SMR Holding Australia Pty Limited and Controlled Entities

Financial report

for the year ended 31 March 2020

Contents

Directors' Report

Your directors present their report on the Company and its controlled entities (the Group) for the year ended 31 March 2020.

Directors
The names of the directors in office at any time during or since the end of the year are:

- Bharat Kumar Garg
- Bimal Dhar
- Rajat Jain
- Puneet Saim

Principal activities
The principal activity within the Group during the course of the financial year was the manufacture of automotive componentry.
There was no significant change in the nature of the activity of the Group during the year.

Dividends
A dividend of $12,646,624 was declared during year ended 31 March 2020 (year ended 31 March 2019: $16,025,615) of which $12,646,624 was paid (year ended 31 March 2019: $16,025,615).

Review of operations
The operating profit after income tax for the year ended 31 March 2020 amounted to $15,528,921 (year ended 31 March 2019: $13,089,378).

Significant changes in the state of affairs
On 31 August 2019 the Group acquired additional share in Re-time Pty Ltd increasing the shareholding to 71.4%. There has been no significant impact noted on the Group upon change in control.
There have been no other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 31 March 2020 that has significantly affected, or may significantly affect:

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

COVID 19
During 2020 the businesses of SMR Holding Australia Pty Limited have been impacted by COVID 19, primarily through plant closures from our customers.

All major customers have had extended plant closures in response to COVID 19, which has impacted our sales during 2020. In response the company has reduced it's own manufacturing operations and continues to monitor the evolving situation regarding customer demand.
In addition to the reduced operations the company has utilised a number of Government support mechanisms such as the JobKeeper subsidy and deferrals of taxation payments to offset the effect of the COVID 19 related business disruption.

Directors' Report

To date there have been no reported cases of COVID 19 in our workforce and the company has introduced social distancing, hygiene and monitoring protocols in line with Government and SMR guidelines to combat the threat of COVID 19.

Likely developments and expected results of operations
The Company has successfully restructured following the cessation of vehicle manufacturing in Australia. All costs associated with this restructure have been considered in the 18-19 accounts. The company will continue operations in the automotive industry and is committed to supporting our Company companies and overseas vehicle manufacturers.

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

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

Insurance of officers
During the financial year, the ultimate parent company, Samvardhana Motherson Reflectec Group Holdings Limited, has paid or agreed to pay a premium in respect of a contract insuring all the directors against a liability incurred in their role as directors of the Entity.

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

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

Auditor

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

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

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

Puneet Saim
Director

Dated this 17th day of June 2020

Grant Thornton Audit Pty Ltd
Level 22 Tower 5
Collins Square
727 Collins Street
GPO Box 4736
Melbourne VIC 3008

T +61 3 8320 2222

Auditor's Independence Declaration

To the Directors of SMR Holding Australia Pty Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of SMR Holding Australia Pty Limited for the year ended 31 March 2020, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

A J Pititto

Partner – Audit & Assurance

Melbourne, 17 June 2020

Consolidated statement of comprehensive income

For the year ended 31 March 2020

	Notes	2020 $	2019 $
Revenue from continuing operations	4	**89,818,986**	92,578,165
Other Income	5	**8,609,824**	9,234,775
Gain on bargain purchase	23	**25,031**	-
Raw materials and consumables used		**(36,331,893)**	(38,219,058)
Employee benefits expense		**(24,708,270)**	(27,348,077)
Depreciation and amortisation expense		**(2,477,993)**	(2,466,711)
Freight and duty		**(2,096,120)**	(2,104,356)
Rent and leasing expenses		**(756,560)**	(911,231)
Repairs and maintenance		**(1,862,278)**	(1,977,952)
Utilities		**(1,693,967)**	(1,961,949)
Other expenses	6	**(7,106,389)**	(7,597,002)
Share of profit (loss) from associates and loss on gain of control	22	**(104,242)**	46,578
Net changes in foreign currency translation		**735,459**	(370,924)
Finance costs		**(6,689)**	(18,994)
Profit before income tax		**22,044,899**	18,883,264
Income Tax Expense	7	**(6,515,978)**	(5,495,246)
Profit from continuing operations		**15,528,921**	13,388,018
Profit for the year		**15,528,921**	13,388,018
Profit/(Loss) attributable to:			
Owners of SMR Holdings Australia Pty Limited		**15,576,752**	13,388,018
Non-controlling interest		**(47,831)**	-
		15,528,921	**13,388,018**
Other comprehensive income for the year, net of tax		**-**	-
Total Comprehensive Income for the year		**15,528,921**	13,388,018

