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Coromandel Brasil Ltda.

Financial statements at December 31, 2017 and report of independent auditor

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Report of independent auditor on the financial statements

To the Board of Directors and Stockholders
Coromandel Brasil Ltda.

Opinion

We have audited the accompanying financial statements of Coromandel Brasil Ltda. ("Company"), which comprise the balance sheet as at 31 December 2017 and the statements of income, comprehensive income, changes in net capital deficiency and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coromandel Brasil Ltda. as at 31 December 2017, and its financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of matter

Related parties

We draw attention to Note 9 to the financial statements, which states the Company has balances and carries out transactions with its parent company and other related parties in significant amounts in relation to its financial position and operations results of operations. Our opinion is not qualified in respect of this matter.

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 accounting practices adopted in Brazil 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.

Coromandel Brasil Ltda.

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

Auditor's 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 auditor's 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 Brazilian and International Standards on Auditing 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 Brazilian and International Standards on Auditing, 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 auditor's 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 auditor's 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 these 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.

Sorocaba, 13 April 2018

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Marcos Roberto Sponchiado
Contador CRC 1SP175536/O-5

Coromandel Brasil Ltda.

Balance sheet at 31 December

All amounts in Brazilian reais

(A free translation of the original in Portuguese)

Assets	2017	2016
Current assets		
Cash and cash equivalents (Note 5)	73,857	57,351
Accounts receivable for related parties (Note 9)	5,128	
Taxes recoverable (Note 6)	36,862	1,380
Advances to the General Manager (Note 9)	30,109	
Advances for rental deposit (Note 7)	25,314	
Other assets	122	120
	171,393	58,851
Long-term receivables		
Advances for rental deposit (Note 7)		25,314
Property and equipment (Note 8)	2,973	5,428
	28,287	30,742
Total assets	174,365	89,593

Liabilities and net capital deficiency	2017	2016
Current liabilities		
Accounts payable	69,856	35,014
Salaries and social charges (Note 10)	160,386	270.924
Taxes payable (Note 11)	207,365	264.532
Advances for future capital increase (Note 9)	20,815	20,815
	458,422	591.285
Non-current liabilities		
Provision for contingencies (Note 12)	109,405	141,341
Total liabilities	567,827	732,626
Net capital deficiency (Note 13)		
Capital	1,850,000	1,850,000
Unpaid capital	(26,780)	(26,780)
Accumulated deficit	(2,216,682)	(2,466,253)
Total net capital deficiency	(393,462)	(643,033)
Total liabilities and net capital deficiency	174,365	89,593

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

Coromandel Brasil Ltda.

Statement of income
Years ended 31 December
All amounts in Brazilian reais (A free translation of the original in Portuguese)

	2017	2016
Revenue (Note 15)	1,019,940	692,907
Operating expenses		
Salaries and social charges	(364,075)	(245,225)
Rent	(59,363)	(56,586)
Professional fees	(98,350)	(43,336)
Fees and product registration costs	(63,407)	(84,364)
Provision for contingencies (Note 12)	31,936	(3,049)
Depreciation (Note 8)	(2,456)	(1,446)
Travel and accommodation	(90,186)	(89,572)
Courses	(3,979)	(3,211)
Other operating expenses	(38,319)	(67,595,)
Operating profit (loss)	331,741	98,523
Financial expenses (Note 16)	(51,332)	(150,803)
Financial income (Note 16)	7,065	2,905
Financial expenses, net	(44,267)	(147,898)
Profit (loss) before taxation	287,474	(49,375)
Income tax and social contribution (Note 14)	(37,903)	
Net profit (loss) for the year	249,571	(49,375)
Number of shares at end of year	(18,500)	(18,500)
Earnings (loss) per share of net capital at end of year	13,49	(2,67)

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

Coromandel Brasil Ltda.

Statement of comprehensive income
Years ended 31 December
All amounts in Brazilian reais

(A free translation of the original in Portuguese)

	2017	2016
Net profit (loss) for the year	249,571	(49,375)
Other comprehensive income		
Total comprehensive income for the year	**249,571**	**(49,375)**

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

Coromandel Brasil Ltda.

