

SYMPHONY USA, INC.

Financial Statements

March 31, 2016 and June 30, 2015

(With the Independent Auditor's Opinion Thereon)

INDEPENDENT AUDITOR'S REPORT

(In thousands of Mexican pesos)

The Shareholders
Symphony USA, Inc.:

We have audited the accompanying financial statements of Symphony USA, Inc. (the Company), which comprise the balance sheets as of March 31, 2016 and as of June 30, 2015, and the statements of comprehensive income, changes in shareholders' equity and cash flows for the period of nine months ended March 31, 2016 and the year ended June 30, 2015, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with Mexican Financial Reporting Standards (FRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit consists of examining, on a test basis, evidence supporting the figures and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Symphony USA, Inc. as of March 31, 2016 and as of June 30, 2015, and its financial performance and cash flows for the period of nine months ended March 31, 2016 and for the year ended June 30, 2015, in accordance with FRS.

(Continued)

Emphasis Matter

The accompanying financial statements and its notes for the period of nine months ended March 31, 2016 and for the year ended June 30, 2015, have been prepared for Symphony Limited group consolidation purposes in India. For only occasion, current period ended March 31, 2016 included only nine months of operations as the financial year closing from Symphony Limited was changed from June 30 to March 31.

DFK / Llarena y Asociados, S.C.



C.P.C. Salvador Llarena Menard

April 14, 2016

SYMPHONY USA, INC.

Balance Sheets

March 31, 2016 and June 2015

(In thousands of Mexican pesos)

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 539	1,277
Accounts receivable (note 7)	4,713	3,843
Inventories - finished products	3,158	4,967
	<u>8,410</u>	<u>10,087</u>
Total current assets	8,410	10,087
Property, machinery and equipment, net (note 8)	<u>-</u>	<u>199</u>
	<u>\$ 8,410</u>	<u>10,286</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable:		
Related parties - Impco, S. de R.L. de C.V. (note 6)	9,317	9,822
Other liabilities	83	831
	<u>9,400</u>	<u>10,653</u>
Total current liabilities	9,400	10,653
Shareholders' equity (deficit):		
Capital stock (note 9)	62	62
Accumulated results	(240)	25
Cumulative currency translation effect (note 1 I)	(812)	(454)
	<u>(990)</u>	<u>(367)</u>
Shareholders' equity (deficit)	(990)	(367)
	<u>\$ 8,410</u>	<u>10,286</u>

See accompanying notes to financial statements.

SYMPHONY USA, INC.

Statements of Comprehensive Income

Period of nine months ended March 31, 2016 and year ended June 30, 2015

(In thousands of Mexican pesos)

	2016	2015
Net revenues (note 10)	\$ 9,979	13,018
Cost of goods sold	<u>(6,059)</u>	<u>(8,089)</u>
Gross profit	<u>3,920</u>	<u>4,929</u>
Operating expenses:		
General and administrative	(847)	(527)
Selling	<u>(3,338)</u>	<u>(4,147)</u>
Total operating expenses	<u>(4,185)</u>	<u>(4,674)</u>
Net income	(265)	255
Other comprehensive results:		
Currency translation loss (note 1 I)	<u>(358)</u>	<u>(348)</u>
Comprehensive income (loss)	<u>\$ (623)</u>	<u>(93)</u>

See accompanying notes to financial statements.

SYMPHONY USA, INC.

Statements of Changes in Shareholders' Equity

Period of nine months ended March 31, 2016 and year ended June 30, 2015

(In thousands of Mexican pesos)

	Capital stock	Accumulated results	Cumulative currency translation effect	Total shareholders' equity (deficit)
Balances at June 30, 2014	\$ 62	(230)	(106)	(274)
Comprehensive income (loss)	<u>-</u>	<u>255</u>	<u>(348)</u>	<u>(93)</u>
Balances at June 30, 2015	62	25	(454)	(367)
Comprehensive loss	<u>-</u>	<u>(265)</u>	<u>(358)</u>	<u>(623)</u>
Balances at March 30, 2016	<u>\$ 62</u>	<u>(240)</u>	<u>(812)</u>	<u>(990)</u>

See accompanying notes to financial statements.