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

As at 31 March 2020

	Notes	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	8	6,757,798	4,298,466
Trade and other receivables	9	13,291,610	13,566,330
Inventories	10	13,703,579	14,592,127
Total current assets		33,752,987	32,456,923
Non-current assets			
Investments accounted for using equity method	22	-	170,780
Property, plant and equipment	11	18,132,987	19,176,871
Right of use assets	11	165,769	-
Deferred tax assets	12	2,609,643	4,634,909
Intangible assets	13	17,660,663	17,417,988
Total non-current assets		38,569,062	41,400,548
Total assets		72,322,049	73,857,471
LIABILITIES			
Current liabilities			
Trade and other payables	14	(15,871,570)	(12,917,275)
Income tax payable		(114,134)	(2,455,219)
Provisions	16	(7,630,868)	(10,654,878)
Lease liabilities		(38,914)	
Contract liabilities	14	(2,967,009)	(2,870,484)
Total current liabilities		(26,622,495)	(28,897,856)
Non-current liabilities			
Provisions	16	(1,387,887)	(2,781,519)
Lease liabilities		(130,224)	-
Borrowings	15	(860,000)	(860,000)
Total non-current liabilities		(2,378,111)	(3,641,519)
Total liabilities		(29,000,606)	(32,539,375)
Net assets		43,321,443	41,318,096
EQUITY			
Contributed equity	17	(33,933,597)	(33,933,597)
Reserves	18	(9,661,693)	(10,690,984)
Non-controlling interest		(102,510)	-
Accumulated losses		376,357	3,306,485
Total equity		(43,321,443)	(41,318,096)

Consolidated statement of changes in equity

For the year ended 31 March 2020

	Contributed equity $	Reserves $	Retained earnings / (Accumulated losses) $	Non-controlling interest	Total equity $
Balance as at 1 April 2018	33,933,597	10,695,537	(668,888)	-	43,960,246
Total comprehensive income for the year	-	-	13,388,018	-	13,388,018
Movement in hedge accounting	-	(4,553)	-	-	(4,553)
Transactions with owners in their capacity as owners:					
- Dividend paid or declared	-	-	(16,025,615)	-	(16,025,615)
Balance as at 31 March 2019	33,933,597	10,690,984	(3,306,485)	-	41,318,096
Balance as at 1 April 2019	**33,933,597**	**10,690,984**	**(3,306,485)**	**-**	**41,318,096**
Total comprehensive income for the year	**-**	**-**	**15,576,752**	**(47,831)**	**15,528,921**
Movement in hedge accounting	**-**	**(1,029,291)**	**-**		**(1,029,291)**
Changes in control through business combination	**-**	**-**	**-**	**150,341**	**150,341**
Transactions with owners in their capacity as owners:					
- Dividends provided for or paid	**-**	**-**	**(12,646,624)**	**-**	**(12,646,624)**
Balance as at 31 March 2020	**33,933,597**	**9,661,693**	**(376,357)**	**102,510**	**43,321,443**

