

SMR Holding Australia Pty Limited and Controlled Entities

Financial report

for the year ended 31 March 2021

Directors' Report

Your directors present their report on the Company and its controlled entities (the Group) 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 within the Group 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 Group 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 \$5,826,998 (year ended 31 March 2020: \$15,528,921).

Significant changes in the state of affairs

There has been no significant impact noted on the Group upon change in control.

There have been no other significant changes in the state of affairs of the Group 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.

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.

Directors' Report

Environmental regulation

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

The Group 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 Mothereson Reflectec Group 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 Entity.

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

Auditor's Independence Declaration

To the Directors of SMR Holding Australia Pty Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of SMR Holding 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 Audit Pty Ltd
Chartered Accountants



A J Pititto

Partner – Audit & Assurance

Melbourne, 28 May 2021

Consolidated statement of comprehensive income

For the year ended 31 March 2021

	Notes	2021 \$	2020 \$
Revenue from continuing operations	4	64,955,375	89,818,986
Other Income	5	13,501,852	8,609,824
Gain on bargain purchase		-	25,031
Raw materials and consumables used		(28,736,959)	(36,331,893)
Employee benefits expense		(25,977,937)	(24,708,270)
Depreciation and amortisation expense		(2,675,420)	(2,477,993)
Freight and duty		(2,146,912)	(2,096,120)
Rent and leasing expenses		(536,433)	(756,560)
Repairs and maintenance		(1,504,204)	(1,862,278)
Utilities		(1,357,359)	(1,693,967)
Other expenses	6	(7,721,530)	(7,106,389)
Share of profit (loss) from associates		-	(104,242)
Finance costs		556,530	728,770
Profit before income tax		8,357,003	22,044,899
Income Tax Expense	7	(2,530,005)	(6,515,978)
Profit from continuing operations		5,826,998	15,528,921
Profit for the year		5,826,998	15,528,921
<i>Profit/(Loss) attributable to:</i>			
Owners of SMR Holdings Australia Pty Limited		5,852,983	15,576,752
Non-controlling interest		(25,985)	(47,831)
		5,826,998	15,528,921
Other comprehensive income for the year, net of tax		-	-
Total Comprehensive Income for the year		5,826,998	15,528,921

Consolidated statement of financial position

As at 31 March 2021

	Notes	2021 \$	2020 \$
ASSETS			
Current assets			
Cash and cash equivalents	8	5,124,111	6,757,798
Trade and other receivables	9	10,267,788	13,291,610
Inventories	10	17,283,010	13,703,579
Total current assets		32,674,909	33,752,987
Non-current assets			
Property, plant and equipment	11	17,187,386	18,132,987
Right of use assets	11	125,046	165,769
Deferred tax assets	12	2,967,623	2,609,643
Intangible assets	13	162,925	242,675
Goodwill	14	17,417,988	17,417,988
Total non-current assets		37,860,968	38,569,062
Total assets		70,535,877	72,322,049
LIABILITIES			
Current liabilities			
Trade and other payables	15	(13,909,204)	(15,871,570)
Income tax payable		(1,970,461)	(114,134)
Provisions	16	(6,675,437)	(7,630,868)
Lease liabilities		(40,385)	(38,914)
Contract liabilities	15	(2,044,981)	(2,967,009)
Total current liabilities		(24,640,468)	(26,622,495)
Non-current liabilities			
Provisions	16	(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		(27,198,026)	(29,000,606)
Net assets		43,337,851	43,321,443
EQUITY			
Contributed equity	17	(33,933,597)	(33,933,597)
Reserves	18	(10,625,051)	(9,661,693)
Non-controlling interest		(76,525)	(102,510)
Accumulated losses		1,297,322	376,357
Total equity		(43,337,851)	(43,321,443)

Consolidated statement of changes in equity

For the year ended 31 March 2021

	Contributed equity \$	Reserves \$	Retained earnings / (Accumulated losses) \$	Non- controlling interest	Total equity \$
Balance as at 1 April 2019	33,933,597	10,690,984	(3,306,485)	-	41,318,096
Total comprehensive income for the year	-	-	15,576,752	(47,831)	15,528,921
Movement in hedge accounting	-	(1,029,291)	-	-	(1,029,291)
Changes in control through business combination	-	-	-	150,341	150,341
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	33,933,597	9,661,693	(376,357)	102,510	43,321,443
Balance as at 31 March 2020	33,933,597	9,661,693	(376,357)	102,510	43,321,443
Total comprehensive income for the year	-	-	5,852,983	(25,985)	5,826,998
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	33,933,597	10,625,051	(1,297,322)	76,525	43,337,851

