

# **SMR Hyosang Automotive Ltd.**

Financial statements  
for the year ended March 31, 2019  
and the three months ended March 31, 2018  
with the independent auditor's report

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## **Independent auditor's report**

### **The Shareholder and Board of Directors SMR Hyosang Automotive Ltd.**

#### **Opinion**

We have audited the accompanying financial statements of SMR Hyosang Automotive Ltd. (the "Company"), which comprise the statements of financial position as of March 31, 2019 and 2018, and the statements of income, statements of changes in equity and statements of cash flows for the year ended March 31, 2019 and the three months ended March 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2019 and 2018, and its financial performance and its cash flows for the year ended March 31, 2019 and the three months ended March 31, 2018 in accordance with Accounting Standards for Non-Public Entities in the Republic of Korea.

#### **Basis for opinion**

We conducted our audits in accordance with Korea Auditing Standards (KGAAS). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Accounting Standards for Non-Public Entities in the Republic of Korea, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 KGAAS 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 these financial statements.

As part of an audit in accordance with KGAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify your opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



June 26, 2019

This audit report is effective as of June 26, 2019, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's report to the time this report is used. Such events and circumstances could significantly affect the accompanying financial statements and may result in modifications to this report.

# **SMR Hyosang Automotive Ltd.**

Financial statements  
for the year ended March 31, 2019  
and the three months ended March 31, 2018

“The accompanying financial statements, including all footnotes and disclosures, have been prepared by, and are the responsibility of, the Company.”

Chang Gyun Han  
Chief Executive Officer  
SMR Hyosang Automotive Ltd.

**SMR Hyosang Automotive Ltd.**  
**Statements of financial position**  
**as of March 31, 2019 and 2018**

(Korean won)

	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	₩ 1,222,896,280	₩ 208,874,076
Trade receivables, net (Note 17)	19,539,836,893	15,675,776,437
Other receivables (Note 17)	876,850,738	420,408,950
Prepaid expenses	44,724,248	24,280,600
Deferred tax assets (Note 10)	830,241,767	838,869,592
Value added tax payment	291,100,016	-
Inventories, net (Note 3)	6,356,343,054	6,997,725,543
Total current assets	29,161,992,996	24,165,935,198
<b>Non-current assets:</b>		
Property, plant and equipment, net (Notes 4,8 and 16)	31,362,155,974	29,780,619,771
Guarantee deposits	546,604,000	782,919,000
Deferred tax assets (Note 10)	278,584,987	345,127,023
Total non-current assets	32,187,344,961	30,908,665,794
<b>Total assets</b>	<b>₩ 61,349,337,957</b>	<b>₩ 55,074,600,992</b>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Trade payables (Notes 6 and 17)	₩ 14,524,468,587	₩ 15,007,976,643
Other payables (Notes 6 and 17)	2,571,698,189	2,078,433,920
Short-term borrowings (Notes 5 and 17)	10,000,000,000	9,559,000,000
Withholdings	64,260,390	10,765,674
Accrued expenses	456,668,792	458,470,016
Income tax payable	1,001,805,281	238,971,193
Provisions (Note 7)	816,318,576	407,118,597
Current portion of finance lease liabilities (Note 8)	531,093,329	594,450,260
Total current liabilities	29,966,313,144	28,355,186,303
<b>Non-current liabilities:</b>		
Long-term guarantee deposits received (Note 17)	342,000,000	332,000,000
Long-term finance lease liabilities (Note 8)	610,931,426	791,332,362
Provision for severance and retirement benefits, net (Note 9)	96,202,656	355,129,513
Total non-current liabilities	1,049,134,082	1,478,461,875
<b>Total liabilities</b>	<b>31,015,447,226</b>	<b>29,833,648,178</b>
<b>Equity:</b>		
Capital stock (Note 12):		
Common stock	450,000,000	450,000,000
Retained earnings (Note 13):		
Legal reserve	1,503,000,000	1,503,000,000
Discretionary reserve	250,000,000	250,000,000
Unappropriated retained earnings	28,130,890,731	23,037,952,814
<b>Total equity</b>	<b>30,333,890,731</b>	<b>25,240,952,814</b>
<b>Total liabilities and equity</b>	<b>₩ 61,349,337,957</b>	<b>₩ 55,074,600,992</b>

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

**SMR Hyosang Automotive Ltd.****Statements of income****for the year ended March 31, 2019 and the three months ended March 31, 2018**

(Korean won)

