

IMPCO, S. DE R.L. DE C.V.
Special Purpose Financial Information
Prepared for Consolidation Purposes
March 31, 2018 and 2017
(With the Independent Auditor's Opinion Thereon)

**INDEPENDENT AUDITOR'S REPORT ON SPECIAL PURPOSE FINANCIAL INFORMATION
PREPARED FOR CONSOLIDATION PURPOSES**

(In thousands of Mexican pesos)

From: DFK / Llarena y Asociados, S.C., Monterrey, Mexico

Date: April 13, 2018

Subject: Component Audit of Impco, S. de R.L. de C.V. for the Year Ended March 31, 2018

To: Deloitte Haskins & Sells, Ahmedabad, India

In accordance with your instructions, we have audited, for purposes of your audit of the consolidated financial statements of Symphony Limited Group, the accompanying special purpose financial information of Impco, S. de R.L. de C.V. as of and for the year ended March 31, 2018.

Management's Responsibility for the Special Purpose Financial Information

Management is responsible for the preparation and presentation of this special purpose financial information in accordance with policies and instructions contained in the Symphony Limited Group's disclosed accounting policies provided by management. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of the special purpose financial information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. This special purpose financial information has been prepared solely to enable Symphony Limited Group to prepare its consolidated financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on this special purpose financial information based on our audit. We conducted our audit in accordance with International Standards on Auditing. As requested, our audit procedures also included the additional procedures identified in your instructions. International Standards on Auditing require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the special purpose financial information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special purpose financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the special purpose financial information 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, if any, made by management, as well as evaluating the overall presentation of the special purpose financial information.

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

(Continued)

Opinion

In our opinion, the accompanying special purpose financial information for Impco, S. de R.L. de C.V. as of March 31, 2018 and for the year then ended has been prepared, in all material respects, in accordance with the policies contained in the Symphony Limited Group's disclosed accounting policies provided by management.

Other Matters

Without having an effect in our opinion, we draw attention to the following:

As mentioned in note 4 to the financial statements, the effects due to changes in the Symphony Limited Group's disclosed accounting policies applicable for the year ended March 31, 2018, were applied retrospectively, adjusting the opening balance of each affected component of partners' equity for the prior period presented and the other comparative amounts disclosed for the prior period presented, as if the new accounting policies had always been applied. The adjustments were as follows:

Opening balances as at April 1, 2016 –

	Debit	Credit
Deferred employee statutory profit sharing (asset)	\$ -	4,005
Employee benefits (liability)	7,262	-
Retained earnings (partners' equity)	4,005	2,086
Other comprehensive results (partners' equity)	<u>812</u>	<u>5,988</u>

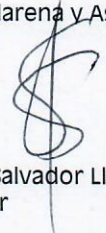
Year ended March 31, 2017 effects –

	Debit	Credit
Deferred employee statutory profit sharing (asset)	\$ 2,119	-
Employee benefits (liability)	-	6,022
General and administrative operating expenses (statement of comprehensive income)	947	2,119
Other income and expenses (statement of comprehensive income)	4,281	-
Other comprehensive results (statement of comprehensive income)	<u>1,606</u>	<u>812</u>

Restriction on Use and Distribution

This special purpose financial information has been prepared for purposes of providing information to Symphony Limited Group to enable it to prepare the consolidated financial statements of the group. As a result, the special purpose financial information is not a complete set of financial statements of Impco, S. de R.L. de C.V. in accordance with Generally Accepted Accounting Principles in India and is not intended to give a present fairly, in all material respects, the financial position of Impco, S. de R.L. de C.V. as of March 31, 2018, and of its financial performance, and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles in India. The financial information may, therefore, not be suitable for another purpose.

DFK / Llarena y Asociados, S.C.


C.P.C. Salvador Llarena Menard
Partner

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IMPCO, S. DE R.L. DE C.V.

