# ANNUAL REPORT 2017-18

**(April 1, 2017 to March 31, 2018)**

# Samvardhana Motherson Automotive Systems Group BV

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# DIRECTORS' REPORT

To the members,

Your Directors have the pleasure of presenting the annual report together with the audited accounts of the Company for the financial year ended March 31, 2018.

## A.1. BUSINESS BACKGROUND

Samvardhana Motherson Automotive Systems Group BV, together with its subsidiaries (hereinafter referred as "SMRP BV Group" or "the Group"), is a leading global Tier 1 supplier of rear view vision systems and interior and exterior modules (including door panels, instrument panels and bumpers) to automotive original equipment manufacturers ("OEMs"). We are also a member of the Samvardhana Motherson Group ("SMG"), one of the global Tier 1 automotive supplier.

SMRP BV is a private company with limited liability, incorporated under the laws of the Netherlands on October 07, 2011. Its registered office and principal place of business is situated at Hoogoorddreef 15, 1101 BA Amsterdam, The Netherlands.

SMRP BV business consists of Samvardhana Motherson Reflectec Group referred to as SMR Group and Samvardhana Motherson Peguform Group together referred to as SMP Group.

SMR Group produces a wide range of rear view vision systems primarily for light vehicles. SMR is a leading global supplier of exterior mirrors having its headquarters in Stuttgart, Germany. SMR operated 21 manufacturing facilities and 2 module centres with presence in 16 countries.

SMP Group produce various polymer-based interior and exterior products for automotive industry. SMP's product portfolio is primarily comprised of complete modules, including door panels, instrument panels and bumpers as well as other plastic components and systems, such as centre consoles, decorative interior trims and plastic body parts. SMP Group operated 27 manufacturing facilities and 11 module centres in 9 countries.

*Recent Developments*

On 2 April, 2018, the Company executed the put option agreement for the proposed acquisition of 100% stake in Reydel Automotive Holdings B.V. and Reydel Automotive Management B.V. (hereinafter collectively referred as "Reydel Automotive Group") for a purchase price of USD 201 million subject to closing adjustments. Subsequently, upon receiving favourable opinions from European and French works council, the existing shareholders of Reydel Automotive Group have exercised their put option on 08 May 2018.

Reydel Automotive Group is a portfolio company of Cerberus Capital Management, L.P. and is an established global supplier of Instrument Panels, Door Panels, Console Modules, Decorative Parts and Cockpit, with presence across Europe, South America and Asia.

Reydel's global presence spans across 16 countries with 20 plants and is supported by a workforce of approximately 5,650 associates. This acquisition would enable SMRPBV Group to capitalise on new opportunities in its existing and new geographies, with enhanced and

diversified customer portfolio. Reydel's revenue for the year ended Dec 31, 2017 was USD 1,048 million and EBITDA was USD 68 million (provisional, and in accordance with US GAAP).

The proposed transaction is subject to customary closing conditions and receipt of required regulatory approvals. Indicatively, it is expected that the transaction will close in Q2 FY 18-19. Transaction is structured under a Lockbox arrangement with a lock box date of 1 Jan 2017. All business cash flows from lockbox date onwards will accrue to SMRP BV. We are currently evaluating financing alternatives which could enable maintaining post-completion liquidity levels in line with past practice.

## A.2. MANAGEMENT TEAM & EMPLOYEES

SMRP BV Group benefits from a strong professional management team, with average automotive industry experience among senior managers of over 25 years. In addition, the group has experienced and stable senior managers at the regional levels with significant experience and understanding of their respective markets and regions. As on March 31, 2018, SMRP BV Group had a total of 26,211 employees comprising of 10,604 employees at SMR group and 15,607 employees at SMP Group.

## A.3. EMPLOYEE INVOLVEMENT

It is Group's policy for the management of its subsidiaries to meet at regular intervals with representatives of various sections of employees at which relevant information and developments are discussed. It is also Group's policy to ensure that any local legislative requirements for employee representation or participation are fully adhered to.

Information on the Group is provided through internal newsletters, intranet portal and notices. Regular meetings are held with the employees to discuss operations, sales and the financial progress of the business. Leadership assessment programs as well as succession planning is also practiced to identify & develop potential leaders. An induction plan is in place for all new joiners of the Group.

