

**Audit Report on Financial Statements
issued by an Independent Auditor**

**SAMVARDHANA MOTHERSON PEGUFORM BARCELONA, S.L.
(SOCIEDAD UNIPERSONAL)
Financial Statements and Management Report
for the year ended March 31, 2020**



AUDIT REPORT ON FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

To the Sole Shareholder of Samvardhana Motherson Peguform Barcelona, S.L., Sociedad Unipersonal:

Opinion

We have audited the financial statements of Samvardhana Motherson Peguform Barcelona, S.L., Sociedad Unipersonal (the Company), which comprise the balance sheet as at March 31, 2020, the income statement, the statement of changes in equity, the cash flow statement, and the notes thereto for the year then ended.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Company as at March 31, 2020 and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in Note 2 to the accompanying financial statements) and, specifically, the accounting principles and criteria contained therein.

Basis for Opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

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

Most relevant audit issues

Most relevant audit issues are those matters that, in our professional judgment, were the most significant assessed risks of material misstatements in our audit of the financial statements of the current period. These risks were addressed in the context of our audit of the financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these risks.

Provisions for trade transactions with customers

Description As indicated in Note 3.10 to the accompanying financial statements, the Company records provisions for trade transactions with customers, which are recorded as a decrease in the 'Trade receivables from sales and rendering of services' balance in the assets side of the balance sheet and are charged against revenue in the income statement. The assessment of these provisions requires Company Management to make judgments and estimates, in particular regarding the probability of future cash outflows. Consequently, we have considered this matter a most relevant audit issue.

Our response

Our audit procedures consisted, among others, in:

- ▶ Understanding the procedures established by Company Management for estimating the provisions for trade transactions with customers.
- ▶ For significant provisions at year end, assessing the reasonableness of the main assumptions considered by Company Management, including the analysis of available information.
- ▶ Analyzing the changes in the provisions recorded with respect to the prior year.

Emphasis of matter paragraph

We draw attention to Note 2.b) to the accompanying financial statements, in which the directors describe their assessment of the impact that the global health emergency situation and the uncertainty caused by the coronavirus (COVID-19) may have on the Company. Our opinion is not qualified in respect of this matter.

Other information: management report

The other information refers exclusively the management report for the year ended March 31, 2020, the preparation of which is the responsibility of the Company's directors and is not an integral part of the financial statements.

Our audit opinion on the financial statements does not cover the management report. In conformity with prevailing audit regulations in Spain, our responsibility in terms of the management report is to assess and report on the consistency of the management report with the financial statements based on the knowledge of the entity we obtained while auditing the financial statements, and not including any information not obtained as evidence during the course of the audit. In addition, our responsibility is to assess and report on whether the content and presentation of the management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described in the above paragraph, the information contained in the management report is consistent with that provided in the financial statements for the year ended March 31, 2020 and their content and presentation are in conformity with applicable regulations.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the accompanying financial statements so that they give a true and fair view of the equity, financial position and results of the Company, in accordance with the regulatory framework for financial information applicable to the Company in Spain, identified in Note 2 to the accompanying financial statements, and for such internal control as they determine 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, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

We communicate with the Company's directors 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.

From the significant risks communicated to the Company's directors, we determine those that were of most significance in the audit of the financial statements of the current period and are therefore the most significant assessed risks.

We describe these risks in our auditor's report unless law or regulation precludes public disclosure about the matter.

ERNST & YOUNG, S.L.

(Signature on the original in Spanish)

Xavier Pujol Pamies

May 28, 2020

**SAMVARDHANA MOTHERSON PEGUFORM BARCELONA, S.L.
(Sociedad Unipersonal)**

Financial statements for the year ended March 31, 2020 and
Management report for the year ended March 31, 2020

(Translation of financial statements and management report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails)

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Management Report

SAMVARDHANA MOTHERSON PEGUFORM BARCELONA, S.L.
(Sociedad Unipersonal)

Balance at March 31, 2020 and 2019
(Thousands of euros)

ASSETS	Note	03.31.2020	03.31.2019
NON-CURRENT ASSETS			
Intangible assets	5	11	17
Software		11	17
Property, plant and equipment	6	1,616	1,979
Plant and other PP&E items		1,616	1,765
Property, plant, and equipment under construction and prepayments		-	214
Investments in group companies and associates	8, 9	27,500	49,975
Loans to companies		27,500	49,975
Financial investments	8, 9	2,052	1,371
Other financial assets		2,052	1,371
Deferred tax assets	13	612	485
		31,791	53,827
CURRENT ASSETS			
Inventories	10	24,247	13,997
Raw materials and other consumables		13,721	7,172
Work in progress (long production cycle)		101	6,824
Finished goods		2	1
Trade and other receivables	8, 9	752	13,907
Trade receivables from sales and rendering of services		574	13,739
Receivables from group companies and associates		178	167
Receivables from employees		-	1
Financial investments	8, 9	345	279
Other financial assets		345	279
Accruals		-	225
Cash and cash equivalents		260	91
Cash		260	91
		25,604	28,499
		57,395	82,326

SAMVARDHANA MOTHERSON PEGUFORM BARCELONA, S.L.
(Sociedad Unipersonal)

Balance at March 31, 2020 and 2019
(Thousands of euros)

EQUITY AND LIABILITIES	Note	03.31.2020	03.31.2019
EQUITY			
Capital and reserves	11	4,227	5,009
Share capital		253	253
Issued capital		253	253
Reserves		381	370
Legal and statutory reserves		51	51
Other reserves		330	319
Profit / (loss) for the year		3,593	4,386
		4,227	5,009
NON-CURRENT LIABILITIES			
Payables	8, 12	1,162	563
Other financial liabilities		1,162	563
		1,162	563
CURRENT LIABILITIES			
Payables	8, 12	1,291	1,387
Other financial liabilities		1,291	1,387
Payables to group companies and associates	8, 12	561	611
Trade and other payables	8, 12	50,119	74,737
Suppliers		37,735	64,807
Suppliers, group companies and associates		544	645
Employee benefits payable		2,475	2,126
Other payables to Public Administrations		9,365	7,159
Accruals		35	19
		52,006	76,754
		57,395	82,326

SAMVARDHANA MOTHERSON PEGUFORM BARCELONA, S.L.
(Sociedad Unipersonal)

Income statement for the year ended
 March 31, 2020 and 2019
 (Thousands of euros)

	Note	03.31.2020	03.31.2019
CONTINUING OPERATIONS			
Revenue	14	25,607	26,649
Rendering of services		25,607	26,649
Cost of sales	10	(172)	59
Impairment of goods for resale, raw materials and other consumables		(172)	59
Other operating income		4	2
Non-trading and other operating income		4	-
Grants related to income		-	2
Employee benefits expense	14	(15,742)	(15,757)
Wages, salaries et al.		(13,029)	(13,038)
Social security costs, et al.		(2,713)	(2,719)
Other operating expenses		(4,717)	(4,461)
External services		(4,687)	(4,413)
Taxes		(22)	(33)
Losses on, impairment of and change in trade provisions	9	(8)	(15)
Depreciation and amortization	5, 6	(394)	(495)
Impairment and results from disposals of fixed assets		(7)	-
Impairment and losses	6	(7)	-
Other gains and losses		58	9
OPERATING PROFIT / (LOSS)		4,637	6,006
Finance income		659	601
From marketable securities and long-term receivables			
- Of group companies and associates		659	601
Finance costs		(619)	(546)
Third-party borrowings		(619)	(546)
Exchange gains (losses)		14	(328)
FINANCE RESULT	16	54	(273)
PROFIT / (LOSS) BEFORE TAX		4,690	5,733
Income tax	15	(1,098)	(1,347)
PROFIT / (LOSS) FOR THE YEAR	11	3,593	4,386