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 March 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**103,216,417**	105,807,508
Payments to suppliers and employees (inclusive of goods and services tax)		**(84,111,776)**	(92,456,913)
		19,104,641	13,350,595
ATS and government grants received	5	**4,093,674**	4,099,591
Interest received		**8,555**	-
Interest paid and other finance costs		**(8,131)**	(18,994)
Income tax paid		**(6,609,701)**	(3,384,761)
Net cash inflow from operating activities	24	**16,589,038**	14,046,431
Cash flows from investing activities			
Payments for property, plant and equipment		**(1,346,740)**	(4,028,969)
Proceeds from sale of property, plant and equipment		**33,377**	110
Purchase of shares of Re-Time Pty Ltd (net of cash acquired)	22	**(20,127)**	-
Net cash (outflow) from investing activities		**(1,333,490)**	(4,028,859)
Cash flows from financing activities			
Dividends paid		**(12,646,624)**	(16,025,615)
Repayment of borrowings		**(105,000)**	-
Finance lease payments under AASB 16		**(44,592)**	-
Net cash (outflow) from financing activities		**(12,796,216)**	(16,025,615)
Net increase in cash and cash equivalents		**2,459,332**	(6,008,043)
Cash and cash equivalents at the beginning of the financial year		**4,298,466**	10,306,509
Cash and cash equivalents at the end of the financial year	8	**6,757,798**	4,298,466

1 General information and statement of compliance

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

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

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

The consolidated financial statements for the year ended 31 March 2020 were approved and authorised for issue by the Board of Directors on 17 June 2020.

2 Changes in accounting policies

New and amended standards adopted by the group

A number of new and revised standards became effective for annual periods beginning on or after 1 April 2019. Information on the more significant standard(s) is presented below.
The Group has adopted all the new and/or revised Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the financial year ended

The Group has not elected to apply any new or revised Australian Accounting Standards before their operative dates during the financial year.

Significant new and/or revised Australian Accounting Standards and amendments thereof and Interpretations effective for the financial year that are relevant to the Group include:

(i) AASB 16 'Leases'; and
(ii) AASB Interpretation 23 'Uncertainty over Income Tax Treatments'.

A number of other Australian Accounting Standards and Interpretations, along with revisions to the Conceptual Framework for Financial Reporting, have been issued and will be applicable in future periods. While these remain subject to ongoing assessment, no significant impacts have been identified to date. These standards have not been applied in the preparation of this Financial Report.

The adoption of all of the relevant new and/or revised Australian Accounting Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has had no effect on either the amounts reported for the current or previous

AASB 16 'Leases'

The Group has applied AASB 16 from 1 April 2019. The Group has adopted the simplified transition approach without restatement of comparative information for the financial year prior to first adoption. There was no change in accumulated losses as a result of applying AASB 16 as at 1 April 2019.

AASB 16 eliminates the distinction between operating and finance leases and brings all operating leases (other than short-term and low value leases) onto the condensed consolidated statement of financial position. As a lessee, the Group recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

In applying AASB 16 for the first time, the Group used the following transition practical expedients permitted by the new standard:
a) use of a single discount for operating leases, as they have reasonably similar characteristics (and it did not have a material effect);
(b) the accounting for operating leases with a remaining lease term of 12 months (or less) were classified as short-term leases, which have continued to be recognised on a straight-line basis as an expense in profit or loss; and
(c) use of hindsight in determining the lease term where the lease agreement contains an option to extend or reduce the lease term.

The Group elected under AASB 16 not to apply the new standard to contracts that were not identified as containing a lease under AASB 117 *'Leases'* and AASB Interpretation 4 *'Determining whether an Arrangement contains a Lease'.*

At transition, all relevant lease liabilities were measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or, where that rate was not readily determined, the Group's estimated incremental borrowing rate as at 1 April 2019. All right-of-use assets were measured at the amount of the lease liability on transition.

As a result of applying AASB 16, as at 1 April 2019 the Group recognised right-of-use assets of $206,617 as a non-current asset and lease liabilities of $206,617. There was no change in accumulated losses as a result of applying AASB 16 as at 1 April 2019. When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using an average rate of 3.8% as at 1 April 2019.

