SMR Automotive Australia Pty Limited

Financial report

for the year ended 31 March 2019

Contents

Directors' Report

Your directors present their report on the Company for the year ended 31 March 2019.

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

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

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

Dividends
A dividend of $14,999,867 was declared during year ended 31 March 2019 (year ended 31 March 2018: $18,900,000) of which $14,999,867 was paid (year ended 31 March 2018: $18,900,000).

Review of operations
The operating profit after income tax for the year ended 31 March 2019 amounted to $13,391,420 (year ended 31 March 2018: $13,095,319).

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

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 31 March 2019 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations
The Company has successfully restructured following the cessation of vehicle manufacturing in Australia. All costs associated with this restructure have been considered in the 18-19 accounts. The company will continue operations in the automotive industry and is committed to supporting our Group of companies and overseas vehicle manufacturers.

Directors' Report

Environmental regulation

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

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

Insurance of officers

During the financial year, the ultimate parent company, Samvardhana Motherson Reflectec 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 Company.

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

Auditor's independence declaration

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

Auditor

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

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

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

Puneet Saini
Director

Dated this 28TH day of MAY 2019.

Grant Thornton

Grant Thornton Audit Pty Ltd
Level 22 Tower 5
Collins Square
727 Collins Street
GPO Box 4736
Melbourne VIC 3008

T +61 3 8320 2222

Auditor's Independence Declaration

to the Directors of SMR Automotive Australia Pty Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of SMR Automotive Australia Pty Limited for the year ended 31 March 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

A J Pititto
Partner - Audit & Assurance

Melbourne, 28 May 2019

Statement of comprehensive income

For the year ended 31 March 2019

	Notes	2019 $	2018 $
Revenue from continuing operations	2	**92,578,165**	106,661,718
Other Income	3	**9,234,775**	10,016,828
Raw materials and consumables used		**(38,219,058)**	(41,063,564)
Employee benefits expense		**(27,348,077)**	(35,082,665)
Depreciation and amortisation expense		**(2,466,711)**	(2,223,803)
Freight and duty		**(2,104,356)**	(2,762,643)
Rent and leasing expenses		**(911,231)**	(1,077,493)
Repairs and maintenance		**(1,977,952)**	(2,503,969)
Utilities		**(1,961,949)**	(2,961,168)
Other expenses		**(7,588,506)**	(10,975,197)
Share of profit (loss) from associates	18	**46,578**	(63,600)
Finance costs		**(389,918)**	(67,256)
Profit before income tax		**18,891,760**	17,897,188
Income Tax Expense	5	**(5,500,340)**	(4,801,869)
Profit from continuing operations		**13,391,420**	13,095,319
Profit for the year		**13,391,420**	13,095,319
Other comprehensive income for the year, net of tax		**-**	-
Total Comprehensive Income for the year		**13,391,420**	13,095,319

Statement of financial position

As at 31 March 2019

	Notes	**2019**	2018
		$	$
ASSETS			
Current assets			
Cash and cash equivalents	6	**4,298,466**	10,306,509
Trade and other receivables	7	**13,566,330**	11,022,487
Inventories	8	**14,592,127**	16,847,558
Total current assets		**32,456,923**	38,176,554
Non-current assets			
Investments accounted for using equity method	18	**170,780**	124,202
Property, plant and equipment	9	**19,176,871**	17,614,613
Deferred tax assets	10	**4,619,311**	4,214,625
Total non-current assets		**23,966,962**	21,953,440
Total assets		**56,423,885**	60,129,994
LIABILITIES			
Current liabilities			
Trade and other payables	11	**(13,365,723)**	(18,536,175)
Related party tax payable		**(2,660,969)**	(3,820,565)
Provisions	13	**(10,654,878)**	(8,666,277)
Contract liabilities	11	**(2,870,484)**	-
Total current liabilities		**(29,552,054)**	(31,023,017)
Non-current liabilities			
Non-current Provisions	13	**(2,781,519)**	(3,403,665)
Borrowings	12	**(860,000)**	(860,000)
Total non-current liabilities		**(3,641,519)**	(4,263,665)
Total liabilities		**(33,193,573)**	(35,286,682)
Net assets		**23,230,312**	24,843,312
EQUITY			
Contributed equity	14	**(11,283,060)**	(11,283,060)
Reserves	15	**(1,039,502)**	(1,044,055)
Retained earnings		**(10,907,750)**	(12,516,197)
Total equity		**(23,230,312)**	(24,843,312)

