

SMP AUTOMOTIVE SYSTEMS ALABAMA, INC
Financial Statements
2019-20

SMP AUTOMOTIVE SYSTEMS ALABAMA, INC
Balance sheet

(All amounts in USD'000, unless otherwise stated)

	Notes	As At	
		March 31, 2020	March 31, 2019
ASSETS			
Non-current assets			
Property, plant and equipment	3	220,788	206,948
Capital work-in-progress	3	5,547	308
Right of use Assets	3b	1,989	
Deferred tax assets (net)	4	280	12,555
Trade Receivables		18,375	18,892
Other Non-current assets (net)		7,953	10,492
Total non-current assets		254,932	249,196
Current assets			
Inventories	5	23,156	17,058
Financial assets			
i. Trade receivables	6	63,295	34,543
ii. Cash and cash equivalents	7	13,847	20,670
iii. Loans		-	-
iv. Other financial assets	8	46	34
Other current assets	9	50,121	47,972
Total current assets		150,464	120,277
Total assets		405,396	369,473
EQUITY AND LIABILITIES			
Equity			
Equity share capital			-
Share application money pending for allotments			-
Other equity			
Reserves and surplus	10	(200,359)	(14,819)
Other reserves	10	-	-
Total equity		(200,359)	(14,819)
Liabilities			
Non Current liabilities			
Lease liabilities		961	
Other non current liabilities		480,900	277,600
Total Non Current liabilities		481,861	277,600
Current liabilities			
Financial Liabilities			
i. Borrowings	11	-	15,095
ii. Trade payables	12	79,323	77,409
iii. Lease liabilities		942	-
iv. Other financial liabilities	13	-	-
Other current liabilities	13	43,630	14,187
Total current liabilities		123,895	106,692
Total equity and liabilities		405,396	369,473

Summary of significant accounting policies

2

The above balance sheet should be read in conjunction with the accompanying notes

For and on behalf of the Board

Director



SMP AUTOMOTIVE SYSTEMS ALABAMA, INC
Statement of profit and loss

<i>(All amounts in USD'000, unless otherwise stated)</i>			
	Notes	For the year ended March 31, 2020	For the year ended March 31, 2019
Revenue			
Revenue	14	321,012	142,207
Other operating revenue	15	2,200	666
Total revenue from operations		323,213	142,872
Other income		-	0
Total income		323,213	142,872
Expenses			
Cost of materials consumed	16	296,291	142,449
Change in inventories of finished goods, work-in-progress	17	(917)	(1,693)
Employee benefit expense	18	128,284	62,559
Depreciation and amortisation expense	3	16,637	6,287
Depreciation on right of use assets	3b	871	-
Other operating expenses	20	66,841	50,631
Total expenses		507,806	260,334
Results from operating activities			
Finance income	19	(1,338)	(109)
Finance costs	19	35,454	12,151
		34,116	12,042
Earnings before taxes		(218,708)	(129,504)
Tax expenses			
Current tax	21	(33,169)	(18,747)
Deferred tax expense/ (credit)	21	-	(10,862)
Total tax expense		(33,169)	(29,609)
Profit for the year		(185,540)	(99,895)
Other comprehensive income			
Items to be reclassified to profit or loss			
Deferred gain / (losses) on cash flow hedges (net of tax)		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year, net of tax		(185,540)	(99,895)
Summary of significant accounting policies			
	2		

The above statement of profit and loss should be read in conjunction with the accompanying notes

For and on behalf of the Board

Director



SMP AUTOMOTIVE SYSTEMS ALABAMA, INC
Cash Flow Statement

(All amounts in USD'000, unless otherwise stated)