Special Purpose Financial Information Prepared For Consolidation Purposes

Statements of Financial Position

(In thousands of Mexican pesos)

	March 31, 2018	(Reformulated) March 31, 2017	(Reformulated) April 1, 2016
Assets			
Current assets:			
Cash and cash equivalents	\$ 2,409	3,806	2,926
Accounts receivable (note 7)	78,718	72,089	52,618
Related parties (note 6)	3,806	3,130	844
Inventories (note 8)	64,195	70,009	68,630
Total current assets	149,128	149,034	125,018
Property, machinery and equipment, net (note 9)	17,021	13,477	17,527
	<u>\$ 166,149</u>	<u>162,511</u>	<u>142,545</u>
Liabilities and Partners' Equity			
Current liabilities:			
Loans payable to related parties	-	-	36,670
Accounts payable:			
Trade accounts payable	12,336	17,631	9,988
Related parties (note 6)	11,453	44,704	6,949
Other liabilities	22,829	25,152	15,155
Warranty provision (note 10)	1,300	441	604
Other accruals	7,488	2,884	5,780
Total current liabilities	55,406	90,812	75,146
Employee benefits (note 11)	6,637	6,861	10,408
Total liabilities	62,043	97,673	85,554
Partners' equity:			
Share capital (note 12)	1	1	1,000
Retained earnings	100,050	60,455	50,815
Other comprehensive results	4,055	4,382	5,176
Partners' equity	104,106	64,838	56,991
	<u>\$ 166,149</u>	<u>162,511</u>	<u>142,545</u>

See accompanying notes to financial statements.

IMPCO, S. DE R.L. DE C.V.

Special Purpose Financial Information Prepared For Consolidation Purposes

Statements of Comprehensive Income

For the years ended March 31, 2018 and 2017

(In thousands of Mexican pesos)

	2018	2017
Net revenues (note 13)	\$ 283,138	235,194
Cost of goods sold	<u>210,015</u>	<u>185,211</u>
Gross profit	<u>73,123</u>	<u>49,983</u>
Operating expenses:		
General and administrative	17,721	14,149
Selling	<u>20,303</u>	<u>22,163</u>
Total operating expenses	<u>38,024</u>	<u>36,312</u>
Operating income	<u>35,099</u>	<u>13,671</u>
Comprehensive financial results:		
Financial income	484	672
Financial expenses	(117)	(388)
Foreign exchange gain (loss), net	<u>5,235</u>	<u>(2,359)</u>
Comprehensive financial results, net	<u>5,602</u>	<u>(2,075)</u>
Income before depreciation, other income and expenses and taxes on earnings	40,701	11,596
Depreciation expense	<u>(1,106)</u>	<u>(1,931)</u>
Income before taxes on earnings	39,595	9,665
Taxes on earnings (note 14)	<u>-</u>	<u>25</u>
Net income	<u>39,595</u>	<u>9,640</u>
Other comprehensive results		
Remeasurements of net defined benefit liability (note 11)	(327)	(1,606)
Currency translation gain (loss) (note 3n)	<u>-</u>	<u>812</u>
Other comprehensive results	<u>(327)</u>	<u>(794)</u>
Comprehensive income	<u>\$ 39,268</u>	<u>8,846</u>

See accompanying notes to financial statements.

IMPCO, S. DE R.L. DE C.V.

Special Purpose Financial Information Prepared For Consolidation Purposes

Statements of Changes in Partners' Equity

For the years ended March 31, 2018 and 2017

(In thousands of Mexican pesos)

			Other comprehensive results		
	Share capital	Retained earnings	Remeasurements of net defined benefit liability	Currency translation accumulated effects	Total partners' equity
Balances at April 1, 2016, previously informed	\$ 1,000	52,734	-	-	53,734
Retrospective recognition of changes in accounting policies (note 4)	-	(1,919)	5,988	(812)	3,257
Balances at April 1, 2016 reformulated	1,000	50,815	5,988	(812)	56,991
Share capital reduction (note 12)	(999)	-	-	-	(999)
Comprehensive income	-	9,640	(1,606)	812	8,846
Balances at March 31, 2017	1	60,455	4,382	-	64,838
Comprehensive income	-	39,595	(327)	-	39,268
Balances at March 31, 2018	<u>\$ 1</u>	<u>100,050</u>	<u>4,055</u>	<u>-</u>	<u>104,106</u>

See accompanying notes to financial statements.