Under AASB 16, the Group recognised depreciation expense of $40,848 on right-of-use assets and interest expense of $7,113 on lease liabilities in the condensed consolidated statement of profit or loss during the financial year. Principal element of lease payments of $44,592 was shown under financing activities and the interest element of lease payments of 3.8% was shown under operating activities in the condensed consolidated statement of cash flows during the financial year.

2 Changes in accounting policies (continued)

The following table provides a reconciliation of non-cancellable operating lease commitments disclosed in Note 21(b) 'Operating Lease Rental Commitments' in the 2019 Financial Statements to the total lease liabilities recognised as at 1 April 2019:

Reconciliation	$
Operating lease rental commitments as at 31 March 2019 (undiscounted)	499,754
Less: short term leases which do not qualify under AASB 16	(198,307)
Less: low value leases which are exempt under AASB 16	(34,452)
Less: effect of discounting	(60,378)
Total lease liabilities recognised as at 1 April 2019	206,617

Accounting Standards and Interpretations issued but not yet effective

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

3 Summary of significant accounting policies

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

(a) Overall considerations

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

(b) Basis of consolidation

The Group financial statements consolidate those of the Parent Group and its subsidiary as of 31 March 2020. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The subsidiary has a reporting date of 31 March.

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

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

(c) Investments in associates and joint arrangements

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

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

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

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

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

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

(d) Revenue

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

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

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

3 Summary of significant accounting policies (continued)

(d) Revenue (continued)

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

Sale of goods

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

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

Tooling contracts

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

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

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

(e) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.
Government grants relating to fixed assets are offset against capital work in progress and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

(f) Operating expenses

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

(g) Borrowing costs

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

(h) Property, plant and equipment

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

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

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

(h) Property, plant and equipment (continued)

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

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

(i) Leased assets

Operating leases

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

3 Summary of significant accounting policies (continued)

(j) Inventories

Raw materials, work in progress and finished goods

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

(k) Income taxes

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

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

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

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

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

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

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

(l) Cash and cash equivalents

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

(m) Equity, reserves and dividend payments

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

Retained earnings include all current and prior period retained profits.

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

(n) Employee benefits

(i) Short-term obligations

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

(ii) Other long-term employee benefit obligations

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

3 Summary of significant accounting policies (continued)

(o) Provisions

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

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

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

Warranty

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

(p) Goods and Services Tax (GST)

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

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

(q) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(r) Goodwill

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

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

Impairment testing

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

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

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

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

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

3 Summary of significant accounting policies (continued)

(s) Critical accounting estimates and judgements

SMR Automotive Australia Pty Limited makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial period are discussed below.

(i) *Warranty*
The Group carries obligations to make good defects on products sold. As a result estimates are made of potential incidents and these are provided for as a liability at the time of sale. Refer to note 16 for balance details.

(ii) *Revenue (price down provisions)*
The Group has recognised provisions against revenue for price negotiations with customers. Negotiations, if favourable, could be different to that estimated and could result in additional revenue being recognised in future periods.

The Group also estimates the percentage of completion of tooling contracts at each reporting period. Refer to note 3(d) for details.

(iii) *Assessment of useful lives of long lived assets*
The Group holds significant long lived assets. These are depreciated in accordance with the accounting policies detailed in note 3(h). The determination of useful lives required the use of assumptions and changes in lives would have a significant impact on depreciated charge for any period or may give rise to an impairment triggering event.

(iv) *Income taxes*
The Group is subject to income taxes in Australia, where it is a member of a tax consolidated Group. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

(v) *Obsolescence provision*
Estimates are made for possible obsolete inventory based on prior history of consumption patterns.

(vi) Indefinite life intangible assets
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 3(r). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

(vii) COVID-19
The outbreak of COVID-19 and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods. Thus no material adjustments have been made to significant accounting estimates for the year ended to account for the pandemic. This assumption is based on current available information and the current impact of the pandemic to the Group.

