SMR Automotive Australia Pty Limited

Financial report

for the year ended 31 March 2021

Directors' Report

Your directors present their report on the Company for the year ended 31 March 2021.

Directors
The names of the directors in office at any time during or since the end of the year are:

- Bharat Kumar Garg
- Bimal Dhar
- Rajat Jain
- Puneet Saim

Principal activities
The principal activity of the Company during the course of the financial year was the manufacture of automotive componentry.
There was no significant change in the nature of the activity of the Company during the year.

Dividends
A dividend of $6,773,948 was declared during year ended 31 March 2021 (year ended 31 March 2020: $12,646,624) of which $6,773,948 was paid (year ended 31 March 2020: $12,646,624).

Review of operations
The operating profit after income tax for the year ended 31 March 2021 amounted to $5,929,195 (year ended 31 March 2020: $15,674,533).

Significant changes in the state of affairs
There have been no significant changes in the state of affairs of the Company during the financial year.

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 31 March 2021 that has significantly affected, or may significantly affect:

(a) the entity's operations in future financial years , or
(b) the results of those operations in future financial years, or
(c) the entity's state of affairs in future financial years.

COVID 19
During 2021 the Company has been impacted by COVID 19, primarily through plant closures from our customers.

All major customers have had extended plant closures in response to COVID 19, which has impacted our sales during 2021. In response the company has reduced it's own manufacturing operations and continues to monitor the evolving situation regarding customer demand.
In addition to the reduced operations the company has utilised a number of Government support mechanisms such as the JobKeeper subsidy and deferrals of taxation payments to offset the effect of the COVID 19 related business disruption.

To date there have been no reported cases of COVID 19 in our workforce and the company has introduced social distancing, hygiene and monitoring protocols in line with Government and SMR guidelines to combat the threat of COVID 19.

Directors' Report

Likely developments and expected results of operations
The company will continue operations in the automotive industry and is committed to supporting our group companies and overseas vehicle manufacturers. Diversification opportunities consistent with our existing capabilities are also being actively pursued.

Environmental regulation
The Company is subject to environmental regulation in respect of its manufacturing activities as set out below.

The Company holds licences for its manufacturing sites. The licences require discharge to air and water to be below specified levels of contaminants and solid wastes to be removed to an appropriate disposal facility. No breaches of these levels occurred to the best of the directors' knowledge.

Insurance of officers
During the financial year, the ultimate parent company, Samvardhana Motherson Reflectec Company Holdings Limited, has paid or agreed to pay a premium in respect of a contract insuring all the directors against a liability incurred in their role as directors of the Company.

The total amount of insurance contract premiums paid has not been disclosed due to a confidentiality clause in the insurance contract.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section *307C* of the *Corporations Act 2001* is set out on page 5.

Auditor

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors.

Signed in accordance with a resolution of the Board of Directors:

Puneet Saim
Director

Dated this 28th day of MAY 2021

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Auditor's Independence Declaration

To the Directors of SMR Automotive Australia Pty Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of SMR Automotive Australia Pty Limited for the year ended 31 March 2021, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

A J Pititto

Partner – Audit & Assurance

Melbourne, 28 May 2021

Statement of comprehensive income

For the year ended 31 March 2021

	Notes	2021 $	2020 $
Revenue from continuing operations	4	**64,655,190**	89,578,545
Other Income	5	**13,437,956**	8,609,824
Raw materials and consumables used		**(28,632,467)**	(36,258,225)
Employee benefits expense		**(25,841,768)**	(24,560,025)
Depreciation and amortisation expense		**(2,595,670)**	(2,431,472)
Freight and duty		**(2,118,702)**	(2,074,387)
Rent and leasing expenses		**(532,057)**	(756,560)
Repairs and maintenance		**(1,504,204)**	(1,862,278)
Utilities		**(1,357,359)**	(1,693,967)
Other expenses		**(7,610,267)**	(6,979,407)
Share of profit (loss) from associates and loss on gain of control	21	**-**	(104,242)
Net changes in foreign currency translation		**570,284**	735,459
Finance costs		**(4,090)**	(7,658)
Profit before income tax		**8,466,846**	22,195,607
Income Tax Expense	7	**(2,537,651)**	(6,521,074)
Profit from continuing operations		**5,929,195**	15,674,533
Profit for the year		**5,929,195**	15,674,533
Other comprehensive income for the year, net of tax		**-**	-
Total Comprehensive Income for the year		**5,929,195**	15,674,533

