

SPECIAL PURPOSE CONSOLIDATED FINANCIAL  
STATEMENTS

**United Phosphorus Cayman Limited and its Colombian  
Branch**

Years ended March 31, 2015 and 2014  
with Independent Auditor Report

**United Phosphorus Cayman Limited and its Colombian Branch**  
**Special Purpose Consolidated Financial Statements**

Year ended March 31, 2015 and 2014

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## Independent Auditor's Report

To the Board of Directors of  
United Phosphorus Cayman Limited  
Cayman Island

We have audited the accompanying special-purpose consolidated balance sheet of United Phosphorus Cayman Limited and its Colombian Branch, as of March 31, 2015 and 2014 and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, and the summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of the special-purpose consolidated financial statements in accordance with the accounting principles described in Note 1; for designing, implementing and maintaining the relevant internal controls for the preparation and correct presentation of financial statements free from material misstatements, whether due to fraud or error; for selecting and applying appropriate policies; and for establishing reasonable accounting estimates in the circumstances.

Our responsibility is to express an opinion on the aforementioned financial statements based on our audits. We obtained the necessary information to carry out our examination in accordance with auditing standards generally accepted in Colombia. These standards require that an audit be planned and performed to obtain reasonable assurance of whether or not the financial statements are free of material misstatements.

An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatements in the financial statements. In making those risk assessments, the auditor considers the internal controls relevant to the entity's preparation and fair presentation of the special-purpose consolidated 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 component's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our audit opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of United Phosphorus Cayman Limited and its Colombian Branch at March 31, 2015, and 2014, the consolidated result of its operations and cash flows for the years then ended, in accordance with accounting principles described in Note 1, consistently applied.

The special purpose financial statement has been prepared for purposes of providing information to United Phosphorus Limited to enable it to prepare the group consolidated financial statements. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for United Phosphorus Cayman Limited and their shareholders and should not be distributed to parties other than United Phosphorus Cayman Limited and their shareholders.



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Barranquilla, Colombia  
April 15, 2015

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## United Phosphorus Cayman Limited and its Colombian Branch

### Consolidated Balance Sheets

	March 31	
	2015	2014
	<i>(In US Dollars)</i>	
<b>Assets</b>		
Current assets:		
Cash <i>(Note 3)</i>	\$ 309,767	\$ 1,960,143
Short term investments <i>(Note 4)</i>	817,106	732,827
Accounts receivable, net <i>(Note 5)</i>	2,962,117	1,754,301
Receivables - related parties <i>(Note 13)</i>	8,213,383	5,607,646
Borrowings to related parties <i>(Note 13)</i>	2,199,243	—
Inventories, net <i>(Note 6)</i>	3,150,698	4,869,378
Prepayments	13,764	12,044
Total current assets	<b>17,666,078</b>	14,936,339
Receivables - Related parties <i>(Note 13)</i>	1,365,851	—
Property, plant and equipment, net <i>(Note 7)</i>	10,729,361	12,753,075
Deferred charges, net	1,219	11,189
Total assets	<b>\$ 29,762,509</b>	<b>\$ 27,700,603</b>
<b>Liabilities and equity</b>		
Current liabilities:		
Financial obligations <i>(Note 8)</i>	\$ 11,314,091	\$ 14,450,000
Suppliers and account payable <i>(Note 9)</i>	9,119,079	4,626,137
Accounts payable - Related parties <i>(Note 13)</i>	2,765,173	3,418,051
Income tax payable <i>(Note 10)</i>	45,795	79,697
Labor obligations <i>(Note 11)</i>	364,479	736,994
Customer advances <i>(Note 12)</i>	5,751,908	69,434
Estimated liabilities and provisions	59,879	84,288
Total current liabilities	<b>29,420,404</b>	23,464,601
Deferred tax liability <i>(Note 10)</i>	210,590	348,483
Equity <i>(Note 14)</i> :		
Paid-in capital	0.01	0.01
Reserves	433,567	739,782
Accumulated profit	3,800,799	1,718,488
Net (loss) profit for the year	(2,785,557)	1,776,096
Cumulative translation adjustments	(1,317,294)	(346,847)
Total equity	<b>131,515</b>	3,887,519
Total liabilities and equity	<b>\$ 29,762,509</b>	<b>\$ 27,700,603</b>

See accompanying notes.

