

Samvardhana Motherson Global (FZE)

FINANCIAL STATEMENTS

31 MARCH 2019



DIRECTORS' REPORT

The Directors present their report and audited financial statements for Samvardhana Motherson Global (FZE) (the "Establishment") for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The principal activity of the Establishment is to provide business consultancy services to the related parties.

The total service income of the Establishment for the year ended 31 March 2019 is USD 5,036,723 (2018: USD 3,180,300). The Establishment reported a profit of USD 1,366,961 for the year ended 31 March 2019 (2018: USD 304,161).

DIRECTORS

The Directors who served during the year were:

Vivek Chaand Sehgal (Chairman)
Bimal Dhar

AUDITORS

Ernst and Young were appointed as external auditors of the Establishment for the year ended 31 March 2019. Ernst & Young, have indicated their willingness to continue as auditors of the Establishment for the year ending 31 March 2020.

For and on behalf of the Board of Directors

Atul Kumar Agarwal
Manager on Trade License



25th July 2019

Dubai, United Arab Emirates

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF SAMVARDHANA MOTHERSON GLOBAL (FZE)

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Samvardhana Motherson Global (FZE) (the "Establishment"), which comprise the statement of financial position as at 31 March 2019, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Establishment as at 31 March 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Establishment in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and shareholder for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and in compliance with applicable provisions of the Implementation Regulations issued pursuant to Law No. 2 of 1995, concerning the formation of Free Zone Establishments in the Sharjah Airport International Free Zone and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Establishment's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Establishment or to cease operations, or has no realistic alternative but to do so.

Shareholder is responsible for overseeing the Establishment's financial reporting process.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF SAMVARDHANA MOTHERSON GLOBAL (FZE) (continued)

Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Establishment's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Establishment's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Establishment to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with shareholder regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF SAMVARDHANA MOTHERSON GLOBAL (FZE) (continued)

Report on other legal and regulatory requirements

We confirm that in our opinion proper books of account have been kept by the Establishment in accordance with the provisions of the Implementing Regulations issued pursuant to Law No. 2 of 1995. We obtained all the information and explanations which we required for the purpose of our audit, and to the best of our knowledge and belief no violations of the Implementing Regulations have occurred during the year which would have had a material effect on the business of the Establishment or on its financial position.

For Ernst & Young

A handwritten signature in blue ink, appearing to read 'Thodla Hari Gopal', is written over a faint, larger version of the signature.

Signed by:
Thodla Hari Gopal
Partner
Registration number: 689

31 July 2019

Dubai, United Arab Emirates

Samvardhana Motherson Global (FZE)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	<i>Notes</i>	2019 USD	2018 USD
Revenue	3	5,036,723	3,180,300
General and administrative expenses	4	(3,649,574)	(2,846,089)
OPERATING PROFIT		1,387,149	334,211
Finance cost		(20,188)	(30,050)
PROFIT FOR THE YEAR		1,366,961	304,161
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,366,961	304,161

The attached notes 1 to 15 form part of these financial statements.

Samvardhana Motherson Global (FZE)

STATEMENT OF FINANCIAL POSITION

At 31 March 2019


	Notes	2019 USD	2018 USD
ASSETS			
Non-current assets			
Property and equipment	5	180,824	173,246
Current assets			
Prepayments and other receivables	6	163,877	123,443
Due from related parties	8	1,614,421	501,885
Bank balances and cash	7	1,761,542	850,669
		3,539,840	1,475,997
TOTAL ASSETS		3,720,664	1,649,243
EQUITY AND LIABILITIES			
Equity			
Share capital	9	40,839	40,839
Retained earnings		1,680,072	1,063,111
Total equity		1,720,911	1,103,950
Non-current liability			
Employees' end of service benefits	10	114,246	73,652
Current liabilities			
Loan from the Parent Company	8	-	369,630
Due to related parties	8	159,652	20,285
Trade and other payables	11	1,725,855	81,726
		1,885,507	471,641
Total liabilities		1,999,753	545,293
TOTAL EQUITY AND LIABILITIES		3,720,664	1,649,243

For and behalf on
Samvardhana Motherson Global (FZE)


Atul Kumar Agarwal
Manager on Trade License




Brett Diemhoff
Chief Operating Officer


Rajeev Gupta
Chief Financial Officer

The attached notes 1 to 15 form part of these financial statements.