*Differently abled employees*

The Group gives equal consideration to all applicants for employment irrespective of any disability. If a person becomes disabled while employed by the Group, every endeavour is made to protect that person's position. Differently abled persons have the same opportunities for training and career development as other employees with similar skills and abilities.

*Health & Safety*

Employee health and safety is of great importance to us. We take a decentralized and localized approach to implementing and managing our health and safety processes. These health and safety processes are implemented locally by plant management, and the results are reviewed by the local health and safety officer and local health and safety committee on a periodic basis.

*Focus on Employees*

SMRPBV is not just about products, processes, technology and intellectual property: it's about people. The most valuable asset of SMRPBV is its employees. Their involvement, sense of ownership, belongingness, passion to improve and excel every day are one of the SMRPBV's core differentiations. Any plans to move our business forward and to bring innovation start with our people.

As a global organization SMRPBV has employees from over 18 countries, who speak different languages, come from different cultures but belong to one family. There are limitless possibilities and types of events that SMRPBV holds throughout the year. One of the global annual events which has long history within the Group is the Global Quality Circle Convention.

The quality circle movement was started in SMG around 1983. The goal of quality circle is to involve all employees in continual improvement in every process. SMRPBV Group continuously participate in these quality circle conventions, which helps to empower its employees through involvement in these quality circles. These Quality Circles bring different teams from various continents to learn from each other, witness best practices and make new friends.

## A.4. MANAGEMENT

The Company has in place a two-tiered board structure consisting of separate management and supervisory boards.

**Management Board**

The management board of the Company (Board's) consists of four managing directors and is responsible for managing the business & its related risks in accordance with applicable laws, constitutional documents and resolutions of the shareholders. The principal functions of the management board are to carry out the day-to-day business of the Company and to legally represent the Company in its dealings with third parties, while maintaining high standards of corporate governance and corporate responsibility

**Supervisory Board**

The supervisory board of the Company consists of five supervisory directors. The duties of the supervisory board are to supervise the Board's policy and course of action and to supervise the general conduct of the affairs of the company and any business it may be affiliated with. The supervisory board assists the Board in an advisory capacity. The supervisory directors have to carry out their duties in the interest of the company and any business it may be affiliated with. The supervisory board is furthermore charged with all the duties entrusted to it by Dutch law and by the constitutional documents of the Issuer.

## A.5. FINANCIAL RESULTS

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("IFRS EU"). These financial statements of the Company have been prepared for the financial year beginning April 01, 2017 and ending on March 31, 2018.

The summarised consolidated financial results for the year ended March 31, 2018 and for the previous period ended March 31, 2017 are as follows:

| Income Statement | Year ended March 31, 2017 | | | Year ended March 31, 2018 | | |
|---|---|---|---|---|---|---|
| € millions | SMRPBV Group | SMP | SMR | SMRPBV Group | SMP | SMR |
| Revenue | 4,559 | 2,986 | 1,575 | 5,024 | 3,452 | 1,575 |
| **EBITDA** | **362** | **201** | **166** | **378** | **205** | **189** |
| **% to Revenue** | **7.9%** | **6.7%** | **10.5%** | **7.5%** | **5.9%** | **12.0%** |
| Startup cost for greenfield | (28) | (28) | - | (62) | (62) | - |
| Gain on fair valuation of investments | 6 | 6 | - | - | - | - |
| Exceptional costs* | - | - | - | (2) | - | - |
| **Adjusted EBITDA** | **384** | **223** | **166** | **442** | **267** | **189** |
| **% to Revenue** | **8.4%** | **7.5%** | **10.5%** | **8.8%** | **7.7%** | **12.0%** |

For the year 2017-18, the company achieved total revenue of € 5,024 resulting into growth of about 10% over its revenue of € 4,559 Mio for the year ended March 31, 2017.

The adjusted EBITDA after excluding impact of below factors, was € 442 million for the fiscal year ended March 31, 2018 which represents growth of 15% over € 384 million for the corresponding fiscal year ended March 31, 2017. When expressed as % to revenue as well, adjusted EBITDA increased to 8.8% from 8.4% over the corresponding previous period.

1. ***Start-up cost for greenfield:*** There are significant start-up cost including project management cost, trial of new products, travelling & training cost incurred for setting up of manufacturing processes as per customer requirements, which are expensed to income statement as conservative accounting practice. This will get normalised once the matching revenues from the new plants will start. Start-up cost incurred was € 62 million for fiscal year ended March 31, 2018 and € 28 million for fiscal year ended March 31, 2017.