Statement of financial position

As at 31 March 2021

	Notes	2021 $	2020 $
ASSETS			
Current assets			
Cash and cash equivalents	8	**5,070,475**	6,700,379
Trade and other receivables	9	**10,266,055**	13,279,680
Inventories	10	**17,152,996**	13,561,733
Total current assets		**32,489,526**	33,541,792
Non-current assets			
Investment in subsidiary	21	**349,802**	349,802
Property, plant and equipment	11	**17,187,386**	18,132,987
Right of use assets	11	**125,046**	165,769
Deferred tax assets	12	**2,946,928**	2,594,048
Total non-current assets		**20,609,162**	21,242,606
Total assets		**53,098,688**	54,784,398
LIABILITIES			
Current liabilities			
Trade and other payables	13	**(14,476,136)**	(15,887,388)
Related party tax payable		**(1,970,461)**	(666,541)
Provisions	14	**(6,661,632)**	(7,617,505)
Lease liabilities		**(40,385)**	(38,914)
Contract liabilities	13	**(2,044,981)**	(2,967,009)
Total current liabilities		**(25,193,595)**	(27,177,357)
Non-current liabilities			
Provisions	14	**(1,607,719)**	(1,387,887)
Lease liabilities		**(89,839)**	(130,224)
Borrowings	15	**(860,000)**	(860,000)
Total non-current liabilities		**(2,557,558)**	(2,378,111)
Total liabilities		**(27,751,153)**	(29,555,468)
Net assets		**25,347,535**	25,228,930
EQUITY			
Contributed equity	16	**(11,283,060)**	(11,283,060)
Reserves	17	**(973,569)**	(10,211)
Retained earnings		**(13,090,906)**	(13,935,659)
Total equity		**(25,347,535)**	(25,228,930)

Statement of changes in equity
For the year ended 31 March 2021

	Contributed equity $	Reserves $	Retained earnings $	Total equity $
Balance as at 1 April 2019	11,283,060	1,039,502	10,907,750	23,230,312
Total comprehensive income for the year	-	-	15,674,533	15,674,533
Movement in hedge accounting	-	(1,029,291)	-	(1,029,291)
Transactions with owners in their capacity as owners:				
- Dividends provided for or paid	-	-	(12,646,624)	(12,646,624)
Balance as at 31 March 2020	**11,283,060**	**10,211**	**13,935,659**	**25,228,930**
Balance as at 1 April 2020	**11,283,060**	**10,211**	**13,935,659**	**25,228,930**
Total comprehensive income for the year	-	-	**5,929,195**	**5,929,195**
Movement in hedge accounting	-	**963,358**	-	**963,358**
Transactions with owners in their capacity as owners:				
- Dividends provided for or paid	-	-	**(6,773,948)**	**(6,773,948)**
Balance as at 31 March 2021	**11,283,060**	**973,569**	**13,090,906**	**25,347,535**

Statement of cash flows

For the year ended 31 March 2021

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**78,578,609**	102,969,161
Payments to suppliers and employees (inclusive of goods and services tax)		**(78,884,305)**	(83,762,833)
		(305,696)	19,206,328
ATS and government grants received (including JobKeeper)	5	**8,169,225**	4,093,674
Interest received		**6,332**	8,555
Interest paid		**(4,757)**	(9,100)
Payments on behalf of head entity per tax funding agreement		**(1,067,135)**	(6,609,701)
Net cash inflow from operating activities	23	**6,797,969**	16,689,756
Cash flows from investing activities			
Payments for property, plant and equipment		**(1,568,498)**	(1,346,740)
Proceeds from sale of property, plant and equipment		**-**	33,377
Purchase of shares of Re-Time Pty Ltd		**-**	(283,264)
Net cash (outflow) from investing activities		**(1,568,498)**	(1,596,627)
Cash flows from financing activities			
Dividends paid		**(6,773,948)**	(12,646,624)
Repayment of borrowings		**-**	-
Finance lease payments under AASB 16		**(85,427)**	(44,592)
Net cash (outflow) from financing activities		**(6,859,375)**	(12,691,216)
Net increase in cash and cash equivalents		**(1,629,904)**	2,401,913
Cash and cash equivalents at the beginning of the financial year		**6,700,379**	4,298,466
Cash and cash equivalents at the end of the financial year	8	**5,070,475**	6,700,379

1 General information and basis of preparation

The Directors' have prepared the financial statements on the basis that the Company is a non-reporting entity because there are no users dependent on a general purpose financial report. The financial report is therefore a special purpose financial report that has been prepared in order to meet the requirements of the Corporations Act 2001.