Samvardhana Motherson Global (FZE)

STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	<i>Notes</i>	2019 USD	2018 USD
OPERATING ACTIVITIES			
Profit for the year		1,366,961	304,161
Adjustments for:			
Depreciation	5	122,341	92,502
Loss on sale of property and equipment	4	705	-
Provision for employees' end of service benefits	10	40,594	59,115
Finance cost		20,188	30,050
		<u>1,550,789</u>	<u>485,828</u>
Working capital changes:			
Prepayment and other receivables		(40,434)	(30,173)
Due from related parties		(1,112,536)	(193,587)
Loan from the Parent Company		(369,630)	50,160
Due to related parties		139,367	(58,768)
Trade and other payables		894,129	1,306
		<u>1,061,685</u>	<u>254,766</u>
Cash from operating activities		1,061,685	254,766
Employees' end of service benefits paid	10	-	(12,106)
		<u>1,061,685</u>	<u>242,660</u>
INVESTING ACTIVITY			
Purchase of property and equipment	5	(130,624)	(56,105)
		<u>(130,624)</u>	<u>(56,105)</u>
Net cash flows used in investing activity		(130,624)	(56,105)
FINANCING ACTIVITY			
Finance cost paid		(20,188)	(30,050)
		<u>(20,188)</u>	<u>(30,050)</u>
Net cash used in financing activity		(20,188)	(30,050)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		910,873	156,505
Cash and cash equivalents as at 1 April		850,669	694,164
CASH AND CASH EQUIVALENTS AT 31 MARCH		<u><u>1,761,542</u></u>	<u><u>850,669</u></u>

The attached notes 1 to 15 form part of these financial statements.

Samvardhana Motherson Global (FZE)
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2019

	<i>Share Capital USD</i>	<i>Retained earnings USD</i>	<i>Total USD</i>
At 1 April 2017	40,839	758,950	799,789
Profit for the year	-	304,161	304,161
Total comprehensive income for the year	-	304,161	304,161
At 31 March 2018	40,839	1,063,111	1,103,950
Profit for the year	-	1,366,961	1,366,961
Total comprehensive income for the year	-	1,366,961	1,366,961
Interim dividend declared (note 9)	-	(750,000)	(750,000)
At 31 March 2019	40,839	1,680,072	1,720,911

The attached notes 1 to 15 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2019

1 ACTIVITIES

Samvardhana Motherson Global (FZE) (the “Establishment”) is registered as a Free Zone Establishment in the Emirate of Sharjah, United Arab Emirates (“UAE”) with trade license number 15115 under applicable provisions of the Implementation Regulations issued pursuant to Law No. 2 of 1995, concerning the formation of Free Zone Establishments in the Sharjah Airport International Free Zone. The address of registered office of the Establishment is P.O. Box no. 513142, Sharjah.

The Establishment is fully owned by Samvardhana Motherson Reflectec Group Holdings Limited (Jersey) (the “Parent Company”). The Establishment has also established a branch in the Dubai Airport Free Zone Authority on 31 May 2015 with trade license number 02929. The accompanying financial statements are of the Establishment and includes the Dubai branch. The ultimate parent company is Motherson Sumi Systems Limited, India, a company listed on National Stock Exchange of India.

The principal activities of the Establishment are to provide business consultancy and procurement services to the related parties.

The financial statements were authorized for issue by the directors on 25 July 2019.

2 ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the applicable provisions of the Implementation Regulations issued pursuant to Law No. 2 of 1995, concerning the formation of Free Zone Establishments in the Sharjah Airport International Free Zone.

The financial statements have been prepared on a historical cost basis except for measurement of derivatives. The financial statements are presented in US Dollar (USD), which is also the functional and reporting currency of the Establishment. This is different from the currency of the country in which the Establishment is domiciled i.e. UAE Dirhams (AED).

2.2 Changes in accounting policies and disclosures

New and amended standards and interpretations effective for annual period beginning on or after 1 April 2018

The Establishment applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Establishment. The Establishment has not early adopted any standards, interpretations, or amendments that have been issued but are not yet effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 April 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory.