SAMVARDHANA MOTHERSON PEGUFORM BARCELONA, S.L.
(Sociedad Unipersonal)

Statement of changes in equity for the year ended
 March 31, 2020 and 2019
 (Thousands of euros)

A) STATEMENT OF RECOGNIZED INCOME AND EXPENSES

	03.31.2020	03.31.2019
PROFIT / (LOSS) FOR THE YEAR	3,593	4,386
Total income and expenses recognized directly in equity	-	-
Total amounts transferred to income statement	-	-
TOTAL RECOGNIZED INCOME AND EXPENSES	3,593	4,386

B) STATEMENT OF ALL CHANGES IN EQUITY

	Share capital	Reserves	Profit / (loss) for the year	Total
Balance at March 31, 2018	253	791	4,579	5,623
Total recognized income and expenses	-	-	4,386	4,386
Transactions with shareholders and owners:	-	(5,000)	-	(5,000)
- Dividends paid	-	(5,000)	-	(5,000)
Appropriation of 2018 profit/(loss)	-	4,579	(4,579)	-
Balance at March 31, 2019	253	370	4,386	5,009
Total recognized income and expenses	-	-	3,593	3,593
Transactions with shareholders and owners:	-	(4,375)	-	(4,375)
- Dividends paid	-	(4,375)	-	(4,375)
Appropriation of 2019 profit/(loss)	-	4,386	(4,386)	-
Balance at March 31, 2020	253	381	3,593	4,227

SAMVARDHANA MOTHERSON PEGUFORM BARCELONA, S.L.
(Sociedad Unipersonal)

Cash flow statement for the year ended
 March 31, 2020 and 2019
 (Thousands of euros)

	<u>Notes</u>	<u>03.31.2020</u>	<u>03.31.2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) for the year before tax		4,691	5,733
Adjustments to profit		525	696
Depreciation and amortization	5, 6	394	495
Impairment losses	9, 10	164	(44)
Proceeds from disposals of fixed assets (+/-)	6	7	-
Finance income		(659)	(601)
Finance costs		619	546
Other income and expenses		-	300
Changes in working capital		(21,880)	17,292
Inventories		(10,422)	(2,247)
Trade and other receivables		13,163	11,255
Other current assets		225	-
Trade and other payables		(24,618)	8,387
Other current liabilities		16	(103)
Other non-current assets and liabilities		(244)	-
Other cash flows from/(used in) operating activities		(1,235)	(1,219)
Interest paid		(619)	(546)
Interest received		659	601
Income tax payments (Group)	15	(1,275)	(1,274)
Cash flows from operating activities		(17,899)	22,502
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on investments		(32)	(17,600)
Intangible assets	5	-	(17)
Property, plant and equipment	6	(32)	(878)
Group companies and associates		-	(16,705)
Proceeds from disposals		22,475	-
Group companies and associates		22,475	-
Cash flows from/(used in) investing activities		22,443	(17,600)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends and payments on other equity instruments		(4,375)	(5,000)
Dividends	11	(4,375)	(5,000)
Cash flows from/(used in) financing activities		(4,375)	(5,000)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at April 1		91	189
Cash and cash equivalents at March 31		260	91

SAMVARDHANA MOTHERSON PEGUFORM BARCELONA, S.L.
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Notes to the financial statements for the year ended March 31, 2020
(Thousands of euros)

1. General information

Samvardhana Motherson Peguform Barcelona, S.L., Sociedad Unipersonal (hereinafter the Company) was incorporated in Barcelona on June 3, 1996 for an indefinite period of time. Its registered office and tax domicile are located in Polinyà del Vallès (Barcelona), whereas its main facilities are located in Martorell (Barcelona).

The Company's main corporate purpose and activity consists in providing logistic services for the automotive industry and, specifically, the following operations, which include but are not limited to: reception, storage, assembly, finishing and sequenced or unsequenced delivery to the customer of automotive parts provided by the manufacturers or distributors of said parts. Turnover is concentrated in one customer (SEAT).

On November 23, 2011 the Company became part of Samvardhana Motherson Group through its direct parent company and sole shareholder SMP Automotive Technology Ibérica, S.L.U. The ultimate parent of the group is the Indian company Motherson Sumi Systems Limited and, consequently, the consolidated financial statements are filed with in India. The European Parent is the Dutch company Samvardhana Motherson Automotive Systems Group B.V., which files the consolidated financial statements of the European subgroup in the Netherlands. The translation thereof into Spanish is duly filed with the Barcelona mercantile registry. The registered office and tax domicile of the company SMP Automotive Technology Ibérica, S.L.U. are located in Polinyà del Vallès (Barcelona).

At March 31, 2020 Samvardhana Motherson Peguform Barcelona, S.L.U. does not constitute a decision-making unit with any other company domiciled in Spain, according to regulation No.13 of the Standards for the preparation of financial statements.

2. Basis of presentation

a) True and fair view

The financial statements have been prepared based on the Company's accounting records and are presented in compliance with prevailing mercantile legislation and Spanish General Accounting Plan approved by Royal Decree 1514/2007 and the amendments incorporated therein through Royal Decree 1159/2010 and Royal Decree 602/2016, to provide a true and fair view of the Company's equity, financial position and results of its operations, as well as the veracity of the cash flows recognized in the cash flow statement.

The figures included in the accounting statements that are part of the accompanying financial statements (balance sheet, income statement, statement of changes in equity and cash flow statement) and the notes thereto are presented in thousands of euros, which is the Company's presentation and functional currency, unless otherwise indicated.

SAMVARDHANA MOTHERSON PEGUFORM BARCELONA, S.L.
(Sociedad Unipersonal)

Notes to the financial statements for the year ended March 31, 2020
(Thousands of euros)

b) Critical issues concerning the assessment of uncertainty

In preparing the Company's financial statements, estimates have been made to determine the book value of some of the assets, liabilities, income and expenses. These estimates have been made based on the best information available at the end of the year. However, given the uncertainty inherent in them, future events could arise that oblige them to be modified in the coming years, which would be done, prospectively, where appropriate. This uncertainty is increased by the absence, for the time being, of an effective medical treatment against COVID-19, so the consequences for the Company's operations will largely depend on the evolution of the pandemic in the coming months, as well as the capacity of reaction and adaptation of the different national and international economic agents, and their impact on the automotive industry.

Given the current situation of uncertainty derived from COVID-19, the Company's Management has analyzed different future scenarios, concluding that none of them foresee significant impacts on the recoverability of property, plant and equipment, deferred tax assets or any another asset. Specifically, the Company's Management estimates that as of March 31, 2020, the provisions for impairment registered in relation to inventories and accounts receivable are sufficient to face the identified risks.

The most relevant estimates and judgments to the Company's financial statements are related to the following aspects:

Impairment of the value of non-current assets

The valuation of non-current assets, other than financial assets, requires estimates to be made by the Company's Management in order to determine their recoverable value, in order to assess possible impairment. The determination of this recoverable value is based on the budgets of the next years.