	<b>2019</b>	<b>2018</b>
<b>Sales (Note 17)</b>	<b>₩ 110,829,538,067</b>	<b>₩ 25,766,282,162</b>
Cost of sales (Notes 15 and 17)	102,170,781,637	24,393,839,099
<b>Gross profit</b>	<b>8,658,756,430</b>	<b>1,372,443,063</b>
Selling and administrative expenses (Notes 14 and 15)	3,225,411,516	970,211,342
<b>Operating profit</b>	<b>5,433,344,914</b>	<b>402,231,721</b>
Non-operating income:		
Interest income	27,324,897	29,182,349
Gain on foreign currency transactions	444,524,975	239,434,263
Gain on foreign currency translation	137,595,997	47,084,840
Gain on derivatives transactions	-	2,552,769
Others	1,448,803,789	278,938,509
	2,058,249,658	597,192,730
Non-operating expense:		
Interest expenses	396,349,917	68,842,802
Loss on foreign currency transactions	550,721,821	48,265,773
Loss on foreign currency translation	26,218,062	50,195,552
Loss on derivatives transactions	-	1,981,426
Others	72,710,050	16,720,160
	1,045,999,850	186,005,713
<b>Profit before income taxes</b>	<b>6,445,594,722</b>	<b>813,418,738</b>
Income tax expense (Note 10)	1,352,656,805	173,866,735
<b>Net income</b>	<b>₩ 5,092,937,917</b>	<b>₩ 639,552,003</b>

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

**SMR Hyosang Automotive Ltd.**  
**Statements of changes in equity**  
**for the year ended March 31, 2019 and the three months ended March 31, 2018**

(Korean won)

	<u>Capital stock</u>	<u>Retained earnings</u>	<u>Total</u>
As of January 1, 2018	₩ 450,000,000	₩ 24,151,400,811	₩ 24,601,400,811
Net income	-	639,552,003	639,552,003
As of March 31, 2018	<u>₩ 450,000,000</u>	<u>₩ 24,790,952,814</u>	<u>₩ 25,240,952,814</u>
As of April 1, 2018	₩ 450,000,000	₩ 24,790,952,814	₩ 25,240,952,814
Net income	-	5,092,937,917	5,092,937,917
As of March 31, 2019	<u>₩ 450,000,000</u>	<u>₩ 29,883,890,731</u>	<u>₩ 30,333,890,731</u>

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

**SMR Hyosang Automotive Ltd.**  
**Statements of cash flows**  
**for the year ended March 31, 2019 and the three months ended March 31, 2018**  
(Korean won)

	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities:</b>		
Net income	₩ 5,092,937,917	₩ 639,552,003
Adjustments to reconcile net income to net cash flows provided by (used in) operating activities :		
Depreciation of property, plant and equipment	2,414,806,171	712,514,893
Severance retirement benefits	437,686,907	(83,438,175)
Loss (gain) on foreign currency translation, net	(111,377,935)	1,437,797
Loss on disposal of property, plant and equipment	13,997,985	-
Gain on disposal of property, plant and equipment	(244,940,539)	(56,267,726)
Bad debt expenses	36,283,559	-
(Reversal) Provision of sales warranty	(68,721,292)	47,738,545
Changes in operating assets and liabilities:		
Trade receivables	(3,752,974,426)	(3,851,439,904)
Other receivables	(492,872,750)	279,321,286
Prepaid expenses	(20,443,648)	(17,374,705)
Value added tax payment	(291,100,016)	-
Inventories	641,382,489	2,846,591,579
Trade payables	(483,074,386)	(1,419,291,273)
Other payables	(159,620,293)	(332,586,293)
Withholdings	53,494,716	(133,885,325)
Accrued expenses	(1,801,224)	(360,589,024)
Income tax payable	762,834,088	146,677,477
Provisions	477,921,271	(55,136,967)
Long-term finance lease liabilities	(243,757,867)	(159,434,991)
Financial derivatives	-	(29,285,694)
Payment of severance and retirement benefits	18,942,854	3,970,727
Severance and retirement benefits deposits	(715,556,618)	(2,930,699)
Deferred tax assets	75,169,861	27,187,428
Net cash provided by (used in) operating activities	3,439,216,824	(1,796,669,041)
<b>Cash flows from investing activities:</b>		
Proceeds from disposal of property, plant and equipment	1,557,621,719	244,719,900
Decrease in guarantee deposits	236,315,000	42,404,000
Increase in guarantee deposits received	10,000,000	-
Acquisition of property, plant and equipment	(4,670,131,339)	(1,899,588,460)
Net cash used in investing activities	(2,866,194,620)	(1,612,464,560)
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	10,000,000,000	11,630,900,000
Decrease in short-term borrowings	(9,559,000,000)	(9,700,000,000)
Net cash provided by financing activities	441,000,000	1,930,900,000
<b>Net increase (decrease) in cash and cash equivalents</b>	1,014,022,204	(1,478,233,601)
<b>Cash and cash equivalents as of April 1, 2018 and January 1, 2018</b>	208,874,076	1,687,107,677
<b>Cash and cash equivalents as of March 31, 2019 and 2018</b>	₩ 1,222,896,280	₩ 208,874,076