SYMPHONY USA, INC.

Statements of Cash Flows

Period of nine months ended March 31, 2016 and year ended June 30, 2015

(In thousands of Mexican pesos)

	2015	2015
Cash flows from operating activities:		
Net income (loss)	\$ (265)	255
Currency translation loss	(358)	(348)
Items related to investing activities:		
Depreciation and amortization	35	-
Loss on disposal of property, machinery and equipment	180	-
Subtotal	(408)	(93)
Changes in:		
Accounts receivable	(870)	(425)
Inventories - finished products	1,809	73
Related parties - Impco, S. de R.L. de C.V.	(505)	(896)
Other liabilities	(748)	161
Net cash applied in operating activities	(722)	(1,180)
Adjustment to the cash flow due to exchange rate variations	(16)	(60)
Cash and cash equivalents at beginning of year	1,277	2,517
Cash and cash equivalents at end of year	\$ 539	1,277

See accompanying notes to financial statements.

SYMPHONY USA, INC.

Notes to Financial Statements

March 31, 2016 and June 30, 2015

(All amounts in thousands of Mexican pesos)

1. Description of Business

Symphony USA, Inc. (the Company) is an entity incorporated in the United States of America. The address of the Company is North 7th Street #6520, Suite 235, Phoenix, Arizona, U.S.A., 85014. The Company is a subsidiary of Impco, S. de R.L. de C.V. (a Mexican entity). The principal holding Company of the economic entity of which the Company is part is Symphony Limited (a listed entity in India).

The primary business of the Company is the manufacturing and sales of evaporative air coolers and heaters.

2. Authorization and Basis of Preparation

On April 14, 2016, Jaime Enríquez Olivares, President, authorized the issuance of the accompanying financial statements and its notes.

The accompanying financial statements for the period of nine months ended March 31, 2016 and for the year ended June 30, 2015, have been prepared for Symphony Limited group consolidation purposes in India. For only occasion, current period ended March 31, 2016 included only nine months of operations as the financial year closing from Symphony Limited was changed from June 30 to March 31.

a) Statement of compliance

The accompanying financial statements have been prepared in accordance with Mexican Financial Reporting Standards (FRS).

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, machinery and equipment, valuation allowances for accounts receivable, other receivables, inventories and deferred income tax assets. 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 different from the functional and local currency (U.S. dollars).

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

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:

(Continued)

www.slla.mx
www.dfk.com.mx

SYMPHONY USA, INC.

Notes to Financial Statements

(All amounts in thousands of Mexican pesos)

a) 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 balance sheet date.

b) Cash and cash equivalents

Consist mainly of bank deposits in checking accounts in dollars.

c) Accounts receivable

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

d) Inventories and cost of sales

Inventories are measured at the lower of cost and net realizable value. The cost is determined using the first in first out (FIFO) 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.

e) Property, machinery and equipment

Is originally recorded at acquisition cost. Depreciation is calculated according to the straight line method based on the estimated useful lives of the assets.

Minor repairs and maintenance costs are expensed as incurred.

f) 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.

g) Income Tax (IT)

IT payable for the year is determined in conformity with the tax regulations in effect.

Deferred IT is accounted for under the asset and liability method. Deferred taxes 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, 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.

(Continued)

www.slla.mx
www.dfk.com.mx

SYMPHONY USA, INC.

Notes to Financial Statements

(All amounts in thousands of Mexican pesos)

h) 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.

i) Employee benefits

Termination benefits other than restructuring and retirement to which employees are entitled are recorded in the statement of comprehensive income when paid.

Management estimates that the effect of not accruing for labor obligations based on actuarial computations as required by FRS D-3 "Employee benefits", did not generate any material effect.

j) 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.

k) 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.

l) Cumulative currency translation effect

Represent the difference resulting from the translation of the functional currency into the reporting currency.