Useful lives of property, plant and equipment

The Company's Management determines the useful lives and the corresponding amortization charges for property, plant and equipment based on their projected life cycles, which could be modified as a consequence, among others, of technical modifications.

Recoverability of deferred tax assets

Deferred tax assets are recognized based on the amount that the Directors consider probable to recover based on the estimates of future tax bases to be generated by the tax group to which the Company belongs.

Consequently, the recoverability of the aforementioned assets depends on the fulfillment of the expectations and forecasts on which the aforementioned estimate of generation of tax bases is based, by the Company and by the tax group to which it belongs.

SAMVARDHANA MOTHERSON PEGUFORM BARCELONA, S.L.
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Notes to the financial statements for the year ended March 31, 2020
(Thousands of euros)

Provision for risks and expenses

The Company recognizes provisions for risks, for which it makes judgments and estimates regarding the probability of risk occurrence and the amounts related to those risks, and recognizes a provision when a risk is considered probable, estimating the cost that might arise from this obligation.

c) Going concern principle

The accompanying financial statements have been prepared in accordance with general accepted accounting principles in Spain, including the going concern principle, among others. Although at March 31, 2020 the Company shows negative working capital amounting to 26,402 thousand euros (mainly due to credit facility granted to its Sole Shareholder for an amount of 27,500 thousand euros, which is recorded in the long term), the Directors of the Company consider that the going concern principle can be applied since the operating result and the cash flows from operating activities (understood as operating result plus depreciation and amortization expense) are positive and the Company receives the financial support of the group that it belongs to.

The impact of COVID-19 on supply chains has caused the temporary closure of all automotive factories in Spain. Because of that, the company has suspended production from March 14 to April 27, when activity has started gradually as SEAT has resumed their production at Martorell's factory.

It is estimated that the global automotive industry could decrease by around 10% in 2020, although this decrease will depend on the evolution of the pandemic in the coming months, as well as on the ability of different economic agents to react and adapt to both national as well as international level. The productive, labor (Note 14) and financial measures taken by the Company, as well as the good financial situation of the Company, will allow them to face this situation with a reasonable absorption of the impact derived from the drop in sales.

d) Comparison of information

In accordance with Spanish mercantile law, for comparative purposes the Directors of the Company have included, for each of the headings presented in the balance sheet, the income statement, the statement of changes in equity, the cash flow statement, and the quantitative information required in the notes thereto, the figures of the year ended March 31, 2019, in addition to those of the year ended March 31, 2020.

SAMVARDHANA MOTHERSON PEGUFORM BARCELONA, S.L.
(Sociedad Unipersonal)

Notes to the financial statements for the year ended March 31, 2020
(Thousands of euros)

3. Accounting principles

The most significant accounting principles applied in the preparation of the financial statements are as follows:

3.1 Intangible assets

Intangible assets are measured at the purchase price or production cost, using the same principles as those to determine the production cost of inventories. Intangible assets are stated at cost, less accumulated amortization and any impairment loss.

Software

Software acquired are recognized at cost. Computer software maintenance costs are recognized as an expense when incurred.

Software is amortized by systematically allocating the amortizable amount over its useful life by applying the following criteria:

	<u>Amortization method</u>	<u>Years of estimated useful life</u>
Software	Straight-line	5

The Company reviews the residual value, useful life and amortization method of intangible assets at the end of each reporting period. Any changes in the initial criteria are accounted for prospectively as changes in accounting estimates.

3.2 Property, plant and equipment

a) Initial recognition

Property, plant and equipment items are measured at the purchase price or production cost, using the same principles as those to determine the production cost of inventories. Property, plant and equipment items are carried at cost, less any accumulated depreciation and any accumulated impairment.

b) Depreciation

Property, plant and equipment items are depreciated by systematically allocating their depreciable amount over their useful lives. To this end, depreciable amount is understood as acquisition cost less residual value. The Company determines the depreciation charge separately for each component that has a significant cost in relation to the total cost of the item and a useful life different to that of the other parts of the item in question.

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Notes to the financial statements for the year ended March 31, 2020
(Thousands of euros)

The depreciation of items in property, plant, and equipment is determined by applying the following criteria:

	Depreciation method	Years of estimated useful life
Plant and machinery	Straight-line	3 - 10
Tools	Straight-line	7
Furniture	Straight-line	10
Transport equipment	Straight-line	5
Data processing equipment	Straight-line	4

The Company reviews the assets' residual values, useful lives and depreciation methods at year end. Any changes in the initial criteria are accounted for prospectively as changes in accounting estimates.

c) Subsequent costs

After initial recognition of the asset, only costs incurred that increase the capacity or productivity or extend the useful life are capitalized. The carrying amount of items that are replaced is derecognized. Costs of daily maintenance of property, plant and equipment items are recognized in the income statement as incurred.

d) Impairment of assets

The Company evaluates and determines impairment losses on property, plant and equipment items and any reversals thereof in accordance with the criteria described in Note 3.3.

3.3 Impairment losses on non-financial assets

Depreciable assets are tested for impairment whenever an event or changes in circumstances indicate that their carrying amount may not be recoverable. The excess of the carrying amount of an asset over its recoverable amount, deemed the higher of fair value less costs to sell or value in use, is recognized as an impairment loss. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impaired non-financial assets other than goodwill are reassessed at each reporting date for potential reversal of the impairment.

SAMVARDHANA MOTHERSON PEGUFORM BARCELONA, S.L.
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Notes to the financial statements for the year ended March 31, 2020
(Thousands of euros)

3.4 Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included under current assets, except for those whose maturities exceed 12 months from the balance sheet date, in which case they are classified as non-current assets.

These financial assets are measured initially at their fair value, including directly attributable transaction costs, and subsequently at amortized cost recognizing accrued interest at the effective rate. The effective interest rate is the rate that equates the carrying amount of the instrument with the total estimated cash flows to maturity. Nevertheless, trade receivables which mature within less than one year are carried at nominal value both at initial and subsequent recognition, when the effect of not discounting cash flows is insignificant.

Loans and receivables are tested for impairment at least at each reporting date and the corresponding impairment losses are recognized when there is objective evidence that all amounts due will not be collected.

Impairment losses are recognized at the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the effective interest rate prevailing at the initial recognition date. Impairment losses and any subsequent reversals are recognized in the income statement.

The Company has a non-recourse factoring agreement with a financial institution. Trade receivables sold are derecognized when the risks and rewards related to them are substantially transferred.

3.5 Inventories

Stocks are valued at its acquisition cost.

The acquisition cost comprises the amount invoiced by the supplier, after deduction of any discounts, rebates or other similar items, as well as interest included in the nominal value of trade payables, plus any additional costs incurred until the goods are available for sale, and other costs directly attributable to the acquisition.

Cost is allocated to inventory items based on the average weighted price method.

As the assembly center is next to the customer's production lines, the modules assembled by the Company are immediately delivered to the customer. Consequently, the Company has no finished products in its inventory.

When the cost of inventories exceeds net realizable value, materials are written down to net realizable value, and an expense is recognized in the income statement. If the circumstances causing the write-down disappear, the corresponding amount is reversed and recognized in the income statement.

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Notes to the financial statements for the year ended March 31, 2020
(Thousands of euros)

Long production cycle work in progress are containers purchased by the Company for delivering the products, the value of which is recovered through the selling price.

3.6 Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits in financial institutions.