4. Revenue from continuing operations

	2020 $	2019 $
Sale of goods	84,556,234	88,586,318
Tooling revenue	5,262,752	3,991,847
	89,818,986	92,578,165

2020	Sale of goods	Tooling revenue	Total
Goods transferred at a point in time	84,556,234	-	84,556,234
Services transferred over time	-	5,262,752	5,262,752
	84,556,234	5,262,752	89,818,986

2019	Sale of goods	Tooling revenue	Total
Goods transferred at a point in time	88,586,318	-	88,586,318
Services transferred over time	-	3,991,847	3,991,847
	88,586,318	3,991,847	92,578,165

The following aggregated amounts of transaction prices relate to the performance obligations from existing contracts that are unsatisfied or partially unsatisfied as at 31 March 2020:

	2021	Onwards	Total
Revenue expected to be recognised	1,444,619	8,689,744	10,134,363

5. Other income

	2020 $	2019 $
Net gain on disposal of property, plant and equipment	33,377	110
ATS credits and government grants	4,093,674	4,099,591
Other revenue	4,482,773	5,135,074
	8,609,824	9,234,775

6. Other expenses

	2020 $	2019 $
Profit before income tax includes the following specific expenses:		
Research and development expense	(218,437)	(372,045)
Maintenance expense	(1,001,965)	(1,053,237)
Professional services expense	(681,696)	(815,080)

7. Income tax expense

	2020 $	2019 $
(a) Income tax expense		
Current tax	4,183,109	5,902,483
Deferred tax	2,332,869	(407,237)
	6,515,978	5,495,246

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

	2020 $	2019 $
Profit from continuing operations before income tax expense	22,044,899	18,883,264
Tax at the Australian tax rate of 30% (2018 - 30%)	6,613,470	5,664,979
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	11,061	4,606
Other	(108,553)	(99,322)
(Over) under provision in prior year	-	(75,017)
Total income tax expense	6,515,978	5,495,246

8. Cash and cash equivalents

	2020 $	2019 $
Cash at bank and in hand	6,757,798	4,298,466
	6,757,798	4,298,466

9. Trade and other receivables

	2020 $	2019 $
Trade and other receivables	4,739,959	4,948,430
Related party trade receivables	8,531,699	8,601,842
Prepayments	19,952	16,058
Provision for doubtful debts	-	-
	13,291,610	13,566,330

10. Inventories

	2020 $	2019 $
Raw materials	2,322,320	2,623,476
Work in progress	887,447	763,859
Finished goods	11,289,758	11,708,350
Provision for valuation adjustment and obsolete stock	(795,946)	(503,558)
	13,703,579	14,592,127

11. Property, plant and equipment

	2020 $	2019 $
Land	893,400	893,400
Buildings	6,903,374	6,737,048
Less: accumulated depreciation	(2,075,521)	(1,858,487)
	4,827,853	4,878,561
Plant and equipment at cost	68,020,262	69,828,932
Less: accumulated depreciation	(57,664,276)	(59,705,696)
	10,355,986	10,123,236
Furniture and fittings	325,040	323,817
Less: accumulated depreciation	(320,290)	(315,966)
	4,750	7,851
Capital work in progress	2,050,998	3,273,823
Total property, plant and equipment	18,132,987	19,176,871
Right of use assets	206,617	-
Less: accumulated depreciation	(40,848)	-
Total right of use assets	165,769	-

12. Deferred tax assets - Net

	2020 $	2019 $
The balance comprises temporary differences attributable to:		
Property, plant and equipment	52,922	390,258
Inventories	408,823	1,210,866
Provisions	2,132,802	2,741,735
Accrued expenses	(526,390)	(19,844)
Grants	310,764	288,517
Derivatives	310,153	-
Other	(79,431)	23,377
Total deferred tax assets - net	2,609,643	4,634,909

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

13. Intangible assets

	2020	2019
	$	$
Development costs	882,237	-
Less: accumulated amortisation	(639,562)	-
	242,675	-