Consolidated statement of cash flows

For the year ended 31 March 2021

	Notes	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		79,572,037	103,216,417
Payments to suppliers and employees (inclusive of goods and services tax)		(75,402,666)	(84,111,776)
		<u>4,169,371</u>	<u>19,104,641</u>
ATS and government grants received	5	3,129,754	4,093,674
Interest recieved		6,332	8,555
Interest paid and other finance costs		555,863	(8,131)
Income tax paid		(1,067,134)	(6,609,701)
Net cash inflow from operating activities	24	<u>6,794,186</u>	<u>16,589,038</u>
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 (net of cash acquired)		-	(20,127)
Net cash (outflow) from investing activities		<u>(1,568,498)</u>	<u>(1,333,490)</u>
Cash flows from financing activities			
Dividends paid		(6,773,948)	(12,646,624)
Repayment of borrowings		-	(105,000)
Finance lease payments under AASB 16		(85,427)	(44,592)
Net cash (outflow) from financing activities		<u>(6,859,375)</u>	<u>(12,796,216)</u>
Net increase in cash and cash equivalents		<u>(1,633,687)</u>	<u>2,459,332</u>
Cash and cash equivalents at the beginning of the financial year		6,757,798	4,298,466
Cash and cash equivalents at the end of the financial year	8	<u>5,124,111</u>	<u>6,757,798</u>

1 General information and statement of compliance

The financial report includes the consolidated financial statements and notes of SMR Holding Australia Pty Limited and Controlled (Consolidated Group).

The Group has elected to adopt the Australian Accounting Standards – Reduced Disclosure Requirements (established by AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements).

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Act 2001. SMR Holding Australia Pty Limited is a for-profit entity for the purpose of preparing the financial statements.

The consolidated financial statements for the year ended 31 March 2021 were approved and authorised for issue by the Board of Directors on 28 May 2021.

2 Changes in accounting policies

New and amended standards adopted by the group

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 Group.

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

(b) Basis of consolidation

The Group financial statements consolidate those of the Parent Group and its subsidiary as of 31 March 2021. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The subsidiary has a reporting date of 31 March.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

3 Summary of significant accounting policies (continued)

(c) Investments in associates and joint arrangements

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

A joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group 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 Group 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 Group'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 Group'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 Group'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 Group.

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

(d) Revenue

Revenue arises mainly from the sale of goods and contracts for the construction of tooling. To determine whether to recognise revenue, the Group 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 Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group 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 Group satisfies a performance obligation before it receives the consideration, the Group 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 Group 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 Group 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 Group 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.

3 Summary of significant accounting policies (continued)

(d) Revenue (continued)

Tooling contracts (continued)

To depict the progress by which the Group transfers control of the systems to the customer, and to establish when and to what extent revenue can be recognised, the Group 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.

(e) 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 Group 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.

(f) 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.

(g) 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 expensed in the period in which they are incurred and reported in 'finance costs' (see Note 5).

(h) 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

3 Summary of significant accounting policies (continued)

(h) 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.

(i) Leased assets

Operating leases

All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(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 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 Group 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 Group'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.

Deferred tax assets and liabilities are offset only when the Group 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) 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.

3 Summary of significant accounting policies (continued)

(n) 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.

(o) Provisions

Provisions are recognised when the Group 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.

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.

(p) 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.

(q) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group 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 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.

3 Summary of significant accounting policies (continued)

(r) Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred; (b) the recognised amount of any non-controlling interest in the acquiree; and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

Impairment testing

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units 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 or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows.

The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

(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 16 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.

(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.

3 Summary of significant accounting policies (continued)

(iv) 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 above.

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	60,884,278	84,556,234
Tooling revenue	4,071,097	5,262,752
	<u>64,955,375</u>	<u>89,818,986</u>

2021	Sale of goods	Tooling revenue	Total
Goods transferred at a point in time	60,884,278	-	60,884,278
Services transferred over time	-	4,071,097	4,071,097
	<u>60,884,278</u>	<u>4,071,097</u>	<u>64,955,375</u>

2020	Sale of goods	Tooling revenue	Total
Goods transferred at a point in time	84,556,234	-	84,556,234
Services transferred over time	-	5,262,752	5,262,752
	<u>84,556,234</u>	<u>5,262,752</u>	<u>89,818,986</u>

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	<u>2,102,000</u>	<u>6,931,000</u>	<u>9,033,000</u>