3.7. Financial liabilities

Debits and payables

This heading includes trade and non-trade payables. These borrowings are classified as current liabilities, except when the Company has the unconditional right to defer their settlement for at least 12 months from the balance sheet date.

These debts are initially recognized at fair value less directly attributable transaction costs, and are later recognized at their amortized cost calculated using the effective interest rate method. The effective interest rate is the discount rate that equates the carrying amount of a financial instrument to the expected flow of future payments until the maturity of the liability.

Nevertheless, trade payables which mature within 12 months and do not have a contractual interest rate are carried at nominal value both at initial and subsequent measurement when the effect of not discounting cash flows is not significant.

3.8 Current and deferred taxes

The Company files the corporate income tax under a consolidated tax scheme, to which it has availed itself by being part of the SMP Group, the parent of which is SMP Automotive Technology Ibérica, S.L.U.

Income tax expense or income is the amount of income tax accrued for the year and includes current and deferred tax expense or income.

Current and deferred income tax is recognized in the income statement except where it relates to a transaction or event which is recognized in the same or a different period in equity or arises from a business combination.

Current tax assets or liabilities are measured at the amount expected to be paid or recovered from the tax authorities, using the tax legislation in force or approved and pending publication at the reporting date.

The accrued income tax expense of group companies which file a consolidated tax return is determined taking into account the following factors in addition to the aforementioned parameters applied to their individual tax returns:

- Temporary and permanent differences arising from the elimination of results of transactions between tax group companies for determining the consolidated taxable profit.

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- Deductions and rebates corresponding to each company of the tax group filing a consolidated return; to this end, deductions and rebates are allocated to the company that carried out the activity or generated the income which entitles it to the deduction or rebate.

Reciprocal debit and credit balances arise for the portion of tax losses generated by some tax group companies and the companies that offset them. Where tax losses arise that cannot be offset by other tax group companies, these tax credits for tax loss carryforwards are recognized as deferred tax assets, if the criteria for their recognition indicated below are met, considering the tax group as the taxpayer.

Deferred taxes are calculated, using the liability method, on temporary differences that arise between the tax bases of the assets and liabilities and their carrying amounts. However, deferred taxes are not recognized when they arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which these assets may be utilized.

Deferred tax assets and liabilities are measured using the tax rates expected to apply in the periods when the assets are expected to be realized or the liabilities are expected to be settled, using the tax legislation in force or approved and pending publication, and in accordance with the manner in which the Company expects to recover the assets or settle the liabilities.

The Company only offsets income tax assets and liabilities if it has a legally enforceable right to offset the recognized amounts and intends either to settle the resulting amounts on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are recognized in the balance sheet as non-current assets or liabilities, irrespective of the expected date of recovery or settlement.

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3.9 Employee benefits

Termination benefits

Termination benefits are paid to employees when a company decides to terminate their labor contract before they reach retirement age or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it has a demonstrable commitment to terminate labor contracts under an irrevocable, formal, and detailed plan or to provide the benefits as part of an offer to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

3.10 Provisions and contingent liabilities

Provisions are recognized when the Company has a legal, contractual, implicit or tacit present obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account all risks and uncertainties surrounding the amount to be recognized as a provision and, where the time value of money is material, the financial effect of discounting provided that the expenditure to be made each period can be reliably estimated. The discount rate is determined before taxes, considering the time value of money, as well as the specific risks that have not been considered in the future cash flows related to the provision at each reporting date.

The Company recognizes the rights and trade commitments and risks with customers that are considered probable and records them under 'Trade receivables from sales and rendering of services' in the assets side of the balance sheet and 'Revenue' in the income statement. At March 31, 2020 the provision for this concept amounts to 2,700 thousand euros (1,409 thousand euros at March 31, 2019).

The financial effect of provisions is recognized as financial expenses on the income statement.

If it is no longer probable that an outflow of resources will be required to settle an obligation, the provision is reversed.

Contingent liabilities, meanwhile, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent liabilities are not recognized in the financial statements but are disclosed in the accompanying notes.

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3.11 Revenue recognition

a) Revenue from sales and rendering of services

Revenue is recognized at fair value of the consideration received or receivable and represents amounts receivable for goods delivered and services rendered in the normal course of business activity, less refunds, rebates, discounts, and VAT.

Revenue is recognized when it can be reliably measured, and when economic benefits are likely to flow to the Company.

Revenue cannot be measured reliably until all sales-related contingencies have been resolved. The Company makes estimates based on past experience, taking into account the type of client, type of transaction, and particular terms of each agreement.

Revenue corresponds to the services of assembly and supply of cockpit modules, not including the cost of the materials incorporated in the modules, since the Company acts as a mere intermediary, passing on to the customer the same amount invoiced by suppliers.

b) Interest

Interest is recognized using the effective interest method.

3.12 Leases - Company as lessee

Operating leases

Leases under which the lessor retains substantially all the risks and benefits inherent to ownership of the asset are classified as operating leases.

Lease payments under an operating lease, net of incentives received, are recognized as an expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the lease's benefit.

3.13 Related-party transactions

As a general rule, intragroup transactions are initially recognized at fair value. If the price agreed differs from fair value, the difference is recognized based on the economic substance of the transaction. Subsequent measurement follows prevailing accounting rules.

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3.14 Environment

The Company carries out activities whose primary purpose is to prevent, reduce or repair damages that may be caused to the environment as a result of its operations.

Expenses from environmental activities are recognized under 'Other operating expenses' in the income statement when incurred.

Assets which may be incorporated in equity in the long term for the primary purpose of minimizing environmental impact and protecting or improving the environment, including the reduction or elimination of future contamination caused by the Company's operations, are recorded as assets based on measurement, presentation and disclosure criteria that are consistent with those described in Note 3.2.

3.15 Transactions in foreign currency

The Company's functional and presentation currency is the euro.

Transactions in foreign currency are initially translated at the spot rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currency are translated at the spot rate prevailing at the balance sheet date. All exchange gains or losses arising from translation as well as those resulting on settlement of balance sheet items are recognized in the income statement.

4. Financial risk management

4.1 Financial risk factors

The Company's activities are exposed to various financial risks: market risk (including interest rate risk and price risk), credit risk, and liquidity risk. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's performance.

Within the risk management policy of the Group that it belongs to, the Company has a set of rules, procedures and systems in place aimed at identifying, measuring and managing the several categories of risk to ensure that the most relevant risks are correctly identified, assessed and managed and minimize the potential adverse effects on the Company's performance.

(i) Market risk

a) Interest rate risk

The Company grants loans to group companies that earn interest at floating rates (linked to Euribor). Consequently, its operating income and cash flows from operating activities are affected by changes in market interest rates.

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b) Price risk

The Company is not significantly exposed to raw material price risk since its activity consists in the assembly and supply of cockpit modules, passing on to the customer the same amount invoiced by the suppliers.

(ii) Credit risk

Potential credit risk mainly arises from trade and other receivables. As mentioned in Note 1, turnover, and therefore trade receivables, is concentrated in one customer (SEAT, S.A.).

(iii) Liquidity risk

The Company applies prudent management of liquidity risk, ensuring that it has available funding through committed credit facilities. Management monitors the Company's liquidity reserves, based on expected cash flows, within the SMP Group's global cash management framework.