	For the year ended March 31, 2020	For the year ended March 31, 2019
A. Cash flow from operating activities:		
Profit before tax	(218,708)	(129,505)
Adjustments for:		
Depreciation and amortisation expense	17,507	6,287
Finance cost	34,116	12,043
Provision for warranty	-	-
Provision for doubtful debt / advances	-	-
Other adjustments from operating activities	18	-
Reinstatement of foreign balances	-	239
Operating profit before working capital changes	(167,067)	(110,935)
Changes in working capital:		
Increase/(decrease) in trade and other payables	14,230	38,025
Increase/(decrease) in other financial liabilities	3,150	(12)
(Increase)/decrease in trade receivables	(4,922)	(34,844)
(Increase)/decrease in inventories	(6,098)	(15,494)
(Increase)/decrease in other receivables	4,745	(2,023)
(Increase)/decrease in other financial assets	15,014	36,144
Cash generated from operations	(140,948)	(89,139)
Taxes (paid) / received	-	-
Net cash generated from operating activities	(140,948)	(89,139)
B. Cash flow from Investing activities:		
Payments for purchase of property, plant & equipment (including capital work-in-progress)	(35,715)	(51,373)
Capital reserves received - financing activity	-	132,317
Net cash (used) in investing activities	(35,715)	80,944
C. Cash flow from financing activities:		
Interest paid	(18,365)	(255)
Proceeds from Borrowings	188,205	15,095
Net cash (used) in financing activities	169,840	14,840
Net Increase/(Decrease) in Cash & Cash Equivalents	(6,823)	6,644
Net Cash and Cash equivalents at the beginning of the year	20,670	14,025
Cash and cash equivalents as at year end	13,847	20,670
Cash and cash equivalents comprise		
Cash on hand	-	-
Balance with Banks	13,847	20,670
Cash and cash equivalents as per Balance Sheet	13,847	20,670
Total	13,847	20,670
Summary of significant accounting policies (Note 2)	0	(0)

i) The above Cash flow statement has been prepared under the "Indirect Method" as set out in IAS-7, "Statement of Cash Flows".

For and on behalf of the Board

Director

SMP AUTOMOTIVE SYSTEMS ALABAMA, INC
Statement of changes in equity

(All amounts in USD'000, unless otherwise stated)

A. Equity Share Capital

	Notes	Share capital	Share application money pending allotment
As at April 01, 2018		0	-
As at March 31, 2019		0	-
Less: Amount refunded to share holder of the company		-	-
As at March 31, 2020		0	-

B. Other equity	Notes	Reserves and Surplus	Reserves and surplus	Items of OCI	Total attributable to Owners
		Retained Earnings	Capital Reserves	Cash flow hedging reserve	
Balance as at April 01, 2018		(47,242)		337	(46,905)
Profit for the year		(99,895)		(337)	(100,232)
Other comprehensive income		-	132,317	-	132,317
Total comprehensive income for the year		(99,895)	132,317	(337)	32,085
Balance at March 31, 2019		(147,137)	132,317	-	(14,820)
Profit for the year		(185,540)		-	(185,540)
Other comprehensive income		-		-	-
Total comprehensive income for the year		(185,540)	-	-	(185,540)
Balance at March 31, 2020		(332,676)	132,317	-	(200,359)

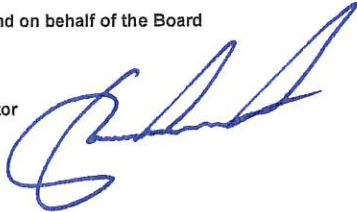
Summary of significant accounting policies

2

The above statement of changes in equity should be read in conjunction with the accompanying notes

For and on behalf of the Board

Director



1 Corporate information

SMP AUTOMOTIVE SYSTEMS ALABAMA Inc (SMPAL or 'the Company') was incorporated on May 28, 2014, and domiciled in the United States of America and is engaged primarily in the manufacture and sale of components to automotive original equipment manufacturers. The business address of its registered office is 10799 Ed Stephens Road, Cottondale, AL 35453 United States of America.

2 Significant accounting policies

(a) Basis of preparation

Compliance with IFRS

The financial statements of the Company have been prepared for the financial year beginning April 01, 2019 and ended on March 31, 2020.

The financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) in force at March 31, 2020.

The financial statements have been prepared on a historical cost basis unless otherwise indicated.

The financial statements are presented in US Dollars (USD) and all values are rounded to the nearest thousand (\$000), except when otherwise indicated.

(b) Accounting policies for the financial statements

(i) Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

(ii) Foreign currencies

The Company's functional currency is United States Dollar (USD) and the financial statements are presented in USD.