Statement of changes in equity (net capital deficiency)

All amounts in Brazilian reais (A free translation of the original in Portuguese)

	Share capital		Accumulated	
	Subscribed	**Unpaid**	**deficit**	**Total**
At 1 January 2016	1,850,000	(26,780)	(2,416,878)	(593,658)
Loss for the year			(49,375)	(49,375)
At 31 December 2016	1,850,000	(26,780)	(2,466,253)	(643,033)
Net profit for the year			249,571	249,571
At 31 December 2017	1,850,000	(26,780)	(2,216,682)	(393,462)

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

Coromandel Brasil Ltda.

Statement of cash flows
Years ended 31 December
All amounts in Brazilian reais (A free translation of the original in Portuguese)

	2017	2016
Cash flows from operating activities		
Profit (loss) before taxation	287,474	(49,375)
Adjustments arising from:		
Depreciation (Note 8)	2,456	1,446
Provision for contingencies (Note 12)	(31,936)	3,050
Financial charges on tax and labor liabilities	26,416	34,584
Changes in assets and liabilities		
Accounts receivable	(5,128)	
Taxes recoverable	(35,482)	
Advances to the General Manager	(30,109)	1,240
Accounts payable	34,842	12,479
Salaries and social charges	(134,601)	
Taxes payable	(97,424)	3,030
Other assets	(2)	
Net cash generated by operating activities	16,506	6,454
Net increase in cash and cash equivalents	16,506	6,454
Cash and cash equivalents at the beginning of the year (Note 5)	57,351	50,897
Cash and cash equivalents at the end of the year (Note 5)	73,857	57,351

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

1 General Information

The Company was established on 24 November 2008 and is headquartered in Cotia, state of São Paulo. The Company's objectives are the import and sale of chemical and biological products for use in agriculture (pesticides, herbicides, fertilizers, additives and other agricultural inputs), other chemical specialty products, machines, appliances, equipment and other engineering products for industrial and agricultural use, including parts and components, as well as sales representation and rendering of services in general.

The Company's activities are in the initial stage and, therefore, it has not yet generated sales revenues. The revenue recorded in 2017 and 2016 arises from commissions for representation services relating to sales made directly by the parent company Coromandel International Limited. Accordingly, the Company has spent significant amounts on organization, development and pre-operating costs which, in accordance with the Company's estimates and projections, are expected to be recovered from future operations. This will occur once the Company's products have been accepted by, and registered with, the related Brazilian authorities.

The Company has incurred recurring losses and the Company's current liabilities exceeded its current assets by R$ 287,029 (2016 – R$ 532,434) and it had a net capital deficiency of R$ 393,462 (2016 – R$ 643,033) at 31 December 2017. The parent company Coromandel International Limited formally expressed that it will maintain the financial support necessary to the Company's operations in Brazil until the Company obtains the licenses for its products from the regulatory agency, Agência Nacional de Vigilância Sanitária – ANVISA

These financial statements were approved by the Company's management on 13 April 2018.

2 Summary of significant accounting policies

The main accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements were prepared and are being presented in accordance with accounting practices adopted in Brazil issued by the Brazilian Accounting Pronouncements Committee, considering the historical cost as the basis of value, and disclose all (and only) the applicable significant information related to the financial statements, which is consistent with the information utilized by management in the performance of its duties.

The preparation of financial statements requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

2.2 Changes in accounting policies and disclosures

The following new standards were issued by IASB but are not effective for 2017:

IFRS 9 - " Financial Instruments " addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014 and is effective as from January 1, 2018. It replaces the orientation included in IAS 39 related to the classification and measurement of financial instruments. The main amendments brought by IFRS 9 are: (i) new criteria for the classification of financial assets; (ii) new impairment model for financial assets, which is a hybrid of expected and incurred losses, replacing the current model of incurred losses; and (iii) relaxation of the requirements for adoption of the hedge accounting. The entity's management understands that this accounting policy change does not bring significant change to the financial statements.

