



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

**Samvardhana Motherson Innovative Autosystems de México,
S.A. de C.V. (a subsidiary of Samvardhana Motherson
Reflectec Group Holdings Limited)
Financial Statements for the years ended December 31, 2019
and 2018 and Independent Auditors' Report**

Mier y Pesado 329 -203
Col. Del Valle Norte
Alcaldía Benito Juárez C.P. 03100
Ciudad de Mexico
Tels.: 55 81 17 28 92/93
E.mail: etrigos@tgmyasociados.com
<http://www.tgmyasociados.com>



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

Independent Auditors' Report and Financial Statements for 2019 and 2018

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

Qualified Opinion

We have audited the accompanying financial statements of Samvardhana Motherson Innovative Autosystems de México, S.A. de C.V. the "Entity", which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of profit, the statements of changes in stockholders' equity and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effect on the event mentioned in paragraph third and the possible effects mentioned in paragraphs fourth to sixth, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as of December 31, 2019 and 2018, and their financial performance and their cash flows, for the years then ended in accordance with Mexican Financial Reporting Standards (NIF).

Basis for Qualified Opinion

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

During 2019 packing material were sold in the amount of \$ 78,341,014 with a cost of \$ 56,505,329, and therefore a profit of \$ 21,835,685. The related invoices did not



Specified the detail of all the items that were sold, as it is established by the Income Tax Law, therefore the Tax Authorities could consider such cost as nondeductible, which also modify the Tax result for income tax and legal profit sharing.

The possible effects in 2019 of the contingency mentioned in the previous paragraph will decrease the tax loss carryforwards as of December 31, 2019 of \$27,369,914 and therefore it will result into a taxable profit of \$ 29,137,415 and consequently an income tax of \$8,741,224 and a legal profit additional of \$5,650,530. On addition the deferred income tax recorded for the tax loss carryforwards of \$ 8,210,374 will be cancelled, reducing the net profit of 2019 in such amount. And also penalties and surcharges could be determined by the tax authorities.

During 2018 and 2017, the Entity imported as temporary imports of fixed assets, molds and tooling for sale to assembly Companies in the amount of \$ 40,138,806, but for custom purposes these imports should have been imported as definitive imports of inventories, therefore according to the Mexican Tax Law the related costs when such products were sold are considered as nondeductible, therefore an income tax of \$ 12,041,642 and a legal profit sharing of \$ 4,013,881 will result plus fines and surcharges by the Tax authorities, in case of a Fiscal review.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of these matters were addressed in the context of our audit of the financial statements as a whole, in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section, we have not determined matters to be communicated in our report.

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report. We are independent of the Entity in accordance with the International Ethics

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Standards Board for Accountants' *Code of Ethics for professional Accountants (IESBA Code)* and with the Ethics Code issued by the Mexican Institute of Public Accountants (*IMCP Code*), and we have fulfilled other ethical responsibilities in accordance with the IESBA Code and IMCP Code.

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

Other matter

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

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

Management is responsible for the preparation and fair presentation of the accompanying financial statements in accordance with NIF, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters, related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable



assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered

material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting

from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material Uncertainty exists related to events or conditions that may cast significant doubt, on Entity's ability on continuing as a going concern. If we conclude, that a material

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uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

-Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

C.P.A. Víctor Luis Ortega Chávez
México City, México
September, 9, 2020

Samvardhana Motherson Innovative Autosystems de México, S.A. de C.V.
(Subsidiary of Samvardhana Motherson Reflectec Group Holdings Limited)

