

**SMR Automotive Systems France**

**Report of the statutory auditor  
on the annual accounts**

**(Year ended March 31, 2021)**



## **Report of the statutory auditor on the annual accounts**

**(Year ended March 31, 2021)**

To the General Meeting  
**SMR Automotive Systems France**  
154, avenue du Lys  
77190 Dammarie Les Lys

### **Opinion**

In execution of the assignment entrusted to us by your General Meeting, we have audited the annual financial statements of SMR Automotive Systems France for the year ended 31 March 2021, as attached to this report.

We certify that the annual accounts are, in accordance with French accounting rules and principles, are true and regular and give a true and fair view of the results of operations for the previous financial year and of the financial position and assets of the company at the end of that financial year.

### **Basis of opinion**

#### ***Audit framework***

We conducted our audit in accordance with the professional standards applicable in France. We believe that the evidence we have gathered is sufficient and appropriate to form our opinion.

Our responsibilities under these standards are outlined in the “Statutory Auditor’s Responsibilities for the Audit of Annual Financial Statements” section of this report.

#### ***Independence***

We carried out our audit mission in compliance with the independence rules edicted by the French Commercial Code and the Code of Ethics of the Statutory Auditor Profession for the period from 1 April 2020 to the date of issue of our report.

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## **Observation**

Without questioning the opinion expressed above, we draw your attention to the paragraph “Covid 19 Health Crisis and Business Continuity” in Note 1 “Financial Highlights and Post Close Events” of the Annual Financial Statement, which outlines the impacts of the Covid-19 crisis and the financial support of the Motherson Group, which conditions the continued operation of the company.

## **Justification of assessments**

The global crisis related to the COVID-19 pandemic creates specific conditions for the preparation and audit of the accounts for this fiscal year. Indeed, this crisis and the exceptional measures taken in the context of the state of health emergency have multiple consequences for companies, particularly on their business and financing, as well as increased uncertainties about their future prospects. Some of these measures, such as travel restrictions and remote working, have also had an impact on the internal organisation of companies and on the procedures for implementing audits.

It is in this complex and evolving context that, pursuant to the provisions of Articles L.823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the following assessments which, in our professional judgment, were the most important for the audit of the annual financial statements for the year.

The assessments thus made are in the context of the audit of the annual accounts taken as a whole and the formation of our opinion expressed above. We do not express an opinion on individual elements of these annual accounts.

### Accounting estimates

Fixed assets are subject to an impairment test upon the appearance of an impairment loss index by comparing the present value of the assets with their net book value as described in paragraph 2.2. “Tangible capital assets” of the attachment. Our work included an assessment of the data and assumptions on which the present value is based.

As part of our assessments, we ensured that these estimates were reasonable.

## **Specific verifications**

We have also carried out, in accordance with the standards of professional practice applicable in France, the specific verifications provided for by the legal and regulatory texts.

## **Information given in the annual report and other documents on the financial situation and annual accounts sent to shareholders**

We have no observations to make on the sincerity and consistency with the annual accounts of the information given in the management report of the Board of Directors and in the other documents on the financial situation and the annual accounts sent to the shareholders, except for the point below:

The sincerity and consistency with the annual accounts of the information relating to the payment periods referred to in Article D.441-6 of the French Commercial Code call for the following observation: on the basis of the submitted documentation, the sincerity and consistency with the annual accounts of the information on the time limits for payment of supplier debts referred to in Article D.441-4 of the French Commercial Code could not be confirmed.

### **corporate governance report**

We attest of the existence, in the report of the Board of Directors on corporate governance, of the information required by Article L.225-37-4 of the French Commercial Code.

### **Responsibilities of management and the persons constituting the corporate governance in relation to the annual accounts**

It is the responsibility of management to draw up annual accounts presenting a true and fair view in accordance with French accounting rules and principles and to establish the internal control it deems necessary for the preparation of annual accounts that do not contain significant anomalies, they are the result of fraud or error.

When drawing up the annual accounts, management is responsible for assessing the company's ability to continue operating, presenting in these accounts, where applicable, the necessary information relating to business continuity and the application of the business continuity accounting policy, unless the company is to be wound up or its business ceased.

The annual accounts were adopted by the Board of Directors.

### **Responsibilities of the statutory auditor for the audit of the annual financial statements**

It is up to us to draw up a report on the annual accounts. Our objective is to obtain reasonable assurance that the annual accounts as a whole are free from significant anomalies. Reasonable assurance corresponds to a high level of assurance, but does not guarantee that an audit conducted in accordance with professional standards of practice can systematically detect any significant anomaly. Anomalies may arise from fraud or from errors and are considered to be significant where they can reasonably be expected to be taken individually or cumulatively, influence the economic decisions that users of the accounts make based on them.

As stated in Article L.823-10-1 of the French Commercial Code, our mission to certify accounts is not to guarantee the viability or quality of the management of your company.

