

SMR Automotive Systems USA, Inc.

**Financial Statements
March 31, 2019 and 2018**

Date: July 19, 2019

Dear Sirs,

Re: Financial Statements as at and for the year ended March 31, 2019

This letter of representations is provided in connection with the financial statements of SMR Automotive Systems USA Inc ("SMR USA") ("the Company") as of March 31, 2019 and for the year then ended, we recognize this letter is a significant procedure enabling users to form an opinion that the reporting package present fairly, in all material respects, the financial position and results of.

The reporting package gives a true and fair view in all material respects, the financial position of SMR Automotive Systems USA Inc. ("SMR USA") as of **March 31, 2019** and of its financial performance including other comprehensive income, cash flows and changes in equity of the Company for the year then ended.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves

A. REPORTING PACKAGE AND FINANCIAL RECORDS

1. We acknowledge, as members of management of the Company, our responsibility for the preparation of the reporting package that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company and are free of material misstatements, including omissions. We have prepared the reporting package and the same have been approved.
2. As members of management of the Company, we believe that the Company has a system of internal controls adequate to enable the preparation and presentation of accurate and complete reporting package free from material misstatement, whether due to fraud or error.
3. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. STATEMENTS OF PROFIT & LOSS, BALANCE SHEET AND CASH FLOWS:

1. All materials transactions have been adequately disclosed and full provision has been made in the reporting package for all claims and losses of material amount which have resulted or may be expected to result from events which occurred or from commitments which were entered into on or before the date of balance sheet, including losses resulting from forward purchase and/or sale contracts.

C. GENERAL:

1. The Company has complied with all aspects of contractual agreements that could have a material effect on the reporting package in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the reporting package in the event of non-compliance.
2. The Company has not entered into any non-cash transactions with directors or persons connected with them.
3. At the year end, the Company had no unusual commitments or contractual obligations of any sort which were not in the ordinary course of business and which might have an adverse effect upon the company (e.g., contracts or purchase agreements above market price; repurchase or other agreements not in the ordinary course of business; material commitments for the purchase of property, plant and equipment; significant foreign exchange commitments; open balances on letters of credit; purchase commitments for inventory quantities

in excess of normal requirements or at prices in excess of the prevailing market prices; losses from fulfillment of, or inability to fulfill, sales commitments, etc.)

4. The reporting package are free of material misstatements, including omissions.

D. ESTIMATES

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the Company's accounting policies.

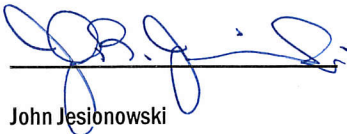
E. SUBSEQUENT EVENTS:

1. There have been no events or transactions which have occurred since the date of Balance Sheet or are pending that would have a material effect on the reporting package and requires adjustment to the accounting estimates and disclosures included in the reporting package at that date or for the period then ended, other than those reflected or fully disclosed in the reporting package.
2. No events have occurred that are of such significance in relation to the Company's affairs to require mention in a note to the reporting package in order to make them not misleading regarding the financial position, results of operations, or cash flows or changes in equity of the Company.

F. GOING CONCERN:

1. We confirm that we are not aware of any matter that are relevant to the Company's ability to continue as a going concern, including significant conditions and events.

Truly Yours,

A handwritten signature in blue ink, appearing to read "John Jesionowski", is written over a horizontal line.

John Jesionowski

Finance and IT Director

Date: July 19, 2019

SMR Automotive Systems USA, Inc.

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SMR Automotive Systems USA, Inc.
Balance Sheets
March 31, 2019 and 2018



<i>(in thousands)</i>	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ 6,252	\$ 8,523
Accounts receivable, net	32,523	21,947
Inventories	9,405	7,000
Tooling Inventory	3,023	5,989
Refundable income taxes	6	9,753
Prepaid expenses	815	2,523
Total current assets	52,024	55,735
Property, plant and equipment, net	68,008	73,919
Other assets	233	610
Total assets	<u>\$ 120,265</u>	<u>\$ 130,264</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	47,740	52,001
Accrued liabilities	4,459	3,677
Deferred grant credit	-	158
Total current liabilities	52,199	55,836
Deferred income taxes	6,113	8,517
Total liabilities	<u>58,312</u>	<u>64,353</u>
Stockholder's equity		
Common stock	75	75
Additional paid in capital	66,023	69,981
Accumulated deficit	(4,145)	(4,145)
Total stockholder's equity	<u>61,953</u>	<u>65,911</u>
Total liabilities and stockholder's equity	<u>\$ 120,265</u>	<u>\$ 130,264</u>

The accompanying notes are an integral part of these financial statements.