The accompanying notes form part of these financial statements.

Statement of changes in equity

For the year ended 31 March 2019

	Contributed equity $	Reserves $	Retained earnings $	Total equity $
Balance as at 1 April 2017	11,283,060	1,044,055	18,320,878	30,647,993
Total comprehensive income for the year	-	-	13,095,319	13,095,319
Transactions with owners in their capacity as owners:				
- Dividend paid or declared	-	-	(18,900,000)	(18,900,000)
Balance as at 31 March 2018	11,283,060	1,044,055	12,516,197	24,843,312
Balance as at 1 April 2018	**11,283,060**	**1,044,055**	**12,516,197**	**24,843,312**
Total comprehensive income for the year	**-**	**-**	**13,391,420**	**13,391,420**
Movement in hedge accounting	**-**	**(4,553)**	**-**	**(4,553)**
Transactions with owners in their capacity as owners:				
- Dividends provided for or paid	**-**	**-**	**(14,999,867)**	**(14,999,867)**
Balance as at 31 March 2019	**11,283,060**	**1,039,502**	**10,907,750**	**23,230,312**

Statement of cash flows

For the year ended 31 March 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**106,225,037**	127,244,832
Payments to suppliers and employees (inclusive of goods and services tax)		**(93,529,266)**	(100,702,517)
		12,695,771	26,542,315
ATS and government grants received	3	**4,099,591**	3,900,214
Interest paid		**(389,918)**	(67,256)
Payments on behalf of head entity per tax funding agreement		**(3,384,761)**	(3,873,100)
Net cash inflow from operating activities	20	**13,020,683**	26,502,173
Cash flows from investing activities			
Payments for property, plant and equipment		**(4,028,969)**	(4,196,779)
Proceeds from sale of property, plant and equipment		**110**	7,027
Net cash (outflow) from investing activities		**(4,028,859)**	(4,189,752)
Cash flows from financing activities			
Dividends paid		**(14,999,867)**	(18,900,000)
Net cash (outflow) from financing activities		**(14,999,867)**	(18,900,000)
Net increase in cash and cash equivalents		**(6,008,043)**	3,412,421
Cash and cash equivalents at the beginning of the financial year		**10,306,509**	6,894,088
Cash and cash equivalents at the end of the financial year	6	**4,298,466**	10,306,509

The accompanying notes form part of these financial statements.

1 Summary of significant accounting policies

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

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

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

(a) Basis of preparation

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

(b) New and amended standards adopted

AASB 15 Revenue from contracts with customers

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related Interpretations. The new Standard has been applies as at 1 April 2018. There is no impact to the Company's historical financial results as a result of this new accounting standard.

AASB 9 Financial Instruments

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* . It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

AASB 9 also contains new requirements on the application of hedge accounting. The new hedge accounting looks to the align hedge accounting with entities' risk management activities look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness.

Impairment of trade receivables and contract assets

For trade receivables and contract assets under AASB 15 the Company applies a simplified approach of recognising lifetime expected credit losses as these items do not have a significant financing component.

Hedge accounting

All of the Company's forward exchange contracts had been designated as hedging instruments in cash flow hedges under AASB 139. All hedging relationships that were hedging relationships under AASB 139 at the 31 March 2018 reporting date, meet AASB 9's criteria for hedge accounting at 1 April 2018 and are therefore regarded as continuing hedging relationships.