5. Intangible assets

The movements in the items composing 'Intangible assets' are as follows:

	<u>Software</u>	<u>Total</u>
Balance at March 31, 2018		
Cost	604	604
Accumulated amortization	(604)	(604)
Net carrying amount	-	-
Additions	17	17
Amortization charge	-	-
Balance at March 31, 2019		
Cost	621	621
Accumulated amortization	(604)	(604)
Net carrying amount	17	17
Additions	-	-
Transfers	(24)	(24)
Amortization charge	(6)	(6)
Transfers accumulated amortization	24	24
Balance at March 31, 2020		
Cost	597	597
Accumulated amortization	(586)	(586)
Net carrying amount	11	11

a) Intangible assets acquired from group companies and associates

No intangible assets were acquired during 2020 and 2019 from group companies or associates.

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b) Intangible assets not assigned to operations

At March 31, 2020 and 2019 no intangible assets had been assigned to operations.

c) Fully amortized intangible assets

At March 31, 2020 fully amortized intangible assets amount to 580 thousand euros (2019: 604 thousand euros).

d) Commitments

At March 31, 2020 and 2019 the Company has no firm commitments to purchase intangible assets.

6. Property, plant and equipment

The movements in the items composing 'Property, plant and equipment' are as follows:

	Plant and machinery	Other plant, tools and furniture	Other PP&E items	Property, plant and equipment under construction	Total
Balance at March 31, 2018					
Cost	7,707	748	2,926	173	11,554
Accumulated depreciation	(6,663)	(743)	(2,552)	-	(9,958)
Net carrying amount	1,044	5	374	173	1,596
Additions	166	-	6	706	878
Transfers	665	-	-	(665)	-
Depreciation charge	(392)	(1)	(102)	-	(495)
Balance at March 31, 2019					
Cost	8,538	748	2,932	214	12,432
Accumulated depreciation	(7,055)	(744)	(2,654)	-	(10,453)
Net carrying amount	1,483	4	278	214	1,979
Additions	8	-	-	24	32
Disposals	(1,196)	(4)	(82)	-	(1,282)
Transfers	238	-	-	(238)	-
Depreciation charge	(285)	(1)	(102)	-	(388)
Transfers accum. depreciation	1,189	4	82	-	1,275
Balance at March 31, 2020					
Cost	7,588	744	2,850	-	11,182
Accumulated depreciation	(6,151)	(741)	(2,674)	-	(9,566)
Net carrying amount	1,437	3	176	-	1,616

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a) Impairment losses

In 2020 and 2019, no impairment losses were recognized or reversed for any PP&E item.

b) Assets acquired from group companies and associates

No PP&E items were acquired from group companies or associates in 2020 and 2019.

c) PP&E items not assigned to operations

During 2020 and 2019 no property, plant and equipment items were assigned to operations.

d) Fully depreciated assets

At March 31, 2020 fully depreciated property, plant and equipment items amount to 8,318 thousand euros (2019: 9,114 thousand euros).

e) Commitments

At March 31, 2020, the Company has firm commitments to purchase property, plant and equipment for an amount of 3 thousand euros (2019: 34 thousand euros).

f) Insurance

The Company arranges insurance policies deemed necessary to cover potential risks which could affect property, plant and equipment. The coverage provided by these policies is considered sufficient.

7. Operating leases

The Company leases buildings and transport equipment from third parties under operating leases.

Operating lease payments recognized as expenses for the year ended March 31, 2020 amount to 274 thousand euros (2019: 270 thousand euros).

The future minimum payments under non-cancelable operating leases are as follows:

	<u>03.31.2020</u>	<u>03.31.2019</u>
Within one year	217	213
Between one and five years	187	434
	<u>404</u>	<u>647</u>

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8. Analysis of financial instruments

8.1 Breakdown by categories

The carrying amount of each of the categories of financial instruments established in the standard for recognition and measurement of 'Financial instruments', excluding balances with Public Administrations, is as follows:

Non-current financial assets						
	Equity instruments		Debt securities		Loans and other financial assets	
	03.31.2020	03.31.2019	03.31.2020	03.31.2019	03.31.2020	03.31.2019
- Investments in group companies and associates	-	-	-	-	27,500	49,975
- Other financial assets	-	-	-	-	2,052	1,371
	-	-	-	-	29,552	51,346
Current financial assets						
	Equity instruments		Debt securities		Loans and other financial assets	
	03.31.2020	03.31.2019	03.31.2020	03.31.2019	03.31.2020	03.31.2019
- Trade and other receivables	-	-	-	-	752	13,907
- Other financial assets	-	-	-	-	345	279
	-	-	-	-	1,097	14,186
Non-current financial liabilities						
	Bank borrowings		Bonds and other marketable securities		Other	
	03.31.2020	03.31.2019	03.31.2020	03.31.2019	03.31.2020	03.31.2019
- Other financial liabilities	-	-	-	-	1,162	563
	-	-	-	-	1,162	563
Current financial liabilities						
	Bank borrowings		Bonds and other marketable securities		Other	
	03.31.2020	03.31.2019	03.31.2020	03.31.2019	03.31.2020	03.31.2019
- Payables to group companies and associates	-	-	-	-	1,105	1,256
- Other financial liabilities	-	-	-	-	1,291	1,387
- Trade and other payables	-	-	-	-	40,210	66,933
	-	-	-	-	42,606	69,576

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8.2 Breakdown by maturity

The amounts corresponding to financial liabilities with a fixed or determinable maturity classified by year of maturity are as follows:

	03/31/2020						
	Financial assets						
	Until 03/2021	Until 03/2022	Until 03/2023	Until 03/2024	Until 03/2025	Subsequent years	Total
- Trade and other receivables	752	-	-	-	-	-	752
- Other financial assets	345	400	414	387	270	581	2,397
- Investments in group companies and associates	-	27,500	-	-	-	-	27,500
	1,097	27,900	414	387	270	581	30,649

	03/31/2019						
	Financial assets						
	Until 03/2020	Until 03/2021	Until 03/2022	Until 03/2023	Until 03/2024	Subsequent years	Total
- Trade and other receivables	13,907	-	-	-	-	-	13,907
- Other financial assets	279	253	253	253	231	381	1,650
- Investments in group companies and associates	-	-	49,975	-	-	-	49,975
	14,186	253	50,228	253	231	381	65,532

	03/31/2020						
	Financial liabilities						
	Until 03/2021	Until 03/2022	Until 03/2023	Until 03/2024	Until 03/2025	Subsequent years	Total
- Payables to group companies and associates	1,105	-	-	-	-	-	1,105
- Trade and other payables	40,210	-	-	-	-	-	40,210
- Other financial liabilities	1,291	1,162	-	-	-	-	2,453
	42,606	1,162	-	-	-	-	43,768

	03/31/2019						
	Financial liabilities						
	Until 03/2020	Until 03/2021	Until 03/2022	Until 03/2023	Until 03/2024	Subsequent years	Total
- Payables to group companies and associates	1,256	-	-	-	-	-	1,256
- Trade and other payables	66,933	-	-	-	-	-	66,933
- Other financial liabilities	1,387	563	-	-	-	-	1,950
	69,576	563	-	-	-	-	70,139

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8.3 Credit quality of financial assets

The credit quality of financial assets that have not yet matured and are not impaired may be evaluated through past default information. None of the unmatured financial assets has been the subject of re-negotiation in the current year.