IFRS 15 - " Revenue from Contracts with Customers "- replaces IAS 11, "Construction Contracts", IAS 18, "Revenue" and related interpretations and introduces the principles to be applied by an entity to determine the measurement and recognition of revenue. This standard is based on the principle that revenue is recognized when the control of a good or service is transferred to a customer, so the control principle will replace the principle of risks and rewards. Effective date is January 1, 2018. The entity's management understands that this accounting policy change does not bring significant change to the financial statements.

IFRS 16 - " Leases": the new standard requires lessees to recognize the liability of the future payments and the right of use of the leased asset for virtually all lease contracts, including operating leases. Certain short-term and low-value contracts may be out of the scope of this new standard. The criteria for recognition and measurement of leases in the financial statements of the lessors are substantially maintained. IFRS 16 is effective for years beginning on or after January 1, 2019 and replaces IAS 17/CPC 06 - "Leases" and corresponding interpretations. The entity's management understands that this accounting policy change does not bring significant change to the financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the financial statements.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Brazilian reais, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognized in the statement of operations.

2.4 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with banks and other short-term highly liquid investments with original maturities of three months or less, and with immaterial risk of change in value.

2.5 Financial assets

2.5.1 Classification and measurement

The Company classifies its financial assets as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

(a) Loans and receivables

Included in this category are loans and receivables which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date (these are classified as non-current assets). The Company 's loans and receivables comprise accounts receivable from related parties, other assets, and cash and cash equivalents.

2.5.2 Recognition and measurement

Loans and receivables are measured at amortized cost using the effective interest method.

2.5.3 Compensation of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.5.4 Impairment of financial assets

(a) Assets carried at amortized cost

The Company assesses at the end of each year whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

(i) significant financial difficulty of the issuer or debtor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments;

(iii) the Company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that a lender would not otherwise consider;

(iv) it becomes probable that the borrower will enter bankruptcy or other financial reorganization;

(v) the disappearance of an active market for that financial asset because of financial difficulties; or

(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

. adverse changes in the payment status of borrowers in the portfolio; and
. national or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of any impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of operations. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment loss on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recorded loss is recognized in the statement of operations.

2.6 Accounts receivable

Accounts receivable are amounts due for services rendered in the ordinary course of the Company's business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Accounts receivable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for impairment of receivables, when applicable.

2.7 Property and equipment

Property and equipment are stated at acquisition cost and depreciated using the straight-line method to reduce their costs to their residual values over their estimated useful lives (IT equipment - five years, vehicles - five years; and furniture and fixtures - ten years).

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with these costs will flow to the Company and they can be measured reliably. The carrying amount of the replaced items or parts is derecognized. All other repairs and maintenance are charged to the statement of operations during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if it is above the estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other operating expenses" in the statement of operations.

2.8 Impairment of financial assets

Property and equipment and other non-current assets are reviewed annually to identify evidence of impairment and, also, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In this case, the recoverable value is calculated to verify if there is any loss. An impairment loss is recognized for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net sales price and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. As a result of this evaluation, no loss to be recognized was identified up to 31 December 2017.

2.9 Current liabilities

Current liabilities are stated at known or calculated amounts, plus, when applicable, the corresponding charges and monetary variations incurred.

2.10 Current and deferred income tax and social contribution

The current and deferred income tax and social contribution charge is calculated on the basis of tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken by the Company in income tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

The current income tax and social contribution are presented net, in liabilities when there are amounts payable, or in assets when the amounts prepaid exceed the total amount due on the reporting date.

Deferred income tax and social contribution are recognized, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred taxes are not accounted for if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognized only to the extent it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are presented net in the balance sheet when there is a legally enforceable right and the intention to offset them upon the calculation of current taxes, generally when related to the same legal entity and the same tax authority.

2.11 Capital

The capital quotas are classified in equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.12 Distribution of dividends and interest on capital

Dividends and interest on capital payable to the Company's quotaholders are recognized as a liability in the financial statements in the period in which the distribution is approved. As provided in the Company's partnership agreement, the partners representing the majority of capital will decide on the distribution and appropriation of the profit for the year.