## United Phosphorus Cayman Limited and its Colombian Branch

### Consolidated Statement of Income

	Year ended March 31	
	2015	2014
	<i>(In US Dollars)</i>	
Operating income <i>(Note 15)</i>	\$ 42,350,899	\$ 37,011,271
Cost of sales and rendering of services <i>(Note 16)</i>	<b>(40,373,386)</b>	<b>(30,767,265)</b>
Gross profit	<b>1,977,513</b>	6,244,006
Operating expenses <i>(Note 17)</i> :		
Administrative expenses	<b>(408,488)</b>	(378,425)
Selling and distributions costs	<b>(1,561,436)</b>	(1,029,908)
Operating profit	<b>7,589</b>	4,835,673
Other income (expenses):		
Financial, net <i>(Note 18)</i>	<b>(3,013,177)</b>	(2,422,005)
Other income <i>(Note 19)</i>	<b>215,533</b>	273,410
(Loss) profit before income tax expense	<b>(2,790,055)</b>	2,687,078
Income tax expense <i>(Note 10)</i> :		
Current	<b>(63,148)</b>	(898,191)
Deferred tax	<b>67,646</b>	(12,791)
	<b>4,498</b>	(910,982)
Net (loss) profit	<b>\$ (2,785,557)</b>	\$ 1,776,096

See accompanying notes.

## United Phosphorus Cayman Limited and its Colombian Branch

### Consolidated Statement of Changes in Equity

	Paid-in Capital	Reserves	Accumulated (Losses) profits	Cumulative Translation Adjustments	Net (Loss) Profit of the Year	Total
	<i>(In US Dollars)</i>					
Balance at March 31, 2013	\$ 0.01	\$ 767,123	\$ (2,990,944)	\$ 34,415	\$ 4,682,091	\$ 2,492,685
Translation adjustments	—	—	—	(381,262)	—	(381,262)
Reserves movements	—	(27,341)	27,341	—	—	—
Retained (losses) profits	—	—	4,682,091	—	(4,682,091)	—
Net profit of the year	—	—	—	—	1,776,096	1,776,096
Balance at March 31, 2014	0.01	739,782	1,718,488	(346,847)	1,776,096	3,887,519
Translation adjustments	—	—	—	(970,447)	—	(970,447)
Reserves movements	—	(306,215)	306,215	—	—	—
Retained (losses) profits	—	—	1,776,096	—	(1,776,096)	—
Net loss of the year	—	—	—	—	(2,785,557)	(2,785,557)
Balance at March 31, 2015	\$ 0.01	\$ 433,567	\$ 3,800,799	\$ (1,317,294)	\$ (2,785,557)	\$ 131,515

See accompanying Notes.

## United Phosphorus Cayman Limited and its Colombian Branch

### Consolidated Statement of Cash Flows

	Year ended March 31	
	2015	2014
	<i>(In US dollars)</i>	
<b>Operating activities:</b>		
Net (loss) profit of the year	\$ (2,785,557)	\$ 1,776,096
Adjustments to reconcile net profit and net cash provided by operating activities:		
Depreciation and amortization	1,000,539	1,242,687
Gain on sale of equipment	(10,472)	(2,007)
Deferred tax provision	(137,893)	(12,791)
Inventory provision	20,769	22,707
Net changes in operating assets and liabilities:		
Debtors	(1,207,816)	1,572,227
Receivables - related parties	(2,605,737)	12,263,482
Inventories	1,697,911	(1,808,465)
Suppliers and accounts payable	4,492,942	(168,640)
Related parties	(652,878)	1,086,496
Labor obligations	(372,515)	(76,278)
Estimated liabilities and provisions	(24,409)	(11,899)
Advances received from customers	5,682,474	-
Prepayments	(1,720)	(12,044)
Income tax payable	(33,902)	79,697
Net cash provided by operating activities	<u>5,061,736</u>	<u>15,951,268</u>
<b>Investing activities:</b>		
Additions to property, plant and equipment	(2,222,295)	(895,637)
Proceeds from the sale of property, plant and equipment	10,472	5,080
Increase in investments	(84,279)	(732,827)
Net cash used in investing activities	<u>(2,296,102)</u>	<u>(1,623,384)</u>
<b>Financing activities:</b>		
Decrease in financial obligations	(3,135,909)	(17,450,000)
Borrowing to related parties	(3,565,094)	704,829
Decrease of loan payable to related parties	-	(16,855)
Net cash used in financing activities	<u>(6,701,003)</u>	<u>(16,762,026)</u>
Effect of exchange rate changes on cash	2,284,993	504,686
Net decrease in cash	<u>(1,650,376)</u>	<u>(1,929,456)</u>
Cash at beginning of year	1,960,143	3,889,599
Cash at end of year	<u>\$ 309,767</u>	<u>\$ 1,960,143</u>

See accompanying notes.



# United Phosphorus Cayman Limited and its Colombian Branch

## Notes to the Special Purpose Consolidated Financial Statements

March 31, 2015 and 2014

*(Amounts stated in US dollars unless otherwise stated)*

### 1. Organization and Summary of Significant Accounting Policies

#### Organization

In April 29, 2010, United Phosphorus Cayman Limited (the Company) was incorporated according to local law in the Cayman Islands. Its corporate purpose is to carry on business of an investment company to acquire, invest and hold by way of investment, sell and deal in shares, stocks, options, debenture stock, bonds, obligations, certificates of deposit, bills of exchange and securities of all kinds created, issued or guaranteed by any government, sovereign, ruler, commissioner, public body or authority in any part of the world.