The Establishment has applied IFRS 9 with the initial application date of 1 April 2018 and has not restated the comparative information, which continues to be reported under IAS 39. The Establishment assessed that there is no significant impact on its statement financial position or equity on applying the classification, measurement and impairment requirements of IFRS 9. Consequently IFRS 9 does not have a significant impact on the financial statements of the Establishment.

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2019

2 ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations effective for annual period beginning on or after 1 April 2018 (continued)

IFRS 9 Financial Instruments (continued)

Classification and measurement

The Establishment does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9.

Due from related parties are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Establishment analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

Impairment

IFRS 9 requires the Establishment to measure and recognise expected credit losses on all applicable financial assets arising from IFRS 15 'Revenue from Contracts with Customers' e.g. Other receivables, amount due from related parties and bank balances, either on a 12-month or lifetime expected loss basis. The Establishment applied the simplified approach and record lifetime expected losses on all its financial assets. There is no impact to the statement of financial position resulting from the Establishment applying the impairment accounting requirements of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Establishment adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 April 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Establishment elected to apply the standard to all contracts as at 1 April 2018.

The adoption of IFRS 15 did not have a significant impact on the valuation or timing of revenue recognition of the Establishment. Hence, no adjustment to the opening Retained Earnings as at 1 January 2018 is required and therefore, comparative information was not required to be restated and continued to be reported under IAS 18 and related interpretations.

During the year, the Establishment performed assessment of the application of IFRS 15 on the following main streams of revenue:

Business consultancy services

The Establishment concluded that the services are satisfied over time given that the customer simultaneously receives and consumes the benefits provided by the Establishment. Consequently, under IFRS 15 the Establishment would continue to recognise revenue for these service contracts over time rather than at a point of time.

The Establishment has concluded that it operates as principal in business consultancy with customers. There is no transition impact at 1 April 2018.

2 ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations effective for annual period beginning on or after 1 April 2018 (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

Presentation and disclosure requirements

As required for the financial statements, the Establishment disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Establishment's financial statements.

Amendments to IAS 40: Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any significant impact on the Establishment's financial statements.

Amendments to IFRS 2: Classification and Measurement of Share-based payment transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. These amendments do not have any impact on the Establishment's financial statements because the Establishment does not have share-based transactions.

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Establishment because the Establishment has not entered into any insurance contracts.

Amendments to IAS 28 Investments in Associates and Joint Ventures: Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, then it may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity, associates or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associates, or joint venture first becomes a parent. These amendments are not relevant to the Establishment because the Establishment does not have investments in associates and joint ventures.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards: Deletion of short-term exemptions for first-time adopters

Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments do not have any impact on the Establishment's financial statements.

2 ACCOUNTING POLICIES (continued)

2.3 Standards issued but not yet effective

The Establishment has not adopted the following standards, amendments and interpretations that have been issued as at 31 December 2018 but are not yet effective.

- IFRS 16 - Leases (issued in January 2016), effective for annual periods beginning on or after 1 January 2019.
- IFRS 17 - Insurance contracts (issued in May 2017), effective for annual periods beginning on or after 1 January 2021. IFRS 17 will replace IFRS 4 Insurance Contracts. The new standard establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the standard.
- IFRIC 23 - Uncertainty over income tax treatments (issued in June 2017), effective for annual periods beginning on or after 1 January 2019. The interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, and on the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances.
- Amendments to IFRS 9 - Financial instruments: Prepayment features with negative compensation, effective date is 1 January 2019, with early adoption permitted.
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement. The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted.
- Amendments to IAS 28: Long-term interests in associates and joint ventures. The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted.
- Annual Improvements 2015-2017 Cycle (issued in December 2017) related to amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs. These amendments are effective for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

Management is currently assessing the impact of adopting the above standards, amendments and interpretations on the Establishment's financial statements in the period of their initial application. The Establishment intends to adopt these standards, amendments and interpretations, if applicable, when they become effective.

2.4 Summary of significant accounting policies

Revenue recognition

The Establishment is in the business of providing business consultancy and procurement services. Revenue from contracts with customers is recognised when control of the services are transferred to the customer at an amount that reflects the consideration to which the Establishment expects to be entitled in exchange for services. The Establishment has generally concluded that it is the principal in its business consultancy arrangements, except for the agency services below, because it typically controls the services before transferring them to the customer.