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

(iii) Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Revenue from sale of components

Revenue from sale of components is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of equipment, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Revenue from development of tools

The Company develops customised tooling for its customers and recognises its revenue over time using an input method to measure progress towards complete satisfaction of the tool development. The Company recognises revenue from development of tools over time if it can reasonably measure its progress towards complete satisfaction of the performance obligation. In cases, where the Company cannot reasonably measure the outcome of a performance obligation, but the Company expects to recover the costs incurred in satisfying the performance obligation. In those circumstances, the Company recognises revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

Costs to obtain a contract

Such costs are recognised as an asset if there are future economic benefits associated with such costs. These are amortised systematically to match the benefits and such amortisation is netted off with revenue. Such assets are presented as Unamortised Expenditure and classified as current and non-current based on the expected amortisation period. In cases where future economic benefits cannot be determined such costs are expensed off as incurred. Amounts unpaid towards such costs are recorded under other liabilities as "Amounts payable to obtain contracts"

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Judgments applied in determining amount and timing of revenue

The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers: Determining the timing of satisfaction of tooling development, The Company concluded that revenue for development of tooling is to be recognised over time because the Company's performance does not create asset with an alternative use to the Company since the tools are customised for each customer and the Company has an enforceable right to payment for performance completed to date. The Company determined that the input method is the best method in measuring progress of the tooling development because there is a direct relationship between the Company's effort (i.e., costs incurred) and the transfer of tooling to the customer. The Company recognises revenue on the basis of the total costs incurred relative to the total expected costs to complete the tool. Principal versus agent considerations: The Company enters into contracts with its customers to assemble, on their behalf, customised components using various parts procured from suppliers identified by the customer. Under these contracts, the Company provides assembly services (i.e., coordinating the procurement of various parts from the identified suppliers and combining or assembling them into components as desired by the customer). The Company determined that it does not control the goods before they are transferred to customers, and it does not have the ability to direct the use of the component or obtain benefits from the component. The following factors indicate that the Company does not control the goods before they are being transferred to customers. Therefore, the Company determined that it is an agent in these contracts. • The Company is not primarily responsible for fulfilling the promise to provide the specified equipment. • The Company does not have inventory risk before or after the specified component has been transferred to the customer as it purchases various parts on just-in-time basis and only upon contract of the customer. • The Company has no discretion in establishing the price for the specified component. The Company's consideration in these contracts is only based on the difference between the maximum purchase price quoted by the customer and the cost of various parts purchased from the suppliers. • In addition, the Company concluded that it transfers control over its services (i.e., assembling the component from various parts), at a point in time, upon receipt by the customer of the component, because this is when the customer benefits from the Company's agency service.

Revenue from assembly of components

The Company has contracts with customers to assemble, on their behalf, customised components from various parts procured from suppliers identified by the customer. The Company is acting as an agent in these arrangements.

When another party is involved in providing goods or services to its customer, the Company determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Company is a principal and records revenue on a gross basis if it controls the promised goods or services before transferring them to the customer. However, if the Company's role is only to arrange for another entity to provide the goods or services, then the Company is an agent and will need to record revenue at the net amount that it retains for its agency services.

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Trade Receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within one year and therefore are all classified as current. Where the settlement is due after one year, they are classified as non-current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Contract Assets

A contract asset is the entity's right to consideration in exchange for goods or services that the entity has transferred to the customer. A contract asset becomes a receivable when the entity's right to consideration is unconditional, which is the case when only the passage of time is required before payment of the consideration is due. The impairment of contract assets is measured, presented and disclosed on the same basis as trade receivables.

Contract Liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

Impairment

An impairment is recognised to the extent that the carrying amount of receivable or asset relating to contracts with customers (a) the remaining amount of consideration that the Company expects to receive in exchange for the goods or services to which such asset relates; less (b) the costs that relate directly to providing those goods or services and that have not been recognised as expenses.

(iv) Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences.

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

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

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

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

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

(v) Cash and cash equivalents

Cash and cash equivalent includes cash on hand, cash at banks and short term deposits 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 change in value. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(vi) **Inventories**

Raw materials, stores and spares, work in progress, stock in trade and finished goods are stated at the lower of cost and net realisable value.

Cost of raw material and traded goods comprise cost of purchase and is determined after rebate and discounts. Cost of work in progress and finished goods 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.

Cost of inventories also includes all other cost incurred in bringing the inventories to their present location and condition. Costs are determined on weighted average cost basis.

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.