Balance sheets

As of December 31, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,334,416	\$ 17,934,197
Accounts receivable - Net (Note 4)	98,540,820	200,655,611
Inventories (Note 5)	45,330,728	60,736,467
Prepaid expenses	1,391,166	223,147
Total current assets	<u>158,597,129</u>	<u>279,549,422</u>
Guarantee deposits	268,539	268,539
Property, plant and equipment - Net (Note 6)	190,486,211	158,357,311
Other assets (Note 7)	333,477	504,394
Deferred legal profit sharing (Note 9)	3,145,308	
Deferred income taxes (Note 15)	18,056,182	
	-	-
Total	<u>\$ 370,886,847</u>	<u>\$ 438,679,667</u>
Liabilities and stockholders' equity		
Current liabilities :		
Current portion of long term debt (Note11)	\$ -	\$ 8,536,583
Trade accounts	2,736,969	3,255,908
Provisions (Note 17)	16,395,456	18,198,500
Accrued expenses	9,477,434	8,342,669
Taxes and other contributions payable	2,093,089	2,843,074
Due to related parties (Note 8)	21,949,494	63,597,952
Employee retirement obligations	3,381,775	2,705,286
Legal profit sharing	2,368,286	2,959,135
Total current liabilities	<u>58,402,503</u>	<u>110,439,108</u>
Deferred legal profit sharing (Note 9)	-	8,681,416
Deferred income taxes (Note 15)	-	5,895,901
Long term debt (Note11)	108,186,564	130,311,175
Total liabilities	<u>166,589,067</u>	<u>255,327,600</u>
Stockholders' equity (Note 12):		
Capital stock	249,356,591	249,356,591
Legal reserve	958,624	958,624
Deficit	(46,017,435)	(66,963,148)
Stockholders' equity	<u>204,297,780</u>	<u>183,352,067</u>
	<u>\$ 370,886,847</u>	<u>\$ 438,679,667</u>

See accompanying notes to financial statements.

Samvardhana Motherson Innovative Autosystems de México, S.A.de C.V.
(Subsidiary of Samvardhana Motherson Reflectec Group Holdings Limited)

Statements of profit

For the years ended December 31, 2019 and 2018

	2019	2018
Revenues (Note 8):		
Net sales	\$ 143,112,159	\$ 156,980,944
Income from the manufacture and sale of molds and long-term tooling	105,411,817	112,799,443
Packing sales	63,187,968	
	<u>311,711,944</u>	<u>269,780,387</u>
Costs and expenses (Note 8):		
Cost of sales	127,335,668	89,697,044
Cost per purchase, sale and manufacture of molds and long-ter tooling	66,093,501	99,775,673
Packing costs	56,640,804	
Selling, general and administrative expenses	61,210,898	59,563,310
	<u>311,280,872</u>	<u>249,036,026</u>
Comprehensive financing cost:		
Interest expense (Note 8)	(9,262,649)	(263,292)
Exchange gain	41,042,467	49,166,458
Exchange loss	(30,504,583)	(43,693,066)
	<u>1,275,234</u>	<u>5,210,100</u>
Other (expense) income (Note 14)	(16,539,400)	4,107,073
	<u>(16,539,400)</u>	<u>4,107,073</u>
Income before income taxes	(14,833,095)	30,061,534
Income taxes (Note15)	35,778,808	(28,104,574)
Net profit	<u>\$ 20,945,713</u>	<u>\$ 1,956,960</u>

See accompanying notes to financial statements

Samvardhana Motherson Innovative Autosystems de México, S.A. de C.V.
(Subsidiary of Samvardhana Motherson Reflectec Group Holdings Limited)
Statements of changes in stockholders' equity
For the years ended December 31, 2019 and 2018

	Capital stock	Legal reserve	Deficit	Stockholders' equity (Note 12)
Balances as of January 1, 2018	\$ 249,356,591	958,624	(68,920,108)	\$ 181,395,107
Comprehensive profit	<u> </u>	<u> </u>	<u>1,956,960</u>	<u>1,956,960</u>
Balances as of January 1, 2019	249,356,591	958,624	(66,963,148)	183,352,067
Comprehensive loss	<u> </u>	<u> </u>	<u>20,945,713</u>	<u>20,945,713</u>
Balances as of December 31, 2019	\$ <u>249,356,591</u>	\$ <u>958,624</u>	<u>(46,017,435)</u>	\$ <u>204,297,780</u>

See accompanying notes to financial statements.