There is no impact to the Company's historical financial results as a result of this new accounting standard.

1. Summary of significant accounting policies (continued)

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when 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.

(d) Revenue recognition

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

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

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

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

Sale of goods

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

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

Tooling contracts

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

1. Summary of significant accounting policies (continued)

(d) Revenue recognition (continued)

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

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

Accounting policy applicable to comparative period (31 March 2018)

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

(ii) Tooling income

Revenue relating to the provision of tooling services is determined with reference to the stage of completion of the transaction at reporting date and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

(iii) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(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 Company will comply with all attached conditions. Government grants related 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.

1. Summary of significant accounting policies (continued)

(f) Income tax
The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the laws enacted or substantively enacted at the end of the reporting period in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

SMR Automotive Australia Pty Limited is part of a tax consolidation Company of which SMR Holding Australia Pty Limited is the parent entity and taxpayer.

(g) Leases
Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases (note 16). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(h) Financial instruments

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

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

1. Summary of significant accounting policies (continued)

(h) Financial instruments (continued)

Classification and subsequent measurement of financial assets

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

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

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

Classifications are determined by both:

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

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

Subsequent measurement financial assets

Financial assets at amortised cost

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

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows

- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

Impairment of Financial assets

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

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

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

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

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

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

1. Summary of significant accounting policies (continued)

(h) Financial instruments (continued)

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

Trade and other receivables and contract assets

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

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

Classification and measurement of financial liabilities

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

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

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

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

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

Derivative financial instruments

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

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

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

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

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

1. Summary of significant accounting policies (continued)

(h) Financial instruments (continued)

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

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

(i) Impairment of assets

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

(j) 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.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement between 15 and 60 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income within 'other expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other expense in the statement of comprehensive income.

Trade receivables which are factored are shown net of amounts advanced, as the factoring company holds the debt. The debt is non-recourse and all risks are effectively transferred to the factoring company.

1. Summary of significant accounting policies (continued)

(l) Inventories

Raw materials, work in progress and finished goods

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

(m) Investment in associates

Associates are all entities over which the Company has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Company's investment in associates includes goodwill identified on acquisition (refer to note 18).

The Company's share of its associates' post acquisition profits or losses is recognised in the statement of comprehensive income, and its share of any post acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

(n) 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

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.

1. Summary of significant accounting policies (continued)

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

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

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

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

(q) Borrowing costs
Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

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

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

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.

1. Summary of significant accounting policies (continued)

(s) 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.

(t) Dividends
Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(u) 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.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

1. Summary of significant accounting policies (continued)

(v) New accounting standards and interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended that potentially impact the Company but are not yet effective and have not been adopted by the Company for the annual reporting period ended 31 March 2019 are outlined below:

AASB 16 Leases

AASB 16 will replace AASB 117 Leases for financial reporting periods beginning on or after 1 January 2019. Early adoption is permitted for companies that also apply AASB 15 Revenue from Contracts with Customers.

The key features of the new standard are:

- elimination of classification of leases as either operating leases or finance leases for a lessee;
- the recognition of lease assets and liabilities on the statement of financial position , initially measured at present value of unavoidable future lease payments;
- recognize depreciation of lease assets and interest on lease liabilities on the statement of profit or loss and other comprehensive income over the lease term;
- separation of the total amount of cash paid into a principal portion and interest in the statement of cashflows; and
- short-term leases (less than twelve months) and leases of low-value assets (such as personal computers) are exempt from the requirements.

Based on management's preliminary assessment, the Company expects to recognise right-of-use assets of approximately $529,000 and lease liabilities of approximately $459,000, leading to approximately $69,000 decrease in net asset value. The Company expects that the impact on the net profit as a result of adopting the new rules will be insignificant for the year ending 31 March 2020.