IMPCO, S. DE R.L. DE C.V.

Special Purpose Financial Information Prepared For Consolidation Purposes

Statements of Cash Flows

For the years ended March 31, 2018 and 2017

(In thousands of Mexican pesos)

	2018	2017
Cash flows from operating activities:		
Income before taxes on earnings	\$ 39,595	9,665
Reasurement of net defined benefit liability	(327)	(1,606)
Items related to investing activities:		
Depreciation and amortization	1,106	1,931
Gain on disposal of property, machinery and equipment, net	(26,013)	(4,418)
Interest income	(484)	(672)
Currency translation gain	-	812
Items related to financing activities:		
Interest expense	117	388
Subtotal	13,994	6,100
Accounts receivable	(6,629)	(19,471)
Related parties receivables	(676)	(2,286)
Inventories	5,814	(1,379)
Accounts payable	(35,406)	52,336
Income taxes paid	-	(25)
Employee benefits	(224)	(3,547)
Net cash provided by (applied in) operating activities	(23,127)	31,728
Cash flows from investing activities:		
Share capital reduction	-	(999)
Capital expenditures	(10,696)	(1,147)
Proceeds from disposal of property, machinery and equipment	32,059	7,684
Proceeds from interest income	484	672
Net cash provided by investing activities	21,847	6,210
Cash to be provided by (applied in) financing activities	(1,280)	37,938
Cash flows from financing activities:		
Proceeds from loans	22,630	6,830
Principal payments on loans	(22,630)	(23,155)
Interest payments	(117)	(20,733)
Net cash applied in financing activities	(117)	(37,058)
Net change in cash and cash equivalents	(1,397)	880
Adjustment to the cash flow due to exchange rate variation	-	-
Cash and cash equivalents at beginning of period	3,806	2,926
Cash and cash equivalents at end of period	\$ 2,409	3,806

See accompanying notes to financial statements.

IMPCO, S. DE R.L. DE C.V.

Special Purpose Financial Information Prepared For Consolidation Purposes

Notes to Financial Statements

March 31, 2018 and 2017

(All amounts in thousands of Mexican pesos)

1. Description of Business

Impco, S. de R.L. de C.V. (the Company) is an entity incorporated under the laws of Mexico, and its primary business is the manufacturing and sales of evaporative coolers and heaters. The address of the Company is Ayax #611, Kalos industrial Park, Guadalupe N.L. P.C. 67130. At the date of issuance of the accompanying special purpose financial information, the Company is a subsidiary of Symphony Limited (a listed entity in India), being the principal holding Company of the economic entity of which the Company is part of.

In turn, the Company was the holding entity of its subsidiary Symphony USA, Inc. (a U.S. entity). During the second semester of calendar 2016, Symphony USA, Inc. ceased commercial operations, and prior to yearend March 31, 2017, management of the subsidiary completed the process of formalizing its legal shut down. As such, the accompanying year ended March 31, 2017 financial statements being part of the special purpose financial information, include the accounts of Symphony USA, Inc. in consolidation.

2. Authorization and Basis of Preparation

On April 13, 2018, Arturo Silva Vega, Financial Director, authorized the issuance of the accompanying special purpose financial information, which includes financial statements and its notes.

The accompanying financial statements for the year ended March 31, 2018 and 2017, have been prepared for Symphony Limited group consolidation purposes in India.

a) Statement of compliance

The accompanying financial statements have been prepared in accordance with the Symphony Limited group's accounting policies.

b) Use of estimates and judgments

The preparation of financial statements requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment, valuation allowances for accounts receivable, other receivables, inventories, deferred income tax assets and valuation of liabilities related to employee benefits. Actual results could differ from those estimates and assumptions.

c) Reporting currency

The aforementioned financial statements are presented in Mexican pesos (reporting currency), which is the same as the local currency.