Samvardhana Motherson Innovative Autosystems de México, S.A. de C.V.
(Subsidiary of Samvardhana Motherson Reflectec Group Holdings Limited)
Statements of cash flows
For the years ended December 31, 2019 and 2018

	2019	2018
Operating activities:		
Profit (loss) before income taxes	\$ (14,833,095)	\$ 30,061,534
Items related to investing activities:		
Depreciation and amortization	10,421,743	6,013,985
Loss on disposals /sale of fixed assets	-	
Allowance for doubtful accounts	(218,136)	
Allowance for inventories valuation and obsolescence	(459,136)	
Employee retirement obligation	676,489	772,612
Contingency provisions	(1,803,044)	(710,637)
Legal profit sharing provision	2,746,945	3,815,783
Deferred income taxes	(23,952,083)	22,522,637
Deferred legal profit sharing	(11,826,724)	5,581,937
Exchange gain on long term debt	(7,859,387)	-
	<u>(47,106,429)</u>	<u>68,057,851</u>
(Increase) decrease in :		
Accounts receivable	102,332,928	12,480,706
Inventories	15,864,875	(46,595,020)
Prepaid expenses	(1,168,020)	121,548
Advances received from customers		-
Trade accounts	(518,940)	(606,505)
Accrued expenses	1,134,764	(9,358,470)
Legal profit sharing paid	(3,337,794)	(3,116,140)
Income taxes paid	35,778,808	(28,104,574)
Taxes and other contributions payable	(749,985)	1,487,836
Due to related parties and other liabilities	(41,648,458)	(81,204,087)
Net cash from operating activities	<u>60,581,751</u>	<u>(86,836,855)</u>
Investing activities:		
Acquisition of equipment	(42,379,726)	(59,597,113)
Disposal of equipment	-	-
Net cash from investing activities	<u>(42,379,726)</u>	<u>(59,597,113)</u>
Financing activities:		
Borrowings	110,150,519	141,039,476
Loans payments	(132,952,326)	(2,192,618)
	<u>(22,801,807)</u>	<u>138,846,858</u>
Cash and cash equivalentes:		
Net (decrease)	(4,599,782)	(7,586,211)
Balance at beginning of year	<u>17,934,197</u>	<u>25,520,409</u>
Balance at end of year	<u>\$ 13,334,416</u>	<u>\$ 17,934,198</u>

SAMVARDHANA MOTHERSON INNOVATIVE AUTOSYSTEMS DE MÉXICO, S.A. DE C.V.

Notes to Financial Statements

For the years ended December 31, 2019 and 2018

(In Mexican pesos)

1. Nature of business

Samvardhana Motherson Innovative Autosystems de México, S.A. de C.V.) (The "Entity") is a direct subsidiary of Samvardhana Motherson Reflectec Group Holdings Limited and is engaged in the manufacture and sale of automotive parts. During 2017 the Entity started a new operation in the importation, manufacturing and sales of a long term period of molds and tooling to domestic and foreign customers. The Company's export sales represent 75% and 95% of net sales in 2019 and 2018, respectively, and are made primarily to customers in the U.S. and México.

The Entity sells its products mainly to eight foreign customers, representing 75% of net sales and 49% and 92% of the accounts receivable balance in 2019 and 2018, respectively. To reduce credit risk, the Company periodically evaluates its customers' financial position, but does not require specific guarantees. Additionally, the Entity considers that its potential credit risk is adequately covered by its allowance for doubtful accounts

2. Basis of presentation

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

Monetary unit of the financial statements - The financial statements and notes as of December 31, 2019 and 2018 and for the years then ended include balances and transactions denominated in Mexican pesos of different purchasing power. Cumulative inflation rates over the previous three-year periods ended December 31, 2019 and 2018 were 15.69% and 12.71%, respectively. Accordingly, the economic environment is not inflationary in either such period and no inflationary effects were recognized in the accompanying financial statements. Inflation rate for the three-year period ended December 31, 2019 was 4.83%. Inflation rates for the years ended December 31, 2019 and 2018 were 2.83% and 4.83%, respectively

The financial statements as of December 31, 2019 and 2018, and for the years then ended, were prepared using the currency in which transactions are recorded rather than the Entity's functional currency. Therefore, according to MFRS, they may only be used for purposes of the stockholders' meeting and for tax purposes, and may not be used for any other purpose.

The Entity's functional currency is the U.S. dollars. Given that the Entity has transactions with foreign Entities whose functional currencies are other than the Mexican peso, the Entity is therefore exposed to foreign currency translation risk. In addition, the Entity has monetary assets and liabilities denominated in foreign currencies, mainly in US dollars and euros; therefore, the Entity is also exposed to foreign exchange risks arising from transactions entered into over the normal course of business.