The Company will apply the standard from its mandatory adoption of 1 January 2019. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rule had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(w) Critical accounting estimates and judgements

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

(i) *Warranty*

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

(ii) *Revenue (price down provisions)*

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

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

1. Summary of significant accounting policies (continued)

(w) Critical accounting estimates and judgements (continued)

(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.

2. Revenue from continuing operations

	2019 $	2018 $
Sale of goods	88,586,318	105,829,117
Tooling revenue	3,991,847	832,601
	92,578,165	106,661,718

2019	Sale of goods	Tooling revenue	Total
Goods transferred at a point in time	88,586,318	-	88,586,318
Services transferred over time	-	3,991,847	3,991,847
	88,586,318	3,991,847	92,578,165

2018	Sale of goods	Tooling revenue	Total
Goods transferred at a point in time	105,829,117	-	105,829,117
Services transferred over time	-	832,601	832,601
	105,829,117	832,601	106,661,718

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 2019:

	2020	2021	Onwards	Total
Revenue expected to be recognised	2,199,705	1,444,619	1,922,000	5,566,324

3. Other income

	2019 $	2018 $
Net gain on disposal of property, plant and equipment	110	7,027
Net foreign exchange gains	-	625,426
ATS credits and government grants	4,099,591	3,900,214
Other revenue	5,135,074	5,484,161
	9,234,775	10,016,828

4. Other expenses

	2019 $	2018 $
Profit before income tax includes the following specific expenses:		
Research and development expense	(372,045)	(419,868)
Maintenance expense	(1,053,237)	(849,824)
Professional services expense	(815,080)	(1,258,666)

5. Income tax expense

	2019	2018
	$	$
(a) Income tax expense		
Current tax	5,905,026	6,174,171
Deferred tax	(404,686)	(1,372,302)
	5,500,340	4,801,869

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

	2019	2018
	$	$
Profit from continuing operations before income tax expense	18,891,760	17,897,188
Tax at the Australian tax rate of 30% (2018 - 30%)	5,667,528	5,369,156
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	66,091	3,829
Other	(441)	(56,377)
(Over) under provision in prior year	(232,838)	(514,739)
Total income tax expense	5,500,340	4,801,869

6. Cash and cash equivalents

	2019	2018
	$	$
Cash at bank and in hand	4,298,466	10,306,509
	4,298,466	10,306,509

7. Trade and other receivables

	2019	2018
	$	$
Trade and other receivables	4,948,430	2,553,841
Related party trade receivables	8,601,842	8,468,646
Prepayments	16,058	-
Provision for doubtful debts	-	-
	13,566,330	11,022,487

8. Inventories

	2019	2018
	$	$
Raw materials	2,623,476	3,256,677
Work in progress	763,859	1,356,557
Finished goods	11,708,350	13,427,806
Provision for valuation adjustment and obsolete stock	(503,558)	(1,193,482)
	14,592,127	16,847,558

9. Property, plant and equipment

	2019 $	2018 $
Land	893,400	893,400
Buildings	6,737,048	6,315,435
Less: accumulated depreciation	(1,858,487)	(1,654,257)
	4,878,561	4,661,178
Plant and equipment at cost	69,828,932	67,101,195
Less: accumulated depreciation	(59,705,696)	(57,454,669)
	10,123,236	9,646,526
Furniture and fittings	323,817	356,289
Less: accumulated depreciation	(315,966)	(356,123)
	7,851	166
Capital work in progress	3,273,823	2,413,343
Total property, plant and equipment	19,176,871	17,614,613

10. Deferred tax assets - Net

The balance comprises temporary differences attributable to:

	2019 $	2018 $
Property, plant and equipment	645,915	777,473
Inventories	434,277	641,254
Provisions	2,973,764	2,268,131
Accrued expenses	420,546	586,300
Grants	144,809	(58,533)
Total deferred tax assets	4,619,311	4,214,625

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

11. Trade and other payables

	2019 $	2018 $
Trade and other payables		
Trade payables and accruals	11,971,591	15,098,985
Related party trade payables	1,394,132	3,437,189
	13,365,723	18,536,174
Contract liabilities	2,870,484	-