9. Loans and receivables

At March 31, 2020 and 2019 the breakdown of the headings related to 'Loans and receivables' in the balance sheet, excluding balances with Public Administrations, is as follows:

	03.31.2020	03.31.2019
Non-current investments in group companies and associates:	27,500	49,975
- Loans to companies (Note 18)	27,500	49,975
Non-current financial investments:	2,052	1,371
- Other financial assets	2,052	1,371
Trade and other receivables:	752	13,907
- Trade receivables from sales and rendering of services	601	13,758
- Provision for receivables impairment	(27)	(19)
- Receivables from group companies and associates (Note 18)	178	167
- Receivables from employees	-	1
Current financial investments:	345	279
- Other financial assets	345	279
	30,649	65,532

a) Trade and other receivables

The fair values of loans and receivables do not significantly differ from book values.

The decrease in the balance of the heading "Customers for sales and services rendered" is mainly due to the temporary cessation of the Company's activity on March 14, due to COVID-19.

Trade receivables past due by less than 3 months are not deemed impaired. At March 31, 2020, 76 thousand euros of accounts receivable were past due (2019: 49 thousand euros). The ageing analysis of these past-due accounts receivables is as follows:

	03.31.2020	03.31.2019
Up to 3 months	49	30
More than 3 months	27	19
	76	49

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The carrying amounts of loans and receivables are denominated in euros.

The movements in the provision for receivables impairment are as follows:

	03.31.2020	03.31.2019
Balance at April 1	(19)	(4)
Provision for receivables impairment	(8)	(15)
Balance at March 31	(27)	(19)

Impairment losses on receivables are recognized and reversed under 'Losses on, impairment of, and change in trade provisions' in the income statement.

b) Investments in group companies and associates

The breakdown of investments in group companies and associates is as follows:

	03.31.2020	03.31.2019
Receivables	27,500	49,975
Balance at March 31	27,500	49,975

At March 31, 2020 and 2019 receivables from group companies correspond to a credit line granted to SMP Automotive Technology Ibérica, S.L.U. on September 29, 2003, which accrues a market interest rate. On February 25, 2015 this facility was amended in order to extend its limit to 50,000 thousand euros. On January 20, 2017 the parties extended the maturity of this credit line to March 31, 2022.

c) Financial investments – Other financial assets

This caption in the assets side of the balance sheet, both current and non-current, corresponds to amounts payable associated with new contracts won by the Company, which are recorded in profit or loss based on the volume of the estimated production of the vehicle into which the assembled module is incorporated, as from the date the module starts to be provided.

The amounts payable are recorded in 'Other financial liabilities' in the liabilities side of the balance sheet (current or non-current based on the expected payment schedule) (Note 12).

10. Inventories

The breakdown of this heading is as follows:

	03.31.2020	03.31.2019
Raw materials and other consumables	14,096	7,375
Work in progress (long production cycle)	10,524	6,824
Finished goods	2	1
Impairment losses	(375)	(203)
	24,247	13,997

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a) Insurance

The Company has taken out insurance policies to cover the risks to which its inventory items are exposed. The coverage provided by these policies is considered sufficient.

b) Impairment losses

The movement in the provision for impairment losses on inventories is as follows:

	03.31.2020	03.31.2019
Balance at April 1	(203)	(262)
Provision for inventories impairment	(172)	-
Provisions utilized	-	59
Balance at March 31	(375)	(203)

11. Capital and reserves

The breakdown and movements in equity are shown in the statement of changes in equity.

a) Share capital

At March 31, 2020 and 2019 the Company's share capital consists of 332,779 fully paid up shares with a par value of 0.76 euros each.

The Company's Sole Shareholder is SMP Automotive Technology Ibérica, S.L.U.

All shares bear the same voting and economic rights. There are no treasury shares.

b) Reserves

The breakdown by concept is as follows:

	03.31.2020	03.31.2019
Legal and statutory reserves:		
- Legal reserve	51	51
Other reserves:		
- Voluntary reserves	330	319
	381	370

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Legal reserve

In accordance with the consolidated text of the Spanish Corporate Enterprises Act, 10% of profit for the year must be transferred to the legal reserve so that this reserve reaches an amount at least equal to 20% of share capital. This legal reserve cannot be distributed to the Sole Shareholder except if the Company is wound up.

The legal reserve may be used to increase capital.

Except for this purpose, until the legal reserve exceeds the limit of 20% of capital, it can only be used to offset losses, if there are no other reserves available.

At March 31, 2020 and 2019 the legal reserve is fully endowed.

Voluntary reserves

Voluntary reserves are freely distributable. However, following the article 273 of the Spanish Corporate Enterprises Act dividends may only be distributed against profit or freely distributable reserves if equity is not lower than share capital or would not become lower than share capital as a result of distributing dividends.

c) Proposed appropriation of profit/(loss)

The proposed appropriation of profit to be submitted to the Sole Shareholder is as follows:

	<u>03.31.2020</u>	<u>03.31.2019</u>
<u>Basis of appropriation</u>		
Profit for the year	3,593	4,386
<u>Appropriation to:</u>		
Voluntary reserves	3,593	4,386

d) Limitations on the distribution of dividends

According to article 273 of the Spanish Corporate Enterprises Act dividends may only be distributed against profit or freely distributable reserves if equity is not lower than share capital or would not become lower than share capital as a result of distributing dividends.

On September 14, 2019, the Sole Shareholder resolved to distribute dividends against freely distributable reserves for an amount of 4,375 thousand euros.

On October 18, 2018, the Sole Shareholder resolved to distribute dividends against freely distributable reserves for an amount of 5,000 thousand euros.

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12. Debits and payables

At March 31, 2020 and 2019 the breakdown of the headings related to 'Debits and payables' in the balance sheet, excluding balances with Public Administrations, is as follows:

	03.31.2020	03.31.2019
Non-current payables:		
Other financial liabilities (Note 9)	1,162	563
	1,162	563
Current payables:		
Other financial liabilities (Note 9)	1,291	1,387
	1,291	1,387
Current payables to group companies and associates (Note 18)	561	611
Trade and other payables:		
- Suppliers	37,735	64,807
- Suppliers, group companies and associates (Note 18)	544	645
- Employee benefits payable	2,475	2,126
	40,754	67,578
	43,768	70,139

All financial liabilities corresponding to 'Trade and other payables' and 'Current payables to group companies and associates' mature within less than one year and their carrying amount does not differ from fair value.

a) Information on late payments to suppliers. Additional Disposition Three 'Disclosure requirements' of Law 15/2010, of July 5

The total amount of payments made to suppliers during the year, providing payment terms, according to the legal payment deadlines set forth in Law 15/2010 of July 5, which establishes measures to be taken in combating arrears in commercial transactions, is as follows:

	2020	2019
	Days	Days
Average payment period to suppliers	34	32
Ratio of transactions paid	35	34
Ratio of transactions pending payment	15	9
	Amount	Amount
Total payments made	573,128	577,395
Total payments outstanding	29,852	60,631

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13. Deferred taxes

The breakdown of deferred taxes is as follows:

	03.31.2020	03.31.2019
Deferred tax assets:		
- Temporary differences	612	485
	612	485

The movements in deferred tax assets are as follows:

	03.31.2020	03.31.2019
Balance at April 1	485	523
Charge to the income statement (Note 15)	127	(38)
Balance at March 31	612	485

Deferred tax assets at March 31, 2020 and 2019 mainly relate to temporary differences arisen as a result of the limitation on the deductibility of depreciation and amortization expenses in prior years in accordance with Royal Decree 12/2012 and to provisions recorded by the Company that are temporarily considered non-deductible.