5. Other income

	2021 \$	2020 \$
Net gain on disposal of property, plant and equipment	-	33,377
ATS credits and government grants	3,129,754	4,093,674
JobKeeper subsidy	4,528,454	-
Other revenue	5,843,644	4,482,773
	<u>13,501,852</u>	<u>8,609,824</u>

6. Other expenses

	2021 \$	2020 \$
Profit before income tax includes the following specific expenses:		
Research and development expense	(214,096)	(218,437)
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	3,167,928	4,183,109
Deferred tax (benefit)	(637,923)	2,332,869
	<u>2,530,005</u>	<u>6,515,978</u>

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

	2021 \$	2020 \$
Profit from continuing operations before income tax expense	<u>8,357,003</u>	<u>22,044,899</u>
Tax at the Australian tax rate of 30% (2020 - 30%)	2,507,101	6,613,470
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	1,254	11,061
Other	99,209	(108,553)
(Over) under provision in prior year	(77,559)	-
Total income tax expense	<u>2,530,005</u>	<u>6,515,978</u>

8. Cash and cash equivalents

	2021 \$	2020 \$
Cash at bank and in hand	5,124,111	6,757,798
	<u>5,124,111</u>	<u>6,757,798</u>

9. Trade and other receivables

	2021 \$	2020 \$
Trade and other receivables	3,568,239	4,739,959
Related party trade receivables	6,654,782	8,531,699
Prepayments	44,767	19,952
Provision for doubtful debts	-	-
	<u>10,267,788</u>	<u>13,291,610</u>

10. Inventories

	2021 \$	2020 \$
Raw materials	3,361,599	2,322,320
Work in progress	903,471	887,447
Finished goods	16,163,873	11,289,758
Provision for valuation adjustment and obsolete stock	(3,145,933)	(795,946)
	<u>17,283,010</u>	<u>13,703,579</u>

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)
	<u>4,444,802</u>	<u>4,661,527</u>
Plant and equipment at cost	70,290,739	68,186,588
Less: accumulated depreciation	(59,999,383)	(57,664,276)
	<u>10,291,356</u>	<u>10,522,312</u>
Furniture and fittings	325,040	325,040
Less: accumulated depreciation	(323,391)	(320,290)
	<u>1,649</u>	<u>4,750</u>
Capital work in progress	1,556,179	2,050,998
Total property, plant and equipment	<u><u>17,187,386</u></u>	<u><u>18,132,987</u></u>
Right of use assets	206,617	206,617
Less: accumulated depreciation	(81,571)	(40,848)
Total right of use assets	<u><u>125,046</u></u>	<u><u>165,769</u></u>

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	358,326	(510,795)
Grants	59,823	310,764
Other	23,344	215,127
Total deferred tax assets	<u><u>2,967,623</u></u>	<u><u>2,609,643</u></u>

The Group has deferred tax assets of \$847,068 from capital losses which have not been booked.

13. Intangible assets

	2021	2020
	\$	\$
Development costs	882,237	882,237
Less: accumulated amortisation	(719,312)	(639,562)
	<u>162,925</u>	<u>242,675</u>

14. Goodwill

Goodwill	<u>17,417,988</u>	<u>17,417,988</u>
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15. Trade and other payables

	2021	2020
	\$	\$
Current liabilities		
Trade and other payables	11,289,251	13,236,337
Related party trade payables	<u>2,619,953</u>	<u>2,635,233</u>
	<u>13,909,204</u>	<u>15,871,570</u>
Contract liabilities	<u>2,044,981</u>	<u>2,967,009</u>

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

15. Borrowings - non-current

	2021	2020
	\$	\$
Unsecured		
Government loans - interest free	860,000	860,000
Total unsecured non-current borrowings	<u>860,000</u>	<u>860,000</u>

16. Provisions

	2021	2020
	\$	\$
Current		
Employee benefits	6,053,150	6,104,143
Price downs	881	983,244
Warranty	<u>621,406</u>	<u>543,481</u>
	<u>6,675,437</u>	<u>7,630,868</u>
Non-current		
Employee benefits	157,773	119,766
Warranty	<u>1,449,946</u>	<u>1,268,121</u>
	<u>1,607,719</u>	<u>1,387,887</u>

17. Contributed equity

(a) Share capital

	2021	2020	2021	2011
	Shares	Shares	\$	\$
Ordinary shares fully paid	<u>15,296,248</u>	<u>15,296,248</u>	<u>33,933,597</u>	<u>33,933,597</u>
	<u>15,296,248</u>	<u>15,296,248</u>	<u>33,933,597</u>	<u>33,933,597</u>

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group 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.