2. ***Gain on fair valuation of investment:*** Gain arising due to fair valuation of previously held equity interest in CEFA Celulosa Fabril S.A., Saragossa, Spain ("CEFA"), a joint venture with Blanos Participaciones, S.L. in which SMP controls 50% acquired majority control during the fiscal year ended March 31, 2017. This gain represents excess of fair value of investment over existing value of investment . One-time gain of € Nil for fiscal year ended March 31, 2018 and € 6 million for fiscal year ended March 31, 2017.

3. ***Exceptional Cost:*** During the year, the company incurred expenditures of €2.4 Mio in connection with the proposed acquisition of Reydel Automotive Group, included in Legal and Professional expenses. Please refer note A.6.8 for further details on the proposed acquisition

The financial performance of the company has been comprehensively covered in the financial overview section which forms an integral part of the directors' report.

## A.6. CAPITAL EXPENDITURE

SMRP BV Group's growth strategy includes expanding operations in line with customers' growth and sales order book. The company is one of the few suppliers in its product segment

with a global engineering & manufacturing footprint and this strong geographical diversification enables the company to capitalise on global growth opportunities while mitigating the impact of any regional demand fluctuations. The company continuously assess the need for setting up Greenfield plants or expand capacity in existing plants to cater to new platforms with existing/new customers.

Significant capital expenditures are incurred with expanding our footprint and enhancing our existing capacities. Capital expenditure in SMR division primarily comprised of expansion of existing facilities in US, Mexico, Hungary, Korea, China and India. Capital expenditure in SMP division primarily related to set up of two new plants in Tuscaloosa, U.S. and Kecskemét in Hungary. Capital expenditure incurred for the fiscal years ended March 31, 2018 and 2017 were €283 million and €319 million, respectively.

## A.7. STRATEGY

The Group has adopted the vision of SMG, which is to be a globally preferred solutions provider in the automotive industry. We aim to achieve this by pursuing our strategic actions that we have established based on the philosophy of SMG, which includes focusing on consistent outstanding performance, strengthening customer relationships built on trust, pursuing greater client engagement, increasing the content per vehicle that we supply and developing long-term sustainable value creation.

## A.8. RESEARCH AND DEVELOPMENT

SMRP BV Group is committed to technological leadership and the development of innovative and high-quality products in order to meet both the growing demands of OEM customers with regard to product complexity & feature content as well as increasingly stringent environmental goals and regulatory requirements. Many of the products utilize environmentally friendly & lightweight materials and are manufactured using state-of-the-art technologies that provide superior safety, comfort and design. The company is maintaining a strong portfolio of over 900 patents. Design and research centres are interconnected and share innovations & technological advancements across a global network, which enables efficient improvement in the product quality and delivery of value added solutions on a global scale and in a cost-efficient manner.

SMRP BV Group's strong research & development capabilities have historically enabled the company to develop a diversified and comprehensive product portfolio across rear view mirrors, door panels, instrument panels, bumpers and other interior & exterior components. With the ability to offer a full range of system solutions resulting from the vertical integration of company's operations, including strong in-house sourcing capabilities, there are significant opportunities to increase feature content per vehicle across each of OEM customers' vehicle platforms.

The Group intends continue to its focus on research and development capabilities on four key areas:

- Safety: Developing intelligent features to enhance passenger and pedestrian safety, such as integrated sensors, intelligent camera-based object detection solutions, lane departure warning systems and mirror-integrated blind spot warning lights, and mirror replacement camera monitoring systems.

- Environment: Using environmentally-friendly and recyclable materials and reducing component size and weight to minimize material and fuel consumption, such as through the application of lightweight natural fibres in interior systems.
- Performance/efficiency: Optimizing usability through smarter design, the use of new materials and the integration of attractive, value-added features such as vehicle occupant interface displays and controls.
- Aesthetics: Improving the aesthetic features of passenger cars through the introduction of new styling solutions, such as high gloss finishes and decorative metallized surfaces

The proven track record and reputation of technological leadership has positioned SMRP BV Group as a preferred partner for collaborative development with leading OEMs. The Group intends to continue to pursue collaboration opportunities with existing customers, offering them a full suite of development capabilities and jointly developing innovative solutions to cater to their needs. Through focus on technological leadership and the design & production of innovative products, the company aims to further strengthen its position as the partner of choice in providing solutions which meet the changing consumer needs.