(vii) **Derivative financial instruments and hedge accounting**

Initial recognition and subsequent measurement

The Company uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The purchase contracts that meet the definition of a derivative under IFRS 9 are recognised in the statement of profit and loss. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Company's expected purchase, sale or usage requirements are held at cost.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to statement of profit and loss when the hedge item affects profit and loss or treated as basis adjustment if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment

At inception of the hedge relationship, the Company documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Company documents its risk management objective and strategy for undertaking its hedge transactions.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit and loss as finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit and loss as finance costs.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss. When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit and loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit and loss.

The Company uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognised in finance costs and the ineffective portion relating to commodity contracts is recognised in other income or expenses.

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

(viii) **Property, Plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. When a major replacement is made, its cost is recognised in the carrying amount of the plant and equipment if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in income statement as incurred. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

(ix) **Leased assets**

As explained in note 2.b.x, from April 01, 2019 the company has changed its accounting policy for leases where the company is the lessee. The new accounting policy and the impact of the change is described within the note.

Until March 31, 2019, leasing agreements in which the company had essentially assumed all risks and rewards incidental to ownership were classified as finance leases. A property acquired under finance lease was capitalized at the lower of its fair value or the present value of the minimum lease payments at the beginning of the lease period. Asset acquired under finance lease was depreciated over shorter of its useful life and lease term (provided that there is no transfer of the assets at the end of the lease term) or the estimated useful life. Impairments were performed as necessary.

If, from an economic perspective, not all risks and rewards have been transferred, leasing agreements were classified as operating leases. Payments made under operating leases were charged to income statement on a straight-line basis over the period of the lease.

Depreciation methods and useful lives

Depreciation is calculated using the straight-line method over estimated useful lives of the assets:

Assets	Useful lives(years)
Buildings	40 years
Plant & Machinery:	
Plant & Machinery	12 years
Electric Installation	30 years
Furniture & fixtures	20 years
Computers: Server & Networks	5 years
Forklifts	8 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or companies of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. To estimate cash flow projections beyond periods covered by the most recent budgets/forecasts, the Company extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used. For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss. Goodwill is tested for impairment annually as March 31 and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or company of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

(x) **Changes in Accounting policies**

IFRS 16 Leases

The company leases land, buildings, offices, vehicles, IT & other equipment. Contracts may contain both lease and non-lease components. The company has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. Until March 31, 2019, leases were classified as either finance leases or operating leases. From April 01, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the company under residual value guarantees
- the exercise price of a purchase option if the company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Such costs are included in finance costs in the statement of profit and loss.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- adjusted for any remeasurement of lease liabilities
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The right-of-use buildings held by the company are not revalued.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture

2.2 Significant accounting Judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Company's accounting policies, there are no significant judgements established by the management.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(i) Useful life of property, plant and equipment and investment properties

The Company uses its technical expertise along with historical and industry trends for determining the economic life of an asset/component of an asset. The useful lives are reviewed by management periodically and revised, if appropriate. In case of a revision, the unamortised depreciable amount is charged over the remaining useful life of the assets.

(ii) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the nature of business differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates. The amount of such provisions is based on various factors, such as differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Company.

SMP AUTOMOTIVE SYSTEMS ALABAMA, INC
NOTES TO THE FINANCIAL STATEMENTS

(All amounts in USD'000, unless otherwise stated)

Particulars	Own Assets								Total
	Freehold Land	Leasehold Improvements	Buildings	Plant & Machinery	Furniture & fixtures	Computers	Capital Work in progress	Vehicles	
Year ended March 31, 2019									
Gross carrying amount									
As at April 01, 2018	1,221		504	-	-		160,434		162,170
Additions	238		77,696	94,995	33,720		308		211,807
Disposals / other adjustment	-	-	-	-	-		(160,434)		(160,434)
Closing gross carrying amount	1,459	-	78,200	94,995	33,720		308		213,543
Accumulated depreciation and impairment									
As at April 01, 2018			994	3,349	1,472	473			-
Depreciation charge during the year			994	3,349	1,472	473			6,287
Closing accumulated depreciation			77,206	91,646	32,249	4,388	308		207,256
Net carrying amount as on March 31, 2019	1,459	(0)	77,206	91,646	32,249	4,388	308		207,256
Year ended March 31, 2020									
Gross carrying amount									
As at April 01, 2019	1,459		78,200	94,995	33,720		308		213,543
Additions	6.6		11,463	8,779	9,275		43,280		73,757
Disposals							(38,042)		(38,042)
Closing gross carrying amount	1,466	-	89,663	103,774	42,995		5,547		249,258
Accumulated depreciation									
As at April 01, 2019			994	3,349	1,472	473			6,287
Depreciation charge during the year			2,601	8,574	4,295	1,167			16,637
Closing accumulated depreciation			3,594	11,923	5,766	1,640			22,924
Net carrying amount as on March 31, 2020	1,466	(0)	86,069	91,851	37,229	4,174	5,547		226,335