In the context of an audit carried out in accordance with the standards of professional practice applicable in France, the statutory auditor shall exercise its professional judgement throughout the audit. In addition:

- it identifies and assesses the risks of significant misstatement of the annual accounts, whether due to fraud or error, and defines and implements audit procedures in relation to those risks, and gather such evidence as it considers sufficient and appropriate to form its opinion. The risk of failure to detect a significant anomaly arising from fraud is higher than that of a significant anomaly resulting from an error, as fraud may involve collusion, falsification, voluntary omissions, misrepresentation or circumvention of internal control;
- it learns about internal control relevant to the audit in order to define appropriate audit procedures in the circumstances, not to express an opinion on the effectiveness of internal control;
- it assesses the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as the information on them provided in the annual accounts;
- it assesses the appropriateness of management's application of the business continuity accounting policy and, depending on the data collected, whether or not there is significant uncertainty related to events or circumstances that could affect the company's ability to continue operations. This assessment is based on the information collected up to the date of its report, however it is recalled that subsequent circumstances or events could call into question the continuity of operation. If it concludes that there is significant uncertainty, it shall draw the attention of the readers of its

report to the information provided in the annual accounts concerning that uncertainty or, if such information is not provided or is not relevant, it formulates a certification with reservation or a refusal to certify;

- it assesses the overall presentation of the annual financial statements and assesses whether the annual financial statements reflect the underlying transactions and events so as to give a true and fair view of them.

In accordance with the law, we inform you that we have not been able to issue this report within the legal time limits given the late receipt of documents.

Done at Neuilly, on 10<sup>th</sup> June 2021

The Auditor  
PricewaterhouseCoopers Audit

Jean-Paul Collignon

SMR Automotive Systems France S.A.

Financial year ended 31st March 2021

**1 BALANCE SHEET — ASSETS**

Corporate name		SMR Automotive Systems France		Duration of financial year in number of months: 12				
Address		154 Avenue du Lys 77191 Dammarie Les Lys		Duration of previous financial year: 12				
SIRET* code: 57220384200131				N/A *				
		Gross 1	Depreciation, amortization, provisions 2	Financial year Y ended: 03/31/2021	Financial year Y ended: 03/31/2020			
				Net 3	Net 4			
Uncalled subscribed capital (I)		AA						
NON-CURRENT ASSETS*	INTANGIBLE ASSETS	AB	AC					
		CX	CQ					
		AF	AG	450 838	448 704	2 133	3 571	
		AH	AI	152	0	152	152	
		AJ	AK					
		AL	AM					
	PROPERTY, PLANT AND EQUIPMENT	AN	AO	246 937	155 468	91 469	91 469	
		AP	AQ	9 016 376	6 639 418	2 376 958	2 631 701	
		AR	AS	15 854 186	14 157 286	1 696 900	3 242 181	
		AT	AU	1 488 099	1 383 290	104 809	82 380	
		AV	AW	801 426	67 572	733 854	191 536	
		AX	AY			0	0	
	FINANCIAL ASSETS (2)	CS	CT					
		CU	CV					
		BB	BC					
		BD	BE	75 791		75 791	75 791	
		BF	BG					
		BH	BI	38 341		38 341	38 341	
	<b>TOTAL (II)</b>		<b>BJ</b>	<b>27 972 146</b>	<b>BK</b>	<b>22 851 738</b>	<b>5 120 407</b>	<b>6 357 122</b>
	CURRENT ASSETS	INVENTORIES*	BL	BM	2 511 881	628 741	1 883 140	2 431 455
BN			BO	590 159		590 159	913 512	
BP			BQ					
BR			BS	666 934	83 129	583 805	1 005 680	
BT			BU					
RECEIVABLES		BV	BW					
		BX	BY	5 270 044	803	5 269 241	3 026 035	
		BZ	CA	2 053 618		2 053 618	2 405 222	
		CB	CC					
MISC.		CD	CE					
		CF	CG	3 002 993		3 002 993	385 068	
		CH	CI	1 079 731		1 079 731	840 277	
<b>TOTAL (III)</b>		<b>CJ</b>	<b>15 175 361</b>	<b>CK</b>	<b>712 673</b>	<b>14 462 688</b>	<b>11 007 249</b>	
ACCRUALS	CW							
	CM							
	CN		44		44	546		
	<b>GRAND TOTAL (I to VI)</b>		<b>CO</b>	<b>43 147 550</b>	<b>IA</b>	<b>23 564 411</b>	<b>19 583 139</b>	<b>17 364 917</b>
Notes (1) Leasehold rights		(2) Current portion of net financial assets	CP		(3) Long-term portion	CR	CR	

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## BALANCE SHEET - SHAREHOLDERS' EQUITY AND LIABILITIES before appropriation