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

## **1. Corporate information**

SMR Hyosang Automotive Ltd. (the "Company") was incorporated in January 1989, under the laws of the Republic of Korea to engage in the manufacture and distribution of automotive rear mirrors and other related auto parts.

The Company is wholly owned by SMR Automotive Modules Korea Ltd. (formerly, SMR Poong Jeong Automotive Mirrors Korea Ltd.) of the Republic of Korea, which purchases a substantial portion of the Company's products.

In accordance with the resolution made at the annual shareholder's meeting on March 30, 2018, the Company changed its fiscal year end from December 31 to March 31 effective from January 1, 2018. Accordingly, the financial statements for the three months ended March 31, 2018 present the financial position of the Company as of March 31, 2018, and its financial performance and cash flows for the three months then ended.

## **2. Summary of significant accounting policies**

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

### **Basis of financial statement preparation**

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language in accordance with Accounting Standards for Non-Public Entities in the Republic of Korea ("Korean Accounting Standards"), which apply to those companies that are subject to the *Act on External Audit of Stock Companies* but do not prepare their financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS"). The accompanying financial statements have been condensed, restructured and translated into English from the Korean language financial statements. In the event of any differences in interpreting the financial statements or the independent auditor's report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, financial performance or cash flows, is not presented in the accompanying financial statements.

### **Foreign currency translation**

#### **(1) Functional and presentation currency**

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Korean won, which is the Company's functional and presentation currency.

#### **(2) Foreign currency transactions and translations**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at each reporting date of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash without significant transaction costs which are subject to an insignificant risk of changes in value.

## 2. Summary of significant accounting policies (cont'd)

### Derivatives

All derivative instruments are accounted for at their fair value according to the rights and obligations associated with the derivative contracts. The resulting changes in the fair value of derivative instruments are recognized in the statements of income.

### Allowance for doubtful accounts

The Company provides an allowance for doubtful accounts for trade receivables. Allowances are calculated based on the estimates made through a reasonable and objective method. Bad debt expense is recorded as the difference between the estimated loss on doubtful accounts and the balance of allowance for doubtful accounts, if the estimated loss on doubtful accounts is larger than the balance of the allowance. Bad debt expenses for trade receivables from commercial transactions are accounted for as selling and administrative expenses, while bad debt expenses from other receivables are accounted for as non-operating expenses. Uncollectible receivables are offset against allowance for doubtful accounts and in case of an insufficient amount of allowance, bad debt expenses are recognized in the statements of income.

### Inventories

The quantities of inventories are determined using the perpetual method and periodic inventory count, while the costs of inventories are determined using the gross average method. Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Replacement cost is used for the estimate of net realizable value of raw materials. If, however, the circumstances which caused the valuation loss cease to exist, the valuation loss is reversed, but not exceeding the original carrying amount before valuation. The said reversal is deducted from cost of sales.

### Property, plant and equipment

Property, plant and equipment are stated at cost, which includes acquisition cost, production cost and other costs required to prepare the asset for its intended use.

Property, plant and equipment are stated at acquisition cost, net of accumulated depreciation calculated based on the following depreciation method and estimated useful lives:

	Estimated useful lives	Depreciation method
Buildings	30 ~ 40 years	Straight-line method
Structures	15 years	Straight-line method
Tooling	4 years	Straight-line method
Machinery and equipment, vehicles, furniture and fixtures	6 years	Straight-line method

Expenditures incurred after the acquisition or completion of assets are capitalized only when it is probable that future economic benefits associated with the assets will flow to the Company, which includes the enhancement of the value of the related assets over their recently appraised value or extension of the useful lives of the related assets, and the fair value for the related cost can be reliably measured. All other routine maintenance and repairs are charged to expense as incurred.