The following specific recognition criteria must also be met before revenue is recognised:

Contract revenue and revenue from sale of goods

The Establishment recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
3. Determine the transaction price: The transaction price is the amount of consideration to which the Establishment expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Establishment will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Establishment expects to be entitled in exchange for satisfying each performance obligation.
5. Recognise revenue when (or as) the entity satisfies a performance obligation at a point in time or over time.

2 ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Contract revenue and revenue from sale of goods (continued)

The Establishment satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Establishment's performance as the Establishment performs; or
- The Establishment's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Establishment's performance does not create an asset with an alternative use to the Establishment and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Revenue is recognised in the statement of comprehensive income to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the revenue and costs, if applicable, can be measured reliably.

Business consultancy services

The Establishment concluded that the services are satisfied over time given that the customer simultaneously receives and consumes the benefits provided by the Establishment. Consequently, under IFRS 15 the Establishment would continue to recognise revenue for these service contracts over time rather than at a point of time.

Procurement services

The Establishment has contracts with customers to acquire, on their behalf, equipment produced by foreign suppliers. The Establishment is acting as an agent in these arrangements. Revenue from the services are recognised at a point in time.

Coordination and inspection services

The Establishment provides services to suppliers relating to inspection of equipment supplied by them to the customers and coordination of payments from customers to the suppliers. Revenue from the services are recognised at a point in time based on all payments received by suppliers from the customers during each twelve month period calculated as per agreement.

When another party is involved in providing goods or services to its customer, the Establishment determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Establishment is a principal and records revenue on a gross basis if it controls the promised goods or services before transferring them to the customer. However, if the Establishment's role is only to arrange for another entity to provide the goods or services, then the Establishment is an agent and will need to record revenue at the net amount that it retains for its agency services.

The Establishment determined that it did not control the services before they are transferred to customers. Hence, it is an agent in these service contracts as it does not have the ability to direct the use of the equipment or obtain benefits from the equipment. This change did not affect the statement of financial position.

The following factors indicate that the Establishment does not control the goods before they are being transferred to customers. Therefore, the Establishment determined that it is an agent in these contracts.

- The Establishment is not primarily responsible for fulfilling the promise to provide the specified goods or services.
- The Establishment does not have inventory risk before or after the specified goods has been transferred to the customer.
- The Establishment has no discretion in establishing the price for the specified goods or services.

In addition, the Establishment concluded that it transfers control over its services, at a point in time, upon receipt by the customer of the goods or services, because this is when the customer benefits from the Establishment's agency service.

2 ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Applied until 31 March 2018

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Establishment and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding rebates, discounts, returns, taxes, or duty. The Establishment has concluded that it is the principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized.

Rendering of services

Revenue from rendering of services is recognized in the accounting period in which services are rendered, by reference to the terms of the underlying agreements.

Foreign currencies

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. All other foreign exchange gain and losses are presented in the Statement of comprehensive income within 'general and administrative expenses'.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Property and equipment comprise building and fit-out, computer and IT equipment and furniture and fixtures. Depreciation is calculated on a straight line basis over the estimated useful lives of assets as follows:

Building and fit-out	4-10 years
Computer and IT equipment	4-6 years
Furniture and fixtures	4-5 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use. Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the components that is replaced is written off.

Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the statement of comprehensive income as the expense is incurred.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Fully depreciated property and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2019

2 ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument at another entity.

i. Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Establishment's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Establishment has applied the practical expedient, the Establishment initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Establishment has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Establishment commits to purchase or sell the asset.

The Establishment's financial assets include bank balances and cash, trade and other receivables and due from related parties which are carried at amortised cost.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss – The Establishment has not designated any financial asset as fair value through profit or loss;
- Financial assets at amortised cost (debt instruments) – The Establishment subsequently measures financial assets at amortised cost using EIR method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognized, modified or impaired;
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments) - The Establishment has not designated any financial asset at fair value through OCI with recycling of cumulative gains and losses; and
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) - The Establishment has not designated any financial asset at fair value through OCI with no recycling of cumulative gains and losses upon derecognition.

Due from related parties

Amounts due from related parties are stated at original invoice amount less provision for expected credit losses. An estimate for expected credit losses is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

When a trade accounts receivable and amounts due from related parties are uncollectible, it is written off against the provision for expected credit losses. Subsequent recoveries of amounts previously written off are shown as other income in the statement of comprehensive income.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, net of bank overdrafts.

