

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

Special Purpose Financial Information

Prepared for Consolidation Purposes

March 31, 2017 and 2016

(With the Independent Auditor's Opinion Thereon)

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**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 14, 2017

Subject: Component Audit of Impco, S. de R.L. de C.V. and Subsidiary for the Year Ended March 31, 2017

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. and Subsidiary as of and for the year ended March 31, 2017.

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.

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Opinion

In our opinion, the accompanying special purpose financial information for Impco, S. de R.L. de C.V. and Subsidiary as of March 31, 2017 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.

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. and Subsidiary 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. and Subsidiary as of March 31, 2017, 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

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

Special Purpose Financial Information Prepared For Consolidation Purposes

Consolidated Statements of Financial Position

March 31, 2017 and 2016

(In thousands of Mexican pesos)

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,806	2,926
Accounts receivable (note 7)	72,089	52,618
Related parties (note 6)	3,130	844
Inventories (note 8)	<u>70,009</u>	<u>68,630</u>
Total current assets	149,034	125,018
Property, machinery and equipment, net (note 9)	13,477	17,527
Deferred employee statutory profit sharing (note 14)	<u>1,886</u>	<u>4,005</u>
	<u>\$ 164,397</u>	<u>146,550</u>
Liabilities and Partners' Equity		
Current liabilities:		
Loans payable to related parties (note 6)	-	36,670
Accounts payable:		
Trade accounts payable	17,631	9,988
Related parties (note 6)	44,704	6,949
Other liabilities	25,152	15,155
Warranty provision (note 10)	441	604
Other accruals	<u>2,884</u>	<u>5,780</u>
Total current liabilities	90,812	75,146
Employee benefits (note 11)	<u>8,101</u>	<u>17,670</u>
Total liabilities	<u>98,913</u>	<u>92,816</u>
Partners' equity:		
Share capital (note 12)	1	1,000
Retained earnings	<u>65,483</u>	<u>52,734</u>
Partners' equity	<u>65,484</u>	<u>53,734</u>
	<u>\$ 164,397</u>	<u>146,550</u>

See accompanying notes to financial statements.

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

Special Purpose Financial Information Prepared For Consolidation Purposes

Consolidated Statements of Income

For the year ended March 31, 2017 and for the period of nine months ended March 31, 2016

(In thousands of Mexican pesos)

	2017	2016
Net revenues (note 13)	\$ 235,194	142,252
Cost of goods sold	<u>185,211</u>	<u>91,826</u>
Gross profit	<u>49,983</u>	<u>50,426</u>
Operating expenses:		
General and administrative	15,321	12,053
Selling	<u>22,163</u>	<u>16,702</u>
Total operating expenses	<u>37,484</u>	<u>28,755</u>
Operating income	<u>12,499</u>	<u>21,671</u>
Comprehensive financial results:		
Financial income	672	132
Financial expenses	(388)	(1,125)
Foreign exchange loss, net	<u>(2,359)</u>	<u>(5,395)</u>
Comprehensive financial results, net	<u>(2,075)</u>	<u>(6,388)</u>
Income before depreciation, other income and expenses and taxes on earnings	10,424	15,283
Depreciation expense (note 9)	<u>(1,931)</u>	<u>(2,850)</u>
Income before other income and expenses	8,493	12,433
Other income and expenses	<u>4,281</u>	<u>(358)</u>
Income before taxes on earnings	12,774	12,075
Taxes on earnings (note 15)	<u>25</u>	<u>-</u>
Net income	<u>\$ 12,749</u>	<u>12,075</u>

See accompanying notes to financial statements.

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

Special Purpose Financial Information Prepared For Consolidation Purposes

Consolidated Statements of Changes in Partners' Equity

For the year ended March 31, 2017 and for the period of nine months ended March 31, 2016

(In thousands of Mexican pesos)

	Share capital	Retained earnings	Total partners' equity
Balances at June 30, 2015	\$ 1,000	40,659	41,659
Net income	<u>-</u>	<u>12,075</u>	<u>12,075</u>
Balances at March 31, 2016	1,000	52,734	53,734
Share capital reduction (note 12)	(999)	-	(999)
Net income	<u>-</u>	<u>12,749</u>	<u>12,749</u>
Balances at March 31, 2017	<u><u>\$ 1</u></u>	<u><u>65,483</u></u>	<u><u>65,484</u></u>

See accompanying notes to financial statements.