Uniphos Colombia Plant Limited (the Branch), was organized on May 26, 2010, as a branch of the foreign company United Phosphorus Cayman Limited, and its duration is until 2060. Its corporate purpose consists of developing importation, exportation, manufacturing, refining, transformation, purchase, sale, distribution or commercialization of organic or inorganic products, chemical intermediaries, agrichemical, seeds, synthetic fibers, and minerals and its products or by-products. To comply with its corporate purpose, it counts upon a plant in Barranquilla (Atlántico) and the central administration in Barranquilla (Atlántico).

In June 2010 United Phosphorus de Colombia S.A.S., a company duly organized and validly existing under the laws of Colombia, entered into an Asset Purchase and Sale Agreement (APSA) with DuPont de Colombia S.A., to purchase some assets and assume some liabilities, contemplated in the first and second closing transactions.

In July 30, 2010, the Branch signed an Assignment Agreement with United Phosphorus de Colombia S.A.S., whereby the Branch acquired all rights and obligations related with the “second closing”, which includes the transfer of assets, permissions, licenses and authorizations issued by a governmental body, the existing or new collective agreement, any benefit provided or the maintenance plans and any other obligation in respect to the employees transferred; the sales price for the second closing was US\$22,235,000. The APSA contract included the purchase of the assets corresponding to the production plants of fungicides and herbicides.

All conditions identified in Resolution 0525, April 29, 2010 of Departamento Técnico Administrativo del Medio Ambiente Barranquilla – DAMAB - as constituting a purported breach of applicable legal requirements, should be repaired, corrected or remediated by DuPont de Colombia S.A. at its cost (the Permit Project). DuPont had the sole responsibility for the development, design and construction of the wastewater treatment process necessary to complete the Permit Project.

In May 2011, the Branch signed a second amendment to the APSA contract with DuPont whereby it established the delivery of US\$5,700,000 for the Branch to assume the total cost of the construction of the residual waters treatment plant. On July 28, 2011, an early termination notice was sent by the Branch to Du Pont whereby it accepts the responsibility for the construction of the Project on exchange for the payment of US\$1,800,000. Since 2012, the Branch began the construction of the residual waters treatment plant, Management expects to start operations in September 2015.

## **United Phosphorus Cayman Limited and its Colombian Branch**

### **Notes to the Special Purpose Consolidated Financial Statements (continued)**

#### **1. Organization and Summary of Significant Accounting Policies (continued)**

##### **Organization (continued)**

E.I. Du Pont de Nemours and United Phosphorus Limited are the parties to the contract of Mancozeb Supply and Regulatory Support entered into June 2, 2010, which was amended and fully re-issued on May 31, 2011 through the Amended and Restated Mancozeb Supply and Regulatory Support Agreement; the Branch is taking care of the requirements of Du Pont in Barranquilla for the supply of the fungicides Manzate WG/DF and Manzate WP, in accordance with this agreement.

On May 31, 2011, Du Pont de Colombia S.A. and United Phosphorus Limited entered into the Karmex Toll Formulation contract for the rendering of the herbicides “maquila” services per the DuPont formulations. The contract term is of 18 months as of the effective date of the APSA second closing.

In according with the Code of Commerce, the Branch’s assets in the accompanying balance sheets as well as those of its Home Office (the Company) are legally available to meet the obligation of both.

In 2014 new agreements with related parties were signed; for technical assistance in IT Support and special advisory in Mancozeb program.

##### **Basis of Presentation**

The principal accounting policies and practices followed by the group are described below:

The consolidated financial statements of United Phosphorus Cayman Limited include the financial statements of Uniphos Colombia Plant Limited, which is wholly owned by United Phosphorus Cayman Limited.

The financial statements of the Branch included herein have been prepared from the accounting records, which are maintained using the historical cost method and based on to generally accepted accounting principles in Colombia and have been translated into US dollar, following the foreign currency translation method set forth in below with the functional currency being the Colombian pesos, these accounting principles could differ in certain aspects with another International Accounting Standards. Translation of the financial statements has been made as follows:

- a. Assets and liabilities were translated at the closing rate at the date of the balance sheet, equity accounts were translated at historical rate. The resulting exchange difference is recognized as a separate component of equity.
- b. Income and expenses were translated at the average rate for the period, and all resulting exchange differences are recognized as a separate component of equity.

This special purpose financial statement has been prepared for purposes of providing information to United Phosphorus Limited to enable it to prepare the group consolidated financial statements.