2 ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

i. Financial assets (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Establishment has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) The Establishment has transferred substantially all the risks and rewards of the asset, or (b). The Establishment has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Establishment has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Establishment's continuing involvement in the asset. In that case, the Establishment also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Establishment has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Establishment could be required to repay.

Impairment of financial assets

Disclosures relating to impairment of financial assets are provided in the notes to these financial statements.

- Disclosures for significant assumptions

The Establishment recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Establishment expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Trade and other operating receivables are depreciated according to the simplified IFRS 9 model. From inception, trade receivables are depreciated to the extent of the expected losses over their remaining maturity.

The credit risk of trade receivables is assessed on a collective basis using the risk profile assessment provided by an external agency. The provision for expected credit losses is evaluated using (i) the probabilities of default communicated by a credit agency, (ii) historical default rates, (iii) aging balance, (iv) as well as the Establishment's assessment of the credit risk considering actual guarantees and credit insurance.

Once it is known with certainty that a doubtful receivable will not be collected, the doubtful account and its related depreciation are written off through the income statement. Accounts receivable are discounted in cases where they are due in over one year and the discounting impact is significant.

The Establishment considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Establishment may also consider a financial asset to be in default when internal or external information indicates that the Establishment is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Establishment. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2 ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

ii Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Establishment determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

Subsequent measurement

The Establishment's financial liabilities include accounts payable and accruals and amounts due to related parties.

The Establishment has not designated any financial liability as at fair value through profit or loss. The measurement of financial liabilities depends on their classification.

Accounts payables and accruals and due to related parties

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if,

- there is a currently enforceable legal right to offset the recognised amounts; and
- there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

iv Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Dividends

Dividends on share are recognised as a liability and deducted from equity when they are approved by the shareholder. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Establishment.

2 ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

Value added tax

Expenses and assets are recognised net of the amount of value added tax, except:

When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable, when receivables and payables are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the financial statements.

Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognized when the Establishment has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed to the statement of comprehensive income.

Derivatives

The Establishment enters into derivative instruments including forwards, futures, forward rate agreements, swaps, credit default swap and options in the foreign exchange, interest rate and capital markets. Derivative transactions, while providing effective economic hedges under the Establishment's asset and liability management and risk management positions, do not qualify for hedge accounting and are therefore accounted for as derivatives held for trading. These are stated at fair value. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the statement of financial position. Changes in the fair values of derivatives held for trading are included in exchange gain/(expenses) in the statement of comprehensive income.

Employees' end of service benefits

The Establishment provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statements of comprehensive income on a straight—line basis over the period of the lease.

Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

2 ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

Current versus non-current classification

The Establishment presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Establishment classifies all other liabilities as non-current.

2.5 Significant accounting judgements, estimates, and assumptions

The preparation of the Establishment's financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation and uncertainty in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are discussed below:

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Establishment based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Establishment. Such changes are reflected in the assumptions when they occur.

Useful lives of property and equipment

The Establishment's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of due from related parties

An estimate of the collectible amount of due from related parties is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due.

At the reporting date, no expected credit loss amounting is recognised (2018: Nil). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

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NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2019

3 REVENUE

	<i>31 March 2019 USD</i>	<i>31 March 2018 USD</i>
Business consultancy services	3,749,706	2,983,542
Procurement services	108,878	-
Coordination and inspection services	1,178,139	196,758
	<u>5,036,723</u>	<u>3,180,300</u>

4 GENRAL AND ADMINISTRATIVE EXPENSES

	<i>31 March 2019 USD</i>	<i>31 March 2018 USD</i>
Staff costs	1,947,562	1,551,428
Travelling expenses	385,184	281,662
Software expenses	371,865	216,682
Rent expense	192,968	162,937
Depreciation (note 5)	122,341	92,502
Subscription fees	84,350	53,876
Professional expenses	74,109	21,274
Telephone and postage	65,292	55,365
Office expenses	59,805	46,623
Recruitment expenses	54,511	20,715
Insurance	44,208	22,205
Visa expenses	18,172	11,743
Loss on sale of property and equipment	705	-
Service charges	-	199,897
Others	228,502	109,180
	<u>3,649,574</u>	<u>2,846,089</u>