SMP AUTOMOTIVE SYSTEMS ALABAMA, INC
NOTES TO THE FINANCIAL STATEMENTS

(All amounts in USD'000, unless otherwise stated)

3b Right of Use Assets

Particulars	Own Assets							Total	
	Freehold Land	Leasehold Improvements	Buildings	Plant & Machinery	Furniture & fixtures	Computers	Capital Work in progress		Vehicles
Year ended March 31, 2019									
Gross carrying amount									
As at April 01, 2018	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-
Disposals / other adjustment	-	-	-	-	-	-	-	-	-
Closing gross carrying amount	-	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment									
As at April 01, 2018	-	-	-	-	-	-	-	-	-
Depreciation charge during the year	-	-	-	-	-	-	-	-	-
Closing accumulated depreciation	-	-	-	-	-	-	-	-	-
Net carrying amount as on March 31, 2019	-	(0)	-	-	0	-	-	-	0
Year ended March 31, 2020									
Gross carrying amount									
As at April 01, 2019	-	-	-	-	-	-	-	-	-
Additions	-	-	530	2,002	-	-	-	328	2,860
Disposals	-	-	530	2,002	-	-	-	328	2,860
Closing gross carrying amount	-	-	-	-	-	-	-	-	0
Accumulated depreciation	-	-	299	443	-	-	-	128	871
As at April 01, 2019	-	-	299	443	-	-	-	128	871
Depreciation charge during the year	-	-	299	443	(0)	-	-	128	871
Closing accumulated depreciation	-	-	231	1,558	0	-	-	200	1,989
Net carrying amount as on March 31, 2020	-	(0)	231	1,558	0	-	-	200	1,989

SMP AUTOMOTIVE SYSTEMS ALABAMA, INC
NOTES TO THE FINANCIAL STATEMENTS

(All amounts in USD'000, unless otherwise stated)

4 Deferred tax assets (net)

	Beginning Balance	Charged to profit or loss	Closing balance
Year ended March 31, 2019			
Unabsorbed Tax losses		12,555	12,555
Property, plant and equipments			-
Provision for Doubtful debts/Advances/Inventory			-
Others			-
	-	12,555	12,555
Year ended March 31, 2020			
Unabsorbed Tax losses	12,555	(12,275)	280
Property, plant and equipments			-
Provision for Doubtful debts/Advances/Inventory			-
Others			-
	12,555	(12,275)	280

Deferred tax assets and deferred tax liabilities have been offset to the extent they relate to the same governing taxation laws.

5 Inventories

	March 31, 2020	March 31, 2019
Raw materials	15,677	15,060
Work-in-progress	1,872	1,223
Finished goods	917	649
Supplies & other parts & fittings	4,690	126
	23,156	17,058

6 Trade Receivables

	March 31, 2020	March 31, 2019
Unsecured, considered good	16,609	14,935
Trade receivables from related parties	46,686	19,609
Doubt full		
	63,295	34,544
Less: Allowances for credit loss	-	-
	63,295	34,544

7 Cash and cash equivalents

	March 31, 2020	March 31, 2019
Balances with banks:		
- in current accounts	13,847	20,670
Cash on hand		
	13,847	20,670

8 Other financial assets

	March 31, 2020	March 31, 2019
Security deposits, unsecured considered good	46	34
Derivatives designated as hedge		
	46	34

9 Other current Assets

	March 31, 2020	March 31, 2019
Unamortized expenditure	2,023	2,023
Advance payments	2,358	6,791
Engineering unbilled receivables	44,239	39,158
Others	1,500	
	50,120	47,972

SMP AUTOMOTIVE SYSTEMS ALABAMA, INC
NOTES TO THE FINANCIAL STATEMENTS

(All amounts in USD'000, unless otherwise stated)

10 Reserves and surplus

(a) Retained earnings

	March 31, 2020	March 31, 2019
Opening balance	(147,137)	(47,242)
Additions during the year	(185,540)	(99,895)
Closing balance	(332,678)	(147,137)

