SMR Holding Australia Pty Limited and Controlled Entities

Financial report

for the year ended 31 March 2019

Contents

Directors' Report

Your directors present their report on the Company and its controlled entities (the Group) 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 within the Group during the course of the financial year was the manufacture of automotive componentry.
There was no significant change in the nature of the activity of the Group during the year.

Dividends
A dividend of $16,025,615 was declared during year ended 31 March 2019 (year ended 31 March 2018: $18,900,000) of which $16,025,615 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 $13,388,018 (year ended 31 March 2018: $13,089,378).

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

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

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

Likely developments and expected results of operations
The Group 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 companies and overseas vehicle manufacturers.

Directors' Report

Environmental regulation

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

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

Insurance of officers

During the financial year, the ultimate parent company, Samvardhana 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 Entity.

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

Auditor's independence declaration

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

Auditor

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

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

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

Puneet Saim
Director

Dated this 28TH day of MAY 2019

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Auditor's Independence Declaration

to the Directors of SMR Holding Australia Pty Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of SMR Holding Australia Pty Limited for the year ended 31 March 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

Consolidated statement of comprehensive income

For the year ended 31 March 2019

	Notes	2019 $	2018 $
Revenue from continuing operations	4	**92,578,165**	106,661,718
Other Income	5	**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	6	**(7,597,002)**	(10,983,693)
Share of profit (loss) from associates	22	**46,578**	(63,600)
Finance costs		**(389,918)**	(67,256)
Profit before income tax		**18,883,264**	17,888,692
Income Tax Expense	7	**(5,495,246)**	(4,799,314)
Profit from continuing operations		**13,388,018**	13,089,378
Profit for the year		**13,388,018**	13,089,378
Other comprehensive income for the year, net of tax		**-**	-
Total Comprehensive Income for the year		**13,388,018**	13,089,378

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

As at 31 March 2019

	Notes	2019 $	2018 $
ASSETS			
Current assets			
Cash and cash equivalents	8	**4,298,466**	10,306,509
Trade and other receivables	9	**13,566,330**	11,022,487
Inventories	10	**14,592,127**	16,847,558
Total current assets		**32,456,923**	38,176,554
Non-current assets			
Investments accounted for using equity method	22	**170,780**	124,202
Property, plant and equipment	11	**19,176,871**	17,614,613
Deferred tax assets	12	**4,634,909**	4,225,123
Goodwill	13	**17,417,988**	17,417,988
Total non-current assets		**41,400,548**	39,381,926
Total assets		**73,857,471**	77,558,480
LIABILITIES			
Current liabilities			
Trade and other payables	14	**(12,917,275)**	(17,053,918)
Income tax payable		**(2,455,219)**	(3,614,374)
Provisions	16	**(10,654,878)**	(8,666,277)
Contract liabilities	14	**(2,870,484)**	-
Total current liabilities		**(28,897,856)**	(29,334,569)
Non-current liabilities			
Provisions	16	**(2,781,519)**	(3,403,665)
Borrowings	15	**(860,000)**	(860,000)
Total non-current liabilities		**(3,641,519)**	(4,263,665)
Total liabilities		**(32,539,375)**	(33,598,234)
Net assets		**41,318,096**	43,960,246
EQUITY			
Contributed equity	17	**(33,933,597)**	(33,933,597)
Reserves	18	**(10,690,984)**	(10,695,537)
Accumulated losses		**3,306,485**	668,888
Total equity		**(41,318,096)**	(43,960,246)

Consolidated statement of changes in equity
For the year ended 31 March 2019

	Contributed equity $	Reserves $	Retained earnings / (Accumulated losses) $	Total equity $
Balance as at 1 April 2017	33,933,597	10,695,537	5,141,734	49,770,868
Total comprehensive income for the year	-	-	13,089,378	13,089,378
Transactions with owners in their capacity as owners:				
- Dividend paid or declared	-	-	(18,900,000)	(18,900,000)
Balance as at 31 March 2018	33,933,597	10,695,537	(668,888)	43,960,246
Balance as at 1 April 2018	**33,933,597**	**10,695,537**	**(668,888)**	**43,960,246**
Total comprehensive income for the year	**-**	**-**	**13,388,018**	**13,388,018**
Movement in hedge accounting	**-**	**(4,553)**	**-**	**(4,553)**
Transactions with owners in their capacity as owners:				
- Dividends provided for or paid	**-**	**-**	**(16,025,615)**	**(16,025,615)**
Balance as at 31 March 2019	**33,933,597**	**10,690,984**	**(3,306,485)**	**41,318,096**