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

Special Purpose Financial Information Prepared For Consolidation Purposes

Consolidated Statements of Cash Flows

For the year ended March 31, 2017 and for the period of nine months ended March 31, 2016

(In thousands of Mexican pesos)

	2017	2016
Cash flows from operating activities:		
Income before taxes on earnings	\$ 12,774	12,075
Items related to investing activities:		
Depreciation and amortization	1,931	2,850
Gain on disposal of property, machinery and equipment, net	(4,431)	(35,743)
Interest income	(672)	(132)
Items related to financing activities:		
Interest expense	388	1,125
Subtotal	9,990	(19,825)
Accounts receivable	(19,471)	14,951
Related parties receivables	(2,286)	(844)
Inventories	(1,379)	(7,732)
Deferred employee statutory profit sharing	2,119	(22)
Accounts payable	52,336	3,016
Income taxes paid	(25)	-
Employee benefits	(9,569)	244
Net cash provided by (applied in) operating activities	31,715	(10,212)
Cash flows from investing activities:		
Share capital reduction	(999)	-
Capital expenditures	(1,147)	(1,194)
Proceeds from disposal of property, machinery and equipment	7,697	36,793
Proceeds from interest income	672	132
Net cash provided by investing activities	6,223	35,731
Cash to be applied in financing activities	37,938	25,519
Cash flows from financing activities:		
Proceeds from loans	6,830	3,586
Principal payments on loans	(23,155)	(30,086)
Interest payments	(20,733)	-
Net cash applied in financing activities	(37,058)	(26,500)
Net change in cash and cash equivalents	880	(981)
Adjustment to the cash flow due to exchange rate variation	-	(16)
Cash and cash equivalents at beginning of period	2,926	3,923
Cash and cash equivalents at end of period	\$ 3,806	2,926

See accompanying notes to financial statements.

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Special Purpose Financial Information Prepared For Consolidation Purposes

Notes to Consolidated Financial Statements

March 31, 2017 and 2016

(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 Avenida Las Américas #303, Guadalupe, Nuevo León, Mexico, C.P. 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 is 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.

2. Authorization and Basis of Preparation

On April 14, 2017, Arturo Silva Vega, Financial Director, authorized the issuance of the accompanying consolidated special purpose financial information, which includes consolidated financial statements and its notes.

The accompanying consolidated financial statements for the year ended March 31, 2017 and for the period of nine months ended March 31, 2016, have been prepared for Symphony Limited group consolidation purposes in India. For only occasion, prior period ended March 31, 2016 included nine months of operations as the financial year closing the Symphony Limited was changed from June 30 to March 31.

a) Statement of compliance

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

b) Use of estimates and judgments

The preparation of consolidated 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 consolidated 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 deferred employee statutory profit sharing assets, and valuation of liabilities related to employee benefits. Actual results could differ from those estimates and assumptions.

c) Reporting currency

The aforementioned consolidated 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 Consolidated 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 consolidated financial statements follows:

a) Principles of consolidation

The consolidated financial statements 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 consolidated financial statements, interest income and foreign exchange gains and losses are included on the Consolidated Statement of 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.

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

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Notes to Consolidated 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 and ESPS are accounted for under the asset and liability method. Deferred taxes and ESPS 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 in the case of IT, for operating loss carryforwards and other recoverable tax credits. Deferred tax and ESPS 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 and ESPS assets and liabilities of a change in tax rates is recognized on the Consolidated Statement of 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.

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

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Notes to Consolidated Financial Statements

(All amounts in thousands of Mexican pesos)

j) Employee benefits

- **Short-term direct benefits**

Short-term direct employee benefits are recognized in income of the period in which the services rendered are accrued. A liability is recognized for the amount expected to be paid if the Company has a legal or assumed obligation to pay this amount as a result of past services provided and the obligation can be reasonably estimated.