14. Goodwill

Goodwill	17,417,988	17,417,988
Total Intangible assets	17,660,663	17,417,988

14. Trade and other payables

	2020	2019
	$	$
Current liabilities		
Trade and other payables	13,236,337	15,394,888
Related party trade payables	2,635,233	1,659,030
	15,871,570	17,053,918
Contract liabilities	2,967,009	2,870,484

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

15. Borrowings - non-current

	2020	2019
	$	$
Unsecured		
Government loans - interest free	860,000	860,000
Total unsecured non-current borrowings	860,000	860,000

16. Provisions

	2020	2019
	$	$
Current		
Employee benefits	6,104,143	5,967,598
Price downs	983,244	3,622,050
Warranty	543,481	1,065,230
	7,630,868	10,654,878
Non-current		
Employee benefits	119,766	295,984
Warranty	1,268,121	2,485,535
	1,387,887	2,781,519

17. Contributed equity

(a) Share capital

	2020	2019	**2020**	2019
	Shares	Shares	$	$
Ordinary shares fully paid	**3,030,804**	3,030,804	**33,933,597**	33,933,597
	3,030,804	3,030,804	**33,933,597**	33,933,597

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

18. Reserves

	2020	2019
	$	$
Asset revaluation reserve upon adoption of AIFRS	10,695,537	10,695,537
Cash flow hedging reserve	(1,033,844)	(4,553)
	9,661,693	10,690,984

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

19. Remuneration of auditors

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

	2020	2019
	$	$
Audit and review services	92,500	87,500
Other services	23,200	15,000
	115,700	102,500

20. Related party transactions

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

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

20.1 Transactions with associates

	2020	2019
	$	$
Sales and other revenue to associates	75,515,848	81,910,967
Purchases and other expenses from associates	18,003,928	5,041,569
Receivable from associates	8,531,699	8,601,842
Payable to associates	2,635,233	894,132

20.2 Transactions with key management personnel

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

	2020	2019
	$	$
Total key management personnel remuneration	502,425	600,231

21. Commitments for Expenditure, Contingent Liabilities and Contingent Assets

There are no commitments for expenditure or contingent liabilities as at 31 March 2020, except for the Group's non-cancellable operating leases which are now recognised and disclosed as lease liabilities as set out on the face of the financial statements. Refer to Note 2.

22. Investments in associates

Movements in carrying amounts

	2020	2019
	$	$
Carrying amount at the beginning of the financial year	170,780	124,202
Share of profit (loss) after income tax - before gain of control	(36,870)	46,578
Acquisition of additional shares	283,264	-
Loss on gain of control of subsidiary	(67,372)	-
Change of control in associate - Note 23	(349,802)	-
Carrying amount at the end of the financial year	-	170,780

22. Investments in associates (continued)

On 31 August 2019 the Group acquired additional shares in Re-time Pty Ltd resulting in a controlling interest in the formerly equity-accounted investee. The results of Re-time Pty Ltd have been consolidated from the date of acquisition. The assets and liabilities of the investee at acquisition date are detailed in note 23.

Movements in profit and loss were as follows:

	2020	2019
	$	$
Share of profit (loss) after income tax - before gain of control	(36,870)	46,578
Loss on gain of control of subsidiary	(67,372)	-
Total movement in profit and loss	(104,242)	46,578

Refer to Note 23 for further details on purchase.

23. Business combination

(i) Outline of the transaction

a. *Name and business of the acquiree*

Re-Time Pty Ltd

b. *Purpose of the transaction*

A change in investment structure has resulted in the additional shares being purchased.

c. *Acquisition date of the business combination*

31 August 2019

d. *Description of obtaining control over the acquiree and proportion of voting rights acquired*

— Before the acquisition 35%
— After the acquisition 71.4%

(ii) Effect on the Group

Revenue generated since the date of acquisition totalled $240,441. Re-Time Pty Ltd incurred a net loss of $167,241 since the date of acquisition ($119,410 after non-controlling interest).