Corporate name:		SMR Automotive Systems France		N/A *			
					Financial year Y ended: 03/31/2021	Financial year Y-1 ended : 03/31/2020	
<b>SHAREHOLDERS' EQUITY</b>	Share capital or personal capital (1) * (of which paid-up capital: .....)			DA	790 000	790 000	
	Additional paid-in capital						
	Revaluation reserve (2) * (o/w equity-accounting reserve)		EK	)	DC	39 786	39 786
	Legal reserve (3)			DD	452 062	452 062	
	Statutory or contractual reserves			DE			
	Regulated reserves (3) * ( o/w special reserve for exch. rate fluctuation o/w reserve re. purch of orig. works by liv. artists		B1	(	DF	7 401 890	1 950 468
	Other reserves		EJ	)	DG		
	Retained earnings/(accumulated losses)			DH	0	-561 660	
	<b>NET INCOME (LOSS) FOR THE YEAR</b>			DI	-5 705 595	-5 036 918	
	Investment subsidies			DJ			
Regulated provisions *			DK				
<b>TOTAL (I)</b>			DL	<b>2 978 144</b>	<b>-2 366 261</b>		
<b>Other shareholder s' equity</b>	Income from issues of equity securities			DM			
	Conditional advances			DN			
	<b>TOTAL (II)</b>			DO			
<b>Contingency and expense provisions</b>	Provisions for contingencies			DP	729 238	419 001	
	Provisions for expenses			DQ			
	<b>TOTAL (III)</b>			DR	<b>729 238</b>	<b>419 001</b>	
<b>LIABILITIES (4)</b>	Convertible bonded debt			DS			
	Other bonded debt			DT			
	Bank loans and borrowings (5)			DU	1 217 534	11 773	
	Miscellaneous loans and financial liabilities (including equity loans)		EI	)	DV		2 688 092
	Downpayments received on orders in-progress			DW	295 458	574 330	
	Trade payables			DX	10 200 076	12 150 535	
	Tax & social security payables			DY	3 981 707	3 813 617	
	Amounts due on fixed assets			DZ			
	Other payables			EA	9 084		
Accruals	Prepaid income (4)			EB	171 900	73 740	
<b>TOTAL (IV)</b>			EC	<b>15 875 758</b>	<b>19 312 087</b>		
Unrealized translation gains*		<b>TOTAL (V)</b>		ED	0	91	
<b>GRAND TOTAL (I to V)</b>			EE	<b>19 583 140</b>	<b>17 364 918</b>		
<b>NOTES</b>	(1)	Revaluation reserve included in capital			IB		
	(2)	of which	Special revaluation reserve (1959)		IC		
			Voluntary revaluation reserve		ID	39 786	39 786
			Revaluation reserve (1976)		IE		
	(3)	Including special reserve for long-term capital gains*			EF	17 053	17 053
(4)	Prepaid expenses and income of less than 1 year			EG	14 378 067	18 737 757	
(5)	Including current bank overdraft facilities and bank and postal checking accounts with a credit balance			EH	1 217 534	11 773	



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## INCOME STATEMENT (in list form)

Corporate name: SMR Automotive Systems France							N/A *		
		Financial year Y					Financial year Y-1 ended : 03/31/2021	Financial year Y-1 ended : 03/31/2020	
		France		Exports and intraCommunity deliveries					
OPERATING INCOME	Sales of goods*	FA		FB		FC			
	Production sold	} goods* services*	FD	40 088 864	FE	10 800 155	FF	50 889 019	80 612 037
			FG	368 362	FH	1 326 637	FI	1 694 999	1 473 908
	<b>Net sales</b>	FJ	<b>40 457 227</b>	FK	<b>12 126 792</b>	FL	<b>52 584 019</b>	<b>82 085 945</b>	
	Finished goods and in-progress inventory*					FM	-739 378	188 157	
	In-house production*					FN			
	Operating subsidies					FO			
	Releases of depreciation/amortization charges and provisions, expense transfers* (9)					FP	780 727	293 930	
	Other income (1) (11)					FQ	1 077	262	
	<b>Total operating income (2) (I)</b>						FR	<b>52 626 445</b>	<b>82 568 294</b>
OPERATING EXPENSES	Purchases of goods (including customs tariffs and duties)*					FS	1 062 328	1 014 957	
	Change in inventories (goods)*					FT	0	17 323	
	Purchases of raw materials and other supplies (including customs tariffs and duties)*					FU	31 843 348	49 803 761	
	Change in inventories (raw materials and supplies)*					FV	303 200	1 329 493	
	Other purchases and external charges (3) (6 bis)*					FW	7 796 754	14 866 163	
	Taxes, duties and other levies*					FX	958 211	1 146 687	
	Wages and salaries*					FY	9 090 803	12 411 713	
	Social charges (10)					FZ	3 687 367	4 967 143	
	OPERATING ALLOWANCES	For fixed assets	} depreciation expense* additions to provisions*				GA	2 887 230	1 838 819
							GB	0	
		For current assets: additions to provisions					GC	711 870	12 829
	For contingencies and expenses: additions to provisions					GD	398 409	286 403	
	Other expenses (12)					GE	15 983	37 015	
<b>Total operating expenses (4) (II)</b>						GF	<b>58 755 503</b>	<b>87 732 306</b>	
<b>1 - NET OPERATING INCOME (LOSS) (I - II)</b>						GG	<b>-6 129 058</b>	<b>-5 164 012</b>	
JOINT VENTURES	Allocated income or transferred loss* (III)					GH			
	Loss incurred or transferred income* (IV)					GI			
FINANCIAL INCOME	Financial income from controlled entities (5)					GJ			
	Financial income from other securities and fixed asset receivables (5)					GK			
	Other interest and related income (5)					GL	10 130	31 212	
	Release of provisions and expense transfers					GM	546	137	
	Foreign exchange gains					GN	890	1 822	
	Net income on sales of marketable securities					GO			
<b>Total financial income (V)</b>						GP	<b>11 566</b>	<b>33 171</b>	
FINANCIAL EXPENSES	Financial depreciation charges and provisions*					GQ		546	
	Interest and related expenses (6)					GR	351 748	294 155	
	Foreign exchange losses					GS	881	5 026	
	Net charges on sales of marketable securities					GT			
<b>Total financial expenses (VI)</b>						GU	<b>352 629</b>	<b>299 727</b>	
<b>2 - NET FINANCIAL INCOME (LOSS) (V - VI)</b>						GV	<b>-341 063</b>	<b>-266 556</b>	
<b>3 - RECURRING NET INCOME (LOSS) BEFORE TAX (I - II + III - IV + V - VI)</b>						GW	<b>-6 470 121</b>	<b>-5 430 568</b>	