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations and the disclosure requirements of AASB 101 Presentation of Financial Statements, AASB 107 Statement of Cash Flows, AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors and AASB 1054 Australian Additional Disclosures.

SMR Automotive Australia Pty Limited is a Company limited by shares, incorporated and domiciled in Australia. SMR Automotive Australia Pty Limited is a for-profit entity for the purpose of preparing financial statements under Australian Accounting Standards.

Basis of preparation

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied.

2 Changes in accounting policies

New and amended standards adopted by the Company

No new and revised standards became effective for annual periods beginning on or after 1 April 2020.

Accounting Standards and Interpretations issued but not yet effective

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Company.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's financial statements.

3 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Overall considerations

The financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

(b) Investments in associates and joint arrangements

Associates are those entities over which the Company is able to exert significant influence but which are not subsidiaries.

A joint venture is an arrangement that the Company controls jointly with one or more other investors, and over which the Company has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. A joint arrangement in which the Company has direct rights to underlying assets and obligations for underlying liabilities is classified as a joint operation.

Investments in associates and joint ventures are accounted for using the equity method. Interests in joint operations are accounted for by recognising the Company's assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly).

Any goodwill or fair value adjustment attributable to the Company's share in the associate or joint venture is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Company's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Company.

Unrealised gains and losses on transactions between the Company and its associates and joint ventures are eliminated to the extent of the Company's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

3 Summary of significant accounting policies (continued)

(c) Revenue

Revenue arises mainly from the sale of goods and contracts for the construction of tooling. To determine whether to recognise revenue, the Company follows a 5-step process:

1 Identifying the contract with a customer
2 Identifying the performance obligations
3 Determining the transaction price
4 Allocating the transaction price to the performance obligations
5 Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers.

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as contract liabilities in the statement of financial position. Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Sale of goods

Revenue from the sale of goods is recognised when or as the Company has transferred control of the assets to the customer. Generally control transfers at a point in time when the customer takes undisputed delivery of the goods.

The Company provides a general product warranty on its product. Under the terms of this warranty customers can return product for repair or replacement if it fails to perform in accordance with published specifications. These warranties are accounted for under AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

Tooling contracts

The Company enters into contracts for the design and construction of tools in exchange for a fixed fee and recognises the related revenue over time. Due to the high degree of interdependence between the various elements of these projects, they are accounted for as a single performance obligation. When a contract also includes promises to perform after-sales services, the total transaction price is allocated to each of the distinct performance obligations identifiable under the contract on the basis of its relative stand-alone selling price.

Tooling contracts (continued)

To depict the progress by which the Company transfers control of the systems to the customer, and to establish when and to what extent revenue can be recognised, the Company measures its progress towards complete satisfaction of the performance obligation by comparing actual costs spent to date with the total estimated costs required to design, develop, and install each tool.

When payments received from customers exceed revenue recognised to date on a particular contract, any excess (a contract liability) is reported in the statement of financial position under contract liabilities.

(d) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to fixed assets are offset against capital work in progress and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

(e) Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

Expenditure for warranties is recognised and charged against the associated provision when the related revenue is recognised.

(f) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(g) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

3 *Summary of significant accounting policies (continued)*

(g) Borrowings (continued)

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(h) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are are expensed in the period in which they are incurred and reported in 'finance costs' (see Note 5).

(i) Property, plant and equipment

Land and buildings are shown at historical cost less subsequent depreciation for buildings. All other property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

- Buildings	25 - 50 years
- Plant and equipment	3 - 10 years

(i) Property, plant and equipment (continued)

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(g)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(j) Inventories

Raw materials, work in progress and finished goods

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(k) Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office (ATO) and other fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements.
Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Company's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

3 *Summary of significant accounting policies (continued)*

(k) Income taxes (continued)

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

(l) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(m) Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable.)