18. Reserves

	2021	2020
	\$	\$
Asset revaluation reserve upon adoption of AIFRS	10,695,537	10,695,537
Cash flow hedging reserve	(70,486)	(1,033,844)
	<u>10,625,051</u>	<u>9,661,693</u>

Asset revaluation reserve has been preserved from the time the Group adopted the Australian Equivalent to International Financial Reporting Standards (AIFRS) at which time the Group 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 Group has determined it is appropriate to preserve this amount as a reserve until the underlying assets are disposed of.

19. 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
	<u>143,600</u>	<u>115,700</u>

20. Related party transaction

The Group'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.

20.1 Transactions with associates

	2021	2020
	\$	\$
Sales and other revenue to associates	<u>53,018,708</u>	<u>75,515,848</u>
Purchases and other expenses from associates	<u>11,862,071</u>	<u>18,003,928</u>
Receivable from associates	<u>6,654,782</u>	<u>8,531,699</u>
Payable to associates	<u>2,619,953</u>	<u>2,635,233</u>

20.2 Transactions with key management personnel

Key management personnel remuneration includes the following expenses:

	2021	2020
	\$	\$
Total key management personnel remuneration	<u>397,328</u>	<u>502,425</u>

21. Commitments for Expenditure, Contingent Liabilities and Contingent Assets

There are no commitments for expenditure or contingent liabilities as at 31 March 2021, except for the Group's non-cancellable operating leases which are now recognised and disclosed as lease liabilities.

22. Events occurring after the reporting period

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

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

	2021 \$	2020 \$
Profit for the year	5,826,998	15,528,921
Depreciation and amortisation	2,675,420	2,477,993
Net (gain) on sale of non-current assets	-	(33,377)
Share of net loss (profit) of associates	-	104,242
Gain on bargain purchase	-	(25,031)
Interest from AASB 16 lease liabilities	5,665	7,113
Change in operating assets and liabilities:		
Decrease (increase) in trade and other receivables	3,023,822	282,855
Decrease (increase) in inventories	(3,579,431)	1,049,352
Decrease (increase) in deferred tax assets	(357,980)	2,025,266
(Decrease) increase in trade and other payables	(999,008)	1,833,906
(Decrease) in provisions	(735,599)	(4,417,642)
Increase in contract liabilities	(922,028)	96,525
(Decrease) increase in related party tax payable	1,856,327	(2,341,085)
Net cash inflow (outflow) from operating activities	6,794,186	16,589,038

24. Controlled Entities

Name of entity	Country of Incorporation	Ownership interest	
		2021	2020
SMR Automotive Australia Pty Ltd	Australia	100%	100%
Re-Time Pty Ltd (Subsidiary of SMR Automotive Australia Pty Ltd)	Australia	71.4%	71.4%

25. Parent entity information

	2021 \$	2020 \$
Statement of financial position		
Current assets	713,822	711,272
Total assets	33,102,248	33,094,599
Current liabilities	(68,982)	(60,484)
Total liabilities	(68,982)	(60,484)
Net assets	33,033,266	33,034,115
Issued capital	(33,933,597)	(33,933,597)
Accumulated losses (retained earnings)	900,331	899,482
Total equity	(33,033,266)	(33,034,115)
Statement of profit or loss and other comprehensive income		
(Loss) for the year	(849)	(5,947)
Total comprehensive income	(849)	(5,947)

Directors' Declaration

For the year ended 31 March 2021

In the opinion of the Directors of SMR Holding Australia Pty Ltd:

1. The consolidated financial statements and notes of SMR Holding Australia Pty Ltd are in accordance with the *Corporations Act 2001*, including:
 - (a) Giving a true and fair view of its financial position as at 31 March 2021 and of its performance for the financial year ended on that date; and
 - (b) Complying with Australian Accounting Standards - Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
2. There are reasonable grounds to believe that SMR Holding Australia Pty Ltd will be able to pay its debts as and when they become 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.

Independent Auditor's Report

To the Members of SMR Holding Australia Pty Ltd

Report on the audit of the financial report

Opinion

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

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

- a giving a true and fair view of the Group's financial position as at 31 March 2021 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards – Reduced Disclosure Requirements and 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 Group 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.

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 Group'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 in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001*. 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 Group'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 Group 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: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.



Grant Thornton Audit Pty Ltd
Chartered Accountants



A J Pititto
Partner – Audit & Assurance

Melbourne, 28 May 2021