SMRP BV Group's dedication to technological leadership has enabled the company to maintain a long track record of introducing market-first products, including certain Blind Spot Detection Systems, Telescopic Trailer Tow mirrors, door panels manufactured using innovative lightweight and recyclable natural fibre materials, heated interiors and vision-based sensor technology.

During the fiscal year ended March 31, 2018 the Group incurred expenditures of € 111 million as compared to € 96 million for the fiscal year ended March 31, 2017, towards its research and development activities which are expensed off in the income statement.

## A.9. DEVELOPMENT & OUTLOOK

**Automotive industry landscape**

The global automotive industry designs, develops, manufactures, sells and services light vehicles and heavy commercial vehicles. The light vehicle segment consists of passenger cars, vans and light trucks weighing less than six tons, while the heavy vehicle segment is generally defined as the market for vehicles weighing in excess of six tons.

The automotive production value chain comprises OEMs, such as Volkswagen, Daimler, Ford, Hyundai, Toyota and Renault-Nissan, and automotive Tier 1 & Tier 2 part suppliers. The automotive part supplier industry is further segmented into three tiers. Tier 1 automotive suppliers sell their products directly to OEMs. Typically, these products are larger modules or systems which integrate components, sometimes sourced from Tier 2 automotive suppliers. Tier 2 suppliers sell individual components or component groups to Tier 1 suppliers, which components or component groups in turn typically integrate individual parts produced by and purchased from Tier 3 suppliers.

Automotive suppliers are typically further divided into sub-segments based on their product or systems function within the car. A typical classification of automotive supplier by vehicle function could include the following sub-segments: powertrain, body & structural, exterior, interior, length, transmission and suspension.

SMRP BV Group's revenues are primarily derived from sales of automotive components to global OEM customers operating in the light vehicle industry and, as a result, SMRP BV Group operations are affected by general trends in the automotive industry and global light vehicle production volume and the content per vehicle for the components and systems produced by such suppliers. Suppliers typically have contracts that cover the full life of a vehicle platform or model range, which usually have an average life of five to seven years. Certain components, such as bumpers and exterior lighting, may be updated part-way through the vehicle model lifecycle in what is referred to as a "mid-cycle refresh" action.

Factors that can influence automotive production include general economic conditions, changing demographics (e.g. population growth, aging and urbanization), evolving consumer preferences, levels of consumer disposable income, replacement requirements of old vehicles and affordability.

**Globalization of platforms**

OEMs are continuing to increase the number of vehicles built on a single platform in an effort to reduce the time and resources spent on the development of new platforms. Vehicle platform-sharing allows OEMs to build a greater variety of vehicles from one basic set of engineered components, lowering overall costs by spreading development expenses over a greater number of units produced. By implementing "platform-sharing" globally, OEMs are able to realize significant economies of scale. To support this strategy, OEMs require suppliers to match the size, scale and geographic footprints of these platforms. SMRP BV Group with a global footprint, broad product offering and the requisite manufacturing expertise is well-positioned to benefit from such platform-sharing because there is no restriction by the high barriers to entry associated with the global supply of a broad product portfolio and is able to efficiently respond to customers' local needs. In addition, higher production volumes across fewer platforms are expected to result in cost savings for suppliers, as they further standardize and optimize their operations.

**Localization of production in emerging markets**

Increasing disposable income and low existing vehicle production, as well as the development of efficient road infrastructure, are also driving the demand for light vehicles in emerging markets. As a result of increasing local demand combined with low manufacturing costs and lack of import duties for locally manufactured products, global OEMs are increasingly expanding their production and sales networks in emerging markets. This has been a particularly significant trend in the premium segment, which has been the most rapidly growing light vehicle segment in recent years. As sales in these markets are projected to continue their rapid growth, most major global premium car makers are expanding their production footprints. SMRP BV Group is well positioned to realize growth opportunities in emerging markets by following their customers due to strong OEM relationships.