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into amortised costs.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Classifications are determined by both:

- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

Subsequent measurement financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows;
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding .

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

3. *Summary of significant accounting policies (continued)*

(m) Financial instruments (continued)

Impairment of Financial assets
AASB 9's impairment requirements use more forward looking information to recognize expected credit losses - the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets
The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assess impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due.

Classification and measurement of financial liabilities
As the accounting for financial liabilities remains largely unchanged from AASB 139, the Company's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

The Company's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Derivative financial instruments
Derivative financial instruments are accounted for at FVPL except for derivatives designated as hedging instruments in cash flow hedge relationships, which requires a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet all of the following requirements:

- there is an economic relationship between the hedged item and the hedging instrument
- the effect of credit risk does not dominate the value changes that result from that economic relationship
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

3. *Summary of significant accounting policies (continued)*

(m) Financial instruments (continued)

Derivative financial instruments (continued)

For the reporting periods under review, the Company has designated certain forward currency contracts as hedging instruments in cash flow hedge relationships. These arrangements have been entered into to mitigate currency exchange risk arising from certain legally binding sales and purchase orders denominated in foreign currency.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position.

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

If a forecast transaction is no longer expected to occur, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

(n) Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or Company of assets (cash-generating units). Non-fictional assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(o) Equity, reserves and dividend payments

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

Retained earnings include all current and prior period retained profits.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

(p) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(q) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

3 *Summary of significant accounting policies (continued)*

(q) Provisions (continued)
Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Warranty
Provision is made for the estimated liability on all products still under warranty at balance date. The provision is estimated having regard to warranty expense.

(r) Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

(s) Foreign currency translation
(i) Functional and presentation currency
Items included in the financial statements of each of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Australian dollars, which is SMR Automotive Australia Pty Limited's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(t) Critical accounting estimates and judgements
SMR Automotive Australia Pty Limited makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial period are discussed below.

(i) *Warranty*
The Company carries obligations to make good defects on products sold. As a result estimates are made of potential incidents and these are provided for as a liability at the time of sale. Refer to note 12 for balance details.

(ii) *Revenue (price down provisions)*
The Company has recognised provisions against revenue for price negotiations with customers. Negotiations, if favourable, could be different to that estimated and could result in additional revenue being recognised in future periods.

The Company also estimates the percentage of completion of tooling contracts at each reporting period. Refer to note 1(d) for details.

(iii) *Assessment of useful lives of long lived assets*
The Company holds significant long lived assets. These are depreciated in accordance with the accounting policies detailed in note 1(1). The determination of useful lives required the use of assumptions and changes in lives would have a significant impact on depreciated charge for any period or may give rise to an impairment triggering event.

3. *Summary of significant accounting policies (continued)*

(iv) *Income taxes*

The Company is subject to income taxes in Australia, where it is a member of a tax consolidated Company. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company estimates its tax liabilities based on the Company's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

(v) *Obsolescence provision*

Estimates are made for possible obsolete inventory based on prior history of consumption patterns.

(t) Critical accounting estimates and judgements (continued)

(vi) Indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

(vii) COVID-19

The outbreak of COVID-19 and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods. Thus no material adjustments have been made to significant accounting estimates for the year ended to account for the pandemic. This assumption is based on current available information and the current impact of the pandemic to the Company.

4. *Revenue from continuing operations*

	2021 $	2020 $
Sale of goods	60,584,093	84,315,793
Tooling revenue	4,071,097	5,262,752
	64,655,190	89,578,545

2021	Sale of goods	Tooling revenue	Total
Goods transferred at a point in time	60,584,093	-	60,584,093
Services transferred over time	-	4,071,097	4,071,097
	60,584,093	4,071,097	64,655,190

2020	Sale of goods	Tooling revenue	Total
Goods transferred at a point in time	84,315,793	-	84,315,793
Services transferred over time	-	5,262,752	5,262,752
	84,315,793	5,262,752	89,578,545

The following aggregated amounts of transaction prices relate to the performance obligations from existing contracts that are unsatisfied or partially unsatisfied as at 31 March 2021:

	2022	Onwards	Total
Revenue expected to be recognised	2,102,000	6,931,000	9,033,000

5. *Other income*

	2021 $	2020 $
Net gain on disposal of property, plant and equipment	-	33,377
ATS credits and government grants	3,674,671	4,093,674
JobKeeper subsidy	4,494,554	-
Other revenue	5,268,731	4,482,773
	13,437,956	8,609,824