- a. **Comprehensive income (loss)** - Represents changes in deficiency stockholders' equity (deficit) during the year, for concepts other than distributions and activity in contributed common stock, and is comprised of the net income (loss) of the year, plus other comprehensive income (loss) items of the same period, which are presented directly in stockholders' equity without affecting the statement of income.
- b. **Classification of costs and expenses.** Costs and expenses presented in the statements of operations were classified according to their function because this is the practice of the industry to which the Company belongs.

3. Summary of significant accounting policies

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

The financial statements as of December 31, 2019 and 2018, and for the years then ended, were prepared using the currency in which transactions are recorded rather than the Entity's functional currency. Therefore, according to MFRS, they may only be used for purposes of the stockholders' meeting and for tax purposes, and may not be used for any other purpose.

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

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

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

When an impairment indicator suggests that the carrying amounts of inventories might not be recoverable, the Entity reviews such carrying amounts, estimates the net realizable value, based on the most reliable evidence available at that time. Impairment is recorded if the net realizable value is less than the carrying value. Impairment indicators considered for these purposes are, among others obsolescence, a decrease in market prices, damage, and a firm commitment to sell. At December 31, 2019 and 2018, the Entity recognized \$ 3,422,999 \$3,882,135.00, respectively, as allowance for impairment losses of inventories.

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

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

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

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

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

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to contributions. For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period.

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

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

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

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

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

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

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

4. Accounts receivable

	2019	2018
Trade accounts receivable	\$ 35,982,627	\$ 31,540,615
Trade accounts due by estimation of works in process of long term duration	22,422,085	127,372,047
Related parties (Note 9)		42,435
Creditable value added tax	450,829	321,281
Recoverable value added tax	39,638,063	42,192,151
Recoverable taxes	655,738	7,739
Other		5,000
Allowance for doubtful accounts	(608,522)	(825,657)
	<u>\$ 98,540,820</u>	<u>\$200,655,611</u>

5. Inventories

	2019	2018
Finished goods	\$ 8,335,871	\$ 3,967,234
Production in-process	3,595,176	3,224,257
Raw materials	17,503,213	13,350,571
Packing material inventory for sale	2,568,284	29,681,281
New projects inventory	7,814,209	7,814,209
Allowance for impairment losses	(3,422,999)	(3,882,135)
	<u>36,739,807</u>	<u>54,155,417</u>
Advances to suppliers		
Merchandise-in-transit	8,950,921	6,581,050
	<u>\$ 45,330,728</u>	<u>\$ 60,736,467</u>

6. Property, Plant and Equipment

	2019	2018
Industrial machinery and equipment	\$ 136,889,382	\$ 109,238,135
Plant machinery	1,281,389	1,105,247
Office furniture and equipment	652,086	652,086
Computers	236,997	191,611
Leaseholds improvements	951,274	951,274
Telecommunication equipment	313,403	313,403
Buildings	108,544,996	28,947,214
Land	7,140,561	7,140,561
Buildings in process	2,214,841	61,382,773
Machinery in transit	377,100	6,300,000
Packing material	<u>3,022,252</u>	<u>1,800,000</u>
	261,624,281	218,022,304
Accumulated depreciation	<u>(71,138,070)</u>	<u>(59,664,993)</u>
	<u>\$ 190,486,211</u>	<u>\$ 158,357,311</u>

Due to the increase of the Entity's operations, in 2017 started the construction of a new plant, as of December 31, 2017 and it started its operation on April, 2019, the total cost of the new building was \$79,597,782 and the new machinery for its operation amounted \$ 14,903,626

7. Other assets

	2018	2018
Pre operating expenses	\$ 3,418,338	\$ 3,418,338
Accumulated amortization	<u>(3,084,861)</u>	<u>(2,913,944)</u>
	<u>\$ 333,477</u>	<u>\$ 504,394</u>

8. Transactions and balances with related parties

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

	2019	2018
Purchases	\$ 67,443,994	\$ 46,615,755
Fees expense	4,472,712	12,897,128
Inventories sales	134,661	1,969,313
Molds sales	795,006	
Samples and others		35,096
Travel expenses	2,981	

Fixed assets purchases	13,235,901	10,379,752
Molds purchases for sale	64,787,389	107,054,093
Interest expense	9,261,360	263,292
Fees capitalized in buildings in process		2,276,756
Cost material	503,719	278,083
Maintenance equipment		447,025
Packing material	8,767,377	18,869,054

b. Balances with related parties are as follows:

		2018
Receivable:		
Samvardhana Motherson Innovative Autosystems BV & Co. KG		<u>42,435</u>
		<u>\$ 42,435</u>

	2019	2018
Payable:		
Samvardhana Motherson Innovative Autosystems BV & Co. KG	<u>\$21,949,494</u>	<u>\$63,597,952</u>

9. Employee benefits

a. Net period costs for the obligations resulting from the related seniority premiums and terminations benefits was \$ 676,489 in 2019 and \$772,612 in 2018. Other disclosures required under accounting provisions are not considered material.