## **2. Summary of significant accounting policies (cont'd)**

### **Impairment of non-financial assets**

Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Property, plant and equipment are reviewed for impairment under the above circumstances and when the gross estimated future cash flows expected from the use and disposal of property, plant and equipment (individual assets or cash-generating units) is less than the carrying amount. An impairment loss is recognized 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 its value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels (cash-generating units) for which there are separate and identifiable cash flows.

Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### **Provisions and contingent liabilities**

Provisions are recognized when it is probable that an outflow of resources will occur due to a present obligation resulting from a past event, and the amount can be reliably estimated. However, when such outflow is dependent upon a future event, is not certain to occur, or cannot be reliably estimated, a disclosure regarding the contingent liability is made in the notes to the financial statements.

Provisions are measured at the present value of the expenditures expected to be settled using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are reviewed at each report date and adjusted to reflect the current best estimate. The discount rate used is the original discount rate assuming that the discount rate does not change.

### **Income tax and deferred income tax**

Income tax expense includes the current income tax under the relevant income tax law and the changes in deferred tax assets or liabilities. Deferred tax assets and liabilities represent temporary differences between financial reporting and the tax bases of assets and liabilities. Deferred tax assets are recognized for temporary differences which will decrease future taxable income or operating loss to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. Deferred tax effects applicable to items in the shareholders' equity are directly reflected in the equity.

### **Employee benefits**

#### **(1) Provision for severance and retirement benefits**

Employees and directors with at least one year of service are entitled to receive a lump-sum payment upon termination of their employment with the Company based on their length of service and rate of pay at the time of termination. Accrued severance benefits represent the amount which would be payable assuming all eligible employees and directors were to terminate their employment as of date of statement of financial position.

The Company has partially funded the provision for severance and retirement benefits through severance insurance deposits with Industrial Bank of Korea. Deposits made by the Company are recorded as retirement deposit and deducted from provision for severance and retirement benefits. The excess portion of deposits over provision for severance and retirement benefits is recorded as investment assets.

The Company deposits certain portion severance benefits to National Pension Service according to National Pension Law. The deposit amount is recorded as deduction from provision for severance and retirement benefits.

## **2. Summary of significant accounting policies (cont'd)**

### **Employee benefits (cont'd)**

#### **(2) Annual paid leave obligations**

The Company recognizes expenses and liabilities related to annual paid leave during an accounting period when an employee has rendered service that gives rise to employee's entitlement to future annual paid leave.

The Company recognized expenses and liabilities for the entire annual paid leave resulting from the rendered service as the Company compensates for unused annual leave.

### **Finance leases**

#### **(1) Company as the lessee**

Leases, where the Company has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the commencement of the lease term at the lower of the fair value of the leased property and the present value of the minimum lease payments and recognized as finance lease assets and finance lease liabilities. Minimum lease payments, net of guaranteed residual value, for each period is allocated as repayments between interest expenses and lease liabilities. Interest expenses are calculated using effective-interest method.

### **Revenue recognition**

Revenue is measured as the fair value of the consideration received or receivable, and represents amounts receivable for the sale of goods and rendering of services, stated net of value-added tax, sales discounts and sales returns. The Company recognizes revenue when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow into the Company.

The Company manufactures and sells automobile components. Revenue on sales of goods is recognized when the products have been delivered to the customer. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and the customer has accepted the products in accordance with the sales contract, or the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

### **Measurement of financial assets and financial liabilities**

Financial assets and financial liabilities are measured at the fair value at the initial recognition. Generally, the transaction price is treated as fair value. In addition, if there is any significant difference between the fair value and the nominal amount of receivable and payable from long-term lending and borrowing transactions or sales transactions with long-term deferred payment conditions, total amount of receivable and payable is carried at fair value.

Financial assets and financial liabilities other than derivatives, financial instruments at fair value through profit or loss, and financial guarantee contracts are measured at amortized cost using the effective interest method.

### **Approval of financial statements**

The issuance of the financial statements of the Company will be approved by the Board of Directors on June 28, 2019.