6. *Other expenses*

	2021 $	2020 $
Profit before income tax includes the following specific expenses:		
Research and development expense	(204,170)	(189,628)
Maintenance expense	(1,045,512)	(1,001,965)
Professional services expense	(780,745)	(681,696)

7. *Income tax expense*

	2021 $	2020 $
(a) Income tax expense		
Current tax	3,170,476	4,185,657
Deferred tax (benefit)	(632,825)	2,335,417
	2,537,651	6,521,074

(b) Numerical reconciliation of income tax expense in prima facie tax payable

	2021 $	2020 $
Profit from continuing operations before income tax expense	8,466,846	22,195,607
Tax at the Australian tax rate of 30% (2020 - 30%)	2,540,054	6,658,682
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	1,254	46,553
Other	-	1,011
(Over) under provision in prior year	(3,657)	(185,172)
Total income tax expense	2,537,651	6,521,074

8. *Cash and cash equivalents*

	2021	2020
	$	$
Cash at bank and in hand	5,070,475	6,700,379
	5,070,475	6,700,379

9. *Trade and other receivables*

	2021	2020
	$	$
Trade and other receivables	3,311,601	4,931,735
Related party trade receivables	6,909,687	8,327,993
Prepayments	44,767	19,952
Provision for doubtful debts	-	-
	10,266,055	13,279,680

10. *Inventories*

	2021	2020
	$	$
Raw materials	3,348,858	2,306,422
Work in progress	903,471	887,447
Finished goods	16,046,600	11,163,810
Provision for valuation adjustment and obsolete stock	(3,145,933)	(795,946)
	17,152,996	13,561,733

11. *Property, plant and equipment*

	2021	2020
	$	$
Land	893,400	893,400
Buildings	6,737,048	6,737,048
Less: accumulated depreciation	(2,292,246)	(2,075,521)
	4,444,802	4,661,527
Plant and equipment at cost	70,290,739	68,186,588
Less: accumulated depreciation	(59,999,383)	(57,664,276)
	10,291,356	10,522,312
Furniture and fittings	323,817	323,817
Less: accumulated depreciation	(322,168)	(319,067)
	1,649	4,750
Capital work in progress	1,556,179	2,050,998
Total property, plant and equipment	17,187,386	18,132,987
Right of use assets	206,617	206,617
Less: accumulated depreciation	(81,571)	(40,848)
Total right of use assets	125,046	165,769

12. *Deferred tax assets - Net*

	2021	2020
	$	$
The balance comprises temporary differences attributable to:		
Property, plant and equipment	213,925	52,922
Inventories	123,163	408,823
Provisions	2,189,042	2,132,802
Accrued expenses	337,631	(526,390)
Grants	59,823	310,764
Other	23,344	215,127
Total deferred tax assets	2,946,928	2,594,048

13. *Trade and other payables*

	2021	2020
	$	$
Trade and other payables		
Trade payables and accruals	11,642,361	13,593,290
Related party trade payables	2,833,775	2,294,098
	14,476,136	15,887,388
Contract liabilities	2,044,981	2,967,009

Contract liabilities consists of prepaid revenue from customers provided as a minimum guarantee on tooling contracts.

14. *Provisions*

	2021	2020
	$	$
Current		
Employee benefits	6,039,345	6,090,780
Price downs	881	983,244
Warranty	621,406	543,481
	6,661,632	7,617,505
Non-current		
Employee benefits	157,773	119,766
Warranty	1,449,946	1,268,121
	1,607,719	1,387,887

15. *Borrowings*

	2021	2020
	$	$
Unsecured		
Government loans	860,000	860,000
Total unsecured non-current borrowings	860,000	860,000

16. *Contributed equity*

(a) Share capital

	2021	2020	2021	2020
	Shares	Shares	$	$
Ordinary shares fully paid	**3,030,804**	3,030,804	11,283,060	11,283,060
	3,030,804	3,030,804	11,283,060	11,283,060

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

17. *Reserves*

	2021	2020
	$	$
Asset revaluation reserve upon adoption of AIFRS	1,044,055	1,044,055
Cash flow hedging reserve	(70,486)	(1,033,844)
	973,569	10,211

The asset revaluation reserve has been preserved from the time the Company adopted the Australian Equivalent to International Financial Reporting Standards (AIFRS) at which time the Company adopted the deemed cost method. At that time an amount was in equity in relation to asset revaluation reserve. There have been no movements in this reserve in either period presented in the financial report. The Company has determined it is appropriate to preserve this amount as a reserve until the underlying assets are disposed of.

18. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor:

	2021	2020
	$	$
Audit and review services	135,500	92,500
Other services	8,100	23,200
	143,600	115,700

19. Related party transaction

The Company's related parties include its associates, key management and others as described below.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

19.1 Transactions with associates

	2021	2020
	$	$
Sales and other revenue to associates	53,018,708	75,515,848
Purchases and other expenses from associates	11,862,071	18,003,928
Receivable from associates	6,654,782	8,531,699
Payable to associates	2,833,775	2,294,098

19.2 Transactions with key management personnel

Key management personnel remuneration includes the following expenses:

	2021	2020
	$	$
Total key management personnel remuneration	397,328	502,425

20. Commitments

There are no commitments for expenditure or contingent liabilities as at 31 March 2021, except for the Company's non-cancellable operating leases which are now recognised and disclosed as lease liabilities as set out on the face of the financial statements.

21. Investments in subsidiaries

Movements in carrying amounts

	2021	2020
	$	$
Carrying amount at the beginning of the financial year	349,802	170,780
Share of profit (loss) after income tax - before gain of control	-	(36,870)
Acquisition of additional shares	-	283,264
Loss on gain of control of subsidiary	-	(67,372)
Carrying amount at the end of the financial year	349,802	349,802

21. Investments in subsidiaries contd

On 31 August 2019 the Company acquired additional shares in Re-time Pty Ltd resulting in a controlling interest in the formerly equity-accounted investee.

Movements in profit and loss were as follows:

	2021	2020
	$	$
Share of profit (loss) after income tax - before gain of control	-	(36,870)
Loss on gain of control of subsidiary	-	(67,372)
Total movement in profit and loss	-	(104,242)

22. Events occurring after the reporting period

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

23. *Reconciliation of profit after income tax to net cash inflow from operating activities*

	2021	2020
	$	$
Profit for the year	5,929,195	15,674,533
Depreciation and amortisation	2,595,670	2,431,472
Net (gain) on sale of non-current assets	-	(33,377)
Share of net loss (profit) of associates and loss on gain of control	-	104,242
Interest from AASB 16 lease liabilities	5,665	7,113
Change in operating assets and liabilities:		
Decrease (increase) in trade and other receivables	3,013,625	286,650
Decrease (increase) in inventories	(3,591,263)	1,030,394
Decrease (increase) in deferred tax assets	(352,880)	2,025,263
(Decrease) increase in trade and other payables	(447,894)	1,492,374
(Decrease) in provisions	(736,041)	(4,431,005)
(Decrease) increase in related party tax payable	1,303,920	(1,994,428)
Increase in contract liabilities	(922,028)	96,525
Net cash inflow (outflow) from operating activities	6,797,969	16,689,756

24. *Controlled Entities*

		Ownership interest	
Name of entity	**Country of Incorporation**	2021	2020
Re-Time Pty Ltd	Australia	71.4%	71.4%

Directors' Declaration

For the year ended 31 March 2021

The Directors have determined that the Company is not a reporting entity and that this special purpose financial report was prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements and notes, are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards as described in Note 1 to the financial statements; and the Corporations Regulations 2001; and

   (b) give a true and fair view of the company's financial position as at 31 March 2021 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.

2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Puneet Saim
Director

Adelaide
Dated this 28TH day of MAY 2021.

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Independent Auditor's Report

To the Members of SMR Australia Pty Ltd

Report on the audit of the financial report

Opinion

We have audited the financial report of SMR Australia Pty Ltd (the Company), which comprises the statement of financial position as at 31 March 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Company's financial position as at 31 March 2021 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1; and

b Complying with Australian Accounting Standards to the extent described in Note 1 and complying with the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Emphasis of matter – basis of accounting

We draw attention to Note 1 of the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 March 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the Members. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

A J Pititto
Partner – Audit & Assurance

Melbourne, 28 May 2021