2.13 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and, when applicable, is adjusted to present value, and is recognized when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities, as described below.

(a) Sales of services

The Company provides sales representation services which are rendered based on fixed price agreements. Services revenue is recognized as the services are rendered.

3 Critical accounting estimates and judgments

The preparation of financial statements requires the use of estimates to record certain assets, liabilities and other transactions. Accordingly, the Company's financial statements include estimates related to the selection of the useful lives of property and equipment and the determination of the provision for contingencies. The actual results may differ from those estimated.

Based on assumptions, the Company makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Company understands that there are no estimates or assumptions which would represent a significant risk, considering the likely to result in a material adjustment to the balance sheet or income statement for the next financial period.

All amounts in Brazilian reais

4 Financial instruments by category

		2017	2016
Assets as per balance sheet			
Trade and other receivables, excluding prepayments	(i)	5,128	
Other assets	(i)	122	120
Cash and cash equivalents	(i)	73,857	57,351
		79,107	**57,471**
Liabilities as per balance sheet			
Trade and other payables, excluding legal obligations	(ii)	69,856	35,014
		69,856	**35,014**

(i) Asset at amortized cost
(ii) Liabilities at amortized cost

4 Cash and cash equivalents

	2017	2016
Cash and banks	73,857	57,351
	73,857	57,351

5 Tax recoverable

	2017	2016
Withholding tax (IRRF)	36.862	1.380
	36.862	1.380
Current	36.862	1.380

Withholding tax recoverable's balance are due to payments made in excess during the period from 2015 to 2017. The management plan is to offset these taxes with other federal taxes.

All amounts in Brazilian reais

6 Advances for rental deposit

The advances for rental deposit at 31 December 2017 substantially refer to a prepayment made for the rental of a property located at Avenida Jamaris, 64.– Moema – in the City of São Paulo. The contract was signed in July 2015 and expires on 1 February 2018.

7 Property and equipment

	IT equipment	Vehicles and machinery	Furniture, fittings and equipment	Total
At 1 January 2016				
Opening balance	2,196		4,678	6,874
Depreciation	(817)		(628)	(1,445)
Net book value	1,379		4,050	5,429
At 31 December 2016				
Cost	6,131	61,500	10,769	78,400
Accumulated depreciation	(4,752)	(61,500)	(6,719)	(72,972)
Net book value	1,379		4,050	5,428
At 1 January 2017				
Opening balance	1,379		4,050	5,429
Depreciation	(1,379)		(1,077)	(2,456)
Net book value	-	-	2,973	2,973
At 31 December 2017				
Cost	6,131	61,500	10,769	78,400
Accumulated depreciation	(6,131)	61,500	(7,796)	(75,427)
Net book value	-	-	2,973	2,973

8 Related parties

As detailed below, the Company keep balance and has transactions with related parties with significant amount in relation to Company's financial position and results from operations.

All amounts in Brazilian reais

(a) Balances

The balance at 31 December 2017 refers to an advanced payments granted to the General Manager, Mr. Ramakrishna Sadaram, of R$ 30,109 (2016- R$ 0), to cover travel expenses. As well, there was an outstanding balance of accounts receivable with related parties totaling R$ 5,128 (2016 - R$ 0), which is due within the next fiscal year.

(b) Transactions

Transactions with related parties correspond to revenue sales commissions in intermediation sales made directly by its parent company Coromandel International Limited of R$ 1,040,759 (2016 – R$ 707,048).

(c) Key management remuneration

The remuneration paid or payable to key management for services rendered amounted to R$ 270,505 (2016 – R$ 245,225).

(d) Advances for future capital increase

The advances for future capital increase at 31 December 2017 and 2016, of R$ 20,815, were not classified in a specific equity account because they did not meet the criteria established by accounting standards adopted in Brazil.