SMR Automotive Systems USA, Inc.
Income Statements
March 31, 2019 and 2018



<i>(in thousands)</i>	Year Ended 2019	Year Ended 2018
Net sales	\$ 455,765	\$ 425,454
Cost of sales	356,321	340,123
Gross profit	<u>99,444</u>	<u>85,331</u>
Selling expenses	1,673	1,515
Engineering expenses	6,754	3,325
Administrative expenses	14,332	9,980
Distribution expenses	2,805	1,655
	<u>25,564</u>	<u>16,475</u>
Operating income	73,880	68,856
Interest expense, net	1,561	1,493
Other income, net	(4,486)	(6,264)
Income before taxes	76,805	73,627
Income tax expense	16,057	18,824
Net income	<u>\$ 60,748</u>	<u>\$ 54,803</u>

The accompanying notes are an integral part of these financial statements.

SMR Automotive Systems USA, Inc.
Statements of Changes in Stockholder's Equity
March 31, 2019 and 2018



<i>(in thousands)</i>	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Stockholder's Equity
Balances at March 31, 2016	<u>\$ 75</u>	<u>\$ 79,825</u>	<u>\$ (11,641)</u>	<u>\$ 68,259</u>
Net income			45,562	45,562
Cash dividends		(9,844)	(45,562)	(55,406)
Balances at March 31, 2017	<u>\$ 75</u>	<u>\$ 69,981</u>	<u>\$ (11,641)</u>	<u>\$ 58,415</u>
Net income			54,803	54,803
Cash dividends			(47,307)	(47,307)
Balances at March 31, 2018	<u>\$ 75</u>	<u>\$ 69,981</u>	<u>\$ (4,145)</u>	<u>\$ 65,911</u>
Net income			60,748	60,748
Cash dividends		(3,958)	(60,748)	(64,706)
Balances at March 31, 2019	<u>\$ 75</u>	<u>\$ 66,023</u>	<u>\$ (4,145)</u>	<u>\$ 61,953</u>

The accompanying notes are an integral part of these financial statements.

SMR Automotive Systems USA, Inc.
Statements of Cash Flows
Years Ended March 31, 2019 and 2018



<i>(in thousands)</i>	2019	2018
Cash flows from operating activities		
Net income	\$ 60,748	\$ 54,803
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	11,142	10,376
Loss on disposal of fixed assets	3	3
Deferred income taxes	7,891	148
Provision for doubtful accounts	(41)	257
Inventory reserves	479	(413)
Changes in operating assets and liabilities		
Accounts receivable	(14,914)	2,812
Inventories	83	3,245
Refundable income taxes	9,993	(9,119)
Prepaid expenses	1,709	(1,628)
Other assets	257	244
Accounts payable	(10,746)	515
Accrued liabilities	1,224	442
Deferred grant credit	(158)	(198)
Net cash provided by operating activities	<u>67,670</u>	<u>61,487</u>
Cash flows from investing activities		
Capital expenditures	(5,235)	(6,595)
Issuance of notes receivable	-	-
Proceeds from notes receivable	-	-
Proceeds from sales of PP&E	-	3
Net cash used in investing activities	<u>(5,235)</u>	<u>(6,592)</u>
Cash flows from financing activities		
Payment of dividends	(64,706)	(47,307)
Net cash used in financing activities	<u>(64,706)</u>	<u>(47,307)</u>
Net increase/(decrease) in cash	(2,271)	7,588
Cash and cash equivalents		
Beginning of year	<u>8,523</u>	<u>935</u>
End of year	<u>\$ 6,252</u>	<u>\$ 8,523</u>

The accompanying notes are an integral part of these financial statements.

SMR Automotive Systems USA, Inc.
Notes to the Financial Statement
Year Ended March 31 2019

1. Nature of Operations

SMR Automotive Systems USA Inc. (the "Company") is a global supplier of rearview automotive mirrors for the North American automotive industry.

The Company has manufacturing facilities in Marysville and Port Huron Michigan, USA.

2. Significant Accounting Policies

The following is a summary of significant accounting policies followed in the preparation of the accompanying financial statements:

Basis of Presentation

The accompanying financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America.

Fiscal Year

The Company's fiscal year is from April 1 to March 31.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as revenues and expenses. While actual results could differ from those estimates, management believes that the estimates are reasonable.