- **Long-term direct benefits**

The Company's net obligation in relation to direct long-term benefits (except for deferred ESPS - see subsection (h) Income Tax (IT) and Employee Statutory Profit Sharing (ESPS)), and which the Company is expected to pay at least twelve months after the date of the most recent consolidated statement of financial position presented, is the amount of future benefits that employees have obtained in exchange for their service in the current and previous periods. This benefit is discounted to its present value.

- **Termination benefits**

A liability is recognized for termination benefits along with a cost or expense when the Company has no realistic alternative other than to make the corresponding payments or when the offer of these benefits cannot be withdrawn or when the conditions that require the recognition of restructuring costs are met, whichever occurs first. If benefits are not expected to be settled wholly within twelve months after the date of the most recent consolidated statement of financial position presented, then they are discounted.

- **Post-employment benefits**

Obligations for contributions to defined contribution plans are recognized in income as the related services are provided by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

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 consolidated financial statements. Revenues, income and contingent assets are recognized at the moment of practically complete certainty of its realization.

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.

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

Special Purpose Financial Information Prepared For Consolidation Purposes

Notes to Consolidated Financial Statements

(All amounts in thousands of Mexican pesos)

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 income and expenses on the Consolidated Statement of Income.

4. Accounting Changes

The accounting changes recognized by the Company in calendar 2016, derived from adoption of new accounting principles, are as follows:

- **Employee benefits**

Effective for years beginning on or after January 1, 2016 with retrospective effects. Main changes include the following:

- (i) Direct benefits – The classification of direct short-term benefits was modified and the recognition of deferred Employee Statutory Profit Sharing (ESPS) was ratified.
- (ii) Termination benefits – The bases were modified for identifying when payments for the termination of a work relationship actually meet post-employment benefits or when they are termination benefits.
- (iii) Post-employment benefits – Among others, the following were modified: the accounting recognition of multi-employer plans; government plans and plans of entities under common control; the recognition of the net defined benefit liability (asset); the bases for determining the actuarial hypothesis in the discount rate; the recognition of the Service Cost of Past Periods (SCPP) and of the Early Settlement of Obligations (ESO).
- (iv) Remeasurements – In recognizing post-employment benefits, the corridor approach is eliminated in the treatment of the plan's profits and losses (PPL); therefore, they are recognized as accrued and recognized directly in other income and expenses on the Consolidated Statement of Income.
- (v) Plan Asset Ceiling (PA) – Identifies a plan asset ceiling and specifies which entity contributed funds do not qualify as such.
- (vi) Recognition in profit or loss of PM, SR and gains or losses from Early Settlement of Obligations (ESO) – In post-employment benefits, the totality of the Service Cost of Past Periods (SCPP) of Plan Modifications (PM), Staff Reductions (SR) and the gains or losses from Early Settlement of Obligations (ESO) are immediately recognized in profit or loss.

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

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Notes to Consolidated Financial Statements

(All amounts in thousands of Mexican pesos)

(vii) Discount rate – Establishes that the discount rate of Defined Benefit Obligations (DBO) is based on investment grade corporate bond rates (deep market) and, in their absence, on government bond rates.

(viii) Termination benefits – Requires an analysis as to whether separation payments qualify as termination benefits or are actually post-employment benefits and notes that if the benefit is non-cumulative with no preexisting granting conditions, it is a termination benefit and, therefore, it should be recognized when the event occurs. However, if preexisting conditions are present, either contractually, by law or payment practices, it is deemed a cumulative benefit and should be recognized as a post-employment benefit.

5. Foreign Currency Balances

As at March 31, 2017 and 2016, the dollar equivalent of the monetary assets and liabilities in foreign currency are as follows:

	In thousands of dollars		In thousands of pesos	
	2017	2016	2017	2016
Monetary assets:				
Cash and cash equivalents	\$ 62	33	1,184	579
Accounts receivable	60	269	1,150	4,713
Accounts receivable from related parties	163	48	3,130	844
	<u>285</u>	<u>350</u>	<u>5,464</u>	<u>6,136</u>
Monetary liabilities:				
Loans payable to related parties	-	2,095	-	36,670
Accounts payable to related parties	2,334	397	44,704	6,949
Other liabilities	-	5	-	83
	<u>(2,334)</u>	<u>(2,497)</u>	<u>(44,704)</u>	<u>(43,702)</u>
Net monetary liability position	\$ <u>(2,049)</u>	<u>(2,147)</u>	<u>(39,240)</u>	<u>(37,566)</u>

As at March 31, 2017 and 2016, the exchange rate was \$19.15 and \$17.50 pesos to the dollar. At April 14, 2017, date of the auditor's report, the exchange rate was \$18.76 pesos to the dollar.