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

	2019	2018
Deferred PTU (liability) asset		
Property, machinery and equipment	\$ (4,934)	\$(1,101,065)
Advances from customers		
Allowance for doubtful accounts	60,851	82,566
Allowance for impairment losses of inventories	342,300	388,213
Provisions and contingencies	2,092,518	2,119,711
Accrued liabilities		
Employee retirement obligation provision	338,178	270,529
Other	(22,992)	(22,315)
Advance payments	19,593	129,430
Costs for works in progress non deductible	2,561,702	1,987,923
Trade accounts of works in progress	(2,242,208)	(12,737,205)
Other provisions	<u>0</u>	<u>200,798</u>
Net deferred PTU (liability) asset	<u>\$ 3,145,308</u>	<u>\$ (8,681,416)</u>

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

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

As of December 31, 2019	Up to three months	From three months to six months	From one to three years	Total
Accounts payable	\$ 9,971,169	\$	\$	\$ 9,971,169
Accounts payable to related parties	21,949,494			21,949,494
Current portion of long term debt				
Provisions	11,643,287		7,511,300	19,154,587
Long term debt	<u>0</u>	<u>0</u>	<u>108,186,564</u>	<u>108,186,564</u>
Total	<u>\$ 43,563,950</u>	<u>\$ 0</u>	<u>\$ 115,697,864</u>	<u>\$ 159,261,814</u>
Cash and cash equivalents	\$13,334,416	\$	\$	\$ 13,334,416
Inventories	34,994,644	2,568,284	7,814,209	45,377,137
Trade receivables	22,422,085	0		22,422,085
Accounts receivable from related parties	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$70,751,145</u>	<u>\$ 2,568,284</u>	<u>\$ 7,814,209</u>	<u>\$ 81,133,638</u>
As of December 31, 2018	Up to three months	From three months to six months	From one to three years	Total
Accounts payable	\$ 11,598,586	\$	\$	\$11,598,586
Accounts payable to related parties	63,597,952			63,597,952
Current portion of long term debt	8,536,583			8,536,583
Provisions	10,688,222		7,510,278	18,198,500
Long term debt	<u>0</u>	<u>0</u>	<u>130,311,175</u>	<u>130,311,175</u>
Total	<u>\$ 94,421,343</u>	<u>\$ 0</u>	<u>\$ 137,821,453</u>	<u>\$ 232,242,761</u>
Cash and cash equivalents	\$17,934,197	\$	\$	\$ 17,934,197
Inventories	23,240,967	29,681,291		52,922,258
Trade receivables	31,540,615	0		31,540,615
Accounts receivable from related parties	<u>42,434</u>	<u>0</u>	<u>0</u>	<u>42,434</u>
Total	<u>\$72,758,213</u>	<u>\$29,681,291</u>	<u>\$ 0</u>	<u>\$102,439,504</u>

12. Stockholders' equity

- a. Common stock at par value (historical pesos) as of December 31 2019 and 2018 is as follows:

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

	<u>2019</u>		<u>2018</u>	
	<u>Number of partnership/ member Interests</u>	<u>Amount</u>	<u>Number of partnership/ member Interests</u>	<u>Amount</u>
Fixed capital Series I	500,000	\$ 500,000	500,000	\$ 500,000
Variable capital Series II	<u>220,747,722</u>	<u>220,747,722</u>	<u>220,747,722</u>	<u>220,747,722</u>
Total	<u>221,247,722</u>	<u>\$221,247,722</u>	<u>221,247,722</u>	<u>\$221,247,722</u>