Concentration of Credit Risk

The Company places its cash and cash equivalents with high credit quality financial institutions and limits the amount of credit exposure to any one financial institution. Cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. The Company's cash balances with financial institutions typically exceed FDIC insured limits. The Company has not experienced any losses on such deposits in the past.

During the years ended March 31, 2019 and 2018, the Company had certain customers whose revenue individually represented 10% or more of the Company's total revenue. For the years ended March 31, 2019 and 2018, the company had sales to four customers that amounted to approximately 81% and 84%, respectively, of total net revenue.

As of March 31, 2019 and 2018, accounts receivable from these four customers amounted to approximately 37% and 31%, respectively, of total trade accounts receivable.

Revenue Recognition

Revenue from the sale of goods is recognized only when, pursuant to the sales agreement, the delivery of goods has occurred, and the risk of loss has transferred to the customer, the sales price is fixed and determinable and the collectability of revenue is reasonably assured.

Tooling Revenue Recognition

Revenue from program specific development and tooling and the related contribution is recognized upon completion and acceptance by the customer. This acceptance is through the Purchase Part Approval Process (PPAP). Any estimated cost in excess of recovery from the customer is expensed as incurred.

Shipping and Handling Costs

Shipping and handling costs are included in cost of goods sold in the accompanying income statement.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less, when purchased, to be cash equivalents.

Trade Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable are recorded for sales transactions and are stated at net realizable value ("NRV"). The NRV includes any accrued customer pricing adjustments. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the existing accounts receivable. The allowance for doubtful accounts is reviewed regularly on an individual basis for collectability. Account balances are charged off against the allowance when it is probable that the receivable will not be recovered.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the average cost method. Cost includes materials, labor and manufacturing overhead costs.

Tooling Inventory

Tooling inventory consists of accumulated direct costs incurred by the Company related to production tools and is held for sale to customers. Tooling inventory is valued at the lower of cost or the recoverable amount on a specific project basis.

Property, Plant and Equipment

Property, plant and equipment are recorded at the historical acquisition cost. Depreciation is calculated using the straight line method over the estimated useful lives of the assets. The useful lives range from 3–15 years for machinery and equipment, 3-39 years for buildings and improvements, 3-10 years for furniture and fixtures, 3-7 years for returnable packaging, 3-10 years for tools and 3-20 years for land improvements.

Costs related to repairs and maintenance are expensed when incurred. Expenditures which materially increase values or extend useful lives of long-lived assets are capitalized. Upon the disposal of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in the statement of income.

Impairment of Long Lived Assets

The Company assesses the impairment of its long-lived assets whenever economic events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. Long-lived assets are considered to be impaired when the sum of the expected future operating cash flows, undiscounted and without interest charges, is less than the carrying amounts of the related assets. If estimated undiscounted cash flows are not sufficient to recover the carrying value of the assets, an impairment charge is recorded for the amount by which the carrying value of the

SMR Automotive Systems USA, Inc.
Notes to the Financial Statements
March 31, 2019 and 2018



assets exceeds the fair value. No long-lived assets were determined to be impaired at March 31, 2019 and 2018.

Income Taxes

Deferred tax liabilities are recognized for temporary differences between financial reporting and tax basis accounting which will result in taxable amounts in future years. Deferred tax assets are recognized for temporary differences which will result in deductible amounts in future years and for tax loss and credit carryforwards. Deferred tax assets and liabilities are measured using currently stated statutory tax rates in effect for the tax year in which the differences are expected to be recorded or settled. The effect on deferred tax assets and liabilities of changes in tax rate is recognized in the income statement in the period in which the change is enacted. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts that is more likely than not to be realized.

Research and Development Costs

Expenditures for research activities related to development of new and existing products and processes are charged to expense when incurred. The Company incurred research and development cost of approximately \$8,323 and \$7,682 for the years ended March 31, 2019 and 2018, respectively. These costs are shown in the engineering expenses and cost of sales on the income statement.

3. Accounts Receivable

Accounts receivable at March 31, 2019 and 2018 consisted of the following (in thousands):

	2019	2018
Trade receivables, net	\$ 15,285	\$ 10,718
Amounts owed by related parties	16,801	10,796
Short term portion of unamortized tooling receivable	437	433
Total accounts receivable, net	<u>\$ 32,523</u>	<u>\$ 21,947</u>

The company provides an allowance for doubtful accounts that is based upon a review of outstanding receivables, historical collection information and existing economic conditions. The allowance for doubtful accounts were approximately \$637 and \$595 at March 31, 2019 and 2018, respectively.