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## INCOME STATEMENT (continued)

Corporate name: SMR Automotive Systems France

N/A \*

			Financial year Y ended : 03/31/2021	Financial year Y-1 ended : 03/31/2020	
NON-RECURRING INCOME	Non-recurring income on management transactions	HA	185 755	260 959	
	Non-recurring income on capital transactions (*)	HB	367 286	3 772 448	
	Release of provisions and expense transfers	HC	1 402 440	1 002 217	
	<b>Total non-recurring income (7) (VII)</b>	HD	<b>1 955 481</b>	<b>5 035 624</b>	
NON-RECURRING EXPENSES	Non-recurring expenses on management transactions (6 bis)	HE	583 895	369 746	
	Non-recurring expenses on capital transactions (*)	HF	453 509	3 473 222	
	Non-recurring charges for depreciation/amortization and provisions	HG	153 552	799 005	
	<b>Total non-recurring expenses (7) (VIII)</b>	HH	<b>1 190 956</b>	<b>4 641 973</b>	
<b>4 - NET NON-RECURRING INCOME (LOSS) (VII - VIII)</b>		HI	764 525	393 651	
Employee profit sharing	(IX)	HJ			
Income tax*	(X)	HK			
<b>Total income (I + III + V + VII)</b>		HL	<b>54 593 492</b>	<b>87 637 089</b>	
<b>Total expenses (II + IV + VI + VIII + IX + X)</b>		HM	<b>60 299 088</b>	<b>92 674 007</b>	
<b>5 - INCOME OR LOSS (total income - total losses and expenses)</b>		HN	<b>-5 705 596</b>	<b>-5 036 918</b>	
NOTES	(1)	Accrued income on long-term contracts	HO		
	(2) Incl.	- income from real property rental	HY		
		- operating income from previous periods (detailed in (8) below)	IG	184 996	255 044
	(3) Incl.	- personal property leasing	HP		
		- real property leasing	HQ		
	(4)	Including operating expenses from previous financial years (to be detailed in (8) below)	IH	487 478	66 596
	(5)	Including income relating to affiliated companies	IJ		
	(6)	Including interest relating to affiliated companies	IK	193 274	90 992
	(6 bis)	Including gifts to organizations of general public interest (Art. 238 bis of the French General Tax Code)	HX		
	(9)	Including expense transfers	A1		
	(10)	Incl. personal contributions paid by the operator (13) °	A2		
	(11)	Including fees for licenses and patents (income)	A3	0	8 764
	(12)	Including fees for licenses and patents (expenses)	A4		
(13)	Additional personal premiums and contributions: optional A6 obligatory A9				
(7)	Detail of non-recurring income and expenses (if there are not enough lines, copy entry (7) and attach to the notes)	PERIOD Y			
		Non-recurring expenses	Non-recurring income		
	Non-recurring income expenses relating to previous periods		96 417	0	
	Personnel litigation		487 478	184 996	
	Impaired assets		453 509	366 994	
	Penalties		153 552	98 234	
	NBV of transfer of capital assets		0	1 051	
(8)	Detail of income and expenses relating to previous periods:	PERIOD Y			
			Prior period expenses	Prior period income	
		Non-recurring expenses relating to previous periods	487 478		
		Non-recurring incomes relating to previous periods		184 996	

(\*) Explanations for these items are given in instruction notice 2032

## **1. SIGNIFICANT EVENTS - EVENTS AFTER FINANCIAL YEAR ENDING**

### **Business activity**

Since 31 March 2020, the closing date of the previous financial year, the social affairs process has been impacted by a sharp decline in our overall sales mainly due to the first containment and the global shortage of semiconductors.

The structure at the personnel level continued to decrease with the evolution of the activity, thus allowing SMR France to maintain its contribution margin.

But, the level of quality requirement was revised upwards by our customers and SMR France could not contain the costs related to this situation.

