Trigos, Gómez Morentín y
Asociados, S.C.
Contadores y Consultores Fiscales

Samvardhana Motherson Innovative Autosystems de México, S.A. de C.V. (a subsidiary of Samvardhana Motherson Reflectec Group Holdings Limited)
Financial Statements for the years ended December 31, 2018 and 2017 and Independent Auditors´ Report

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Samvardhana Motherson Innovative Autosystems de México, S.A. de C.V.

Independent Auditors' Report and Financial Statements for 2018 and 2017

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INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF SAMVARDHANA MOTHERSON INNOVATIVE AUTOSYSTEMS DE MÉXICO, S.A. DE C.V.:

Qualified Opinion

We have audited the accompanying financial statements of Samvardhana Motherson Innovative Autosystems de México, S.A. de C.V. the "Entity", which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of profit, the statements of changes in stockholders' equity and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effect on the event mentioned in paragraph third, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as of December 31, 2018 and 2017, and their financial performance and their cash flows, for the years then ended in accordance with Mexican Financial Reporting Standards (NIF).

Basis for Qualified Opinion

On October 2018, the entity received from a related Entity machinery and equipment for new projects in the amount of Euros 348,629 equivalents to Mexican pesos $ 7,814,209 that was recorded as an inventory for new projects. Nevertheless, the related Entity did not confirm such balance as they recorded such transaction on June 2019.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of these matters were addressed in the context of our audit of the financial statements as a whole, in forming our opinion thereon, and we do not provide a

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separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section, we have not determined matters to be communicated in our report.

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor´s Responsibilities for the Audit of Financial Statements* section of our report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for professional Accountants (IESBA Code)* and with the Ethics Code issued by the Mexican Institute of Public Accountants *(IMCP Code)*, and we have fulfilled other ethical responsibilities in accordance with the IESBA Code and IMCP Code.

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

Other matter

The accompanying financial statements have been translated into English for the convenience of readers.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the accompanying financial statements in accordance with NIF, and for such internal control as management determines is necessary to enable the preparation of 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 Entity´s ability to continue as a going concern, disclosing, as applicable, matters,

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related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity´s financial reporting process.

Auditors´ 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 ISAs 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 consolidated financial statements.

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

- Identify and asses 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 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 Entity's internal control.

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- 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 Entity's ability on continuing as a going concern. If we conclude, that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors´ report. However, future events or conditions may cause the Entity 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 consolidated 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and were applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes

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public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expect to outweigh the public interest benefits of such communication.

C.P.A. Víctor Luis Ortega Chávez
México City, México
November 15, 2019

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Samvardhana Motherson Innovative Autosystems de México, S.A. de C.V.
(Subsidiary of Samvardhana Motherson Reflectec Group Holdings Limited)
Balance sheets
As of December 31, 2018 and 2017

		2018		2017
Assets				
Current assets:				
Cash and cash equivalents	$	17,934,197	$	25,520,409
Accounts receivable - Net (Note 4)		200,655,611		213,136,320
Inventories (Note 5)		60,736,467		14,141,447
Prepaid expenses		223,147		344,694
Total current assets		279,549,422		253,142,870
Guarantee deposits		268,539		268,539
Property, plant and equipment - Net (Note 6)		158,357,311		104,603,265
Other assets (Note 7)		504,394		675,311
Deferred income taxes (Note 15)		-		16,626,736
Total	$	438,679,667	$	375,316,721
Liabilities and stockholders´ equity				
Current liabilities :				
Current portion of long term debt (Note11)	$	8,536,583	$	-
Trade accounts		3,255,908		3,862,413
Provisions (Note 17)		18,198,500		18,909,137
Accrued expenses		8,342,669		17,701,139
Taxes and other contributions payable		2,843,074		1,355,238
Due to related parties (Note 8)		63,597,952		144,802,041
Employee retirement obligations (Note 19)		2,705,286		1,932,674
Legal profit sharing		2,959,135		2,259,493
Total current liabilities		110,439,108		190,822,135
Deferred legal profit sharing (Note 9)		8,681,416		3,099,479
Deferred income taxes (Note 15)		5,895,901		
Long term debt (Note11)		130,311,175		
Total liabilities		255,327,600		193,921,614
Stockholders' equity (Note 12):				
Capital stock		249,356,591		249,356,591
Legal reserve		958,624		958,624
Deficit		(66,963,148)		(68,920,108)
Stockholders´equity		183,352,067		181,395,107
	$	438,679,667	$	375,316,721

See accompanying notes to financial statements.