The Company has entered into a factoring agreement with a domestic financial institution to sell certain accounts receivable under a nonrecourse agreement. The transactions are accounted for as a reduction in accounts receivable as the agreements transferred effective control over and risk related to the receivables to the buyers. The Company utilizes this factoring arrangement as an integral part of its financing. The cost of factoring such accounts receivable is reflected in the statement of income as interest expense. The cost for factoring such accounts receivable was approximately \$1,595 and \$1,248 for the years ended March 31, 2019 and 2018, respectively. The gross amount factored under this facility at March 31, 2019 and 2018 was approximately \$48,695 and \$49,705, respectively.

SMR Automotive Systems USA, Inc.
Notes to the Financial Statements
March 31, 2019 and 2018



4. Inventories

Inventories at March 31, 2019 and 2018 consisted of the following (in thousands):

	2019	2018
Raw materials	\$ 7,628	\$ 5,690
Work in process	1,587	1,340
Finished goods	2,647	1,949
Total gross inventory	11,862	8,979
Inventory reserves	(2,457)	(1,979)
Total net inventory	\$ 9,405	\$ 7,000

5. Tooling Inventories

Inventories at March 31, 2019 and 2018 consisted of the following (in thousands):

	2019	2018
Tooling inventory – inventory cost	\$ 4,804	\$ 6,347
Tooling inventory – customer progress billings	(1,781)	(358)
Total net tooling inventory	\$ 3,023	\$ 5,989

6. Other Assets

Other assets at March 31, 2019 and 2018 consisted of the following (in thousands):

	2019	2018
Long term portion of unamortized tooling receivables	\$ -	\$ 494
Company owned life insurance	233	116
Total other assets	\$ 233	\$ 610

7. Property, Plant and Equipment

Property, plant and equipment at March 31, 2019 and 2018 consisted of the following (in thousands):

SMR Automotive Systems USA, Inc.
Notes to the Financial Statements
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	2019	2018
Machinery and equipment	\$ 87,842	\$ 84,832
Buildings and improvements	40,248	39,326
Furniture and fixtures	8,854	8,116
Returnable packaging	6,884	7,217
Tools	1,513	1,390
Land and improvements	1,482	1,482
Construction in progress	1,802	3,610
Total property, plant and equipment	148,625	145,973
Less: Accumulated depreciation	(80,617)	(72,054)
Property, plant and equipment, net	\$ 68,008	\$ 73,919

Depreciation expense for the years ended March 31, 2019 and 2018 was approximately \$11,142 and \$10,376, respectively. This is primarily recorded in cost of sales on the income statement but is also partially recorded in the other expenses. The difference between depreciation expense and the movement in accumulated depreciation is from fixed asset disposals with no book value.

All of the assets of SMR Automotive Systems USA Inc. are pledged on behalf of SMRPBV, Netherlands, Company's immediate Parent company.

8. Accounts Payable

Accounts payable at March 31, 2019 and 2018 consisted of the following:

	2019	2018
Trade payables	\$ 41,437	\$ 32,421
Amounts owed to related parties	6,303	19,580
Total accounts payable	\$ 47,740	\$ 52,001

9. Revolving Credit Facility

The Company had an uncommitted revolving credit facility ("RCF") which allows borrowings not to exceed \$10,000. The facility expired at its maturity date of December 16, 2018. There was no replacement or subsequently secured.

10. Accrued Liabilities

Accrued liabilities at March 31, 2019 and 2018 consisted of the following (in thousands):

SMR Automotive Systems USA, Inc.
Notes to the Financial Statements
March 31, 2019 and 2018



	2019	2018
Warranty provision	\$ 1,272	\$ 902
Accrued payroll	1,191	1,174
Medical IBNR	549	652
Audit and tax expenses	343	324
Other	1,104	625
Total accrued liabilities	<u>\$ 4,459</u>	<u>\$ 3,677</u>

11. Deferred Grant Credit

The company received a grant from the State of Michigan related to allowing businesses economic assistance for creating a certain number of jobs by a specific date. Based on the grant agreement, the Company will receive specified dollar amounts when employment milestones are achieved. However, the agreement has a clawback provision that would require the Company to repay the amounts granted if employment milestones are not maintained in accordance with the agreement. Thus, management recognizes the revenue on the amounts received ratably over the period specified in the grant agreement.