**SMR Hyosang Automotive Ltd.**  
**Notes to the financial statements**  
**March 31, 2019 and 2018**

**3. Inventories**

Inventories as of March 31, 2019 and 2018 are as follows (Korean won in thousands):

	2019	2018
Finished goods	₩ 3,770,758	₩ 3,594,809
Work-in-process	484,232	296,240
Raw materials	2,191,332	3,331,990
	6,446,322	7,223,039
Less: valuation allowance	(89,979)	(225,313)
	₩ 6,356,343	₩ 6,997,726

**4. Property, plant and equipment**

Changes in property, plant and equipment for the year ended March 31, 2019 and for the three months ended March 31, 2018 are as follow (Korean won in thousands):

2019							
	Beginning	Acquisition	Disposal	Depreciation	Reclassification	Ending	Acquisition Cost
Land	₩ 10,935,110	₩ -	₩ -	₩ -	₩ -	₩ 10,935,110	₩ 10,935,110
Buildings	11,508,490	-	-	(345,000)	461,727	11,625,217	13,544,745
Structures	38,630	-	-	(3,711)	-	34,919	55,677
Machinery	3,763,910	-	(705,751)	(1,138,306)	2,141,495	4,061,348	12,805,562
Vehicle	1	-	-	-	-	1	2,200
Tooling	2,035,848	-	(584,376)	(758,441)	1,200,400	1,893,431	5,429,492
Furniture and equipment	680,131	-	(36,553)	(169,348)	10,410	484,640	1,332,409
Construction-in-progress	818,500	5,323,022	-	-	(3,814,032)	2,327,490	2,327,490
Total	₩ 29,780,620	₩ 5,323,022	₩ (1,326,680)	₩ (2,414,806)	₩ -	₩ 31,362,156	₩ 46,432,685

  

2018							
	Beginning	Acquisition	Disposal	Depreciation	Reclassification	Ending	Acquisition Cost
Land	₩ 10,903,295	₩ -	₩ -	₩ -	₩ 31,815	₩ 10,935,110	₩ 10,935,110
Buildings	10,932,760	-	-	(82,730)	658,460	11,508,490	13,083,018
Structures	39,558	-	-	(928)	-	38,630	55,677
Machinery	2,621,107	-	-	(337,114)	1,479,917	3,763,910	12,054,372
Vehicle	1	-	-	-	-	1	2,200
Tooling	1,847,468	-	(188,453)	(246,427)	623,260	2,035,848	4,950,352
Furniture and equipment	388,406	-	-	(45,315)	337,040	680,131	1,434,242
Construction-in-progress	1,977,908	1,971,084	-	-	(3,130,492)	818,500	818,500
Total	₩ 28,710,503	₩ 1,971,084	₩ (188,453)	₩ (712,514)	₩ -	₩ 29,780,620	₩ 43,333,471

As of March 31, 2019, the value of the Company's land, as determined by the local government in Korea for property tax assessment purposes, amounts to ₩10,104 million (2018: ₩9,604 million).

As of March 31, 2019 and 2018, property, plant and equipment and inventories are insured against fire and other casualty losses for up to ₩31,619 million (2018: ₩24,988 million).

## 5. Short-term borrowings

Short-term borrowings as of March 31, 2019 and 2018 are as follows (Korean won in thousands):

Type	Creditors	Annual interest rate	2019	2018	Payment method
Operating funds	SMR Automotive Modules Korea Ltd.	4.60%	10,000,000	-	Repayment at due date
Loans for trade bill	Industrial Bank of Korea	-	-	4,050,000	Occasional repayment
Facility fund loan	The Korea Development Bank	-	-	5,509,000	Repayment at due date
			<u>₩ 10,000,000</u>	<u>₩ 9,559,000</u>	

## 6. Maturity analysis of trade payables and other payables (liquidity risk)

Trade payables and other payables as of March 31, 2019 and 2018 are as follows (Korean won in thousands):

	2019		2018	
	Less than 3 months	3 to 6 months	Less than 3 months	3 to 6 months
Trade payables	₩ 14,524,469	₩ -	₩ 15,007,977	₩ -
Other payables	2,571,698	-	2,078,434	-

## 7. Provisions

Provisions as of March 31, 2019 and 2018 are as follows (Korean won in thousands):

	2019			2018		
	Beginning balance	Net changes	Ending balance	Beginning balance	Net changes	Ending balance
Provision for sales warranty (*)	₩ 407,119	₩ (178,944)	₩ 228,175	₩ 414,517	₩ (7,398)	₩ 407,119
Provision for purchasing	-	588,144	588,144	-	-	-
	<u>₩ 407,119</u>	<u>₩ 409,200</u>	<u>₩ 816,319</u>	<u>₩ 414,517</u>	<u>₩ (7,398)</u>	<u>₩ 407,119</u>

(\*) As of March 31, 2019, the Company estimates the amount expected to be expensed in the future for warranty service based on the warranty period of 3 years and the historical experience rate and recognized as provision for sales warranty.