Samvardhana Motherson Innovative Autosystems de México, S.A.de C.V.
(Subsidiary of Samvardhana Motherson Reflectec Group Holdings Limited)
Statements of profit
For the years ended December 31, 2018 and 2017

		2018		2017
Revenues (Note 9):				
Net sales	$	156,980,944	$	184,531,053
Income for long-term works		112,799,443		145,057,011
		269,780,387		329,588,064
Costs and expenses (Note 8):				
Cost of sales		89,697,044		89,048,065
Estimated cost of the long-term works in process		99,775,673		118,952,996
Selling, general and administrative expenses		59,563,310		36,075,443
		249,036,026		244,076,505
Comprehensive financing cost:				
Interest expense (Note 8)		(263,292)		-
Exchange gain		49,166,458		21,891,650
Exchange loss		(43,693,066)		(45,704,522)
		5,210,100		(23,812,872)
Other income (expense) (Note 14)		4,107,073		(662,661)
		4,107,073		(662,661)
Income before income taxes		30,061,534		61,036,026
Income taxes (Note15)		(28,104,574)		(33,280,562)
Net profit	$	1,956,960	$	27,755,464

See accompanying notes to financial statements

Samvardhana Motherson Innovative Autosystems de México, S.A. de C.V.
(Subsidiary of Samvardhana Motherson Reflectec Group Holdings Limited)
Statements of changes in stockholders´ equity
For the years ended December 31, 2018 and 2017

		Capital stock		Legal reserve	Deficit		Stockholders' equity (Note 12)
Balances as of january 1, 2017	$	249,356,591		958,624	(96,675,571)	$	153,639,644
Comprehensive profit					27,755,463		27,755,463
Balances as of December 31, 2017		249,356,591		958,624	(68,920,108)		181,395,107
Comprehensive profit					1,956,960		1,956,960
Balances as of December 31, 2018	$	249,356,591	$	958,624	(66,963,148)	$	183,352,067

See accompanying notes to financial statements.

Samvardhana Motherson Innovative Autosystems de México, S.A. de C.V.
(Subsidiary of Samvardhana Motherson Reflectec Group Holdings Limited)
Statements of cash flows
For the years ended December 31, 2018 and 2017

		2018		2017
Operating activities:				
Profit (loss) before income taxes	$	30,061,534	$	61,036,026
Items related to investing activities:				
Depreciation and amortization		6,013,985		6,340,675
Loss on disposals /sale of fixed assets		-		
Allowance for doubtful accounts		-		
Allowance for inventories valuation and obsolecense		-		
Employee retirement obligation		772,612		(294,998)
Contingency provisions		(710,637)		(1,264,714)
Legal profit sharing provision		3,815,783		1,980,485
Deferred income taxes		22,522,637		30,181,083
Deferred legal profit sharing		5,581,937		3,099,479
Loss on fixed assets disposals				460,256
		68,057,851		101,538,292
Items related to financing activities:				
Interest expense		263,292		
		68,321,142		101,538,292
(Increase) decrease in :				
Accounts receivable		12,480,706		(165,361,691)
Inventories		(46,595,020)		(2,260,071)
Prepaid expenses		121,548		(302,638)
Advances received from customers				(714,604)
Trade accounts		(606,505)		(5,542,096)
Accrued expenses		(9,358,470)		10,712,932
Legal profit sharing paid		(3,116,140)		(2,070,910)
Income taxes paid		(28,104,574)		(33,280,562)
Taxes and other contributions payable		1,487,836		(3,962,781)
Due to related parties and other liabilities		(81,204,087)		137,971,526
Net cash from operating activities		(86,573,564)		36,727,397
Investing activities:				
Acquisition of equipment		(59,597,113)		(74,896,949)
Disposal of equipment				9,608,900
Net cash from investing activities		(59,597,113)		(65,288,049)
Financing activities:				
Borrowings		140,777,084		
Loans payments		(2,192,618)		
		138,584,466		
Cash and cash equivalentes:				
Net (decrease)		(7,586,211)		(28,560,652)
Balance at beginning of year		25,520,409		54,081,062
Balance at end of year	$	17,934,198	$	25,520,410

1. Nature of business

Samvardhana Motherson Innovative Autosystems de México, S.A. de C.V.) (The “Entity”) is a direct subsidiary of Samvardhana Motherson Reflectec Group Holdings Limited and is engaged in the manufacture and sale of automotive parts. The Company’s export sales represent 95% and 96% of net sales in 2018 and 2017, respectively, and are made primarily to customers in the U.S. and México. During 2017 the Entity started a new operation in the manufacturing and sales of a long term period of molds and tooling to domestic and foreign customers.