As a result, the specified financial statements are not a complete set of financial statements of United Phosphorus Cayman Limited in accordance with group applicable financial reporting framework underlying the group’s accounting policies and are not intended to present fairly, in all material respects the financial position of United Phosphorus Cayman Limited as of March 31, 2015 and 2014 and of its financial performance, and its cash flow for the year then ended in accordance with group applicable financial reporting framework underlying the group’s accounting policies. The specified financial statements may, therefore, not be suitable for another purpose.

## United Phosphorus Cayman Limited and its Colombian Branch

### Notes to the Special Purpose Consolidated Financial Statements (continued)

#### 1. Organization and Summary of Significant Accounting Policies (continued)

##### Basis of Presentation (continued)

###### *Consolidation Principles*

The consolidated financial statements include the investment accounts of United Phosphorus Cayman Limited and its Colombia branch. The most significant balances, transactions and profits among the companies have been eliminated in consolidation.

The consolidation method used was the global integration. By means of this method, total assets, liabilities, equity and results of the branch are incorporated to the financial statements of the controlling entity, after eliminating the investment in the controlling entity made by it in the branch equity, as well as the operations and reciprocal balances existing at the cut-off date of the consolidated financial statements.

Below are assets, liabilities, equity and net profit or loss, of the entities included in the special purpose consolidated financial statements:

##### **March 31, 2015**

	<b>UCPL Colombia Branch US\$</b>	<b>UP Cayman US\$</b>
Assets	\$ 29,631,977	\$ 2,462,511
Liabilities	27,174,160	2,426,815
Net equity	2,457,817	35,696
Net profit of the year	\$ (2,799,508)	\$ 13,951

##### **March 31, 2014**

Assets	\$ 28,509,781	\$ 2,362,950
Liabilities	22,282,007	2,341,205
Net equity	6,227,774	21,745
Net profit of the year	\$ 1,771,828	\$ 4,268

##### **Materiality Concept**

An economic fact is material when due to its nature or amount and taking into account the surrounding circumstances and amount, knowing or not knowing it could significantly alter the economic decisions of information users. The financial statements break down specific headings in accordance with legal requirements, or those representing 5% or more of total assets, current assets, total liabilities, current liabilities, working capital, equity and results of operations, as appropriate. In addition lower amounts are shown when they are deemed to contribute to a better interpretation of the financial information.

##### **Use of Estimates**

The preparation of the financial statements in accordance with generally accepted accounting principles requires that management makes estimates and assumptions that could affect the amounts recorded for assets and liabilities, as well as the results of its operations. Current or market amounts could differ from those estimates.

## United Phosphorus Cayman Limited and its Colombian Branch

### Notes to the Special Purpose Consolidated Financial Statements (continued)

#### 1. Organization and Summary of Significant Accounting Policies (continued)

##### Recognition of Revenue, Costs and Expenses

Sales represent amounts received and receivable for goods supplied and services rendered to customers after deducting trade discounts, cash discounts and volume rebates, excluding taxes on revenues.

Revenue from the sale of products is recognized upon transfer to the customer of the significant risks and rewards of ownership. This is generally when goods are dispatched to customers. Revenue from services is recognized when the service is satisfactorily rendered.

Costs and expenses are recognized upon receipt of the goods or services. In the other cases revenue is recognized when earned and the true, probable and quantifiable right to demand payment arises.

##### Transactions in Foreign Currency

Transactions in currency other than Colombian pesos are entered into (for Colombian GAAP purposes) in accordance with applicable regulations and they are recorded at appropriate rates of exchange on the transaction date. Balances denominated in other currency are reflected in Colombian pesos at the Reuter's exchange rate of Col\$2,576.00, per US\$1 at March 31, 2015 (Col\$1,964.49 for 2014). Exchange differences are charged to the related asset or to results of operations, as appropriate.

##### Accounting for Contingencies

On the date of issuing the financial statements, conditions may exist that could result in losses for the Company, but which will only be known when future events occur or cease occurring. These situations are evaluated by management and legal counsel as far as their nature, the likelihood that they materialize and the amounts involved to decide on their accounting, increase of provisions and/or disclosure in the financial statements. This analysis includes legal processes and claims that have not yet started.

##### Inventories

Inventories are valued at lower of cost and net realizable value, determined on a standard cost basis approximated to the real cost for finished and semi-finished goods, and on an average cost basis for raw and packing materials.

Allowances are made for inventories with a net realizable value less than cost, or which are slow moving. Unsalable inventory is fully written off.

##### Property, Plant and Equipment

As part of the APSA, property, plant and equipment is recorded at acquisition cost, for the lands and constructions and buildings the acquisition cost was determined through an appraisal prepared by independent professional as of May 18, 2011. Depreciation is provided by the straight-line method on cost, since the purchase date, using the residual useful life determined by the assessment of independent professionals.