Consolidated 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)		**106,178,432**	127,244,832
Payments to suppliers and employees (inclusive of goods and services tax)		**(92,456,913)**	(100,702,517)
		13,721,519	26,542,315
ATS and government grants received	5	**4,099,591**	3,900,214
Interest paid		**(389,918)**	(67,256)
Income tax paid		**(3,384,761)**	(3,873,100)
Net cash inflow from operating activities	24	**14,046,431**	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		**(16,025,615)**	(18,900,000)
Net cash (outflow) from financing activities		**(16,025,615)**	(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	8	**4,298,466**	10,306,509

The accompanying notes form part of these financial statements.

1 General information and statement of compliance

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

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

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

The consolidated financial statements for the year ended 31 March 2019 were approved and authorised for issue by the Board of Directors on xx May 2019.

2 Changes in accounting policies

New and amended standards adopted by the group

A number of new and revised standards became effective for annual periods beginning on or after 1 April 2018. Information on the more significant standard(s) is presented below.

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 Group'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 Group 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 Group'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 Group's historical financial results as a result of this new accounting standard.

2 Changes in accounting policies (continued)

Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended that potentially impact the Group but are not yet effective and have not been adopted by the Group 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 cash flows; 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 Group 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 Group 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 Group will apply the standard from its mandatory adoption of 1 January 2019. The Group 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).

3 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Overall considerations

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

(b) Basis of consolidation

The Group financial statements consolidate those of the Parent Group and its subsidiary as of 31 March 2019. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The subsidiary has a reporting date of 31 March.

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

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

3 Summary of significant accounting policies (continued)

(c) Investments in associates and joint arrangements

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

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

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

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

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

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

(d) Revenue

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

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

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

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

Sale of goods

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

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

Tooling contracts

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

3 Summary of significant accounting policies (continued)

(d) Revenue (continued)

Tooling contracts (continued)

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

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

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

(f) Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin. Expenditure for warranties is recognised and charged against the associated provision when the related revenue is recognised.

(g) Borrowing costs

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

(h) Property, plant and equipment

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

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

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

3 Summary of significant accounting policies (continued)

(h) Property, plant and equipment (continued)

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(g)).
Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(i) Leased assets

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

(j) Inventories

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

(k) Income taxes

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

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

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

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

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

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

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

3 Summary of significant accounting policies (continued)

(l) Cash and cash equivalents

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

(m) Equity, reserves and dividend payments

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

Retained earnings include all current and prior period retained profits.

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

(n) Employee benefits

(i) Short-term obligations

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

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(o) Provisions

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

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

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

Warranty

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

3 Summary of significant accounting policies (continued)

(p) Goods and Services Tax (GST)

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

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

(q) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(r) Goodwill

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

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

Impairment testing

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

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows.

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

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

4. 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

5. 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

6. 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)

7. *Income tax expense*

	2019	2018
	$	$
(a) Income tax expense		
Current tax	5,902,483	6,176,714
Deferred tax	(407,237)	(1,377,400)
Adjustments for current tax of prior periods	-	-
	5,495,246	4,799,314

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

	2019	2018
	$	$
Profit from continuing operations before income tax expense	18,883,264	17,888,692
Tax at the Australian tax rate of 30% (2018 - 30%)	5,664,979	5,366,608
Tax effect of amounts which are not deductible (taxable)		
in calculating taxable income:		
Entertainment	4,606	3,829
Other	(99,322)	(56,384)
(Over) under provision in prior year	(75,017)	(514,739)
Total income tax expense	5,495,246	4,799,314

8. *Cash and cash equivalents*

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

9. *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

10. *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

11. 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

12. Deferred tax assets - Net

	2019	2018
	$	$
The balance comprises temporary differences attributable to:		
Property, plant and equipment	654,915	777,473
Inventories	434,277	641,254
Provisions	2,973,765	2,268,131
Accrued expenses	427,143	596,798
Grants	144,809	(58,533)
Total deferred tax assets	4,634,909	4,225,123