For purposes of disclosure, "pesos" or "\$" means Mexican pesos, and "dollars" or "US\$" means U.S. dollars.

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Special Purpose Financial Information Prepared For Consolidation Purposes

Notes to Financial Statements

(All amounts in thousands of Mexican pesos)

3. Summary of Significant Accounting Policies

A description of the accounting policies and practices followed by the Company in the preparation of its financial statements follows:

a) Principles of consolidation

The consolidated financial statements as at and for the year ended March 31, 2017, include the accounts of Impco, S. de R.L. de C.V. and those of its 100% owned U.S. subsidiary Symphony USA, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

b) Cash and cash equivalents

Consist mainly of bank deposits in checking accounts, foreign currency and other highly liquid investments. High liquid investments are to be carried at lower of cost and fair value computed individually. At the date of the financial statements, interest income and foreign exchange gains and losses are included on the statement of comprehensive income.

c) Translation of foreign currency financial statements

The financial statements of foreign operations are translated into the reporting currency by initially determining if the functional currency and the currency for recording the foreign operations are different and then translating the functional currency to the reporting currency, using the historical exchange rate and/or the exchange rate at the statement of financial position date.

Transactions in foreign currencies entered into by the Company are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

d) Accounts receivable

Accounts receivable are reported at realizable value, net of provisions for returns and discounts and the allowance for doubtful accounts.

e) Inventories and cost of sales

Inventories are measured at the lower of cost and net realizable value. The cost is determined by the standard cost valuation method, using first in first out allocation formula.

Cost of sales represents the cost of inventories at the time of sale, increased, as applicable, for reductions in the net realizable value of inventories during the period.

The Company records the necessary allowances for inventory impairment arising from damaged, obsolete or slow-moving inventories or any other reason indicating that the carrying amount will exceed the future revenues expected from use or realization of the inventory items.

(Continued)

IMPCO, S. DE R.L. DE C.V.

Special Purpose Financial Information Prepared For Consolidation Purposes

Notes to Financial Statements

(All amounts in thousands of Mexican pesos)

f) Property, machinery and equipment

Is originally recorded at acquisition cost and through December 31, 2007, were adjusted for inflation. Depreciation is calculated according to the straight line method based on the estimated useful lives of the assets as follows:

	Annual percentage depreciation
Buildings	5%
Machinery and equipment	8%
Transportation equipment	25%
Furniture and fixtures	10%

Minor repairs and maintenance costs are expensed as incurred.

g) Impairment of property, machinery and equipment

The Company evaluates the net carrying amount of property, machinery and equipment to determine whether there is an indication that the carrying amount exceeds the recoverable amount. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to future net revenues reasonably expected to be generated by the asset. If the net carrying amount of the asset exceeds the recoverable amount, the Company records the necessary provisions.

h) Income Tax (IT) and Employee Statutory Profit Sharing (ESPS)

IT and ESPS payable for the year are determined in conformity with the tax regulations in effect.

Deferred IT is accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for operating loss carryforwards and other recoverable tax credits. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized on the statement of comprehensive income in the period that includes the enactment date.

i) Accruals

Based on management's estimates, the Company recognizes accruals for present obligations where the transfer of assets or the rendering of services is virtually inevitable and arises as a consequence of past events, which, as applicable, are recorded at present value.

j) Employee benefits

- Short-term direct benefits**

The Company provides benefits to employees in the short term, which may include wages, salaries, annual compensation and bonuses payable within 12 months.

(Continued)

IMPCO, S. DE R.L. DE C.V.

Special Purpose Financial Information Prepared For Consolidation Purposes

Notes to Financial Statements

(All amounts in thousands of Mexican pesos)

- **Pensions and seniority premium**

These are cumulative remunerations that generate future benefits to employees offered by the entity in exchange for the employee's current services, whose entitlement is granted to the employee during his / her employment relationship and is acquired by the employee and / or his / her beneficiaries, at the time of retirement and / or at retirement age or other eligibility condition.