5 PROPERTY AND EQUIPMENT

	<i>Building and fit-out USD</i>	<i>Computer and IT equipment USD</i>	<i>Furniture, and fixtures USD</i>	<i>Total USD</i>
Cost:				
At 1 April 2018	71,257	196,864	88,343	356,464
Additions	29,725	48,034	52,865	130,624
Disposals	-	-	(7,552)	(7,552)
At 31 March 2019	<u>100,982</u>	<u>244,898</u>	<u>133,656</u>	<u>479,536</u>
Accumulated depreciation:				
At 1 April 2018	38,324	84,957	59,937	183,218
Charge for the year (note 4)	22,401	74,376	25,564	122,341
Disposals	-	-	(6,847)	(6,847)
At 31 March 2019	<u>60,725</u>	<u>159,333</u>	<u>78,654</u>	<u>298,712</u>
Net carrying amount:				
At 31 March 2019	<u>40,257</u>	<u>85,565</u>	<u>55,002</u>	<u>180,824</u>

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NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2019

5 PROPERTY AND EQUIPMENT (continued)

	<i>Building and fit-out USD</i>	<i>Computer and IT equipment USD</i>	<i>Furniture, and fixtures USD</i>	<i>Total USD</i>
Cost:				
At 1 April 2017	71,257	140,759	88,343	300,359
Additions	-	56,105	-	56,105
At 31 March 2018	71,257	196,864	88,343	356,464
Accumulated depreciation:				
At 1 April 2017	20,510	31,209	38,997	90,716
Charge for the year (note 4)	17,814	53,748	20,940	92,502
At 31 March 2018	38,324	84,957	59,937	183,218
Net carrying amount:				
At 31 March 2018	32,933	111,907	28,406	173,246

6 PREPAYMENTS AND OTHER RECEIVABLES

	<i>2019 USD</i>	<i>2018 USD</i>
Prepayments	122,429	92,809
Other receivables	21,905	30,634
Derivative financial assets (note 13)	19,543	-
	163,877	123,443

7 BANK BALANCES AND CASH

Cash and cash equivalents in the statement of cash flows consist of the following amounts relating to the statement of financial position:

	<i>2019 USD</i>	<i>2018 USD</i>
Cash in hand	7,014	5,701
Bank balances	1,754,528	844,968
	1,761,542	850,669

Samvardhana Motherson Global (FZE)

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2019

8 RELATED PARTY TRANSACTIONS

Related parties represent shareholder, affiliates, directors and key management personnel of the Establishment, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Establishment's management.

a) Transactions with related parties included in the statement of comprehensive income are as follows:

	2019 USD	2018 USD
Revenue	<u>3,858,584</u>	<u>2,983,541</u>
Software expenses	<u>(371,865)</u>	<u>(216,512)</u>
Finance cost	<u>(4,398)</u>	<u>(20,170)</u>

b) Balances with related parties included in the statement of financial position are as follows:

Due from related parties

	2019 USD	2018 USD
SMP Automotive Produtos Automotivos do Brasil Ltda-USD	928,483	-
SMP Deutschland GmbH	179,797	83,357
SMP Automotive Systems Alabama Inc.Tuscaloosa-USD	77,377	-
SMR Automotive Mirror Technology Hungary	64,058	36,769
Motherson Automotive Technologies & Engineering	54,572	37,748
SMP Automotive Systems Mexico SA	40,474	80,110
SMP Automotive Technology Iberica SLU (Polinya Spain)	26,582	42,465
SMR Automotive Systems USA Inc	25,129	21,842
SMR Poong Jeong Automotive Mirror Korea Ltd	21,408	21,692
SMP Automotive Technology Iberica S.L (Palencia Spain)	20,785	16,736
SMR Automotive Systems India Limited (Tamil Nadu)	20,070	26,780
Samvardhana Motherson Innovative Autosystems-USD	20,008	-
MSSL Mideast FZE	18,900	698
SMP Automotive Mirror Technology-Kecskemet Hungary-USD	18,632	-
SMR Automotive Mirror UK Ltd	17,517	10,268
SMR Automotive Vision Systems Mexico S.A	16,911	20,121
SMP Automotive Exterior GmbH-Schierling-USD	13,336	-
SMR Automotive Australia Pty Ltd	9,992	4,339
SMP Automotive Technology Portugal S.A	7,391	6,128
SMR Automotive Systems India Ltd (Noida)	6,579	11,607
SMR Hyosang Automotive Ltd	6,264	11,969
SMR Automotive Systems Spain S.A.U	5,969	13,212
SMP Automotive Technology Iberica S.L (Castellbisbal)	4,701	18,566
SMP Automotive Technologies Teruel SLU (Spain)	3,959	5,979
MSSL GmbH-USD	3,063	-
MSSL Global RSA Module Eng. Ltd	2,464	22,084
Motherson Sumi Infotech & Designs Limited	-	8,449
MSSL Tooling FZE	-	966
Total	<u>1,614,421</u>	<u>501,885</u>