6. Related Parties Transactions and Balances

Transactions with related parties for the year ended March 31, 2017 and for the period of nine months ended March 31, 2016, are as follows:

	2017	2016
Sales of inventory – Symphony Limited	\$ 6,902	1,996
Inventory purchases – Symphony Limited	56,749	31,401
Interest expense – Sylvan Holdings Pte. Ltd.	322	1,125
Interest expense – Symphony Limited	45	-
Loans received – Sylvan Holdings Pte. Ltd.	875	3,586
Loans received – Symphony USA, Inc.	<u>2,625</u>	<u>-</u>

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

Special Purpose Financial Information Prepared For Consolidation Purposes

Notes to Consolidated Financial Statements

(All amounts in thousands of Mexican pesos)

Balances receivable from and payable to related parties as at March 31, 2017 and 2016, are as follows:

	2017	2016
Accounts receivable:		
Symphony Limited	\$ 3,119	844
Guangdong Symphony Keruilai Air Coolers Co. Ltd.	11	-
	<u>\$ 3,130</u>	<u>844</u>
Loan payable:		
Sylvan Holdings Pte. Ltd. ⁽¹⁾	\$ -	36,670
Accounts payable:		
Symphony Limited	\$ 44,703	6,949
Guangdong Symphony Keruilai Air Coolers Co. Ltd.	1	-
	<u>\$ 44,704</u>	<u>6,949</u>

(1) As at March 31, 2016, an interest expense accrual of \$18,645, related to the loan, is included as part of the loan payable balance.

7. Accounts Receivable

As at March 31, 2017 and 2016, accounts receivable is made up as follows:

	2017	2016
Trade	\$ 56,927	39,485
Advances to suppliers	8,854	8,166
Recoverable value added taxes	5,533	3,891
Other recoverable taxes	152	462
Other	623	614
Total	<u>\$ 72,089</u>	<u>52,618</u>

8. Inventories

As at March 31, 2017 and 2016, inventories is made up as follows:

	2017	2016
Finished products	\$ 54,178	52,916
Work in process	1,306	5,273
Raw materials	14,525	10,541
	70,009	68,730
Less allowance for obsolete and slow-moving inventory	-	(100)
Total	<u>\$ 70,009</u>	<u>68,630</u>

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(All amounts in thousands of Mexican pesos)

9. Property, Machinery and Equipment

As at March 31, 2017 and 2016, property, machinery and equipment is made up as follows:

	2017	2016
Land	\$ 10,748	11,530
Buildings	6,925	11,305
Machinery and equipment	173,275	174,610
Transportation equipment	5,222	4,977
Furniture and fixtures	<u>10,931</u>	<u>10,979</u>
	207,101	213,401
Less accumulated depreciation	<u>(193,624)</u>	<u>(195,874)</u>
Property, machinery and equipment, net	\$ <u>13,477</u>	<u>17,527</u>

10. Warranty Provision

The movement of the warranty provision for the year ended March 31, 2017 and for the period of nine months ended March 31, 2016, is as follows:

	2017	2016
Beginning balance	\$ 604	442
Provision during the period	1,196	540
Utilized during the period	<u>(1,359)</u>	<u>(378)</u>
Ending balance	\$ <u>441</u>	<u>604</u>

11. Employee Benefits

The Company has a non-contributory retirement plan covering all of its employees. Pension benefits are based on years of service and the employee's compensation. Such plan also includes seniority premiums and severance payments upon involuntary termination. Pension and statutory severance benefits are not funded.

Under Mexican legislation, the Company must make payments equivalent to 2% of its workers' daily integrated salary (ceiling) to a defined contribution plan that is part of the retirement savings system. The expense for the year ended March 31, 2017 and for the period of nine months ended March 31, 2016 was \$441 and \$352, respectively.