	<u>%</u>
Buildings	5
Machinery and equipment	10
Furniture and fixtures	10
Vehicles and computers	<u>20</u>

## **United Phosphorus Cayman Limited and its Colombian Branch**

### **Notes to the Special Purpose Consolidated Financial Statements (continued)**

#### **1. Organization and Summary of Significant Accounting Policies (continued)**

##### **Property, Plant and Equipment (continued)**

Any gain or loss on the sale or retirement of equipment is recognized in results of operations in the transaction year. Normal disbursements for maintenance and repairs are charged to expense and significant costs that improve efficiency or extend the useful life are capitalized.

##### **Valuations**

Valuations of property, plant and equipment is permitted under Colombian statutory accounting and correspond to the difference between net cost in books and the market value determined by independent specialists. However, for the preparation of the accompanying financial statements valuations were not taken into account.

##### **Deferred Charges**

Deferred charges are recorded at cost and correspond to computer software and licenses, which are amortized over three years and the equity tax to be paid by the Colombian Branch in three years using the straight-line method.

##### **Labor Obligations**

The labor laws in Colombia provide for the payment of deferred compensation on the date of employee separation from the Branch. The amount received by each employee depends on the employment date, type of contract, and salary. In addition, in certain cases 12% annual interest is recognized on the amount due to the employee. If separation is not voluntary, the employee has the right to receive additional payments on the retirement date, which vary depending on the length of service and salary.

The Branch contributes to private or state funds the resources required by legal provisions and the integral social security system to cover both fringe benefits and future pension obligations.

##### **Income Tax**

United Phosphorus Cayman Limited is incorporated in Cayman Island, jurisdiction that does not impose taxes on corporate income. Accordingly, no provision for income taxes has been made in the financial statements related to the operation of United Phosphorus Cayman Limited.

For the Colombian Branch, the provision for income tax is calculated at the official rate of 39% in 2015 (includes income tax of 25%, the equity tax CREE 9% and a surtax of 5%) and 34% in 2014 (includes both income tax of 25% as the equity tax CREE 9%) by the accrual method, on the higher between presumptive and taxable income. The income tax liability is reflected net of advances paid and tax withholdings in favor.

Deferred tax is calculated on temporary differences between the tax base of the depreciation of assets and their carrying amounts for financial reporting purposes.

The effect of temporary differences involving the payment of a lower or higher income tax in the current year is recorded as deferred tax credit or debit, respectively, provided that a reasonable expectation that such differences will reverse and that sufficient taxable income in the periods in which such differences are reversed (2015 - 39%, 2016 - 40%, 2017 - 42%, 2018 - 43% and 34% in subsequent years).

## United Phosphorus Cayman Limited and its Colombian Branch

### Notes to the Special Purpose Consolidated Financial Statements (continued)

#### 1. Organization and Summary of Significant Accounting Policies (continued)

##### New Accounting Statements or Standards

###### *Convergence to International Financial Reporting Standards for Colombian Entities*

In accordance with the provisions of Law 1314 of 2009 and the regulatory decrees 2784 of 2012, 3023 and 3024 of December 2013, the Branch is required to initiate the convergence process of accounting principles generally accepted in Colombia to international financial reporting standards (IFRS) as they are issued by the IASB (International Accounting Standards Board), issued until December 31, 2012. According to the regulatory framework implemented in Colombia, it might be exceptions to the full implementation of IFRS, which would impact the explicit and unreserved statement about its applicability.

The Branch Uniphos Colombia Plant Limited belongs to Group 1, which mandatory transition period starts on January 2014 and the issuance of the first comparative financial statements under IFRS will be at December 31, 2015.

#### 2. Assets and Liabilities Denominated in Foreign Currency

Summary of assets and liabilities denominated in foreign currency:

	March 31	
	2015	2014
	<i>(In thousands of US dollars)</i>	
Cash	\$ 49	\$ 1,250
Accounts receivable – related parties	5,551	2,110
Financial obligations	–	(14,450)
Suppliers	(2,401)	(1,163)
Suppliers advances	689	–
Accounts payable – related parties	(361)	–
Customers advances	(10,204)	–
Net liability position	<u>\$ (6,677)</u>	<u>\$ (12,253)</u>

#### 3. Cash

Petty cash	\$ 3,926	\$ 3,463
Deposits in transit	182,230	–
Banks	123,611	1,956,680
	<u>\$ 309,767</u>	<u>\$ 1,960,143</u>

Cash do not have any restrictions or liens limiting their availability.

#### 4. Short-term Investments

Titles (1)	<u>\$ 817,106</u>	<u>\$ 732,827</u>
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(1) Correspond to titles returned by the tax authority for balance in favor for VAT (debit VAT) in 2013 and 2014.