### **Covid 19 health crisis and business continuity**

The Covid-19 epidemic, which began in China in early 2020, has gradually spread to all continents including Europe. The health measures put in place to stop the spread of this virus in each country, and in particular in France, have affected the activity of the company and its customers since March 2020 and the impact has focused on fiscal year 2020-2021.

Indeed, in this context, SMR made the decision to stop its production activity from March 17, 2020, until the end of first containment on May 11, 2020.

A crisis management system was put in place to guarantee the health of employees, ensure compliance with government measures and prepare for business restart, to ensure the sustainability of the company.

In response to the events, the company has taken a number of measures and continues to monitor developments closely. The actions undertaken include, among others: the partial unemployment of a large number of employees of the company (€ 992 k), the deferral of employer and tax expenses (€1,033 k) and the suspension of subcontracts (€567 k).

At the same time, the company secured €1.2 million in funding for the 2017 and 2018 employment and competitiveness credits.

The activity was maintained during the second and third confinements, but was greatly impacted during the last quarter by the shortage of components that affects the entire automotive production chain.

In this context, the company's cash flow and the principle of business continuity continue to be supported by the MOTHERSON GROUP. This support has materialised in recent years and in the 2021 financial year, in particular by regular payments in current account for an amount of €8.3 million to meet the cash needs of the company. In addition, two capital increases were made during the financial year (November 2020 and February 2021) to clear past and current year losses through an unavailable reserve account.

This support was renewed and again formalized in a financial support letter issued by the Group to our company on the 27th April 2021 for a period of more than 12 months from the closing date.

On this basis, the financial statements of the company as at 31 March 2021 were adopted by the Board of Directors on 2nd June 2021, using the principle of business continuity.

### **Events after financial year ending**

Since the end of the fiscal year, the company has been facing a slowdown in its activity related to the shortage of semiconductors and third containment.

At the same time, the company has taken all the steps to be able to benefit from government social assistance and in particular the implementation of the partial activity linked to the shortage of components of its main manufacturers.

The MOTHERSON GROUP continues to support SMR France. Since the close of 31 March 2021, €1,000,000 has been paid into the current account and will be injected into equity at the next Assembly.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The main method selected to prepare the financial statements is the method of historical costs.

The accounts have been prepared and presented in accordance with the rules of the general chart of accounts and generally accepted principles.

The general accounting policies were applied in accordance with the precautionary principle and in accordance with the following assumptions:

- Business continuity
- Permanence of accounting methods
- Independence of financial years

The Board of Directors accepted the assumption of continued operation, taking into account the Group financial support (See Note 1.).

### 2.1. INTANGIBLE ASSETS

Intangible assets consist mainly of development costs (project management, design, design and testing of new products). Development expenses are recognized as assets of the balance sheet when the conditions for activation are met, in particular the condition for the future profitability of the projects. Otherwise, they are recorded as expenses for the financial year.

They are calculated according to the number of hours spent on each project developed and valued at the real average rate of the cost of the development department.

These development costs relate to signed contracts and form a unit part of the selling price on those contracts.

The other development costs are activated as soon as start of production of vehicles and amortized over a period of 3 years.

Intangible assets consisting of concessions and software are amortized over a period of 3 years.

### 2.2. PROPERTY, PLANT AND EQUIPMENT

Tangible capital assets are valued at their acquisition cost or at their cost of production by the company, taking into account the costs necessary for the use of such assets, and after deducting the commercial discounts, rebates and settlement discounts obtained.

Assets are subject to depreciation plans based on the expected life of the asset. The depreciable amount of an asset may be reduced by the residual value.

However, the latter is only taken into account when it is both significant and measurable.

During fiscal year 2020 – 2021, SMR France carried out an inventory of its fixed assets and a review of operating periods. As a result of this analysis, some depreciation periods were modified. The overall net impact, which is not significant, was recognised in the income statement.

Henceforth, the linear depreciation periods used are:

- On constructions and arrangements :
  - Structural work: 50 years

- Finishing work: 25 years
- Technical installations: 15 years
- Arrangements and fixtures: 10 years
- On technical facilities and equipment:
  - Heavy machinery: 7 years
  - Light machinery: 5 years
  - Peripheral components: 7 years
  - Furniture: 5 years

The present value of tangible and intangible fixed assets is tested when value loss indices appear, examined at each closing. The present value is the highest value between the market value and the use value.

The market value is the amount that could be obtained, on the balance sheet date, from the sale of an asset in a transaction entered into under normal market conditions, net of exit costs. For real estate assets (land or buildings), the market value corresponds to external valuations carried out by real estate experts.

The usage value is the value of the expected future economic benefits, based on the expected net present cash flows.

Where the present value is less than the net book value, a provision for impairment is recognized for the difference.

### **2.3.FINANCIAL FIXED ASSETS**

Equity – other financial capital assets

The gross value is the purchase cost excluding ancillary costs. Where the inventory value is less than the gross value, a provision for impairment shall consist of the amount of the difference.

There is no discount or provision for loans to employers' participation bodies in the construction effort.

### **2.4.INVENTORY**

- Raw material inventories and supply:

They are valued at the last known price two months before 31/03/2021. The method of the FIFO is practiced with regard to the management of the latter.