## 8. Finance lease liabilities

Details of machinery classified as finance lease as of March 31, 2019 and 2018 are as follows (Korean won in thousands):

	2019	2018
Acquisition cost	₩ 4,291,745	₩ 3,979,645
Less: accumulated depreciation	(2,507,217)	(1,899,954)
	<u>₩ 1,784,528</u>	<u>₩ 2,079,691</u>

## 8. Finance lease liabilities (cont'd)

Future minimum lease payments as of March 31, 2019 and 2018 are as follows (Korean won in thousands):

	2019		2018	
	Minimum lease payment	Present value	Minimum lease payment	Present value
No later than 1 year	₩ 554,642	₩ 531,093	₩ 624,023	₩ 594,450
Later than 1 year and no later than 5 years	625,046	610,931	810,496	791,332
	<u>₩ 1,179,688</u>	<u>₩ 1,142,024</u>	<u>₩ 1,434,519</u>	<u>₩ 1,385,783</u>

## 9. Severance and retirement benefits

Changes in provision for severance and retirement benefits for the year ended March 31, 2019 and the three months ended March 31, 2018 are as follows (Korean won in thousands):

	2019	2018
As of April 1 and January 1	₩ 1,490,357	₩ 1,603,579
Provision during the year	437,687	(83,438)
Payments during the year	<u>(271,572)</u>	<u>(29,784)</u>
	1,656,472	1,490,357
Presented net of:		
Insurance deposits	<u>(1,560,269)</u>	<u>(1,135,227)</u>
As of March 31	<u>₩ 96,203</u>	<u>₩ 355,130</u>

As of March 31, 2019, the Company estimates severance and retirement benefits payable to all employees amounting to ₩1,656 million (2018: ₩1,490 million) and records the corresponding amount as provision for severance and retirement benefits. Also, the Company funded 94% (2018: 76%) of severance and retirement benefits payable through severance insurance deposits.

Changes in the plan assets for the year ended March 31, 2019 and the three months ended March 31, 2018 are as follows (Korean won in thousands):

	2019	2018
As of April 1 and January 1	₩ 1,135,277	₩ 1,166,051
Employer contributions	700,000	-
Benefits paid	(290,514)	(33,755)
Interest	15,556	2,931
As of March 31	<u>₩ 1,560,269</u>	<u>₩ 1,135,227</u>

Plan assets as of March 31, 2019 and 2018 are as follows (Korean won in thousands):

	2019	2018
Time deposits	₩ 1,560,269	₩ 1,135,227

As of March 31, 2019, the fair values of the plan assets are identical to their book values.

## 10. Income tax expense

The major components of income tax expense for the year ended March 31, 2019 and for the three-month period ended March 31, 2018 are as follows (Korean won in thousands):

	2019	2018
Current income taxes	₩ 1,277,487	₩ 146,680
Changes in deferred income taxes from temporary differences	75,170	27,187
Income tax expense	₩ 1,352,657	₩ 173,867

A reconciliation of profit before income taxes at the Korea statutory tax rate to income tax expenses at the effective income tax rate of the Company for the year ended March 31, 2019 and the three months ended March 31, 2018 are as follows (Korean won in thousands):

	2019	2018
Profit before income taxes	₩ 6,445,595	₩ 813,419
Tax at the statutory income tax rate	1,396,031	173,452
Adjustments:		
Non-taxable expenses	12,600	435
Tax deductions	(64,908)	(20)
Others	8,934	-
Income tax expenses	1,352,657	173,867
Effective income tax rate	21.00%	21.40%

Significant changes in tax loss carryforwards, cumulative temporary differences and deferred income tax assets and liabilities for the year ended March 31, 2019 and the three months ended March 31, 2018 are as follows (Korean won in thousands):

	2019				
	Apr. 1	Net changes	Mar. 31	Deferred income taxes	
				Current	Non-current
Depreciation	₩ 1,262,851	₩ (43,537)	₩ 1,219,314	₩ -	₩ 268,249
Warranty provision	407,119	(178,944)	228,175	50,199	-
Loss from valuation of inventories	225,313	(135,335)	89,978	19,795	-
Allowance for doubtful accounts	2,917,425	(42,087)	2,875,338	632,574	-
Provision for purchasing	49,684	538,459	588,143	129,391	-
Provision for severance benefits	1,441,136	166,115	1,607,251	-	353,595
Insurance deposits	(1,135,227)	(425,042)	(1,560,269)	-	(343,259)
Others	213,502	(221,310)	(7,808)	(1,717)	-
	₩ 5,381,803	₩ (341,681)	₩ 5,404,122	₩ 830,242	₩ 278,585