Net period cost (benefit) comprises determined for the year ended March 31, 2017 and for the period of nine months ended March 31, 2016 was \$(1,052) and \$1,585, respectively. The effect of remeasurements of net defined benefit liability for the year ended March 31, 2017 was \$3,469.

The present values of the net projected liability of these obligations as at March 31, 2017 and 2016 are \$8,101 and \$17,670, respectively.

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Special Purpose Financial Information Prepared For Consolidation Purposes

Notes to Consolidated Financial Statements

(All amounts in thousands of Mexican pesos)

The key assumptions used in the actuarial calculations for calendar years 2017 and 2016, expressed in absolute terms, were as follows:

	2017	2016
	%	%
Discount rates:		
Termination benefits	7.0	6.5
Post-employment benefits	7.0	6.5
Salary increase rate	4.5	4.5
Inflation rate	4.5	4.5

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

As at March 31, 2017 and 2016, share capital is represented by two social parts as follows:

	2017		2016	
	Nominal value	Restated value	Nominal value	Restated value
Minimum fixed capital	\$ -	-	26	26
Variable capital	<u>1</u>	<u>1</u>	<u>974</u>	<u>974</u>
	<u>\$ 1</u>	<u>1</u>	<u>1,000</u>	<u>1,000</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.

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.

(Continued)

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

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13. Net Revenues

For the year ended March 31, 2017 and for the period of nine months ended March 31, 2016, net revenues are made up as follows:

	2017	2016
Net sales	\$ 228,183	103,922
Gain on disposal of property, machinery and equipment	4,418	35,944
Deferred ESPS (see note 14)	-	22
Other	<u>2,593</u>	<u>2,364</u>
	\$ <u>235,194</u>	<u>142,252</u>

14. Taxes on Earnings, Tax Loss Carryforwards and Employee Statutory Profit Sharing - Impco, S. de R.L. de C.V.

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 is 30% for fiscal years 2015, 2016, 2017 and thereafter.

IT benefit (expense) for the year ended March 31, 2017 and for the period of nine months ended March 31, 2016, are as follows:

	2017	2016
Current IT	\$ -	-
Deferred IT	<u>-</u>	<u>-</u>
	\$ <u>-</u>	<u>-</u>

The main items originating a net deferred IT asset (liability) as at March 31, 2017 and 2016, is as follows:

	2017	2016
Property, machinery and equipment	\$ 207	(309)
Liability accruals and other reserves	3,022	7,023
Employee benefits	2,430	5,301
Current ESPS	578	1,423
Deferred ESPS	(566)	(1,202)
Accumulated tax losses	<u>32,164</u>	<u>26,736</u>
Deferred IT asset	37,835	38,972
Valuation allowance ⁽¹⁾	<u>(37,835)</u>	<u>(38,972)</u>
Net deferred IT asset	\$ <u>-</u>	<u>-</u>

- (1) 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, 2017 and 2016, a valuation allowance was recognized for the total amount of the deferred IT tax asset.

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The effects of temporary differences that give rise to the net deferred ESPS asset (liability) as at March 31, 2017 and 2016, is presented below:

	2017	2016
Property, machinery and equipment	\$ 69	(103)
Liability accruals and other reserves	1,007	2,341
Employee benefits	810	1,767
Net deferred ESPS asset	<u>\$ 1,886</u>	<u>4,005</u>

Restated amounts as at March 31, 2017 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	\$ 81,918
2023	5,556
2026	19,739
	<u>\$ 107,213</u>

15. Taxes on Earnings (IT) – U.S. Subsidiary Symphony USA, Inc.

The IT benefit (expense) at a 15% rate for the year ended March 31, 2017 and for the period of nine months ended March 31, 2016, is as follows:

	2017	2016
Current IT	\$ (25)	-
Deferred IT	-	-
	<u>\$ (25)</u>	<u>-</u>

16. Lease Commitments

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

Calendar year	Amount
2017	\$ 1,451
2018	<u>967</u>

Rental expense amounted to \$2,381 and \$2,428 for the year ended March 31, 2017 and for the period of nine months ended March 31, 2016, respectively.

(Continued)

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17. Contingent Liabilities

- a) 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.
- b) 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.