## United Phosphorus Cayman Limited and its Colombian Branch

### Notes to the Special Purpose Consolidated Financial Statements (continued)

#### 5. Accounts Receivable

	March 31	
	2015	2014
Dupont de Colombia S.A.(1)	\$ 1,181,667	\$ 1,016,235
Withholding tax receivables	573,761	–
Favor balance VAT and other tax	291,272	–
Advances	814,600	420,068
Loans to employees	19,131	68,072
VAT receivables	81,519	249,518
Other receivables	167	408
	<u>\$ 2,962,117</u>	<u>\$ 1,754,301</u>

(1) Include accounts receivables originated by Mancozeb Supply and regulatory support agreement and Kamex Toll formulation agreement.

Debtors do not have any restrictions or liens limiting their availability.

#### 6. Inventories, Net

	March 31	
	2015	2014
Finished products	\$ 1,269,973	\$ 3,191,469
Raw materials	1,124,378	1,004,213
Materials, spare parts and accessories	183,016	143,440
Products in process	62,496	32,790
Packing	560,364	526,226
Provision	(49,529)	(28,760)
	<u>\$ 3,150,698</u>	<u>\$ 4,869,378</u>

Provision movement:

Initial balance	\$ (28,760)	\$ (51,467)
Recovery	–	22,707
Increase	(20,769)	–
Ending balance	<u>\$ (49,529)</u>	<u>\$ (28,760)</u>

Inventories do not have any restrictions or liens limiting their availability.

#### 7. Property, Plant and Equipment, Net

	March 31	
	2015	2014
Lands	\$ 5,898,945	\$ 7,735,179
Buildings	1,037,809	1,360,860
Machinery and equipment	5,925,423	7,059,131

## United Phosphorus Cayman Limited and its Colombian Branch

### Notes to the Special Purpose Consolidated Financial Statements (continued)

#### 7. Property, Plant and Equipment, Net (continued)

	March 31	
	2015	2014
Office equipment	66,253	86,876
Computers and communication	152,334	194,074
Vehicles	–	10,048
Work in progress	1,793,094	691,172
	<b>14,873,858</b>	17,137,340
Accumulated depreciation	<b>(4,763,879)</b>	(5,439,159)
Deferred depreciation (1)	619,382	1,054,894
	<b>\$ 10,729,361</b>	<b>\$ 12,753,075</b>

(1) Corresponds to the difference between accounting depreciation expense determined under the straight-line method and depreciation expense for tax purposes (accelerated depreciation).

At March 31, 2015 and 2014 the depreciation recognized in statements of operations was \$991,569 and \$1,213,040, respectively.

Property, plant and equipment have no restrictions or liens limiting their realization or marketability and represent assets fully owned by the Company.

#### 8. Financial Obligations

	March 31	
	2015	2014
Citibank S.A.:		
Financial Obligation No. 001-2014 (1)	\$ 4,192,545	\$ –
Financial Obligation No. 002-2014 (2)	1,599,030	–
Financial Obligation No. 001-2015 (3)	5,522,516	–
Financial Obligation No. IBAL021132420004 (4)	–	14,450,000
	<b>\$ 11,314,091</b>	<b>\$ 14,450,000</b>

(1) Annual fixed interest rate: 6.74%  
Payment of the interest and Capital at expiration date.  
Expiration: April 2015.

(2) Annual fixed interest rate: 6.39%  
Payment of the interest and Capital at expiration date.  
Expiration: April 2015.

(3) Annual fixed interest rate: 6.40%  
Payment of the interest and Capital at expiration date.  
Expiration: April 2015.

(4) Annual fixed interest rate: Libor + 3.5% - Loan negotiated in US Dollars  
Capital and interest payments at expiration date  
Expiration: August 2014.



## United Phosphorus Cayman Limited and its Colombian Branch

### Notes to the Special Purpose Consolidated Financial Statements (continued)

#### 9. Suppliers and Accounts Payable

	March 31	
	2015	2014
Suppliers	\$ 283,943	\$ 333,664
Costs and expenses payable	8,247,887	3,290,166
Tax withholdings payable	63,254	57,460
Withholding and payroll contributions	56,632	118,358
Sundry creditors	467,363	826,489
	<u>\$ 9,119,079</u>	<u>\$ 4,626,137</u>

#### 10. Income Tax Payable

Income tax	\$ –	\$ 79,697
Deferred tax liability	210,590	348,483
Wealth tax	45,795	–
	<u>\$ 256,385</u>	<u>\$ 428,180</u>

The 2013, 2012 and 2011, income tax returns may be reviewed by the tax authorities, within two years of the filing due date. However, in Management opinion, in the event that such review takes place no significant differences are expected.