The Entity sells its products mainly to eight foreign customers, representing 95% of net sales and 92% and 90% of the accounts receivable balance in 2018 and 2017, respectively. To reduce credit risk, the Company periodically evaluates its customers’ financial position, but does not require specific guarantees. Additionally, the Entity considers that its potential credit risk is adequately covered by its allowance for doubtful accounts

2. Basis of presentation

***Explanation for translation into* English** –The accompanying financial statements has been translated from Spanish into English for use outside of Mexico. These financial statements are presented on the basis of Mexican Financial Reporting Standards (“MFRS”, individually referred to as *Normas de Información Financiera* or “NIFs”). Certain accounting practices applied by the Entity that conform to MFRS may not conform to accounting principles generally accepted in the country of use.

***Monetary unit of the financial statements* -** The consolidated financial statements and notes as of December 31, 2018 and 2017 and for the years then ended include balances and transactions denominated in Mexican pesos of different purchasing power. Cumulative inflation rates over the previous three-year periods ended December 31, 2018 and 2017 were 12.71% and 9.87%, respectively. Accordingly, the economic environment is not inflationary in either such period and no inflationary effects were recognized in the accompanying consolidated financial statements. Inflation rate for the three-year period ended December 31, 2018 was 15.69%. Inflation rates for the years ended December 31, 2018 and 2017 were 4.83% and 6.77%, respectively

a. ***Comprehensive income (loss) -*** Represents changes in deficiency stockholders' equity (deficit) during the year, for concepts other than distributions and activity in contributed common stock, and is comprised of the net income (loss) of the year, plus other comprehensive income (loss) items of the same period, which are presented directly in stockholders' equity without affecting the statement of income.

b. ***Classification of costs and expenses.*** Costs and expenses presented in the statements of operations were classified according to their function because this is the practice of the*:* industry to which the Company belongs.

3. Summary of significant accounting policies

a. Accounting changes. The following NIF, that may affect the Entity, were issued and are effective January 1, 2018

NIF C-3 Accounts receivable
NIF C-9 Provisions, contingencies and commitments
NIF D-1 Revenues from contracts with customers
NIF D-2 Costs from contracts with customers

NIF C-3, Accounts receivable – The main changes consist of specifying that: a) the accounts receivable based on a contract represent a financial instrument, b) the allowance for bad debts for commercial accounts is recognized from the time the revenue is accrued based on the expected credit losses, c) the time value of money should be considered as of the initial recognition, consequently, if the effect of the present value of the accounts receivable is material based on its term, it should be adjusted based on such present value, and d) required disclosures include an analysis of the change between the opening and closing balances of the allowance for bad debts.

NIF C-9 Provisions, contingencies and commitments – The term probable replaced the term virtually avoidable in the definition of liabilities. The firs-time application of this NIF does not generate accounting changes in the financial statements.

NIF D-1, Revenues from contracts with customers. Previously there was no Mexican accounting standard for revenue recognition, for which reason the main changes focus on providing greater consistency in revenue recognition and eliminating weaknesses in the previous supplemental standards. The most important changes consist of establishing a model for revenue recognition based on the following steps: a) transfer of control, the basis for the timeliness of revenue recognition, b) the identification of the different performance obligations in a contract, c) the allocation of the transaction amount between the different unfulfilled obligations based on independent selling prices, d) the introduction of the concept conditional account receivable when an unfulfilled obligation is satisfied and an unconditional right to the consideration is generated because only the passage of time is required for the payment of such consideration to become enforceable, e) the recognition of collection rights, where in certain cases there may be an unconditional right to the consideration before an unfulfilled obligation is satisfied, and f) the valuation of the revenue considering aspects such as the recognition of financing components, the noncash consideration cash and the consideration payable to a customer.

NIF D-2, Costs from contracts with customers- Separates the standard for recognition of the costs form contracts with customers and expands the scope to include costs related to all types of contracts with customers.