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

13. Goodwill

Goodwill	17,417,988	17,417,988

14. Trade and other payables

	2019	2018
	$	$
Current liabilities		
Trade and other payables	12,023,143	15,394,888
Related party trade payables	894,132	1,659,030
	12,917,275	17,053,918
Contract liabilities	2,870,484	-

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

15. Borrowings - non-current

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

16. 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

17. Contributed equity

(a) Share capital

	2019 Shares	2018 Shares	2019 $	2018 $
Ordinary shares fully paid	**3,030,804**	3,030,804	**33,933,597**	33,933,597
	3,030,804	3,030,804	**33,933,597**	33,933,597

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

18. Reserves

	2019 $	2018 $
Asset revaluation reserve upon adoption of AIFRS	10,695,537	10,695,537
Cash flow hedging reserve	(4,553)	-
	10,690,984	10,695,537

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

19. Remuneration of auditors

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

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

20. Related party transaction

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

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

20.1 Transactions with associates

	2019	2018
	$	$
Sales and other revenue to associates	81,910,967	81,999,496
Purchases and other expenses from associates	5,041,569	4,210,368
Receivable from associates	8,601,842	8,468,646
Payable to associates	894,132	1,659,030

20.2 Transactions with key management personnel

Key management of the Group are the executive members of SMR Holding Australia Pty Limited's Board of Directors. Key management personnel remuneration includes the following expenses:

	2019	2018
	$	$
Total key management personnel remuneration	600,231	415,691

21. Commitments

(a) Capital commitments

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

(b) Non-cancellable operating leases

The Group 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	257,502	1,284,708
Later than five years	-	-
Commitments not recognised in the financial statements	499,754	2,090,932

22. 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

23. 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 Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

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

	2019	2018
	$	$
Profit for the year	13,388,018	13,089,378
Fair value movement in hedge reserve	(4,553)	-
Depreciation and amortisation	2,466,711	2,223,803
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	(409,786)	(1,377,400)
(Decrease) increase in trade and other payables	(4,136,643)	1,451,107
(Decrease) in provisions	1,366,455	2,784,969
Increase in contract liabilities	2,870,484	-
(Decrease) increase in related party tax payable	(1,159,155)	2,240,633
Net cash inflow (outflow) from operating activities	14,046,431	26,502,173

25. Controlled Entities

		Ownership interest	
Name of entity	**Country of Incorporation**	2019	2018
SMR Automotive Australia Pty Ltd	Australia	100%	100%

26. Parent entity information

	2019	2018
	$	$
Statement of financial position		
Current assets	3,367,144	4,320,656
Total assets	35,750,472	37,724,543
Current liabilities	(2,712,957)	(3,657,866)
Total liabilities	(2,712,957)	(3,657,866)
Net assets	33,037,515	34,066,677
Issued capital	(33,933,597)	(33,933,597)
Accumulated losses (retained earnings)	896,082	(133,080)
Total equity	(33,037,515)	(34,066,677)
Statement of profit or loss and other comprehensive income		
(Loss) for the year	(3,403)	(5,941)
Total comprehensive income	(3,403)	(5,941)

Directors' Declaration

For the year ended 31 March 2019

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

1. The consolidated financial statements and notes of SMR Holding Australia Pty Ltd are in accordance with the *Corporations Act 2001,* including:

   (a) Giving a true and fair view of its financial position as at 31 March 2019 and of its performance for the financial year ended on that date; and

   (b) Complying with Australian Accounting Standards - Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001* ; and

2. There are reasonable grounds to believe that SMR Holding Australia Pty Ltd will be able to pay its debts as and when they become 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

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Independent Auditor's Report

To the Members of SMR Holding Australia Pty Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of SMR Holding Australia Pty Limited (the Company) and its subsidiaries (the Group), 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a giving a true and fair view of the Group's financial position as at 31 March 2019 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Basis for opinion

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

Responsibilities of the Directors for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001*. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

A. [signature]

A J Pititto
Partner - Audit & Assurance

Melbourne, 28 May 2019