New jobs creation grant at March 31, 2019 and 2018 consisted of the following (in thousands):

	2019	2018
Beginning Balance	\$ 158	\$ 356
Grant proceeds received from State of Michigan	-	1,000
Amount recognized as other income in current year	(158)	(1,198)
Total deferred grant credit	<u>\$ -</u>	<u>\$ 158</u>

In addition, the Company is eligible to receive a grant from the State of Michigan related to allowing business economic assistance for creating a certain number of jobs by a specific date. Based on the grant agreement, the Company is entitled to receive \$2,000, when employment milestones are achieved. As of March 31, 2018, the Company recorded \$1,900 as other income and a receivable as the amount was not paid.

12. Employee Benefit Plans

The Company sponsors a 401(k) savings plan. All full time employees are eligible to participate in this plan. The 401(k) plan permits participants to make contributions to the plan on a pre-tax salary reduction basis as defined in the plan. The Company also matches participant contributions up to a specified limit. Employees are eligible to participate in the plan after 90 days of employment. The Company match vests at 20% per year until the vesting is 100% after five years. Company matching contributions were approximately \$1,338 and \$1,053 for the years ended March 31, 2019 and 2018, respectively.

13. Income Taxes

Income tax expense at March 31, 2019 and 2018 was categorized as the following (in thousands):

SMR Automotive Systems USA, Inc.
Notes to the Financial Statements
March 31, 2019 and 2018



	2019	2018
Federal	\$ 14,988	\$ 16,145
State and local	3,359	2,696
Deferred	(2,290)	(17)
Total income tax expense	<u>\$ 16,057</u>	<u>\$ 18,824</u>

The difference between the effective tax rate used in the income statement and the expected tax rate (computed by applying the United States Federal corporate tax rate of 21.0% and 31.5% for March 31, 2019 and March 31, 2018, respectively, to income before income taxes) is as follows for the years ended March 31, 2019 and 2018, respectively (in thousands):

	2019	2018
Income tax at statutory federal income tax rate	\$ 15,441	\$ 23,539
Research and development credits utilized	(1,188)	(2,096)
State taxes net of federal benefits	2,575	1,983
Change in tax rate applied to deferreds	(892)	(4,791)
Other	121	189
Income tax expense	<u>\$ 16,057</u>	<u>\$ 18,824</u>

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Act") was signed into law making significant changes to the U.S. Internal Revenue Code. The most significant change impacting the company is a decrease in the corporate tax rate from 35 percent to 21 percent effective January 1, 2018. For the year ended March 31, 2019 the effects are fully incorporated into the financials, at an average rate of 22.5 percent. The Company calculated its best estimate of the impact of the Act in its tax provision for the year ended March 31, 2018 which resulted in a benefit of \$4,791 related to the remeasurement of deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future.

Companies will be subject to a new global minimum tax under the TCJA using a tax base that disallows certain expenses to foreign related parties beginning in 2018. The company's total related party non-COGS payments in FYE19 are less than the federal modified taxable loss. Accordingly no BEAT liability will exist in the current year.

Under the Act, net interest expense in excess of 30% of adjusted taxable income will be disallowed and carried forward indefinitely beginning in 2018. No 163(j) limitation exists for the Company.

The company continues to gather information related to estimates surrounding the remeasurement of deferred taxes and other provisions of the Act. Any subsequent adjustment is not expected to have a significant impact to the income tax expense.

SMR Automotive Systems USA, Inc.
Notes to the Financial Statements
March 31, 2019 and 2018



The tax effect of temporary differences, which gives rise to deferred tax assets and liabilities are as follows at March 31, 2019 and 2018 (in thousands):

	2019	2018
Deferred tax assets		
Excess inventory and obsolescence reserve	\$ 605	\$ 493
Returns and allowances	66	148
Amortization	-	79
Accrued warranty expense	313	216
Federal benefit of state deferred	119	140
Inventory capitalization	63	99
Fixed asset bonus	591	730
R&D credit carryforward	1,661	-
Other	225	118
Total deferred tax assets	<u>\$ 3,643</u>	<u>\$ 2,023</u>
Deferred tax liabilities		
Fixed asset depreciation	\$ (7,812)	\$ (8,411)
Michigan jobs grant	(1,453)	(1,433)
Returns and allowances	-	-
Other accrued expenses	(160)	(141)
UTP	(248)	(480)
Unrealized exchange rate gain	(83)	(74)
Other		(1)
Total deferred tax liabilities	<u>\$ (9,756)</u>	<u>\$ (10,540)</u>

The Company follows authoritative guidance on accounting for and disclosure of uncertainty in tax positions. The guidance contains a two-step approach to recognizing and measuring uncertain tax positions (tax contingencies). The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating its tax positions and benefits, which may require periodic adjustment as actual results may differ from those estimates.