However, they are adjusted to the weighted average cost based on purchases made during the three last months before closing.

- Products and work in progress:

They are valued at manufacturing cost including parts cost, direct labor and indirect manufacturing costs.

They are also adjusted to the weighted average cost based on purchases made during the three last months before closing.

- Inventory of goods and maintenance (spare parts):

They are valued at the purchase price of the components.

- Depreciation:

A stock depreciation is calculated on the basis of the estimated stock turnover based on the production forecast over the 3 months following the inventory.

## **2.5.ACCOUNTS RECEIVABLES**

Receivables are valued at their nominal value. An impairment is recognized on client receivables with a risk of partial or total non-recovery, in judicial redress or that have filed for bankruptcy.

All receivables with Renault and PSA are factored in.

The outflow of receivables from the “customers and related accounts” item of the balance sheet at 31 March 2021 represents €8,957 k, divided between:

Renault and PSA inland: €8,676 k  
Renault Export: €281 k

## **2.6.AVAILABLE FUNDS**

The available funds are estimated according to their nominal value.

## **2.7.PREPAID EXPENSES**

They correspond mainly to the expenses incurred on insurance, the rents of financial rentals of injection molding machines (industrial equipment) as well as the rents of premises.

However, expenditures on plastic injection tools are recognized in advance as tool products.

## **2.8.RETIREMENT BENEFITS**

The amounts of future payments corresponding to the benefits granted to employees are valued according to an actuarial method, assuming changes in wages, retirement age, mortality, then these valuations are brought back to their present value through an updated discount rate at each closing. The discount rate used is 0.45%. These commitments, amounting to €2,522 k, are not covered by provisions but are included in off-balance sheet commitments.

## **2.9.PROVISIONS FOR CONTINGENCIES AND EXPENSES**

These provisions, recorded in accordance with CRC Regulation No. 2000-06, are intended to cover the risks and charges that current or recent events make probable, the amount of which is quantifiable as to their purpose, but the achievement of which, the maturity or amount is uncertain.

These provisions cover, in particular, the foreign exchange risk represented by the conversion difference – Assets and future costs related to staff departures.

Provisions for guaranteed returns are calculated over a period of three years taking into account the percentage of returns recorded.

## **2.10. FOREIGN CURRENCY TRANSACTIONS**

Charges and income in foreign currencies are recorded at their equivalent value on the date of the transaction.

Claims and debts in foreign currencies existing at the end of the financial year shall be converted at the rate prevailing on that date. The conversion difference is entered in the balance sheet under "conversion differences" assets and liabilities. Conversion differences – Assets are subject to a provision for risks and charges of an equivalent amount.

Foreign currency reserves are converted at the current rate of the Banque de France.

In accordance with ANC Regulation 2015-05 of 2 July 2015 and applicable from 1 January 2017, foreign exchange gains and losses on commercial receivables and debts are now recorded and presented in other income and expenses.

## **2.11. REVENUE RECOGNITION**

Revenues are recognized at the time of delivery to the customer or when the service has been validated bilaterally between the parties.

The delivery of the goods and services is carried out in majority ex-work and respects the incoterms defined with the co-contracting third parties.

## **2.12. CURRENT FINANCIAL RESULT – EXCEPTIONAL FINANCIAL RESULT**

The current profit before tax records the income and expenses relating to the current activity of the company.

Unusual items of ordinary activities were included in profit or loss. These particularly include: Transfers of operating expenses.

Extraordinary items other than ordinary activities constitute extraordinary profit or loss.

## **2.13. INCOME TAXES**

The company, by virtue of its deficit deferral tax situation, did not pay taxes.

### 3. ADDITIONAL INFORMATION ON THE BALANCE SHEET AND INCOME STATEMENT FROM 01/04/2020 TO 31/03/2021

#### 3.1. INTANGIBLE CAPITAL ASSETS

The annexed Tables 2054 N and 2055 N show the movements of the financial year and the depreciation allowances.

Given the recent deficit results, the company is no longer locking in development costs.

All these expenses are recognized in the income statement at the level of operating expenses.

As a reminder, the previously activated development costs have been totally depreciated for several years.

There were no significant changes in intangible assets over the year.

#### 3.2. TANGIBLE ASSETS

The table of change in 2054N shows the movements of the financial year.

<b>Movements of tangible assets</b>	<b>Gross values in €</b>
Structures and arrangements	21 724
Technical installations	106 496
Transport equipment	4 960
Office furniture and computer hardware	44 690
Outstanding Capital Assets and Advances	621 946
<b>Total capital assets</b>	<b>799 816</b>

The improvement of our production workshop contributes to a total of €440 k, mainly including the improvement of our lines and production capacities as well as the start-up of new projects.

The continuation of the investment for the improvement of injection facilities amounts to €72 k.

Miscellaneous investments amount to €169 k.

The company also invested €22k in building improvements during 2020 - 2021.

Finally, €97k were invested in computer equipment.



### 3.3.FINANCIAL FIXED ASSETS

SMR France has contracted a lateral bank guarantee for a total amount of €75,790.68 from BNP Bank for the following supplier:

- RANDSTAD INHOUSE SERVICES, SAS, (service provider) applying on all services performed until 14 August 2021.