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.

4. Accounting Changes

The Mexican Board of Financial Reporting Standards (CINIF), is the organization responsible for issuing the FRS. In December 2014, CINIF issued the document referred to as "2015 FRS Improvements", which contains precise modifications to some FRS. The modifications that bring about accounting changes are listed below:

- Bulletin C-9 "Liabilities, provisions, contingent assets and liabilities and commitments"**

Bulletin C-9 provides that foreign currency advances should be recognized at the exchange rate prevailing on the date of the transaction; that is, at the historical exchange rate. Such amounts should not be modified by subsequent exchange fluctuations between the functional currency and the foreign currency in which the price of goods and services related to such advance payments are denominated. This improvement is effective for periods beginning on or after January 1, 2015 and the accounting changes that arise should be recognized retrospectively.

(Continued)

SYMPHONY USA, INC.

Notes to Financial Statements
(All amounts in thousands of Mexican pesos)

5. Dollar Currency Balances

As of March 31, 2016 and as of June 30, 2015, the equivalent of the monetary assets and liabilities in dollars, are as follows:

	In thousands of dollars		In thousands of pesos	
	2016	2015	2016	2015
Monetary assets:				
Cash and cash equivalents	\$ 31	80	539	1,277
Accounts receivable	<u>269</u>	<u>241</u>	<u>4,713</u>	<u>3,843</u>
	<u>300</u>	<u>321</u>	<u>5,252</u>	<u>5,120</u>
Monetary liabilities:				
Accounts payable to related parties	532	616	9,317	9,822
Other liabilities	<u>5</u>	<u>52</u>	<u>83</u>	<u>831</u>
	<u>(537)</u>	<u>(668)</u>	<u>(9,400)</u>	<u>(10,653)</u>
Net monetary liability position	\$ <u>(237)</u>	<u>(347)</u>	<u>(4,148)</u>	<u>(5,533)</u>

As of March 31, 2016 and as of June 30, 2015, the exchange rate was \$17.50 and \$15.95 pesos to the dollar. At April 14, 2016, date of the auditor's report, the exchange rate was \$17.49 pesos to the dollar.

6. Related Parties Transactions

Transactions with related parties for the period of nine months ended March 31, 2016 and for the year ended June 30, 2015, are as follows:

	2016	2015
Sales of inventory – Impco, S de R.L. de C.V.	\$ 173	-
Inventory purchases – Impco, S. de R.L. de C.V.	<u>2,274</u>	<u>4,566</u>

7. Accounts Receivable

As of March 31, 2016 and as of June 30, 2015, accounts receivable is made up as follows:

	2016	2015
Trade	\$ 4,713	3,805
Other	<u>-</u>	<u>38</u>
Total	\$ <u>4,713</u>	<u>3,843</u>

(Continued)

SYMPHONY USA, INC.

Notes to Financial Statements
(All amounts in thousands of Mexican pesos)

8. Property, Machinery and Equipment

As of March 31, 2016 and as of June 30, 2015, property, machinery and equipment is made up as follows:

	2016	2015
Leasehold improvements	\$ -	166
Machinery and equipment	254	231
Furniture and fixtures	<u>286</u>	<u>261</u>
	540	658
Less accumulated depreciation and amortization	<u>(540)</u>	<u>(459)</u>
Property, machinery and equipment, net	\$ <u>-</u>	<u>199</u>

9. Capital Stock

As of March 31, 2016 and as of June 30, 2015, capital stock is represented by 5,000 shares of \$1 dollar each.

10. Net Revenues

For the period of nine months ended March 31, 2016 and for the year ended June 30, 2015, net revenues is made up as follows:

	2016	2015
Net sales	\$ 9,292	13,008
Other	<u>687</u>	<u>10</u>
	\$ <u>9,979</u>	<u>13,018</u>

11. Taxes on Earnings (IT) and Tax Loss Carryforwards

For the period of nine months ended March 31, 2016 and for the year ended June 30, 2015, the Company did not generate any basis for the payment of IT.

