,863,139</u>
Employee benefits expenses		
Salaries	€ 345,944,911	¢ 302,547,756
Christmas bonus	30,390,015	29,783,027
Vacations	2,709,150	10,960,833
Social security	112,735,919	95,470,633
Bonuses	32,396,080	24,545,298
Employee education	4,764,617	5,868,809
	<u>€ 528,940,692</u>	<u>¢ 469,176,356</u>
Exchange rate differences		
Exchange gain	€ 306,786,779	¢ 2,455,670,021
Exchange loss	(83,758,093)	(2,278,606,986)
	<u>€ 223,028,686</u>	<u>¢ 177,063,035</u>

16. Financial instruments

Risks Management:

The Company is exposed to different types of risks related to the financial instruments that it tries to minimize along with the risk management of its activities. The risks associated with financial instruments include the exchange rate risk, credit risk and liquidity risk.

Exchange rate risk

The exchange rate risk arises when the Company operates with a different currency than its functional currency. The Company has assets and liabilities in US Dollars, and therefore is affected by the exchange rate variations.

Hence the following is a summary of assets and liabilities expressed in US Dollars:

	<u>2016</u>	<u>2015</u>
Assets	\$ 12,321,690	\$ 7,490,759
Liabilities	<u>(18,205,445)</u>	<u>(16,578,371)</u>
Net position	<u>\$ (5,883,755)</u>	<u>\$ (9,087,612)</u>

For the year ended March 31, 2016, the Costa Rica Colon (¢) had an appreciation of around 0,58%, in respect to the US Dollar. A sensitivity analysis on March 31, 2016 prepared by Management, which shows the result of an increase or decrease in the exchange rate, as follows:

	<u>Increase</u>	<u>Decrease</u>
Sensitivity		
Net position	<u>\$ 5,883,755</u>	<u>\$ 5,883,755</u>
Position in colones at the exchange rate at the end of the period	¢ 3,190,348,474	¢ 3,190,348,474
Position with an exchange rate variation of 0.58%	<u>3,208,852,495</u>	<u>3,171,844,453</u>
(Loss) profit	<u>¢ (18,504,021)</u>	<u>¢ 18,504,021</u>

Credit risk

The Company annually makes a review of its accounts receivable portfolio and adjusts its allowance for credit losses accounts. The Company believes that the current estimate is sufficient to cover any losses (see Note 5).

Liquidity risk

The Company has required little funding from banks; its main debt is with related parties.

The remaining contractual maturities are as follows:

	<u>One month</u>	<u>Two to three months</u>	<u>Four months to one year</u>	<u>One to five years</u>	<u>Total</u>
March 31, 2016:					
Accounts payable	¢ 1,415,716,021	¢ 384,795,391	¢ 75,710,820	¢ -	¢ 1,876,222,232
Related parties payable	<u>5,811,001,357</u>	<u>1,712,922,741</u>	<u>2,139,600,734</u>	-	<u>9,663,524,832</u>
	<u>¢ 7,226,717,378</u>	<u>¢ 2,097,718,132</u>	<u>¢ 2,215,311,554</u>	<u>¢ -</u>	<u>¢ 11,539,747,064</u>

16. Financial instruments (continue)

	<u>One month</u>	<u>Two to three months</u>	<u>Four months to one year</u>	<u>One to five years</u>	<u>Total</u>
March 31, 2015:					
Accounts payable	¢ 789,498,724	¢ 412,061,190	¢ 778,466	-	¢ 1,202,338,380
Related parties payable	<u>703,787,995</u>	<u>553,249,608</u>	<u>6,447,485,941</u>	-	<u>7,704,523,544</u>
	<u>¢ 1,493,286,719</u>	<u>¢ 965,310,798</u>	<u>¢ 6,448,264,407</u>	<u>¢ -</u>	<u>¢ 8,906,861,924</u>

Capital management

The company obtains resources from its own operations and related parties; therefore it has not been required to set-up a capital administration policy.

Fair value

The main financial instruments of the Company are cash, accounts receivable and trade payable, for which due to their nature, the recorded values correspond to their fair values.

17. Commitments and contingencies

Operating leases agreement

Warehouses and office use

The Company holds operating leasing contracts for warehouses and office use. The lease payments are fixed in US Dollars. The terms of these contracts include annual renewals.

A detail of the future minimum payments of the current contracts is shown as follows:

Within one year	¢ 73,055,920
Between two and five years	<u>63,305,831</u>
	<u>¢ 136,361,751</u>

The expense for operating lease agreements for the year ended March 31, 2016 is for an amount of ¢78,893,229 (¢6,057,125 in 2015).

Financial leases agreement

Vehicles

During 2016, the Company holds financial leasing contracts for vehicles. The lease payments are fixed in US Dollars.

A detail for the future minimum payments of the current contracts is shown as follows:

	<u>Minimum payments</u>	<u>Present value of minimum lease payments</u>
Payable no later than one year	¢ 34,240,160	¢ 19,862,612
Payable later than one year and no later than five years	<u>37,985,455</u>	<u>29,685,215</u>
Total minimum lease payments	<u>72,225,615</u>	<u>49,547,827</u>
Less: future finance charges	<u>(22,677,788)</u>	-
Present value of minimum lease payments	<u>¢ 49,547,827</u>	<u>¢ 49,547,827</u>

17. Commitments and contingencies (continue)

Formulation and repackaging agreement

In May 2013, the Company and Formulaciones Químicas, S.A. (FORMUQUISA), signed an agreement for the formulation and repackaging of agrochemical products and services.

The Company granted to FORMUQUISA the right to formulate and repackage Vondozeb 42 SC, Vondozeb Plus 42 SC, Vondozeb 60 SC, Vondozeb 62 SC and Vondocarb 52.5 SC, in Costa Rica,

FORMUQUISA shall perform filling, packing and handling of the products in accordance with the Company instructions.

The products shall remain the exclusive property of the Company until it is sold to a third party pursuant to the terms of the agreement and only the Company is authorized to transfer, pledge or in any way dispose thereof.

In consideration of all services rendered by FORMUQUISA under this agreement, the Company shall pay to FORMUQUISA the charges for their services, as identified in Annex III, a document that is an integral part of the agreement.

The agreement is effective from the date of signature for a three year term and could be automatically renewed for periods of one year. Either party may terminate the agreement without cause and without the obligation to pay any penalty therefore by providing to the other party a notification with its intent to terminate the agreement at least six months prior to the anniversary date.

For the years ended March 31st 2016 and 2015, the Company paid ₡4,948,750,857 and ₡4,623,093,198, respectively, for formulation and repackaging charges.

Contingencies

The statute of limitation for the income tax returns is set at four years (ten in qualified cases). The same situation applies to the sale tax returns.

The Caja Costarricense del Seguro Social and Ministerio de Trabajo are the Republic of Costa Rica's agencies responsible for the administration of labor, payroll taxes and social taxation.