The accompanying financial statements have been prepared in conformity with MFRS, which require that management make certain estimates and use certain assumptions that affect the amounts reported in the financial statements and their related disclosures; however, actual results may differ from such estimates. The Company's management, upon applying professional judgment, considers that estimates made and assumptions used were adequate under the circumstances. The significant accounting policies of the Company are as follows:

***b. Recognition of the effects of inflation* –** Beginning on January 1, 2008, the Entity discontinued recognition of the effects of inflation in its financial statements. However, non-monetary assets and liabilities and stockholders' equity include the restatements effects recognized through December 31, 2007.

c. *Cash and cash equivalents* – Cash and cash equivalents consist mainly of bank deposits in checking accounts and short-term investments, highly liquid and easily convertible into cash, which are subject to insignificant value change risks. Cash is stated at nominal value and cash equivalents are valued at fair value; any fluctuations in value are recognized in comprehensive financing (cost) income of the period. Cash equivalents are represented mainly by investments in investment funds and money market funds.

d. Inventories and cost of sales. Inventories are stated at the lower of replacement cost using the latest price method.

When an impairment indicator suggests that the carrying amounts of inventories might not be recoverable, the Entity reviews such carrying amounts, estimates the net realizable value, based on the most reliable evidence available at that time. Impairment is recorded if the net realizable value is less than the carrying value. Impairment indicators considered for these purposes are, among others, obsolescence, a decrease in market prices, damage, and a firm commitment to sell. At December 31, 2018 and 2017, the Entity recognized $ 3,882,135.00, as allowance for impairment losses of inventories.

e. Property, Plant and equipment –Plant and equipment and other assets are recorded at acquisition cost. Balances from acquisitions made through December 31, 2007 were restated for the effects of inflation by applying factors derived from the NCPI through that date. Depreciation is calculated using the straight-line method based on the useful lives of the related assets, as follow:

	Average years
Tools	20
Plant machinery	12.5
Industrial machinery and equipment	5
Buildings	40
Vehicles	4
Computers	3.33
Office furniture and equipment	10
Leasehold improvements	20
Packing material	16.66

f. Impairment of long-lived assets in use – The Entity reviews the carrying amounts of long-lived assets in use when an impairment indicator suggests that such amounts might not be recoverable, considering the greater of the present value of future net cash flows or the net sales price upon disposal. Impairment is recorded when the carrying amounts exceed the greater of the aforementioned amounts. Impairment indicators considered for these purposes are, among others, operating losses or negative cash flows in the period if they are combined with a history or projection of losses, depreciation and amortization charged to results, which in percentage terms in relation to revenues are substantially higher than that of previous years, obsolescence, reduction in the demand for the products manufactured, competition and other legal and economic factors.

g. Provisions. The Entity recognized provisions for current obligations that arise from a past event, that are probable to result in the use of economic resources, and that can be reasonably estimated.

h. Employee benefits. Retirement benefits – costs from termination benefits.

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period.

i. Statutory employee profit sharing (PTU). PTU is recorded in the results of the year in which it is incurred. Deferred PTU is derived from temporary differences that result from comparing the accounting and tax bases of assets and liabilities and is recognized only when it can be reasonably assumed that a liability may be settled or a benefit is generated and there is not indications that circumstances will change in such way that the liabilities will not be paid or benefits not be realized.

Deferred PTU derived from temporary differences between the accounting and tax bases of assets and liabilities is recognized only when it can be reasonably assumed that a liability may be settled or a benefit is generated, and there is no indication that circumstances will change in such way that the liabilities will not be paid or benefits will not be realized.

***j. Income tax* –** Income tax ("ISR") is recorded in the results of the year it is incurred. Deferred taxes are calculated by applying the corresponding tax rate to temporary differences resulting from comparing the accounting and tax bases of assets and liabilities and including, if any, future benefits from tax loss carry forwards and certain tax credits. Deferred tax assets are recorded only when there is a high probability of recovery.

k. Foreign currency transactions – Foreign currency transactions are recorded at the applicable exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Mexican pesos at the applicable exchange rate in effect at the balance sheet date. Exchange fluctuations are recorded as a component of net comprehensive financing cost (income) in the statements of income.

L. Revenue recognition – Revenues are recognized in the period in which the risks and rewards of ownership of the inventories are transferred to customers, which generally coincides with the delivery of products to customers in satisfaction of orders.

Revenues from long-term construction contracts are accounted for using the percentage-of- completion method; therefore, they are recognized in proportion to the costs incurred.

If total costs in the most recent cost estimate exceed total revenues according to the contract, the expected loss is recognized in current earnings.