Based on Company's projections, there was no certainty that as of March 31, 2016 and as of June 30, 2015, accumulated tax losses giving rise for deferred IT asset would be realized. As such, no deferred IT was recorded for these periods.

Amounts as of March 31, 2016 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
2020	\$ 752
2022	<u>545</u>
	\$ <u>1,297</u>

(Continued)

www.slla.mx
www.dfk.com.mx

SYMPHONY USA, INC.

Notes to Financial Statements
(All amounts in thousands of Mexican pesos)

12. Lease Commitments

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

Calendar year	Amount
2016	\$ <u>265</u>

Rental expense amounted to \$326 and \$292 for the period of nine months ended March 31, 2016 and for the year ended June 30, 2015, respectively.

13. Recently Issued Accounting Standards

a) The CINIF has issued the FRS listed below:

- **FRS D-3 "Employee benefits"**

Is effective for years beginning on or after January 1, 2016 with retrospective effects and early adoption is allowed as of January 1, 2015. FRS D-3 supersedes the provisions in FRS D-3. 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 Comprehensive Income ("ORI"), requiring their recycling to the period's net profit or loss under certain conditions.
- (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.
- (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.

(Continued)

SYMPHONY USA, INC.

Notes to Financial Statements

(All amounts in thousands of Mexican pesos)

- (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.
- b) In December 2015, CINIF issued the document referred to as "2015 FRS Improvements", which contains precise modifications to some FRS. The modifications that bring about accounting changes are listed below:
- **FRS C-1 "Cash and cash equivalents" and FRS B - 2 "Cash flow statement"**
Modifies the definition of cash and cash equivalents to converge with the definitions included in the International Financial Reporting Standards and changes the term "investments available on demand" by "high liquidity financial instruments". Additionally, it establishes that cash in its initial and subsequent recognition should be valued at fair value, which is its nominal value, cash equivalents should be valued at fair value in its initial recognition and high liquidity financial instruments should be valued according with the intention to maintain each specific type of instrument. These improvements are effective for periods beginning on or after January 1, 2016 and the accounting changes that arise should be recognized retrospectively.
 - **Bulletin C-2 "Financial instruments", Adaptation document to Bulletin C-2 (AD), FRS B-10 "Effects of inflation" and Bulletin C-9 "Liabilities, provisions, assets and contingent liabilities"**
Modifies the definition of financial instruments available for sale contained in the AD to converge with Bulletin C-2. In addition, to converge with IFRS: makes precisions to the criteria to classify a financial instrument as held to maturity; incorporates the term "transaction costs" instead of the term "cost"; specifies where in the statement of comprehensive income should get recognized fair value adjustments, exchange rate fluctuations and results for monetary position related to financial instruments; and modifies the AD to allow the reversal of impairment losses related to financial instruments classified as held to maturity. These improvements are effective for periods beginning on or after January 1, 2016 and the accounting changes that arise should be recognized retrospectively.
 - **Bulletin C-10 "Derivative financial instruments and hedging transactions"**
To converge with IFRS: specifies that during the entire period of coverage, the hedging transaction should be evaluated in terms of its effectiveness; makes certain specifications about how to determine the primary position, incorporates the concept of "transaction costs" and makes adjustments regarding the accounting recognition of such costs. These improvements are effective for periods beginning on or after January 1, 2016 and the accounting changes that arise should be recognized retrospectively.

Management estimates that the new FRS and the improvements to FRS will be immaterial.

(Continued)

SYMPHONY USA, INC.

Notes to Financial Statements

(All amounts in thousands of Mexican pesos)

14. Contingent Liabilities

- a) The five-year period prior to the most recent income tax return filed is open to governmental tax examination.
- b) In accordance with the local tax laws, 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, in addition to penalties.

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.