At March 31, 2020 and 2019 there are no unused tax loss carryforwards or deductions arisen in prior years.

It is Company and Group policy to recognize deferred tax assets when their recoverability is reasonably guaranteed by the tax group that the Company belongs to. Consequently, the Company has recognized deferred tax assets related to temporary differences since based on the forecasts for the tax group's consolidated taxable profit according to the business plan prepared by the Sole Shareholder's Management for the coming years, it is reasonably guaranteed that these deferred tax assets will be utilized against future taxable profit.

14. Income and expenses

a) Revenue

Revenue corresponds to the Company's ordinary activities for assembly and logistics services and is entirely obtained in Spain.

Revenue only includes the assembly and supply services of the cockpit modules, since the cost of the materials are charged to the customer in the same amount that has been charged by the suppliers.

This income corresponds to gross revenue invoiced to customers amounting to 538 million euros in the year ended March 31, 2020 (546 million euros in the prior year).

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b) Employee benefits expense

	03.31.2020	03.31.2019
Wages, salaries et al.	13,009	12,661
Termination benefits	20	377
Social security costs, et al:		
- Social security paid by the company	2,529	2,624
- Other employee welfare expenses	184	95
	15,742	15,757

The average headcount during the year by category is as follows:

Professional category	03.31.2020	03.31.2019
Management	10	9
Technicians and administrative staff	46	47
Operators	285	287
	341	343

The breakdown of the Company's headcount by gender at year end is as follows:

	03.31.2020			03.31.2019		
	Men	Women	Total	Men	Women	Total
Management	7	3	10	6	3	9
Technicians and administrative staff	31	15	46	23	25	48
Operators	189	92	281	190	93	283
	227	110	337	219	121	340

During 2020 the average headcount with a disability equal to or greater than 33% is 11 people: 2 in the 'Technicians and administrative staff' category and 9 in the 'Operators' category (10 people in 2019: 2 in the 'Technicians and administrative staff' category and 8 in the 'Operators' category).

In effect since March 14, 2020, the Company has presented a Temporary Employment Regulation File (ERTE) due to Force Majeure affecting its entire headcount for three months. The headcount will reinstate to their workstation as production is reactivated from the end of April.

15. Income tax and tax matters

The Company files taxes under a consolidated tax scheme with the companies SMP Automotive Technology Ibérica, S.L.U., SMP Automotive Technologies Teruel, S.L.U., SMR Automotive Systems Spain, S.A.U. and SMR Automotive Technology Valencia, S.A.U., SMRC Automotive Interiors, S.L.U. and Samvardhana Motherson Reydel Automotive. The Parent Company of the tax group is SMP Automotive Technology Ibérica, S.L.U. In 2020, SMRC Automotive Interiors Spain, S.L.U. and Samvardhana Motherson Reydel Automotive Parts Holding, S.L.U. have been included in the tax group.

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The reconciliation of net income and expenses for the year with tax results is as follows:

03.31.2020	Income statement		
	Increase	Decrease	
Profit/(loss) before tax			4,691
Permanent differences	-	-	-
Temporary differences:			
- arising during the year	2,131	-	2,131
- arising in prior years	-	(1,615)	(1,615)
Tax result			5,207

03.31.2019	Income statement		
	Increase	Decrease	
Profit/(loss) before tax			5,733
Permanent differences	11	-	11
Temporary differences:			
- arising during the year	1,562	-	1,562
- arising in prior years	-	(1,702)	(1,702)
Tax result			5,604

The reconciliation between income tax expense and the result of multiplying total recognized income and expenses by applicable tax rates is as follows:

	03.31.2020	03.31.2019
Income and expenses for the year before tax	4,691	5,733
Tax charge (25%)	1,173	1,433
Non-deductible expenses	-	3
Deductions arisen in the year	(75)	(89)
	1,098	1,347

The breakdown of the income tax expense is as follows:

	03.31.2020	03.31.2019
Current income tax (net of deductions applied)	1,225	1,309
Deferred tax (Note 13)	(127)	38
	1,098	1,347

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The Company has recognized as current income tax the result of applying a 25% tax rate on the taxable profit and reduce it by 77 thousand euros (92 thousand euros in the prior year) due to deductions applied in the year. As indicated in Note 3.8, the Company files taxes under a consolidated tax scheme with its parent company SMP Automotive Technology Ibérica, S.L.U. Consequently, the result of the income tax return has been recognized as a payable balance to said company (Note 18.c), after deducting the payments on account made during the year amounting to 664 thousand euros (698 thousand euros at March 31, 2019).

Under prevailing tax regulations, tax returns may not be considered final until they have either been inspected by tax authorities or until the inspection period has expired. The Company is open to inspection for the following taxes:

<u>Tax</u>	<u>Period</u>
Income tax	2017-2020
Value added tax	2017-2020
Personal Income Tax	2017-2020

As a result, amongst other things, of the varying possible interpretations of prevailing tax legislation, additional tax liabilities could arise in the event of a tax inspection. The directors consider, however, that these liabilities, if any, would not significantly affect the financial statements.

16. Finance result

	<u>03.31.2020</u>	<u>03.31.2019</u>
Finance income:		
From marketable securities and long-term receivables		
- Group companies and associates (Note 18)	659	601
	659	601
Finance costs:		
Third-party borrowings	(619)	(546)
	(619)	(546)
Exchange gains (losses)	14	(328)
Finance result	54	(273)

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Notes to the financial statements for the year ended March 31, 2020
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17. Board of Directors and senior management

a) Remuneration paid to members of the board of directors and senior management

During the years ended March 31, 2020 and 2019 the Directors of the Company did not receive any remuneration. At March 31, 2020 and 2019 they have not been granted any advance or loan, nor has the Company any pension plans or life insurance policies for them.

Senior Management duties are carried out by the Sole Shareholder and in the years ended March 31, 2020 and 2019 their remuneration is included as part of the charges received from the Sole Shareholder and recorded in the external services heading shown in the table transactions with the Group in Note 18.

Liability insurance premiums paid by the Company on behalf of the Directors in the years ended March 31, 2020 and 2019 are included in the charges received from the Group and recorded in the external services heading shown in the table transactions with the Group in Note 18.

b) Conflicts of interest that the Directors may have

In order to avoid situations that may represent a conflict of interest with the Company, during the year the directors who have held positions in the Board of Directors have met the obligations established in article 228 of the consolidated text of the Spanish Corporate Enterprises Act. Additionally, both they and their related parties have refrained themselves from incurring in any situations that may represent a conflict of interest as established in article 229 of the aforementioned act, except in the cases for which the corresponding authorization has been obtained.

18. Other related-party transactions

a) Purchase of goods, services received and interest

	<u>03.31.2020</u>	<u>03.31.2019</u>
Services received:		
- Parent Company	(1,403)	(1,460)
- Other group companies	(505)	(463)
Accrued interest income:		
- Parent Company (Note 16)	659	601

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The goods purchased and services received by the Company from other group companies are directly related to the Company's own activity.