The net obligation of the Company corresponding to the seniority premium and legal compensation for retirement is calculated by estimating the amount of future benefits that employees have earned in the current and prior years.

The liability recognized in the statement of financial position with respect to the seniority premium is the present value of the defined benefit obligation at the date of the statement of financial position, the defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of defined benefit obligations is determined by discounting the estimated cash flows using the government bond yields denominated in the same currency in which the benefits will be paid and which have expiration terms approaching to the terms of the obligations.

Actuarial gains and losses arising from adjustments based on experience and changes in actuarial assumptions are charged or credited to partners' equity in other comprehensive income items in the period in which they arise, net of deferred income taxes.

The Company has no plan assets.

- **Employee participation in profits**

The Company recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the taxable income after certain adjustments.

- **Benefits paid to staff for compensation under labor laws.**

These types of benefits are payable and recognized in the statement of comprehensive income when the employment relationship with employees is terminated prior to the retirement date or when employees accept a voluntary return in exchange for such benefits.

In addition, the Company recognizes a provision when it is contractually bound or when there is a past practice that generates an assumed obligation.

- k) **Warranties**

The Company carries warranties on its products, against manufacturing defects. Provisions for estimated expenses related to such product warranties are calculated and recorded based on past historical data of warranty cost incurred by the Company.

- l) **Contingencies**

Liabilities for contingencies are recognized when a loss is probable and estimable. When there are no reasonable elements, a disclosure in a qualitative manner is included in the notes to the financial statements. Revenues, income and contingent assets are recognized at the moment of practically complete certainty of its realization.

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IMPCO, S. DE R.L. DE C.V.

Special Purpose Financial Information Prepared For Consolidation Purposes

Notes to Financial Statements

(All amounts in thousands of Mexican pesos)

m) Revenue recognition

Sales revenues are recognized when title passes to customers based on the terms of the sale. Based on management's analysis and estimates, the Company provides for doubtful receivables.

n) Comprehensive financial results (CFR)

The CFR includes interest income and expenses, and foreign exchange gains and losses.

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of execution or settlement. Foreign currency assets and liabilities are translated at the exchange rate in force at the statement of financial position date. Exchange differences arising from assets and liabilities denominated in foreign currencies are reported in other comprehensive income.

4. Accounting Changes

The accounting changes recognized by the Company applicable for the year ended March 31, 2018, derived from the following modifications to the Symphony Limited Group's disclosed accounting policies:

- Employee benefits**

In the new Symphony Limited Group's disclosed accounting policies, remeasurements must be recognized as OCI without being recycled to profit or loss of the period. Additionally, new Symphony Limited Group Accounting Policies establish that the discount rate used to determine the present value of liabilities must be the rate of high quality corporate bonds in absolute terms; only in the case that these bonds do not exist, the government bond rate will be used.

- Deferred employee statutory profit sharing**

New Symphony Limited Group's disclosed accounting policies do not contemplate the recognition of deferred employee profit sharing.

- Currency translation effects**

In the new Symphony Limited Group's disclosed accounting policies, currency translation effects must be recognized as other comprehensive income (OCI).

The effects of the above mentioned accounting changes were applied retrospectively, adjusting the opening balance of each affected component of partners' equity for the earliest prior period presented and the other comparative amounts disclosed for the prior period presented, as if the new accounting policies had always been applied. The adjustments were as follows:

Opening balances as at April 1, 2016 –

	Debit	Credit
Deferred employee statutory profit sharing (asset)	\$ -	4,005
Employee benefits (liability)	7,262	-
Retained earnings (partners' equity)	4,005	2,086
Other comprehensive results (partners' equity)	<u>812</u>	<u>5,988</u>

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IMPCO, S. DE R.L. DE C.V.