9 Salaries and social charges

	2017	2016
Salaries	8,677	15,261
National Social Security (INSS)	85,642	146,350
Provision for fines and interest on overdue taxes	66,067	109,313
	160,386	270,924

10 Taxes payable

	2017	2016
Services Tax (ISS)	42,848	22,033
Social Integration Program (PIS)	1,639	1,141
Social Contribution on Revenues (COFINS)	4,587	2,288
Withholding Income Tax (IRRF)	18,810	125,238
Corporate Income Tax (IRPJ)	55,042	49,657
Social Contribution on Net Income (CSLL)	30,048	25,078
Provision for fines and interest on overdue taxes	50,330	37,004
Other	4,061	2,093
	207,365	264,532

All amounts in Brazilian reais

11 Provision for contingencies

The Company adopts the policy of granting certain benefits to its General Manager. However, these benefits are not included in the calculation basis for payment of social charges and withholding income tax on remuneration. Brazilian law determines that all direct and indirect benefits granted to employees and/or managers must be included in the total remuneration paid to that employee and/or manager and, therefore, be subject to payment of the related social charges and withholding income tax. The Company recorded the amount of R$ 109,405 (2016 – R$ 141,341) in order to provide for any challenges made by the tax authorities.

12 Equity

(a) Capital

Subscribed capital at 31 December 2017, of R$ 1,850,000 (31 December 2016 - R$ 1,850,000), consists of quotas with a par value of R$ 100.00 each, held as follows:

Quotaholders	Number of quotas
Coromandel International Limited	18,315
CFL Mauritius Ltd.	185
	18,500

Brazilian legislation requires that foreign investments be registered with the Brazilian Central Bank for purposes of capital repatriation and remittance of profits. Capital registered with the Central Bank at 31 December 2017 totaled US$ 962,559 (2016 - US$ 962,559).

13 Income tax and social contribution

Up to 2013, the Company paid income tax and social contribution based on the presumed profit method, which was calculated based on the gross sales revenue, as follows:

- income tax - calculated at the rate of 32% on revenue to establish the taxable profit and, then, at the rate of 15%, plus a surcharge of 10% on taxable profit in excess of R$ 240.000; and
- social contribution - calculated at the rate of 32% on revenue to establish the taxable profit and, then at the rate of 9%.

As mentioned in Note 2.9, as from 2015, income tax and social contribution started to be calculated based on actual taxable income adjusted as per specific legislation. The income tax rate is 15%, with a surcharge of 10% on annual taxable income that exceeds R$ 240,000. The social contribution is calculated on taxable income at the rate of 9%. The combined rate is 34%.

All amounts in Brazilian reais

Income tax and social contribution expenses for the year ended 31 December, were as follows:

	2017	2016
Profit (loss) before income tax and social contribution	287,474	(49,375)
Income tax and social contribution at the standard rates	24%	24%
	68,995	11,850
Tax credit not yet recognized		(11,850)
Adjustments to calculate the effective rate:		
Effect of temporary differences – exclusion	(14,487)	
Offset of tax loss	(16,244)	
Income tax and social contribution expense	37,903	

The Company has tax loss carryforwards, social contribution and temporarily nondeductible expenses to be offset against future taxable income , amounting to R$ 2,310,328 and R$ 13,871 (2016 – R$ 2.378.011 and R$ 13.871), respectively, and the net deferred tax assets in the amount of R$ 790,228 (2016 – R$ 813,240) have not yet accounted for not being possible to say that their achievement is at present , considered likely. According to current tax legislation, the compensation is limited annually to 30 % of taxable income, not having, however, the limitation.

14 Revenue

The reconciliation between gross sales and net revenue is as follows:

	2017	2016
Gross services revenue	1,040,759	707,048
Taxes on sales of services	(20,819)	(14,141)
Net revenue	1,019,940	692,907

All amounts in Brazilian reais

15 Finance income and costs

	2017	2016
Financial income		
Other financial income		106
Positive foreign exchange	7,065	2,799
Total financial income	7,065	2,905
Finance expenses		
Negative foreign exchange		(20,970
Provision for fines and interest on overdue taxes	(49,063)	(129,128)
Other finance costs	(2,269)	(599)
Total finance costs	(51,332)	(150,803)
Finance income (costs), net	(44,267)	(147,898)

15 Insurance

At December 31, 2017, the Company had insurance cover for vehicles in the amount of R$ 50,000.

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