This guarantee is converted into securities valued at the market price.

### 3.4. INVENTORY

The gross value of inventories at 31 March 2021 amounted to €3,769 k.

Depreciation amounted to €712 k.

### 3.5. STATEMENT OF MATURITY OF RECEIVABLES AND DEBTS

It is annexed to table 2057 N.

<b>Statement of receivables</b>	€
Other financial capital assets	38 341
Litigious customers	803
Other customer receivables	5 260 444
Staff and related accounts	7 553
Social insurance and other social bodies	0
Government and other local authorities: turnover tax	282 026
Government and other local authorities: added value tax	389 320
Government and other local authorities: other tax and related payments	1 292 117
Various debtors	9 482
Prepaid expenses	1 079 731

<b>Statement of payables</b>	€
Loans and debts with credit institutions	15 300
Suppliers and related accounts	10 200 076
Staff and related accounts	2 052 411
Social insurance and other social bodies	515 980
Government and other local authorities: turnover tax	198 968
Government and other local authorities: added value tax	765 463
Government and other local authorities: other tax and related	448 886
Group and related	0
Other payables	9 084
Prepaid income	171 900

### 3.6.PROVISIONS

They are annexed to table 2056 N.

<b>Statement of provisions</b>	€
Provisions for legal cases	21 045
Provisions for product guarantee	554 585
Provisions for currency change losses	0
Provisions for risk and expenses	153 608

### 3.7.ACCRUED EXPENSES – ACCRUED INCOME

<b>Accrued expenses</b>	€
Trade payables	2 719 443
Social security payables	2 036 667
Other payables	1 284 681
Diverse financial loans and debts with credit institutions.	0

<b>Accrued income</b>	€
Trade receivables	904 302
Other receivable	1 223 403

### 3.8.PREPAID EXPENSES – PREPAID INCOME

<b>Prepaid expenses and prepaid income</b>	€
Prepaid expenses	1 079 731
Prepaid income	171 900

The prepaid expenses being recorded for 853 k€ for all the goods and services not charged to the date of March 31st, 2021. The remaining amount of 225 k€ corresponds to the deferred expenses recorded for the development of future programs.

The prepaid income is mainly made up of advance on firm tooling order by customers on projects not yet settled.

### 3.9. CONVERSION ADJUSTMENTS

SMR France recorded translation differences resulting from the conversion of receivables and debts into foreign currencies for insignificant amounts.

### **3.10. LOANS**

On the closing date, SMR France repaid all its borrowings.

Nevertheless, during fiscal year 2020 – 2021, SMR financed from Société Générale the 2017 and 2018 Research credits for an amount of €1,202 k positioned in bank current.

### **3.11. SHAREHOLDERS EQUITY**

The company proceeded at the special general meetings:

On 17 November 2020, a capital increase of €8,550,000.00 per issue of 342,000 new shares with a nominal value of €25.00.

On 10 February 2021, a capital increase of €2,500,000.00 per issue of 100,000 new shares with a nominal value of €25.00.

The capital increase on 17 November 2020 increased the share capital from € 790,000 to € 9,340,000 and was fully subscribed by the shareholder SMR Automotive Technology Holding Cyprus Ltd by offsetting with the cash and payable debt to the amount of €8,550,000 that it held on the Company.

Then, in order to settle the losses of the Company and to replenish its equity at an amount at least equal to half of the share capital, to reduce the capital by an amount of € 8,550,000 by the incorporation in the account «carry forward again» to the amount of € 5,598,578.

The balance is an amount of €2,951,422 that has been allocated to an unavailable reserve account against which the current year's losses will be charged.

The capital is thus reduced from € 9,340,000 to € 790,000.

The capital increase on 10 February 2021 increased the share capital from €790,000 to €3,290,000 and was fully subscribed by the shareholder SMR Automotive Technology Holding Cyprus Ltd through compensation with the cash and payable debt in the amount of €2,500,000 which it held on the company.

It was also decided to reduce the capital by €2,500,000 by incorporating this amount into an unavailable reserve account.

The capital is thus reduced from € 3,290,000 to € 790,000.

As a result, the company has reconstituted its equity.

Equity is divided as follows:

Equities in euros	Opening Balance March 31st, 2020	Increase	Decrease	Closing Balance March 31st, 2021
Share Capital	790 000	11 050 000 (1)	-11 050 000 (2)	790 000
Revaluation difference	39 786			39 786
Legal reserve	452 062			452 062
Regulatory reserve	1 950 468	5 451 422		7 401 890
Balance brought forward	-561 660	-5 036 918	5 598 578	0
Financial year profit	-5 036 918	-5 705 594	5 036 918	-5 705 594
<b><u>TOTAL EQUITY</u></b>	<b><u>-2 366 262</u></b>	<b><u>5 758 910</u></b>	<b><u>-414 504</u></b>	<b><u>2 978 144</u></b>
% Share capital	-299,53%			376,98%

(1) Capital increase by incorporation current account.