Special Purpose Financial Information Prepared For Consolidation Purposes

Notes to Financial Statements

(All amounts in thousands of Mexican pesos)

Year ended March 31, 2017 effects –

	Debit	Credit
Deferred employee statutory profit sharing (asset)	\$ 2,119	-
Employee benefits (liability)	-	6,022
General and administrative operating expenses (statement of comprehensive income)	947	2,119
Other income and expenses (statement of comprehensive income)	4,281	-
Other comprehensive results (statement of comprehensive income)	<u>1,606</u>	<u>812</u>

5. Foreign Currency Balances

As at March 31, 2018 and 2017, the dollar equivalent of the monetary assets and liabilities in foreign currency are as follows:

	In thousands of dollars		In thousands of pesos	
	2018	2017	2018	2017
Monetary assets:				
Cash and cash equivalents	\$ 1,000	62	18,690	1,184
Accounts receivable	-	60	-	1,150
Accounts receivable from related parties	-	163	-	3,130
	<u>1,000</u>	<u>285</u>	<u>18,690</u>	<u>5,464</u>
Monetary liabilities:				
Accounts payable to related parties	409	2,334	7,647	44,704
	<u>(409)</u>	<u>(2,334)</u>	<u>(7,647)</u>	<u>(44,704)</u>
Net monetary liability position	<u>\$ 591</u>	<u>(2,049)</u>	<u>(11,043)</u>	<u>(39,240)</u>

As at March 31, 2018 and 2017, the exchange rate was \$18.69 and \$19.15 pesos to the dollar. At April 13, 2018, date of the auditor's report, the exchange rate was \$ 18.13 pesos to the dollar.

6. Related Parties Transactions and Balances

Transactions with related parties for the years ended March 31, 2018 and 2017 are as follows:

	2018	2017
Sales of inventory – Symphony Limited	\$ 946	6,902
Inventory purchases – Symphony Limited	39,655	56,749
Inventory purchases – Guangdong Symphony Keruilai Air Coolers Co. Ltd.	16,250	1,097
Interest expense – Sylvan Holdings Pte. Ltd.	-	322
Interest expense – Symphony Limited	-	45
Loans received – Sylvan Holdings Pte. Ltd.	-	875
Loans received – Symphony USA, Inc.	<u>-</u>	<u>2,625</u>

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Special Purpose Financial Information Prepared For Consolidation Purposes

Notes to Financial Statements

(All amounts in thousands of Mexican pesos)

Balances receivable from and payable to related parties as at March 31, 2018 and 2017, are as follows:

	2018	2017
Accounts receivable:		
Symphony Limited	\$ -	3,119
Guangdong Symphony Keruilai Air Coolers Co. Ltd.	<u>3,806</u>	<u>11</u>
	<u>\$ 3,806</u>	<u>3,130</u>
Accounts payable:		
Symphony Limited	\$ 11,453	44,703
Guangdong Symphony Keruilai Air Coolers Co. Ltd.	<u>-</u>	<u>1</u>
	<u>\$ 11,453</u>	<u>44,704</u>

7. Accounts Receivable

As at March 31, 2018 and 2017, accounts receivable is made up as follows:

	2018	2017
Trade (net of allowance for doubtful accounts of \$533 for 2018)	\$ 60,914	56,927
Advances to suppliers	12,071	8,854
Recoverable value added taxes	4,761	5,533
Other recoverable taxes	196	152
Other	<u>776</u>	<u>623</u>
Total	<u>\$ 78,718</u>	<u>72,089</u>

8. Inventories

As at March 31, 2018 and 2017, inventories is made up as follows:

	2018	2017
Finished products	\$ 55,059	54,178
Work in process	68	1,306
Raw materials	<u>9,068</u>	<u>14,525</u>
Total	<u>\$ 64,195</u>	<u>70,009</u>

(Continued)

IMPCO, S. DE R.L. DE C.V.