(b) Capital reserves

	March 31, 2020	March 31, 2019
Opening balance	132,318	
Additions during the year	-	132,318
Closing balance	132,318	132,318

(c) Cash flow hedging reserve

	March 31, 2020	March 31, 2019
Opening balance	-	337
Additions during the year	-	(337)
Closing balance	-	-

Cash flow hedging reserve

The Company uses hedging instruments as part of its management of foreign currency risk associated with its highly probable forecast payments. For hedging foreign currency risk, the Company uses foreign currency forward contracts which are designated as cash flow hedges. To the extent these hedges are effective; the change in fair value of the hedging instrument is recognised in the cash flow hedging reserve. Amounts recognised in the cash flow hedging reserve is reclassified to profit or loss when the hedged item affects profit or loss.

11 Current borrowings

Unsecured¹:

Loans repayable on demand from banks

	March 31, 2020	March 31, 2019
	-	15,095
	-	15,095

12 Trade Payables

Total outstanding dues of creditors other than related parties
Trade payable to related parties

	March 31, 2020	March 31, 2019
	71,574	63,535
	7,749	13,874
	79,323	77,409

13 Other current liabilities

Other current liabilities
Statutory dues payable & other payables
- Employee benefits payable
- Interests payable to related parties
- Accrued expenses
- Other payables

	March 31, 2020	March 31, 2019
	0	269
	7,149	3,799
	24,164	8,413
	-	13
	12,317	1,693
	43,630	14,187

Bracket denotes appropriations / deductions.

SMP AUTOMOTIVE SYSTEMS ALABAMA, INC
 NOTES TO THE FINANCIAL STATEMENTS

(All amounts in USD'000, unless otherwise stated)

14 Revenue	For the year ended	
	March 31, 2020	March 31, 2019
Sales of products	262,592	58,305
Sales of Tool development and Engineering	58,421	83,901
Total revenue	321,012	142,207

15 Other operating revenue:	For the year ended	
	March 31, 2020	March 31, 2019
Net forex gain	1,673	
Miscellaneous income	527	666
	2,200	666
Total revenue from operation	323,213	142,872

16 Cost of materials consumed	For the year ended	
	March 31, 2020	March 31, 2019
Raw materials and components pass through	236,685	59,130
Other raw material supply	59,606	83,319
Total	296,291	142,449

17 Changes in inventory of finished goods and work in progress	For the year ended	
	March 31, 2020	March 31, 2019
(Increase)/ decrease in stocks		
Stock at the opening of the year:		
Finished goods	649	-
Work-in-progress	1,223	179
Total A	1,872	179
Stock at the end of the year:		
Finished goods	917	649
Work-in-progress	1,872	1,223
Total B	2,789	1,872
(Increase)/ decrease in stocks (A-B)	(917)	(1,693)

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SMP AUTOMOTIVE SYSTEMS ALABAMA, INC
NOTES TO THE FINANCIAL STATEMENTS

(All amounts in USD'000, unless otherwise stated)

	For the year ended	
	March 31, 2020	March 31, 2019
18 Employee benefit expense		
Salary, wages & bonus	116,669	48,664
Contribution to employee welfare funds, payroll tax and other taxes	9,482	11,095
Others	2,133	2,900
Total	128,284	62,659
19 Finance income & costs		
Interest on lease liability	76	
Interest on borrowings	35,378	12,151
Interest income	(1,338)	(109)
Total	34,116	12,042
20 Other operating expenses		
Electricity, water and fuel	4,684	2,004
Repairs and Maintenance:		
Machinery	5,267	1,412
Building	1,047	1,219
Others		
Rent	2,711	1,878
Rates & taxes	651	774
Insurance	2,120	1,293
Travelling	1,631	2,031
Freight & forwarding	1,936	1,498
Provision for doubtful debts/advances		
Auditors fees and expenses	151	119
Legal & professional expenses	22,918	21,734
Computer expenses and software charges	2,515	1,944
Foreign exchange gain (net)	-	816
General administration expenses	21,009	13,908
Total	66,641	50,631
21 Income tax		
Current tax	(33,169)	(18,747)
Deferred tax charged / (reversed)	-	(10,862)
	(33,169)	(29,609)

For and on behalf of the Board

Director