- b. Retained earnings include the statutory legal reserve. The General Corporate Law requires that at least 5% of net income of the year be transferred to the legal reserve until the reserve equals 20% of common stock at par value (historical pesos). The legal reserve may be capitalized but may not be distributed unless the entity is dissolved. The legal reserve must be replenished if it is reduced for any reason. As of December 31, 2019 and 2018, the legal reserve, in historical pesos was \$ 958,624.
- c. Stockholders' equity, except restated common stock and tax-retained earnings, will incur income tax payable by the entity at the rate in effect at the time of its distribution. Any income tax paid on such distribution may be credited against income for the year in which the dividend is paid and, in the subsequent two years, against tax for the year and the related estimated payments. Retained earnings as of December 31, 2019 amount \$ 362,752,708.

Dividends paid from the net taxable profits account (CUFIN) up to \$18,093,179 generated prior to January 1, 2014 to shareholders are tax free.

Dividends paid from the net taxable profits account (CUFIN) up to \$3,869,776 generated since January 1, 2014 to shareholders individuals and residents abroad would be subject to an additional tax of up to 10%, which will be withheld by the Entity and should be considered as definitive payment

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

	2019	2018
Contributed capital account	\$ 362,752,708	\$ 352,803,645
Accrued net tax income account (CUFIN) as of 2013	18,093,179	16,786,173
Net tax income account (CUFIN) from 2014	<u>3,869,776</u>	<u>3,590,234</u>
	<u>\$ 384,715,663</u>	<u>\$ 373,188,052</u>

13. Foreign balances and transactions

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

	2019	2018
U.S. dollars:		
Monetary assets	2,619,475	2,603,193
Monetary liabilities	<u>(480,129)</u>	<u>(344,156)</u>
Net monetary asset position	<u>2,139,346</u>	<u>2,259,037</u>
Equivalent in Mexican pesos	<u>\$ 40,316,394</u>	<u>\$ 44,456,865</u>
	2019	2018
European Euros		
Monetary assets	9,619	12,460
Monetary liabilities	<u>(5,321,220)</u>	<u>(9,246,984)</u>
Net monetary (liability) position	<u>(5,311,601)</u>	<u>(9,234,524)</u>
Equivalent in Mexican pesos	<u>\$ (112,360,012)</u>	<u>\$ (207,476,982)</u>

- a. Transactions denominated in foreign currency were as follows:

	2019	2018
	(In U.S. dollars)	
Sales	8,645,537	12,167,415
Income for molds in progress	9,601,308	5,801,410
Rentals expense	84,619	79,644
Interest expense	429,841	11,768
Import purchases	247,758	21,606
Molds purchases for sale		1,707,612
Fee expenses	119,413	96,984
Packing material sales	3,293,905	
Warehouse expenses	522,093	10,378
Maintenance expenses	649,907	366,771

	2019	2018
	(In Euros)	
Import purchases	3,127,898	2,411,063
Fee expenses	207,923	580,634
Travel expenses	135	
Samples and others		9,673
Packing material purchases	410,000	
Molds sales	2,500	18,947
Fixed assets purchases	612,624	118,000
Molds and tools purchases for sale	2,954,930	4,796,758
Export sales	40,894	84,468
Interest expense		11,768
Packing material		822,627
Interest expense		11,768
Maintenance expenses	33,741	

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

	December 31,		September, XX,
	2019	2018	2020
U.S.dollar	\$18.85	\$19.68	
Euro	21.15	22.50	

14. Other (expenses) income

Detail is as follows:

	2019	2018
Contingency provisions –Net	\$ 2,782,539	\$ (1,331,411)
Cleaning accounts income	1,477,789	2,341,628
Updating Value Added Tax returns	794,940	3,096,856
Income for long term works from prior years write-off	(8,186,502)	
Penalties for late deliveries of products to clients	(11,219,869)	0
	<u>\$ (14,351,103)</u>	<u>\$ 4,107,073</u>

15. Income taxes

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

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

	2019	2018
Deferred Income Tax asset:		
Effect on tax loss carry forwards	\$ 8,210,374	\$ 18,72,905
Property, plant and equipment	(14,801)	(3,303,196)
Allowance for doubtful accounts	182,557	247,697
Employee retirement obligation provision	1,014,533	811,586
PTU liability	409,881	1,375,440
Other	(68,975)	(66,944)
Inventories allowance	1,026,900	1,164,641
Contingency provisions	6,278,455	6,359,132
Trade accounts of works in progress	(6,726,625)	(38,211,614)
Cost of molds in progress	7,685,106	5,963,770
Other provision		602,392
Advance payments	58,779	388,290
Deferred Income Tax	<u>\$ 18,056,182</u>	<u>\$ 5,895,901</u>

b. Income taxes are as follows:

	2019	2018
Current tax	\$	\$
Deferred legal profit and Income Tax	(6,349,106)	(28,104,574)
	<u>\$(6,349,106)</u>	<u>\$(28,104,574)</u>

c Carry forwards tax losses that can be offset against ISR taxable income as of December 31, 2019 and expiration dates are:

Year of expiration	Tax loss carry forwards
2024	<u>\$ 27,367,914</u>

16 Commitments

a. The Company leased the building where part of the plant and the offices are located until September 2019. Rental expenses were \$ 419,712 in 2019 and \$ 745,280 in 2018.

17. Provisions and Contingencies

a- For 2007, the tax authorities assessed additional ISR of \$ 156,233.569. In 2012 after the appeal, the tax authorities reduce its tax claims to the amount of \$19,598,748. On September 25, 2015 a resolution was issued on favor of the Entity for the total assessment. Nevertheless, on February 2016, the tax authorities issued a new resolution claiming \$3,242,157. The present claiming amounts \$2,205,779, therefore management filed a tax claim against such tax resolution, during 2017. Entity won such claim to the tax authorities therefore such provision was cancelled. The tax authorities issued a new liquidation, and there was an application for protection filed on August 28, 2017 against the alleged omission of the monthly payments of the value added tax for the amount of \$ 619,861.00. As December 31, 2019 and 2018 such claiming amounts \$ 800,000 and \$1,947,144, respectively, that has been accrued.

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

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

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

After final negotiations in 2016, the claim amounted 1,000,000 U.S. dollars where 269,360 U.S. dollars and 213,760 U.S. dollars were paid on 2017 and 2016 respectively. During 2018 266,413 U.S. dollars were paid. The remaining provision of 250,000 U.S. dollars (Ps. \$ 4,711,300 in 2019 and Ps \$ 4,920.725) has been accrued as of December 31, 2019 and 2018.

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

e On 2019, the Entity dismissed an employee; he filed a claim against the Entity. The estimated risk as of December 31, 2019 amounted \$ 600,000 that has been accrued.

e In 2016, the local tax authorities of Puebla started a review of the real estate Entity who merged with the Entity. No final results have been determined, nevertheless a provision of \$ 80,884.00 has been recorded which according to Management is sufficient. During 2019, this provision was cancelled as Management estimates that such contingency was finalized as no claim has been issued.

f During 2018 and 2017, the Entity imported as temporary imports of fixed assets, molds and tooling for sale to assembly Companies in the amount of \$ 40,138,806, but for custom purposes these imports should have been imported as definitive imports, therefore according to the Mexican Tax Law the related costs when such products were sold are considered as nondeductible, therefore an income tax of \$ 12,041,462 and legal profit of \$4,013,881 will result plus fines and surcharges by the Tax Authorities, in case of a Fiscal review., therefore VAT was omitted of \$ 30,427,010., and therefore there are surcharges and updating of \$ 6,157,517 that were recorded as a provision in 2018. At the date of this report, Management has started the related corrections paying the omitted VAT.

For the contingencies aforementioned, there are provisions in the amount of \$16,395,456 in 2018 and \$ 18,198,500 in 2018, in both years the provisions recorded was sufficient.

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

18. Asset sale and purchase agreement from prior years

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

	Euros	Mexican Pesos	
		2019	2018
Accounts payable	(97,925)	(\$ 2,071,480)	(\$ 2,007,972)

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

19. Subsequent events

- a- As a result of the effects or the global pandemic of COVID-19, from April 6, to July 15, 2020, the Entity suspended its operations by instructions of the Federal Government, considering its activities as non-essentials.

20 Financial statements issuance authorization

On September 9, 2020, the issuance of the financial statements was authorized by Mr. Gabriel Rodríguez González, Head of Administration of the Entity. These statements are subject to the approval at the general ordinary stockholders' meeting, where they may be modified, based on provisions set forth in the Mexican General Corporate Law.

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