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NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2019

8 RELATED PARTY TRANSACTIONS (continued)

b) Balances with related parties included in the statement of financial position are as follows :(continued)

Due to related parties

	<i>2019</i> <i>USD</i>	<i>2018</i> <i>USD</i>
SMR-Automotive Mirror International USA Inc, USA	49,458	-
MIND- Motherson Sumi InfoTech and Design Ltd.	42,237	-
Motherson Air Travelling, India	36,045	17,739
SMP Deutschland GmbH, Germany	30,415	-
SMR Automotive Australia Pty Ltd.	1,497	-
Motherson Auto Limited	-	2,546
	<u>159,652</u>	<u>20,285</u>

Loan from a related party

	<i>2019</i> <i>USD</i>	<i>2018</i> <i>USD</i>
Parent Company	-	369,630
	<u>-</u>	<u>369,630</u>

The loan from the Parent Company carries the fixed interest rate of 5.90% per annum (2018: 5.90% per annum). The loan is repaid during the year.

Compensation of key management personnel

The remuneration of key management personnel during the year was as follows:

	<i>2019</i> <i>USD</i>	<i>2018</i> <i>USD</i>
Short term benefits	487,774	454,047
Employees' end of service benefits	61,682	39,709
	<u>549,456</u>	<u>493,756</u>

9 SHARE CAPITAL AND DIVIDEND

	<i>2019</i> <i>USD</i>	<i>2018</i> <i>USD</i>
<i>Authorised, issued, and fully paid up:</i>		
<i>1 share of AED 150,000 equivalent to USD 40,839</i>	<u>40,839</u>	<u>40,839</u>

Dividends declared

Board has declared the interim dividends during the year totalling USD 750,000 (2018: nil) from the Establishment's retained earnings.

Further, the board has proposed final dividends of USD 909,000 (2018: nil). This dividend is subject to the approval of the shareholders at the annual general meeting.

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NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2019

10 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the statement of financial position are as follows:

	<i>2019</i> <i>USD</i>	<i>2018</i> <i>USD</i>
At 1 April	73,652	26,643
Provisions during the year	40,594	59,115
End of service benefits paid	-	(12,106)
At 31 March	<u>114,246</u>	<u>73,652</u>

11 TRADE AND OTHER PAYABLES

	<i>2019</i> <i>USD</i>	<i>2018</i> <i>USD</i>
Trade payables	857,760	8,138
Dividend payable	750,000	-
Derivative financial liabilities (note 13)	2,562	-
Other payables	115,533	73,588
	<u>1,725,855</u>	<u>81,726</u>

12 OPERATING LEASE COMMITMENTS

As at statement of financial position date, the Establishment's commitment under non-cancellable leases are as follows:

	<i>2019</i> <i>USD</i>	<i>2018</i> <i>USD</i>
Within one year	<u>21,249</u>	<u>21,249</u>

13 DERIVATIVE FINANCIAL INSTRUMENTS

In the ordinary course of business, the Establishment enters into transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. The purpose of derivative financial instruments in the Establishment's business is to mitigate the risks arising from default, currency fluctuations and other market variables. The Establishment uses forward foreign exchange contracts to mitigate the currency risk on certain liabilities.

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with the notional amounts. The notional amount, recorded gross is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are neither indicative of the market risk nor credit risk.

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2019

13 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	<i>Positive fair value 2019 USD</i>	<i>Negative fair value 2019 USD</i>	<i>Notional amount 2019 USD</i>
Derivative:			
Forward foreign exchange contracts	19,543	2,562	1,112,539

Derivative financial instruments include forward foreign exchange contracts. These instruments are entered into for a period of upto one year. The Establishment has 3 foreign exchange contracts (2018: Nil) outstanding as at 31 March 2019.