4. Accounts receivable

	2018	2017
Trade accounts receivable	$ 31,540,615	$ 28,495,863
Trade accounts due by estimation of works in process of long term duration	127,372,047	145,057,011
Related parties (Note 9)	42,435	2,423,292
Creditable value added tax	321,281	1,044,390
Recoverable value added tax	42,192,151	36,938,648
Recoverable taxes	7,739	
Other	5,000	2,773
Allowance for doubtful accounts	(825,657)	(825,657)
	$200,655,611	$213,136,320

5. Inventories

	2018	2017
Finished goods	$ 3,967,234	$ 2,502,658
Production in-process	3,224,257	2,366,752
Raw materials	13,350,571	6,088,319
Packing material inventory for sale	29,681,281	
New projects inventory	7,814,209	
Allowance for impairment losses	(3,882,135)	(3,882,135)
	54,155,417	7,075,594
Advances to suppliers		277,142
Merchandise-in-transit	6,581,050	6,788,711
	$ 60,736,467	$ 14,141,447

6. Property, Plant and Equipment

	2018	2017
Industrial machinery and equipment	$ 109,238,135	$ 88,993,502
Plant machinery	1,105,247	1,042,826
Office furniture and equipment	652,086	608,562
Computers	191,611	146,167
Tools		
Leaseholds improvements	951,274	951,275
Telecommunication equipment	313,403	313,403
Buildings	28,947,214	28,947,214
Land	7,140,561	7,140,561
Buildings in process	61,382,773	28,983,933
Machinery in transit	6,300,000	2,520,000
Packing material	1,800,000	0
	218,022,304	159,647,443
Accumulated depreciation	(59,664,993)	(55,044,178)
	$ 158,357,311	$ 104,603,265

Due to the increase of the Entity’s operations, in 2017 started the construction of a new plant, as of December 31, 2017 $ 61,382.773 have been invested. The total estimated cost is $ 85,500,000 and it started it´s operation on April, 2019.

7. Other assets

	2018	2017
Pre operating expenses	$ 3,418,338	$ 3,418,338
Accumulated amortization	(2,913,944)	(2,743,027)
	$ 504,394	$ 675,311

8. Transactions and balances with related parties

a. Transactions with related parties, carried out in the ordinary course of business whose consideration is equivalent to those in similar transactions carried out with independent parties, were as follows:

	2018	2017
Purchases	$ 38,801,547	$ 26,244,374
Fees expense	12,897,128	729,304
Inventories sale	1,969,313	6,764,061
Ground breaking ceremony		63,754
Travel expenses	182,007	391,435
Samples and others	35,096	76,286
Travel agency services		71,342
Tools purchases		148,028
Fixed assets purchases	2,565,543	16,235,697
Molds purchases for sale	107,054,093	110,288,290
Interest expense	263,292	
Fees capitalized in buildings in process	2,276,756	
Cost material	278,083	
Maintenance equipment	447,025	
Packing material	18,869,054	

b. Balances with related parties are as follows:

	2018	2017
Receivable:		
SMP Autosystems México, S.A. de C.V.	$	$
Samvardhana Motherson Innovative Autosystems BV & Co. KG	42,435	2,423,292
	$ 42,435	$ 2,423,292

Payable:	2018	2017
Samvardhana Motherson Innovative Autosystems BV & Co. KG	$ 63,597,952	$144,651,324
MSSL Gmbh Germanering	0	150,717
	$ 63,597,952	$144,802,041

9. Employee benefits

a. Net period costs for the obligations resulting from the related seniority premiums and terminations benefits was $772,612 in 2018 and ($294,998) in 2017. Other disclosures required under accounting provisions are not considered material.

b. The main items giving rise to a deferred PTU asset (liability) are:

	2018	2017
Deferred PTU (liability) asset	$	$
Property, machinery and equipment	(5,574,415)	(3,972,189)
Advances from customers		
Allowance for doubtful accounts	82,566	82,566
Allowance for impairment losses of inventories	388,213	388,213
Provisions and contingencies	2,119,711	2,382,416
Accrued liabilities		236,108
Employee retirement obligation provision	270,529	193,267
Other	(22,315)	(32,080)
Advance payments	129,430	
Costs for works in progress non deductible	6,461,272	11,895,300
Trade accounts of works in progress	(12,737,205)	(14,505,701)
Other provisions	200,798	232,621
Net deferred PTU (liability) asset	$ (8,681,416)	$ (3,099,479)

10. Periods of payment and recovery of financial liabilities and assets

The following table presents the contractual maturities of the Entity's financial liabilities based on the periods of payment and the assets that will be recovered based on expected cash flows:

As of December 31, 2018	Up to three months	From three months to six months	From one to three years	Total
Accounts payable to suppliers	$11,598,586	$	$	$11,598,586
Accounts payable to related parties	63,597,952			63,597,952
Current portion of long term debt	8,536,583			8,536,583
Provisions	10,688,222		7,510,278	18,198,500
Long term debt	0	0	130,311,175	130,311,175
Total	$94,421,343	$ 0	$137,821,453	$232,242,796
Cash and cash equivalents	$17,934,197	$	$	$ 17,934,197
Inventories	23,240,967	29,681,291		52,922,258
Trade receivables	31,540,615	0		31,540,615
Accounts receivable from related parties	42,434	0	0	42,434
Total	$72,758,213	$29,681,291	$ 0	$102,439,504

As of December 31, 2017	Up to three months	From three months to six months	From one to three years	Total
Accounts payable to suppliers	$21,563,552		$	$21,563,552
Accounts payable to related parties	10,098,912	 134,703,129		144,802,041
Provisions	600,000	0	18,309,137	18,909,137
Total	$32,262,464	$134,703,129	$18,309,137	$185,274,730
Cash and cash equivalents	$25,520,409	$	$	$25,520,409
Inventories	14,141,447			14,141,447
Trade receivables	28,495,863			28,495,863
Molds trade receivables		145,057,011		145,057,011
Accounts receivable from related parties	2,423,292	0	0	2,423,292
Total	$ 70,581,011	$145,057,011	$ 0	$215,638,022

11. Long-term debt

	2018
Notes payable in Euros due to a related party, bearing interest at the average rate of 5.6%, equivalent to 379,369 in 2018 and 2011	$ 8,536,583
Notes payable in Euros due to a related party, bearing interest at the average rate of 5.6%, equivalent to 5,790,211 in 2018	130,311,175
Long-term debt	138,847,758
Less – Current portion	(8,536,583)
	$ 130,311,175

a. As of December 31, 2018, long-term debt matures as follows:

2021	$ 130,311,175

The aforementioned loans relates to an overdue invoices that were converted into loans by a related party, the long term loan establishes that the total amount of loan principal together with all accrued interest should be paid by the Entity on or before December 31, 2021. The lender may however demand for repayment of whole or part of the loan principal before December 31, 2021.

The loan may be renewed for such further period as may be mutually agreed between the Lender and the borrower.

Consent of the Lender is required for:

- Any alteration of any of the provisions of the Borrower's charter ("Memorandum and Articles of Association");
- The Borrower making any payments or giving any guarantees or otherwise entering into any commitments on any basis other than in the normal course of business and on an arm's length basis;
- The borrower's disposal of any assets or activities which are fundamental to the existing business;
- The borrower losing of control of any Subsidiary;
- The borrower incurring any capital expenditure or making any investment which does not relate to the existing business;
- Any change in the nature of the Borrower's business;
- Any changes to restrictions applicable to borrowing by the Borrower

12. Stockholders' equity

a. Common stock at par value (historical pesos) as of December 31 2018 and 2017 is as follows:

As of December 31, capital, at par value, is as follows:

	2018		2017	
	Number of partnership/ member Interests	Amount	Number of partnership/ member Interests	Amount
Fixed capital				
Series I	500,000	$ 500,000	500,000	$ 500,000
Variable capital				
Series II	220,747,722	220,747,722	220,747,722	220,747,722
Total	221,247,722	$221,247,722	221,247,722	$221,247,722

b. Retained earnings include the statutory legal reserve. The General Corporate Law requires that at least 5% of net income of the year be transferred to the legal reserve until the reserve equals 20% of common stock at par value (historical pesos). The legal reserve may be capitalized but may not be distributed unless the entity is dissolved. The legal reserve must be replenished if it is reduced for any reason. As of December 31, 2018 and 2017, the legal reserve, in historical pesos was $ 958,624.

c. Stockholders' equity, except restated common stock and tax-retained earnings, will incur income tax payable by the entity at the rate in effect at the time of its distribution. Any income tax paid on such distribution may be credited against income for the year in which the dividend is paid and, in the subsequent two years, against tax for the year and the related estimated payments. Retained earnings as of December 31, 2018 amount $ 352,803,645.

Dividends paid from the net taxable profits account (CUFIN) up to $17,596,945 generated prior to January 1, 2014 to shareholders are tax free.