**10. Income tax expense (cont'd)**

	2018				
	Jan. 1	Net changes	Mar. 31	Deferred income taxes	
				Current	Non-current
Depreciation	₩ 1,200,145	₩ 62,706	₩1,262,851	₩ -	₩ 277,827
Warranty provision	414,517	(7,398)	407,119	89,566	-
Loss from valuation of inventories	50,897	174,416	225,313	49,569	-
Allowance for doubtful accounts	2,953,127	(35,702)	2,917,425	641,834	-
Provision for purchasing	205,321	(155,637)	49,684	10,930	-
Provision for severance benefits	1,554,358	(113,222)	1,441,136	-	317,050
Insurance deposits	(1,166,051)	30,824	(1,135,227)	-	(249,750)
Others	293,069	(79,567)	213,502	46,970	-
	<u>₩ 5,505,383</u>	<u>₩ (123,580)</u>	<u>₩ 5,381,803</u>	<u>₩ 838,869</u>	<u>₩ 345,127</u>

The future feasibility of deferred tax assets is assessed by taking into account various factors including the Company's ability to generate taxable income during the period in which the temporary difference is realized, the overall economic environment and industry outlook. The Company reviews these items periodically and recognizes deferred tax assets as it is probable that all deductible temporary differences will be realized as of the balance sheet date.

The gross balances of deferred tax assets and liabilities as of March 31, 2019 and 2018 are as follows (Korean won in thousands):

	2019			2018		
	Deferred tax assets	Deferred tax liabilities	Total	Deferred tax assets	Deferred tax liabilities	Total
Current	₩ 854,745	₩ (24,503)	₩ 830,242	₩ 838,870	₩ -	₩ 838,870
Non - current	621,844	(343,259)	278,585	594,877	(249,750)	345,127
	<u>₩ 1,476,589</u>	<u>₩ (367,762)</u>	<u>₩ 1,108,827</u>	<u>₩ 1,433,747</u>	<u>₩ (249,750)</u>	<u>₩ 1,183,997</u>

**11. Commitments and contingencies**

As of March 31, 2019, the Company has trade financing agreements and derivative contracts for up to ₩8,000 million and USD 500,000, respectively, with Industrial Bank of Korea.

**12. Capital stock**

The Company is authorized to issue 160 thousand shares with the par value per share of ₩5,000. As of March 31, 2019, the Company has issued 90,000 shares of common stock.

### 13. Statement of appropriation of retained earnings

The statements of appropriations of retained earnings of the Company for the year ended March 31, 2019 and the three months ended March 31, 2018 are as follows (Korean won in thousands):

	2019	2018
Retained earnings before appropriations:		
Unappropriated retained earnings carried forward from the prior year	₩ 23,037,953	₩ 22,398,401
Net income	5,092,938	639,552
	<u>28,130,891</u>	<u>23,037,953</u>
Appropriations :		
Unappropriated retained earnings to be carried forward to the next year	₩ 28,130,891	₩ 23,037,953

The statement of appropriation of retained earnings for the year ended March 31, 2019 is scheduled to be approved on June 28, 2019, and the statement of appropriation of retained earnings for the three-month period ended March 31, 2018 was approved on June 29, 2018.

### 14. Selling and administrative expenses

Selling and administrative expenses for the year ended March 31, 2019 and the three months ended March 31, 2018, are as follows (Korean won in thousands):

	2019	2018
Salaries and wages	₩ 392,525	₩ 92,046
Exports expenses	386,191	80,755
Depreciation	163,762	44,857
Commissions	1,732,150	559,716
Supplies expenses	23,555	32,335
Warranty expenses	(68,721)	47,739
Freight expenses	466,357	90,797
Others	129,593	21,966
	<u>₩ 3,225,412</u>	<u>₩ 970,211</u>

## 15. Value added information

The “value added” items as defined by Korean Accounting Standards, which are required to be disclosed by the Company for the year ended March 31, 2019 and the three months ended March 31, 2018, are as follows (Korean won in thousands):

	2019	2018
Salaries and wages	₩ 13,251,354	₩ 3,027,810
Severance benefits	437,687	(83,438)
Employee benefits	1,221,076	286,465
Rental expenses	51,365	14,580
Taxes and dues	84,450	27,600
Depreciation	2,414,806	712,515
	<u>₩ 17,460,738</u>	<u>₩ 3,985,532</u>