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have an impact on the profit or loss of the Establishment. The Establishment's exposure under derivative contracts is closely monitored as part of the overall management of the Establishment's market risk.

Derivative product type

Forwards

Forwards are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in over-the-counter market.

Fair value

Forwards are measured primarily using valuations provided by the financial institutions based on the observable spot exchange rates and the yield curves of the respective contracts. Disclosures concerning the fair value of derivatives are provided in Note 14.

Derivative related credit risk

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favourable to the Establishment. With gross-settled derivatives, the Establishment is also exposed to a settlement risk, being the risk that the Establishment honours its obligation, but the counterparty fails to deliver the counter value.

14 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments include financial assets and financial liabilities.

Financial assets consist of bank balances and cash, due from related parties and other receivables. Financial liabilities consist of due to related parties, loan from parent company, trade and other payables.

The fair values of financial instruments are not materially different from their carrying values largely due to short term maturity of these instruments. The fair value of the financial assets and liabilities are considered at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Derivatives

Determination of fair value and fair value hierarchy:

The Establishment uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2019

14 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Derivatives (continued)

Determination of fair value and fair value hierarchy: (continued)

The following table shows an analysis of derivatives recorded at fair value by level of the fair value hierarchy.

31 March 2019

	<i>Level 1 USD</i>	<i>Level 2 USD</i>	<i>Level 3 USD</i>	<i>Total USD</i>
Financial assets				
Foreign exchange contracts (note 6)	-	19,543	-	19,543
Financial liabilities				
Foreign exchange contracts (note 11)	-	2,562	-	2,562

15 RISK MANAGEMENT

Interest rate risk

The Establishment is not exposed to any significant interest rate risk as the Establishment does not have any floating rate assets or liabilities.

Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Establishment's exposure to the risk of changes in foreign exchange rates relates primarily to the Establishment's operating activities (when revenue or expense is denominated in a foreign currency).

The Establishment does not have any significant exposure to foreign currency risk since the majority of the transactions are denominated in US Dollar, or in currencies which are currently pegged to the USD.

Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Establishment.

The Establishment has adopted a policy of only dealing with creditworthy counterparties. The Establishment's credit exposure is continuously monitored and regularly reviewed by the management and the Establishment maintains an allowance for doubtful debts based on expected collectability of all receivable.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by International credit-rating agencies.

The carrying amounts of the financial assets recorded in the financial statements, which is net of impairment losses, represents the Establishment's maximum exposure to credit risks.

Liquidity risk

Liquidity risk is the risk that the Establishment will encounter difficulty in meeting financial obligations due to shortage of funds. The Establishment's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

Cash flow forecasting is performed by management who monitor rolling forecasts of the Establishment's liquidity requirements to ensure it has sufficient cash to meet operational needs.

Samvardhana Motherson Global (FZE)

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2019

15 RISK MANAGEMENT (continued)

Liquidity risk

The tables below summarize the maturity profile of the Establishment's financial liabilities based on contractual undiscounted payments.

At 31 March 2019

	<i>Less than 3 months USD</i>	<i>3 to 12 months USD</i>	<i>Total USD</i>
Trade and other payables	857,760	868,095	1,725,855
Amounts due to related parties	159,652	-	159,652
	<u>1,017,412</u>	<u>868,095</u>	<u>1,885,507</u>

At 31 March 2018

	<i>Less than 3 months USD</i>	<i>3 to 12 months USD</i>	<i>Total USD</i>
Trade and other payables	81,726	-	81,726
Amounts due to related parties	20,285	-	20,285
Loan from the Parent Company	-	378,717	378,717
	<u>102,011</u>	<u>378,717</u>	<u>480,728</u>

Derivatives financial instruments in the above table are indicated under trade and other payables at the gross undiscounted cash flows. However, these amounts may be settled gross or net.

Capital risk management

For the purpose of the Establishment's capital management, capital includes share capital, and retained earnings attributable to the shareholder of the Establishment. The primary objective of the Establishment's capital management is to maximize the shareholder value.

The Establishment manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Establishment may adjust the dividend payment to shareholder, return capital to shareholder. The Establishment monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

For the purpose of the Establishment's capital management, capital includes share capital and retained earnings and is measured at USD 1,720,911 (2018: USD 1,103,950).