Dividends paid from the net taxable profits account (CUFIN) up to $3,763,642 generated since January 1, 2014 to shareholders individuals and residents abroad would be subject to an additional tax of up to 10%, which will be withheld by the Entity and should been considered as definitive payment

e. The restated balances of the stockholders' equity tax accounts as of December 31 are:

	2018	**2017**
Contributed capital account	$ 352,803,645	$ 336,548,359
Accrued net tax income account (CUFIN) as of 2013	17,596,945	16,786,173
Net tax income account (CUFIN) from 2014	3,763,642	3,590,234
	$ 374,164,232	$ 356,924,766

13. Foreign balances and transactions

a. As of December 31, the foreign currency monetary position is as follows:

	2018	**2017**
U.S. dollars:		
Monetary assets	2,603,193	7,130,147
Monetary liabilities	(344,156)	(612,503)
Net monetary asset position	2,259,037	6,517,644
Equivalent in Mexican pesos	$ 44,456,865	$128,962,663

	2017	**2017**
European Euros		
Monetary assets	12,460	2,334,900
Monetary liabilities	(9,246,984)	(6,075,403)
Net monetary (liability) position	(9,234,524)	(3,740,503)
Equivalent in Mexican pesos	$(207,476,982)	$(88,904,915)

a. Transactions denominated in foreign currency were as follows:

	2018	2017
	(In U.S. dollars)	
Sales	12,167,415	9,425,898
Income for molds in progress	5,801,410	6,885,351
Rentals expense	79,644	51,262
Interest expense	11,768	
Import purchases	21,606	749,869
Molds purchases for sale	1,707,612	478,990
Fee expenses	96,984	103,165
Warehouse expenses	10,378	10,236
Maintenance expenses	366,771	244,666

	2018	2017
	(In Euros)	
Import purchases	2,062,434	1,371,468
Warehouse expenses		3,496
Fee expenses	580,634	103,242
Travel expenses		17,793
Samples and others	9,673	3,621
Travel agency expenses		3,509
Maintenance expenses	18,947	10,464
Fixed assets purchases	118,000	771,760
Molds and tools purchases for sale	4,796,758	5,271,560
Export sales	84,468	262,846
Interest expense	11,768	
Packing material	822,627	
Interest expense	11,768	

b. Mexican peso exchange rates in effect at the dates of the balance sheets and at the date of issuance of these financial statements were as follows:

	December 31, 2018	2017	November 15, 2019
U.S.Dollar	19.68	19.79	19.45
Euro	22.50	23.75	21.68

14. Other (expenses) income

Detail is as follows:

	2018	2017
Contingency provisions	$ (1,331,411)	$ (2,934,307)
Cleaning accounts expense		(1,257,476)
Cleaning accounts income	2,341,628	1,169,307
Updating Value Added Tax returns	3,096,856	2,359,815
	$ 4,107,073	$(662,661)

15. Income taxes

Income Tax Law effective since January 2014, established that corporate income tax rate is 30% and will continue at 30% in 2016 and thereafter.

b. As of December 31, the main items that give rise to a deferred Income Tax asset are:

	2018	2017
Deferred Income Tax asset:		
Effect on tax loss carry forwards	$ 18,707,464	$ 25,330,920
Property, plant and equipment	(16,723,244)	(11,916,566)
Accrued liabilities	0000	708,324
Allowance for doubtful accounts	247,697	247,697
Employee retirement obligation provision	811,586	579,802
PTU liability	1,440,884	594,254
Other	(66,944)	(96,241)
Inventories allowance	1,164,641	1,164,640
Contingency provisions	6,359,132	7,147,249
Trade accounts of works in progress	(38,211,614)	(43,517,103)
Cost of molds in progress	19,383,817	35,685,899
Other provision	602,393	697,861
Advance payments	388,290	0
Deferred Income Tax	$ 5,895,901	$ 16,626,736

b. Income taxes are as follows:

	2018	2017
Current tax	$	$
Deferred legal profit and Income Tax	(28,104,574)	(33,280,562)
	$(28,104,574)	$(33,280,562)

c Carry forwards tax losses that can be offset against ISR taxable income as of December 31, 2018 and expiration dates are:

Year of expiration	Tax loss carry forwards
2023	21,783,831
2024	40,574,380
	$ 62,358,212

During 2018 and 2017, the entity amortized carry forwards tax losses from prior years in the amount of $ 11,719,654 and $ 31,256,666 respectively, were offset against ISR taxable income, with a benefit of $ 3,515,896 and $9,376,999.

16 Commitments

a. The Company leases the building where part of the plant and the offices are located. Rental expenses were $ 745,280 in 2018 and $ 729,311 in 2017.