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

12. Borrowings

	2019 $	2018 $
Unsecured		
Government loans	860,000	860,000
Total unsecured non-current borrowings	860,000	860,000

13. Provisions

	2019	2018
	$	$
Current		
Employee benefits	5,967,598	5,654,639
Price downs	3,622,050	1,631,107
Warranty	1,065,230	1,380,531
	10,654,878	8,666,277
Non-current		
Employee benefits	295,984	182,425
Warranty	2,485,535	3,221,240
	2,781,519	3,403,665

14. Contributed equity

(a) Share capital

	2019	2018	2019	2018
	Shares	Shares	$	$
Ordinary shares fully paid	**3,030,804**	3,030,804	11,283,060	11,283,060
	3,030,804	3,030,804	11,283,060	11,283,060

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

15. Reserves

	2019	2018
	$	$
Asset revaluation reserve upon adoption of AIFRS	1,044,055	1,044,055
Cash flow hedging reserve	(4,553)	-
	1,039,502	1,044,055

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

16. Remuneration of auditors

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

	2019	2018
	$	$
Audit and review services	87,500	92,500
Other services	15,000	7,500
	102,500	100,000

17. Commitments

(a) Capital commitments

No capital expenditure contracted for at the reporting date but not recognised as liabilities.

(b) Non-cancellable operating leases

The Company leases certain motor vehicles, items of machinery and computer equipment under non-cancellable operating leases expiring within one to five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	2019	2018
	$	$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	242,252	806,224
Later than one year but not later than five years	302,101	1,284,708
Later than five years	-	-
Commitments not recognised in the financial statements	544,353	2,090,932

18. Investments in associates

Movements in carrying amounts

	2019	2018
	$	$
Carrying amount at the beginning of the financial year	124,202	187,802
Share of profit (loss) after income tax	46,578	(63,600)
Carrying amount at the end of the financial year	170,780	124,202

19. Events occurring after the reporting period

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

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

	2019	2018
	$	$
Profit for the year	13,391,420	13,095,319
Depreciation and amortisation	2,466,711	2,223,803
Fair value movement in hedge reserve	(4,553)	-
Net (gain) on sale of non-current assets	(110)	(7,027)
Share of net loss (profit) of associates	(46,578)	63,600
Change in operating assets and liabilities:		
Decrease (increase) in trade and other receivables	(2,543,843)	4,990,873
Decrease (increase) in inventories	2,255,431	1,042,237
Decrease (increase) in deferred tax assets	(404,686)	(1,372,302)
(Decrease) increase in trade and other payables	(5,170,452)	1,376,143
(Decrease) increase in net related party payables	-	66,469
(Decrease) in provisions	1,366,455	2,784,969
(Decrease) increase in related party tax payable	(1,159,596)	2,238,089
Increase in contract liabilities	2,870,484	-
Net cash inflow (outflow) from operating activities	13,020,683	26,502,173

Directors' Declaration

For the year ended 31 March 2019

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

The directors of the company declare that:

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

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

   (b) give a true and fair view of the company's financial position as at 31 March 2019 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.

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

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

Puneet Saim
Director

Adelaide
Dated this 28TH day of MAY 2019.

Grant Thornton Audit Pty Ltd
Level 22 Tower 5
Collins Square
727 Collins Street
GPO Box 4736
Melbourne VIC 3008

T +61 3 8320 2222

Independent Auditor's Report

To the Members of SMR Automotive Australia Pty Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of SMR Automotive Australia Pty Limited (the Company), which comprises the statement of financial position as at 31 March 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a giving a true and fair view of the Company's financial position as at 31 March 2019 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1; and

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

Basis for opinion

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

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

Emphasis of Matter – Basis of Accounting

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

A J Pititto
Partner - Audit & Assurance

Melbourne, 28 May 2019