The reconciliation between the net profit before the income tax and taxable income in the Colombian Branch is shown below:

	March 31	
	2015	2014
(Loss) profit before income tax	\$ (2,790,055)	\$ 2,687,078
Non deductible expenses for tax purposes:		
Wealth tax	56,154	
Previous period expenses	(10,159)	234,508
Contributions for valuations of assets	–	83,828
Inventory provision	33,837	–
Other non deductible expenses	286,388	52,312
Accelerated depreciation for tax purposes	226,959	222,868
Non taxable income	(78,770)	(216,710)
UP Cayman non taxable profit	(13,951)	(4,268)
Tax discounts – Environmental investment project	–	(573,531)
Prior year Taxes on payroll benefits paid (Bonus VC)	(178,622)	–
(Loss) income taxable (A)	<u>\$ (2,468,219)</u>	<u>\$ 2,486,085</u>
Presumptive Income Tax (B)	<u>\$ 185,728</u>	<u>\$ 77,878</u>
Taxable income (higher between A and B)	<u>\$ 185,728</u>	<u>\$ 2,486,085</u>
Income tax expense	\$ 46,432	\$ 621,521
Tax Equity (CREE -acronym in Spanish) (1)	16,716	276,670
Deferred tax	(67,646)	12,791
Income tax expense	<u>\$ (4,498)</u>	<u>\$ 910,982</u>

## United Phosphorus Cayman Limited and its Colombian Branch

### Notes to the Special Purpose Consolidated Financial Statements (continued)

#### 10. Income Tax Payable (continued)

(1) The detail of the net income for tax CREE is:

	March 31	
	2015	2014
(Loss) profit before income tax	\$ (2,790,055)	\$ 2,687,078
Non deductible expenses for tax purposes:		
Bank tax - 50%	61,280	52,312
Previous period expenses	(10,159)	234,508
Accelerated depreciation for tax purposes	226,959	222,868
Other non deductible expenses	258,944	-
Property tax	-	83,828
Donations	13,812	14,500
Previous income	(78,770)	(216,710)
Prior year Taxes on payroll benefits paid (Bonus VC)	(178,622)	-
UP Cayman non taxable profit	(13,951)	(4,268)
Taxable (loss) income (A)	<u>\$ (2,510,562)</u>	<u>\$ 3,074,116</u>

(Balance in favor) payable balance was determined as follows:

Income tax expense and CREE	\$ 51,499	\$ 898,191
Prior year income tax payable	-	241,152
Withholding taxes	(625,260)	(1,059,646)
	<u>\$ (573,761)</u>	<u>\$ 79,697</u>

Deferred taxes were determined as shown below:

Deferred depreciation (Note 7)	\$ 619,382	\$ 1,054,894
Deferred income	<u>\$ 210,590</u>	<u>\$ 348,483</u>

#### Transfer Pricing

The income taxpayers that sign transactions with related parties, are required to determine, for the purposes of income tax, ordinary and extraordinary income, costs and deductions, assets and liabilities, bearing these the prices and profit margins that had been used in comparable transactions with or between unrelated economically. The Company with their consultants are carrying out the update of the transfer pricing study, required by tax provisions, intended to demonstrate that operations with foreign related parties were entered at market value during 2014. For this purpose, the Company must file an information return and will have available the referred to study by mid of 2015. Failing to comply could result in penalties and higher income tax. However, Management and its legal counsel are of the opinion that the study will be completed on time and will not reflect significant changes in the base used to determine the provision for 2015 income tax, as occurred in 2014.

## United Phosphorus Cayman Limited and its Colombian Branch

### Notes to the Special Purpose Consolidated Financial Statements (continued)

#### 10. Income Tax Payable (continued)

##### New Wealth Tax

The tax reform creates a new wealth tax. Under general terms, all individuals and legal entities in Colombia, who are deemed income taxpayers, including nonresidents (not expressly excluded by the law to pay this tax) are subject to this tax, provided their tax net equity (gross assets minus debts) as of 1 January 2015, is greater than COP 1,000,000,000 (approx. USD 388,800) with a rate between 0.2% and 1.15% plus a fixed amount defined by tax law for 2015.

The taxable basis will accrue (also for accounting purposes as expressed by the law) annually on 1 January 2015, 2016 and 2017 for corporations.

The taxable basis is the gross equity minus debts as of each year. The reform protects the taxable basis from potential fluctuations of the equity (increase/decrease).

The Company recognized wealth tax for 2015 as an account payable and as an expense.