The Company calculates a credit for research and development costs incurred and is subject to examination by the IRS for three years following the date the tax return is filed. The Company records interest and fees related to unrecognized tax benefits as a component of income tax expense.

The Company is a member of a group of entities that files consolidated tax returns. For financial reporting purposes, the Company accounts for income taxes as if it files its own federal and state income tax returns.

The Company is subject to taxation in the U.S. and various State jurisdictions. As of March 31, 2019 the Company is no longer subject to Federal examination prior to March 31, 2016 and State examination prior to March 31, 2012.

14. Legal Commitments and Contingencies

The Company is engaged in various legal proceedings and other matters in the normal course of business.

The Company assesses its exposure to loss contingencies and provides for an exposure if it is judged to be probable and estimable.

Although the outcome of litigation is always subject to uncertainties, management believes the likelihood is remote that, individually or in the aggregate, any amounts required to be paid in excess of amounts recorded related to these matters will not have a material adverse effect on the results of operations or financial position of the Company.

The Company had made commitments for a start-up related party for the lease of computer equipment and furniture. The company is only obligated under these guarantees only if the related party fails to make timely payments. There have been no failed payments where the company has been required to pay on behalf of the related party. At this time there is no perceived risk for the company to make payments on behalf of the related party.

SMR has provided certain guarantees on behalf of SMP Automotive USA, Inc. by serving as Guarantor for their auto leases, office furniture & certain computer equipment. SMP has primary role in managing payment of these leases and they do not impact SMR's operation.

15. Operating Lease Commitments

The Company leases equipment under leasing agreements that expire at various dates. Rental expense was approximately \$598 and \$785 for the years ended March 31, 2019 and 2018, respectively. Future annual rental payments as of March 31, 2019 are as follows (in thousands):

Year Ending March 31,	
2020	\$ 419
2021	304
2022	69
2023	57
2024	20
Thereafter	-
Total future rental payments	<u>\$ 869</u>

The future annual rental payments are declining due to the current leasing contracts expiring.

16. Shareholder's Equity

Pursuant to the terms of the formation and operating agreements, ownership of the Company is evidenced by one class of common stock at \$10.00 par value. There were 10,000 authorized shares with 7,500 shares issued and outstanding at March 31, 2019 and 2018.

17. Related Party Transactions

The Company is involved in transactions with related parties through common ownership in the normal course of business. The Company purchases inventory from related parties and pays group charges for managing certain aspects of global functions. The Company also bills related parties for management services, design and development and other expenses.

Total revenue from related parties for the years ended March 31, 2019 and 2018 amounted to approximately \$7,527 and \$11,264, respectively. Total due from related parties as of March 31, 2019 and 2018 amounted to approximately \$16,801 and \$10,796 respectively. Included in the total due from related parties is an intercompany tax receivable from SMR Vision Systems USA in the amount of \$10,881 and \$0 as of March 31, 2019 and 2018 respectively. Total related party purchases and expenses for the years ended March 31, 2019 and 2018 amounted to approximately \$70,013 and \$71,051, respectively, and total due to related parties amounted to approximately \$6,303 and \$19,580 as of March 31, 2019 and 2018, respectively. Included in the amounts due to related parties is an intercompany tax payable to SMR Vision System Operations USA in the amount of \$0 and \$6,152 as of March 31, 2019 and 2018 respectively. As of March 31, 2019 and 2018, the Company has an intercompany tax payable due to SMP in the amount of \$0 and \$7,576, respectively.

18. Supplemental Cash Flow Information

Cash paid for income taxes, net of refunds, amounted to approximately \$4,510 and \$19,632 for the years ended March 31, 2019 and 2018, respectively. Interest payments for the years ended March 31, 2019 and 2018 amounted to approximately \$1,623 and \$1,493, respectively.

Noncash Investing Activities

At March 31, 2019 and 2018, accounts payable to acquire plant and equipment totaled approximately \$319 and \$255, respectively.

19. Subsequent Events

The Company has evaluated subsequent events through July 19, 2019, the date financial statements are available to be issued, and determined that there were no subsequent events that would require adjustment to or disclosure in the financial statements.