(iii) Acquisition-date fair value of assets and liabilities and goodwill

	$
Cash	263,138
Trade and other receivables	8,135
Inventory	160,804
Total Current Assets	432,077
Intangible assets	289,196
Total non-current assets	289,196
Total assets	721,273
Trade and other payables	91,098
Borrowings	105,000
Total current liabilities	196,098
Total liabilities	196,098
Net asset value	525,175
Consideration transferred in cash - 1,490 shares at $190.11	283,265
Cash and cash equivalents acquired	(263,138)
Net consideration for acquisition	20,127

Non-controlling interests are measured at the proportionate share of the fair value of identifiable net assets in the acquiree. Gain on bargain purchase of $25,031 was calculated as the difference between acquisition cost and the fair value of the net assets of Re-time Pty Ltd. Acquisition related costs are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income as part of other expenses.

Net asset value	525,175
Less: Minority interest	(150,341)
Controlling interest	374,834
Equity accounted investment at 31 August 2019	(133,910)
Loss on gain of control	67,372
Consideration transferred in cash	(283,265)
Gain on bargain purchase	25,031

23. Events occurring after the reporting period

No matters or circumstance have occurred subsequent to year end that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

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

	2020 $	2019 $
Profit for the year	15,528,921	13,388,018
Depreciation and amortisation	2,477,993	2,466,711
Net (gain) on sale of non-current assets	(33,377)	(110)
Share of net loss (profit) of associates	104,242	(46,578)
Gain on bargain purchase	(25,031)	-
Interest from AASB 16 lease liabilities	7,113	-
Change in operating assets and liabilities:		
Decrease (increase) in trade and other receivables	282,855	(2,543,843)
Decrease (increase) in inventories	1,049,352	2,255,431
Decrease (increase) in deferred tax assets	2,025,266	(409,786)
(Decrease) increase in trade and other payables	1,833,906	(4,141,196)
(Decrease) in provisions	(4,417,642)	1,366,455
Increase in contract liabilities	96,525	2,870,484
(Decrease) increase in related party tax payable	(2,341,085)	(1,159,155)
Net cash inflow (outflow) from operating activities	16,589,038	14,046,431

25. Controlled Entities

Name of entity	**Country of Incorporation**	**Ownership interest** 2020	2019
SMR Automotive Australia Pty Ltd	Australia	100%	100%
Re-Time Pty Ltd	Australia	71.4%	35%

26. Parent entity information

	2020 $	2019 $
Statement of financial position		
Current assets	711,272	3,367,144
Total assets	33,094,599	35,750,472
Current liabilities	(60,484)	(2,712,957)
Total liabilities	(60,484)	(2,712,957)
Net assets	33,034,115	33,037,515
Issued capital	(33,933,597)	(33,933,597)
Accumulated losses (retained earnings)	899,482	896,082
Total equity	(33,034,115)	(33,037,515)
Statement of profit or loss and other comprehensive income		
(Loss) for the year	(5,947)	(3,403)
Total comprehensive income	(5,947)	(3,403)

Directors' Declaration

For the year ended 31 March 2020

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

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

   (a) Giving a true and fair view of its financial position as at 31 March 2020 and of its performance for the financial year ended on that date; and

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

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

This declaration is made in accordance with a resolution of the Board of Directors.

Puneet Sain
Director

Adelaide
Dated this 17th day of June 2020.

Grant Thornton Audit Pty Ltd
Level 22 Tower 5
Collins Square
727 Collins Street
GPO Box 4736
Melbourne VIC 3008

T +61 3 8320 2222

Independent Auditor's Report

To the Members of SMR Holding Australia Pty Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of SMR Holding Australia Pty Limited (the Company) and its subsidiaries (the Group), which comprises the statement of financial position as at 31 March 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a giving a true and fair view of the Group's financial position as at 31 March 2020 and of its performance for the year ended on that date; and

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

Basis for opinion

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

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

Responsibilities of the Directors' for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

A J Pititto
Partner – Audit & Assurance

Melbourne, 17 June 2020