(2) Capital reduction by re-carryover absorption and transfer to the unavailable reserve.

The share capital of €790,000 consists of 31,600 shares with a nominal value of €25.

### 3.12. RELATED COMPANIES AND INTERCOMPANY ACCOUNTS

Transactions with counterparties are concluded under the usual terms of the market.

At the end of the financial year, SMR France has no current account balance with related parties.

### 3.13. SALES ANALYSIS

Sales analysis	€
France	40 457 227
Export	12 126 792

### 3.14. EXPENSE TRANSFERS

N.A.

### 3.15. ANALYSIS OF NON-RECURRING ITEMS IN THE INCOME STATEMENT

Non-recurring expenses	€
Expenses relating to prior periods	583 895
Expenses for capital operations	453 509
Net carrying amount of assets sold or scrapped	0
Penalties, tax and penal fines	0

Exceptional allocations on depreciation and provisions	153 559
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<b>Non-recurring income</b>	€
Income relating to prior periods	185 755
Income for capital operations	367 286
Penalties, tax and penal fines	0
Asset disposal gains	0
Gains on disposals of securities	0
Non-recurring income resulting from provision write-backs	1 402 440

Capital transactions are linked to the disposal of assets from the production of side-turn lamps to the subsidiaries of the SMR group.

Exceptional reversals of provisions correspond to the linear reversal of previous impairments recognized under an asset value test.

### **3.16. RESEARCH AND DEVELOPMENT EXPENSES**

The company incurred development costs for all the contracts obtained.

Total expenditure of €40,057 is recorded in the expense account.

## **4. OTHER INFORMATION**

### **4.1. FINANCIAL COMMITMENTS**

No intercompany commitments arose in the period from April 1st, 2020 to March 31st, 2021 excepting the financial support provided by the Motherson group (see section 1).

### **4.2. TAX POSITION**

The fiscal outcome of financial year 2020/21 is a loss of (6 857 290 €).

The deficit to be carried forward on 2020/2021 is of the same amount and brings the accumulation of the deficits to be carried forward to 75 827 825 euros.

### **4.3. EXECUTIVE COMPENSATION**

Mr. Christophe Trémoureux, in his quality of Managing Director, perceived from April 1st 2020 to 12 August, 2020, a gross global amount of 2 317 €.

No other Board director receives compensation in this respect except for reimbursement of travel expenses when such expenses are incurred.

### **4.4. AVERAGE HEADCOUNT** **304**

Managerial-grade staff	43
Supervisors and technical staff	51
Blue-collar workers	210

Subcontracting costs amount to 1 613 k€.

### **4.5. INDIVIDUAL TRAINING ENTITLEMENT**

The individual right in training (DIF) was replaced by the personal account of training (CPF) managed by the Caisse des Dépôts et Consignations.

### **4.6. DETAILS OF THE CONSOLIDATING MOTHER COMPANY**

The company's intermediate parent company is SMR Automotive Technology Holding Cyprus Ltd. Cyprus which is 100% owned by Samvardhana Motherson Reflectec Group Holdings Limited (SMRGHL), a company incorporated in Jersey. SMRGHL is 98.45% owned by Samvardhana Motherson Automotive Systems Group BV, a joint venture between Motherson Sumi Systems Limited (MSSL) and Samvardhana Motherson International Limited (SMIL) in the ratio 51:49. SMIL and MSSL are substantial shareholders of the company.

However the directors consider Motherson Sumi System Limited a company incorporated in India, to be the company's ultimate parent and controlling party.

The financial statements of Samvardhana Motherson System Group B.V. are the smallest group of consolidated financial statements which include the company and can be obtained from the following address:

Hoongoorddreef 15, 1101 BA Amsterdam,  
The Netherlands

The financial statements of Motherson Sumi System Limited, the company's ultimate parent and controlling party are the largest group of consolidated financial statements which include the company and can be obtained from the following address:

Unit 705, C Wing,  
ONE BKC, G Block,  
Bandra Kurla Complex,  
Bandra East, Mumbai – 400051,  
Maharashtra, India

#### **4.7.REMUNERATION OF STATUTORY AUDITORS**

The auditors' fees for the 2020 – 2021 financial year amount to 97 118 euros.

## **5. OFF-BALANCE SHEET COMMITMENT AT MARCH 31st, 2021**

### **1/ Finance lease commitment**

No finance lease commitment.

### **2/ Discounted bills not yet due**

N.A.

### **3/ Provision for retirement benefits**

The present value of the provision for retirement benefits is estimated at 2 522 k€.

This commitment is part of information in appendix, in conformance with the commitments off balance sheet, as allowed by the French rules.

The provision was calculated using the projected unit credit method (voluntary retirement). The main actuarial hypotheses are as follows:

- ✓ Headcount turnover calculated in decreasing way, by age share and employee category
- ✓ Increase in total payroll 2%
- ✓ Discount rate 0.45 %

The current value of commitment was increased at the end of the review of the actuarial hypotheses in connection with an external expert.

### **4/ Other commitments off balance sheet**

The BNP PARIBAS banking corporation granted to our company securities and approvals for 75 k€.