Special Purpose Financial Information Prepared For Consolidation Purposes

Notes to Financial Statements

(All amounts in thousands of Mexican pesos)

9. Property, Machinery and Equipment

As at March 31, 2018 and 2017, property, machinery and equipment is made up as follows:

	2018	2017
Land	\$ 5,134	10,748
Buildings	4,083	6,925
Machinery and equipment	19,155	173,275
Transportation equipment	2,821	5,222
Furniture and fixtures	<u>2,740</u>	<u>10,931</u>
	33,933	207,101
Less accumulated depreciation	<u>(16,912)</u>	<u>(193,624)</u>
Property, machinery and equipment, net	\$ <u>17,021</u>	<u>13,477</u>

10. Warranty Provision

The movement of the warranty provision for the years ended March 31, 2018 and 2017 is as follows:

	2018	2017
Beginning balance	\$ 441	604
Provision during the period	1,500	1,196
Utilized during the period	<u>(641)</u>	<u>(1,359)</u>
Ending balance	\$ <u>1,300</u>	<u>441</u>

11. Employee Benefits

The amount of employee benefit obligations as of March 31, 2018 and 2017 added up \$6,637 and \$6,861 respectively, and is shown below:

	2018	2017
Pension plans	\$ 5,820	6,020
Seniority premium	<u>817</u>	<u>841</u>
	\$ <u>6,637</u>	<u>6,861</u>

The net period cost for the year ended March 31, 2018 and 2017, is shown below:

	2018	2017
Pension plans	\$ 58	1,337
Seniority premium	<u>140</u>	<u>164</u>
	\$ <u>198</u>	<u>1,501</u>

(Continued)

IMPCO, S. DE R.L. DE C.V.

Special Purpose Financial Information Prepared For Consolidation Purposes

Notes to Financial Statements

(All amounts in thousands of Mexican pesos)

- Pension plans**

The amounts recognized in the statements of financial position is comprised as follows:

	2018	2017
Defined benefit obligations and total liabilities in the statements of financial position	\$ <u>5,820</u>	<u>6,020</u>

The movement in the defined benefit obligation is as follows:

	2018	2017
Opening balance at April 1 st	\$ 6,020	9,327
Net period cost	58	1,337
Expenses recognized in OCI	268	1,479
Benefits paid directly by the employer	<u>(526)</u>	<u>(6,123)</u>
Ending balance at March 31	\$ <u>5,820</u>	<u>6,020</u>

The economical assumptions in nominal and real terms used were:

	2018	2017
Discount rate	7.50%	7.88%
Salary increase rate	4.50%	4.50%

The net period cost is comprised as follows:

	2018	2017
Current service cost	\$ 487	625
Interest cost, net	476	712
Losses on curtailments and settlements	(544)	-
Losses on adjustment in OCI	<u>(361)</u>	<u>-</u>
Net period cost	\$ <u>58</u>	<u>1,337</u>

- Seniority premium**

The amounts recognized in the statements of financial position is comprised as follows:

	2018	2017
Defined benefit obligations and total liabilities in the statements of financial position	\$ <u>817</u>	<u>841</u>

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The movement in the defined benefit obligation was as follows:

	2018	2017
Opening balance at April 1 st	\$ 841	1,082
Net period cost	140	164
Expenses recognized in OCI	59	127
Benefits paid directly by the employer	(223)	(532)
Ending balance at March 31	\$ <u>817</u>	<u>841</u>

The economic assumptions in nominal and real terms used were:

	2018	2017
Discount rate	7.50%	7.88%
Salary increase rate	4.50%	4.50%

The net period cost is comprised as follows:

	2018	2017
Current service cost	\$ 77	91
Interest cost, net	<u>63</u>	<u>73</u>
Net period cost	\$ <u>140</u>	<u>164</u>

12. Partners' Equity**a) Share capital**

As at March 31, 2018 and 2017 share capital is represented by two social parts as follows:

	2018		2017	
	Nominal value	Restated value	Nominal value	Restated value
Minimum fixed capital	\$ -	-	-	-
Variable capital	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
	\$ <u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

As at March 31, 2016, the Company was a subsidiary of Sylvan Holdings Pte. Ltd. (a Singaporean entity), being Symphony Limited the principal holding company of the economic of which the Company is part of. On a partner's meeting held in January 27, 2017, the partners approved an increase in the variable portion of the corporate capital of the Company in the amount of \$1 Mexican peso and a reduction of the fixed and variable portion of the corporate capital of the Company in the amount of \$25,740 Mexican pesos and \$973,260 Mexican pesos, correspondingly. Consequently, Symphony Limited became practically 100% direct owner of the Company.

b) Restrictions on partners' equity

In accordance with the General Corporations Law, five percent of net income for the year must be appropriated to the statutory reserve, until it reaches one-fifth of share capital.