17. Provisions and Contingencies

a- For 2007, the tax authorities assessed additional ISR of $ 156,233.569. In 2012 after the appeal, the tax authorities reduce its tax claims to the amount of $19,598,748. On September 25, 2015 a resolution was issued on favor of the Entity for the total assessment. Nevertheless, on February 2016, the tax authorities issued a new resolution claiming $3,242,157. The present claiming amounts $2,205,779, therefore management filed a tax claim against such tax resolution, during 2017. Entity won such claim to the tax authorities therefore such provision was cancelled. The tax authorities issued a new liquidation, and there was an application for protection filed on August 28, 2017 against the alleged omission of the monthly payments of the value added tax for the amount of $ 619,861.00. As December 31, 2018 such claiming amounts $1,947,144 that has been accrued.

b. The Entity had a review of the fiscal year 2009. On May 2016, the tax authorities issued a resolution claiming $ 6,093,438.00. According to the legal adviser, the present claiming amounts $ 6,244,000.00 Therefore Entity's management filed a tax claim against such tax resolution. This trial was solved partially favorably for the Entity. At December 31, 2018 the Entity considered a total risk of $1,616,392. Nevertheless, $2,000,000 were accrued considering possible additional amounts of surcharges and fines.

The unfavorable part was fought by means of a protection proceeding before the court that is still pending.

c On June 2015, Mercedes Benz claimed the Entity 1,500,000 U.S. dollars for past deliveries (2015 and 2014). This amount represented the actual output as of such date and estimated output for the next two years.

This claim was originated because the production project was relocated from USA to Mexico, and costs incurred in Mexico, mainly labor were lesser than those incurred in USA, therefore a price reduction was agreed.

After final negotiations in 2016, the claim amounted 1,000,000 U.S. dollars where 269,360 U.S. dollars and 213,760 U.S. dollars were paid on 2017 and 2016 respectively. During 2018 266,413 U.S. dollars were paid The remaining provision of 250,000 U.S. dollars (Ps $ 4,920.725) has been accrued as of December 31,2018.

d On 2015, the Entity dismissed an employee; because of this he filed a claim against the Entity. The estimated risk as of December 31,2017 amounted $ 600,000, during 2018 this claim was finalized and the final payment was $1,032,288 where the difference of $ 432,288 was recorded in the 2018 expenses.

e In 2016, the local tax authorities of Puebla started a review of the real estate Entity who merged with the Entity. No final results have been determined, nevertheless a provision of $ 80,884.00 has been recorded which according to Management is sufficient.

f During 2017, the Entity recorded a provision related to some guarantees for the claim of some defective automotive parts in the amount of $3,092,230 in 2018 and $ 1,766,144 in 2017.

g For the manufacturing of a long period molds, the Entity made some importations which were not properly imported to Mexico, therefore VAT was omitted of $ 30,427,010., and therefore there are surcharges and updating of $ 6,157,517 that were recorded as a provision in 2018. At the date of this report, Management has started the related corrections paying the omitted VAT.

For the contingencies aforementioned, there are provisions in the amount of $18,198,500 in 2018 and $ 18,909,1371in 2017, in both years the provisions recorded was sufficient.

Except for the aforementioned points, neither the Company nor its assets are subject to any legal action other than those that arise in the normal course of business.

18. Asset sale and purchase agreement from prior years

There were some balances related to Kunstoff Technik Scherer & Trier Gmbh & Co KG (STM) that on December, 2014 entered into the sale and purchase agreement. Still the following balances were at December 31, 2018 and 2017 in the Entity books.

	Euros	Mexican Pesos	
		2018	2017
Accounts payable	(97,925)	($ 2,007,972)	($ 2,325,718)

Per the asset sale and purchase agreement, clause 2.2.5., states that (a) all trade accounts receivables of STM against the Entity which became due and payable before March 10,2014, in particular the claims listed in Schedule 2.2.5(a) (¨Transferred Claims¨) which Purchaser acquires as well all other claims- if any- of STM against the Entity or the other two other Mexican Entities (Merged with the Entity), which became due and payable after March 10,2014 (or will still become due and payable), which do not exceed EUR 300,000.00 shall not be transferred from the Seller to the Purchaser. From such amount 202,075 euros were paid in 2017, and it is still outstanding 97,925 euros.

19 Financial statements issuance authorization

On November 15, 2019, the issuance of the financial statements was authorized by Mr. Gabriel Rodríguez González, Head of Administration of the Entity. These statements are subject to the approval at the general ordinary stockholders' meeting, where they may be modified, based on provisions set forth in the Mexican General Corporate Law.

These notes are an integrating part of the enclosed financial statements.

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