The services received from the Parent Company mainly relate to charges for corporate services.

b) Year-end balances arising from funding, purchases of goods and services

	03.31.2020	03.31.2019
Accounts receivable from related parties:		
- Parent Company (Note 9)	27,500	49,975
- Other group companies (Note 9)	178	167
	27,678	50,142
Accounts payable to related parties:		
- Parent Company:		
Income tax payable balance (Note 15)	561	611
Trade payable balance	489	616
- Other group companies	55	29
	1,105	1,256

c) Transactions between the Company and its Sole Shareholder

The Company files taxes under a consolidated tax scheme, with SMP Automotive Technology Ibérica, S.L.U. as the tax group parent. Additionally, the Company enters into certain trade and financial transactions with it under a service contract. As described in Note 9, a credit facility has been granted to the parent as well.

19. Information on environmental issues

The detail of the elements of the property, plant and equipment whose purpose is to minimize the environmental impact is as follows:

	31.03.2020			31.03.2019		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Machinery	7	(2)	5	-	-	-
	7	(2)	5	-	-	-

Expenses incurred by the Company for environmental activities during the year ended March 31, 2020 amounted to 110 thousand euros (2019: 100 thousand euros).

The Company's directors consider that any potential contingencies arising in connection with environmental matters are adequately covered by their third-party liability insurance policies.

No environmental grants have been received during the current year.

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20. Audit fees

The fees paid during the year ended March 31, 2020 for audit services amounted to 62 thousand euros (2019: 66 thousand euros).

No fees were paid during the year ended March 31, 2020 to other companies that use the EY brand name (none were paid in the prior year, either).

21. Guarantees

On June 6, 2017 the company Samvardhana Motherson Automotive Systems Group, B.V. issued Senior Secured Notes for an amount of 300 million euros maturing in 2024, of which the Company is the guarantor.

On August 17, 2018 the credit line that the company Samvardhana Motherson Automotive Systems Group, B.V. had signed on June 20, 2017 (RCF Agreement) for an amount of 450 million euros was extended by 75,000,000.00 euros. The Company is also de guarantor of said extension.

Additionally, on September 14, 2018 the company Samvardhana Motherson Automotive Systems Group, B.V. acted as the borrower of a new credit line ("New Term Facilities Agreement") amounting to 60 million USD, and the Company acted as guarantor thereof.

22. Subsequent events

The impact of COVID-19 on supply chains has caused the temporary closure of all automotive factories in Spain. Because of that, the company has suspended production from March 14 to April 27, when activity has started gradually as SEAT has resumed production at Martorell's plant.

It has been estimated that the global automotive industry could decrease by around 10% in 2020 although this setback will depend on the evolution of the pandemic in the coming months, as well as on the capacity of reaction and adaptation of the different economic agents, both nationally and internationally. The productive, labor and financial measures adopted by the Company, as well as the good financial situation of the Company, will allow it to face this situation with a reasonable absorption of the derived impact of the drop in sales.

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Management report for the year ended March 31, 2020
(Thousands of euros)

The Company's activity during the year comprised between April 1, 2019 and March 31, 2020 continues to be focused on the assembly and supply of cockpit modules for the automotive industry.

In 2019 91.8 million vehicles were manufactured in the world, 5.2% fewer than in the prior year. By region, the largest volume was recorded in Asia-Oceania, where despite the decrease of 2.4 million units (-5.2%), 49.3 million units were manufactured. In this region, the main manufacturer was China, where 25.7 million units were produced, which means a decrease of 1.1 million units (-7.5%), followed by Japan, which decreased by 0.5% and produced a total of 9.7 million units, and India, which decreased by 12.2% and produced 4.5 million units. The European Union, which decreased by 0.9 million units (-4.7%) reached a volume of 17.7 million units. The rest of Europe reached a production volume of 3.6 million units. Americas, with 20.1 a million units produced, also showed a decreasing performance, with a decrease of 0.7 million units in South America (-3.6%) concentrated in Brazil, and a decrease in NAFTA (-3.7%), where the USA has a decrease of 0.4 million units (-3.7%), 0.1 million units were lost in Canada (-5.4%). Africa, which increased by +0.3%, reached a total volume of 1.1 million units produced.

Spain retained the second position in the European Union classification with a total volume of 2.8 million units produced, which means a 0.1% growth in comparison with the prior year. Exports have accounted for 82% of production and amount to 2.3 million units, which represents an increase of 0.2% in 2019. Germany has increased by 12.5% its Spanish vehicles importation meanwhile the United Kingdom has increased their orders by 13.6% (in despite of a decrease by 2.4% in its domestic market). Italy has increased by 1.7% their Spanish vehicle purchases. France has maintained its orders at the same level of last year. Among the four markets, they accumulate more than 64.8% of total exports. Also contributing to the recovery in exports was the growth shown by destinations such as Japan (with a growth in imports of Spanish vehicles of 121.0%), South Africa (24.9%), the United Arab Emirates (64.2%) , Israel (12.6%), Ukraine (152.7%) or Morocco (15.2%), destinations to which altogether 20,000 more vehicles were sent than a year ago.

In 2019 Spanish GDP increased by 2%, unemployment rate decreased to 14.1% and inflation was 0.8%. Registrations of passenger cars were over 1.3 million units, decreasing by 4.8% in comparison with the prior year, due to the bad behavior of the private channel, which decreased by 11.6%

During 2019-20 the Company invested 31 thousand euros in property, plant and equipment items (L1 warehouse, robot for Audi A1 project). R&D&i activities were carried out for an amount of 1.1 million euros.

Revenue amounted to 25.4 million euros and operating profit amounted to 4.6 million euros.

Headcount at year end was 337 employees, similar to last year.

During 2019-20 no transactions with treasury shares were carried out.

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Management report for the year ended March 31, 2020
(Thousands of euros)

The cash flow generated by the Company (defined as operating result plus depreciation and amortization charge) amounted to 5 million euros, which allowed the Company to fund investments, meet working capital needs and improve its financial position.

The average payment period for trade transactions was 34 days.

The Company continued building up trust among its customers and secured new orders that will allow it to retain its industry leadership.

The impact of COVID-19 on supply chains has caused the temporary closure of all automotive factories in Spain. Because of that, the company, has suspended production from March 14 to April 27, when activity has slowly resumed as SEAT resume production at Martorell's factory.

It has been estimated that the global automotive industry could decrease by around 10% in 2020 although this setback will depend on the evolution of the pandemic in the coming months, as well as on the capacity of reaction and adaptation of the different economic agents, both nationally and internationally. The productive, labor and financial measures adopted by the Company, as well as the good financial situation of the Company, will allow it to face this situation with a reasonable absorption of the derived impact of the drop in sales.

SAMVARDHANA MOTHERSON PEGUFORM BARCELONA, S.L.
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Authorization for issue of the financial statements for the year ended March 31, 2020 and
Management report for the year ended March 31, 2020

In compliance with article 253 of the Spanish Corporate Enterprises Act and article 37 of the Spanish Code of Commerce, on May 8, 2020 the Board of Directors of Samvardhana Motherson Peguform Barcelona, S.L.U. authorize for issue the financial statements and management report for the year ended March 31, 2020, consisting of the foregoing documents.

(Signature on the
original in Spanish)

Andreas Heuser
Chairman

(Signature on the
original in Spanish)

Peter Vollprecht
Board member

(Signature on the
original in Spanish)

Cezary Zawadzinski
Board member

(Signature on the original in Spanish)

Miguel Pelayo
Secretary, non-board member

For identification purposes, the secretary non-board member of the Board of Directors, Mr. Miguel Pelayo, hereby signs all the pages of the financial statements and management report as delegated by the Company's directors.