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Partners' contributions restated as provided for by the tax law, may be refunded to the partners tax-free, to the extent that such contributions equal or exceed partners' equity.

Retained earnings and other partners' equity accounts aggregating, on which no IT have been paid, are subject to income taxes in the event of distribution, at the rate of 30%, payable by the Company; consequently, the partners may only receive 70% of such amounts.

13. Net Revenues

For the year ended March 31, 2018 and 2017, net revenues are made up as follows:

	2018	2017
Net sales	\$ 256,529	228,183
Gain on disposal of property, machinery and equipment	26,013	4,418
Other	<u>596</u>	<u>2,593</u>
	<u>\$ 283,138</u>	<u>235,194</u>

14. Taxes on Earnings (IT)

Current IT is calculated considering as taxable or deductible the effects of inflation over certain monetary liabilities and assets through the annual inflation adjustment. The IT rate for legal entities in Mexico is 30% for fiscal years 2016, 2017, 2018 and thereafter.

IT expense for the years ended March 31, 2018 and 2017, are as follows:

	2018	2017
Current IT	\$ -	25 ⁽¹⁾
Deferred IT	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>25</u>

⁽¹⁾ The total amount of current IT for the year ended March 31, 2017 was originated by the U.S. subsidiary Symphony USA, Inc., at a rate of 15%.

The main items originating a net deferred IT asset (liability) as at March 31, 2018 and 2017, is as follows:

	2018	2017
Property, machinery and equipment	\$ 118	207
Liability accruals and other reserves	5,502	3,600
Employee benefits	1,991	2,058
Accumulated tax losses	<u>19,304</u>	<u>32,164</u>
Deferred IT asset	26,915	38,029
Valuation allowance ⁽²⁾	<u>(26,915)</u>	<u>(38,029)</u>
Net deferred IT asset	<u>\$ -</u>	<u>-</u>

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- (2) In assessing the realizability of deferred assets on taxes on earnings, management considered that it was more likely than not that deferred assets will not be realized. As such, as at March 31, 2018 and 2017, a valuation allowance was recognized for the total amount of the deferred IT tax asset.

Restated amounts as at March 31, 2018 and expiration dates of tax loss carryforwards that can be offset against IT taxable income are as follows:

Calendar year of expiration	Tax loss carryforwards
2019	\$ 37,632
2023	5,984
2026	<u>20,734</u>
	\$ <u>64,350</u>

15. Lease Commitments

The Company has lease commitments under operating lease agreements. Minimum rentals due under the leases are payable as follows:

Calendar year	Amount
2018	\$ 4,276
2019	4,386
2020	3,901
2021	3,901
2022	<u>2,600</u>
	\$ <u>19,064</u>

Rental expense amounted to \$3,543 and \$2,381 for the years ended March 31, 2018 and 2017, respectively.

16. Contingent Liabilities

- There are no pending notices of government authorities. However, the five-year period prior to the most recent income tax return filed is open to governmental tax examination.
- In accordance with the Income Tax Law, companies carrying out transactions with related parties are subject to certain requirements as to the determination of prices, since such prices must be similar to those that would be used in arm's-length transactions.

Should the tax authorities examine the transactions and reject the related party prices, they could assess additional taxes plus the related inflation adjustment and interest, in addition to penalties of up to 100% of the omitted taxes.

Considering the above, to the best of management's knowledge and based on the details provided to the Company, except for the amounts provided for in the books for all known liabilities, there are no other liabilities or claims against the Company for which there is a possible outflow and which should be disclosed as contingent liabilities.