##### Tax Reform

On December 23, 2014, a new tax reform was enacted in Colombia, which main aspects are:

- Modifications to CREE, permanently establishing a fee of 9% and introducing changes in its structure and compensation, are stipulated.
- Surtax on CREE 2015 (5%), 2016 (6%), 2017 (8%) and 2018 (9%) is established.
- Standards related to mechanisms to combat evasion, modifications to GMF (tax on financial transactions) and other changes in income tax are incorporated

#### 11. Labor Obligations

	March 31	
	2015	2014
Severance	\$ 159,936	\$ 425,158
Accumulated vacations	94,886	123,926
Interest on severance	4,717	12,715
Premium services	22,059	41,224
Extralegal fringe benefits	82,881	133,971
	<u>\$ 364,479</u>	<u>\$ 736,994</u>

#### 12. Customer Advances

Customer advances	<u>\$ 5,751,908</u>	<u>\$ 69,434</u>
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## United Phosphorus Cayman Limited and its Colombian Branch

### Notes to the Special Purpose Consolidated Financial Statements (continued)

#### 13. Transactions with Related Parties

	March 31	
	2015	2014
Accounts receivable:		
Bio - Win	\$ 1,810,412	\$ 1,082,534
UPL Colombia S.A.S. (1)	4,762,035	3,497,775
UPL Costa Rica S.A. (Cerexagri Costa Rica in 2014)	177,906	1,027,337
United Phosphorus Inc.	1,313	-
UPL Agro S.A. de C.V.	26,268	-
Uniphos Limited	3,634,692	-
	<u>10,412,626</u>	<u>5,607,646</u>
Long term portion:		
UPL Colombia S.A.S. (1)	1,365,851	-
	<u>\$ 11,778,477</u>	<u>\$ 5,607,646</u>
Accounts payable:		
Cerexagri B.V.	\$ 82,602	\$ 2,331,555
Cerexagri S.A.S.	32,984	-
Uniphos Phosphorus Inc.	328	-
UPL Limited	232,444	-
Bio - Win	2,416,815	1,086,496
	<u>\$ 2,765,173</u>	<u>\$ 3,418,051</u>

(1) Include borrowings for \$3,565,094 in 2015 (\$1,448,055 in 2014) and interest receivable for \$125,513 in 2015 (\$50,935 in 2014).

The payment conditions and terms of the accounts receivable are stipulated in 150 for UPL Colombia S.A.S. and 180 days to Bio-Win.

#### 14. Equity

Capital of \$0.01 is divided into 1 share stock at a nominal amount of \$0.01.

The legal reserve is set up in accordance with tax provisions by means of the appropriation of 70% over excess of tax depreciation over accounting depreciation.

#### 15. Operating Incomes

The Company's revenues are derived from the following clients:

	March 31	
	2015	2014
Export sales to Bio-Win	\$ 18,700,894	\$ 26,881,522
Tolling Sales to DuPont	7,593,991	6,673,025
Sales to UPL Colombia S.A.S. (Evofarms in 2012)	2,496,710	2,246,781
Export sales to UPL Costa Rica (Cerexagri Costa Rica in 2014)	1,263,515	1,049,726

## United Phosphorus Cayman Limited and its Colombian Branch

### Notes to the Special Purpose Consolidated Financial Statements (continued)

#### 15. Operating Incomes (continued)

	March 31	
	2015	2014
Export sales to Uniphos Limited (Mauritius)	12,161,970	–
Export sales to United Phosphorus Inc (UPL USA Inc in 2014)	1,609	4,979
Export sales to UPL Agro S.A. de C.V.	32,210	–
Management fee to Bio-Win	100,000	100,000
Other national sales	–	55,238
	<b>\$ 42,350,899</b>	<b>\$ 37,011,271</b>

#### 16. Cost of sales and rendering of services

Cost of sales (1)	<b>\$ (40,373,386)</b>	<b>\$ (30,767,265)</b>
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(1) In 2015, includes an exceptional cost of indemnity paid to employees by \$1,479,059 as part of the process of automation in the plant of production.

#### 17. Operating Expenses

	March 31	
	2015	2014
Administrative expenses:		
Fees	\$ (203,514)	\$ (216,984)
Taxes	(168,642)	(136,194)
Insurance	(36,332)	(25,247)
	<b>(408,488)</b>	<b>(378,425)</b>
Selling expenses:		
Distribution cost	(1,561,436)	(1,021,985)
Others	–	(7,923)
	<b>\$ (1,561,436)</b>	<b>\$ (1,029,908)</b>

#### 18. Financial, Net

Exchange difference, net	\$ (2,507,949)	\$ (1,390,972)
Interest and other bank expenses	(381,367)	(674,884)
Assumed taxes	(119,616)	(104,624)
Prior period expenses	9,567	(233,398)
Other	(13,812)	(18,127)
	<b>\$ (3,013,177)</b>	<b>\$ (2,422,005)</b>

**United Phosphorus Cayman Limited and its Colombian Branch**

**Notes to the Special Purpose Consolidated Financial Statements (continued)**

**19. Other Income**

	<b>March 31</b>	
	<b>2015</b>	<b>2014</b>
Other sales	\$ 6,753	\$ 1,130
Prior period income	109,647	216,710
Recovery income	77,323	–
Other income	21,810	55,570
	<u>\$ 215,533</u>	<u>\$ 273,410</u>