## 16. Supplementary cash flow information

Significant non-cash transactions for the year ended March 31, 2019 and the three months ended March 31, 2018 are as follows (Korean won in thousands):

	2019	2018
Increase in other payables due to acquisition of property, plant and equipment	₩ 1,407,786	₩ 754,895
Reclassification of construction-in-progress	3,814,032	3,130,492

## 17. Related party transactions

As of March 31, 2019 and 2018, the Company's parent company is SMR Automotive Modules Korea Ltd. (percentage of ownership: 100%) and the ultimate parent company is MSSL Global Wiring Limited.

Other related parties of the Company are SMR Group related companies such as SMR Automotive Australia Pty Ltd.

Significant transactions with related parties for the year ended March 31, 2019 and the three months ended March 31, 2018 are as follows (Korean won in thousands):

	2019			2018		
	Sales, etc.	Purchases, etc.	Borrowing	Sales, etc.	Purchases, etc.	
Parent company:						
SMR Automotive Modules Korea Ltd.	₩ 77,426,934	₩ 134,012	₩ 10,000,000	₩ 18,688,101	₩ -	
Other related parties:						
SMR Automotive Systems U.S.A Inc.	43,872	-	-	1,649	-	
SMR Automotive Systems India Ltd.	9,833,982	858	-	2,201,583	-	
SMR Automotive Systems, France SA	3,694,971	-	-	1,745,032	-	
SMR Automotive Mirror Technology, Hungary BT	5,680,230	-	-	1,686,850	-	
SMR Automotive Mirrors UK Ltd.	3,494,252	-	-	530,998	-	
SMR Automotive Yancheng Company Ltd.	2,704,689	-	-	230,667	-	
SMR Automotive Mirror Stuttgart GmbH	-	1,558,933	-	-	476,731	
Others	6,651,252	55,354	-	386,810	71,563	
	<u>₩ 109,530,182</u>	<u>₩ 1,749,157</u>	<u>₩ 10,000,000</u>	<u>₩ 25,471,690</u>	<u>₩ 548,294</u>	

## 17. Related party transactions (cont'd)

Receivables and payables with related parties as of March 31, 2019 and 2018, are as follows (Korean won in thousands):

	2019			
	Receivables		Payables	
	Trade receivables	Other receivables	Trade payables	Other payables
Parent company:				
SMR Automotive Modules Korea Ltd.	₩ 5,782,297	₩ -	₩ -	₩ 10,334,834
Other Related parties:				
SMR Automotive Systems U.S.A Inc.	10,869	-	-	-
SMR Automotive Systems India Ltd.	2,345,665	78,690	-	-
SMR Automotive Systems, France SA	2,541,717	-	-	-
SMR Automotive Mirror Technology, Hungary BT	962,191	-	-	-
SMR Automotive Mirrors UK Ltd.	1,836,840	-	-	-
SMR Automotive Yancheng Company Ltd.	1,826,890	27,560	-	-
SMR Automotive Mirror Stuttgart GmbH	-	-	-	88,899
Others	3,565,336	301,223	-	7,117
	<u>₩ 18,871,805</u>	<u>₩ 407,473</u>	<u>₩ -</u>	<u>₩ 10,430,850</u>
	2018			
	Receivables		Payables	
	Trade receivables	Other receivables	Trade payables	Other payables
Parent company:				
SMR Automotive Modules Korea Ltd.	₩ 5,849,547	₩ -	₩ -	₩ 330,000
Other Related parties:				
SMR Automotive Systems U.S.A Inc.	646	-	-	-
SMR Automotive Systems India Ltd.	2,466,513	455	-	-
SMR Automotive Systems, France SA	3,997,533	44,831	-	-
SMR Automotive Mirror Technology, Hungary BT	899,756	-	-	-
SMR Automotive Mirrors UK Ltd.	525,725	-	-	-
SMR Automotive Yancheng Company Ltd.	1,233,623	245,343	-	-
SMR Automotive Mirror Stuttgart GmbH	-	-	-	222,350
Others	439,401	-	19,679	12,690
	<u>₩ 15,412,744</u>	<u>₩ 290,629</u>	<u>₩ 19,679</u>	<u>₩ 565,040</u>

## 18. Statement of comprehensive income

The Company's comprehensive income for the year ended March 31, 2018 and for the three-month period ended March 31, 2018 are equal to net income.