**Increased outsourcing leading to a high OEM dependency on external suppliers**

As OEMs focus their resources on automobile final assembly, OEMs are increasingly looking to external suppliers for content they have historically produced in-house. This trend is underpinned by OEMs' growth outside their home markets, consumer expectations with regard to product complexity and feature integration and an increased focus on safety and the environment. Suppliers can benefit from economies of scale derived from serving various customers on a global scale, while OEM customers may find more difficulty in achieving

similar cost and quality levels in-house. The outsourcing trend has led to an increase in OEM dependency on suppliers capable of managing complex projects while maintaining high quality standards across multiple geographies. Furthermore, while know-how is still being developed by suppliers and product design is still largely controlled by OEMs, there is an increasing collaboration between OEMs and Tier 1 suppliers from a vehicle program's initial stages. These research and development partnerships between OEMs and suppliers seek to achieve long-term strategic cooperation in line with the OEMs' cost reduction initiatives.

### Consolidation of supplier base

In order to take advantage of the operational economies of scale, OEMs are encouraging consolidation of their supplier base with an increased focus on large, technically and financially strong global suppliers capable of producing consistent and high-quality products across multiple production regions. The OEMs use a number of factors to determine their preferred suppliers including, among other things, product quality, service (including location, service interruptions and on-time delivery), in-house research & development and technological capabilities, overall track record and quality of relationship with the OEM, production capacity, financial stability and product price.

### Connectivity and autonomous driving

Intelligent connectivity and digitization, both inside and outside the vehicle, will play an ever more important role in the future. Connectivity is the name given to communication between one vehicle and another, and between a vehicle and the infrastructure, for instance with traffic lights or traffic control systems. Automated driving refers to the capability of a vehicle to drive itself at various levels of independence from the vehicle occupants to a destination in real world traffic, using its on-board sensors, and software intelligence, combined with navigation systems so that it can recognize its surroundings.

SMRP BV Group believe that automotive suppliers with strong OEM relationships could play a significant role in these new trends and the associated technologies. It could present new opportunities business models and generates further growth potential within the automotive industry.

## A.10. RISK MANAGEMENT

During the year, the Group, its business and products were exposed to various risks. In its capacity as an internationally Tier 1 supplier for the automobile industry the Group is exposed to various risks with each of its business segments and products. The risks and uncertainties described below are not the exhaustive list of risk the Group may face. Additional risks and uncertainties of which the Group may not be aware or that we currently believe are immaterial may also adversely affect our business, prospects, financial condition and results of operations. If any of the possible events described below were to occur, our business, prospects, financial condition and results of operations may be affected.

The identified risk are divided into four categories:

1. Strategic Risks
2. Operational Risks
3. Financial Risks
4. Compliance Risks

## A.10.1 STRATEGIC RISKS

### Economic Risks

The Group may get affected by economic trends and adverse developments in the global economy and in countries where we operate. Our business is affected by general economic conditions, in particular levels of industrial and manufacturing output in the industries and markets that we serve and is susceptible to downturns in economies around the world, including major economic centres such as the European Union and the United States, as well as emerging markets such as China, Mexico and Brazil. General economic conditions and macroeconomic trends can affect overall demand for our products and the markets in which we operate.

The Group's revenue is derived from OEMs who could be significantly impacted by adverse economic developments globally. During periods of slow economic activity, consumers may forego or delay vehicle purchases, or purchase lower-priced models with fewer premium features, resulting in reduced demand by our OEM customers for our products. If the economic environment in any of the markets from which we derive substantial revenue declines, unfavourable economic conditions may impact a significant number of our customers and, consequently, the demand for our product lines, and our business, financial condition and results of operations could be materially adversely affected.

SMRP BV is continuously improving its geographical footprint to diversify its operations to mitigate the impact of any such economic downturn in any specific geography. Expansion in USA, Mexico & China and two new plants at Hungary & USA will support to enhance the global footprint.

### Market Risks

Cyclicality and reduced demand in the automotive industry in which the Group operates could affect our business. Substantially, all of our business is directly related to vehicle sales and production of our customers, who consist primarily of large automotive OEMs, and demand for our products is largely dependent on the industrial output of the automotive industry. The Group's operations and performance are directly related to levels of global vehicle production, particularly the light vehicle market, and are therefore affected by factors that generally affect the automotive industry. Furthermore, in some geographies automotive production and demand are subject to seasonal cyclicality, which may influence the demand for our products. For example, European OEMs generally scale back or halt vehicle production during summer holidays and Christmas holidays in Europe and the Americas can impact demand during December.The automotive industry is sensitive to factors such as consumer demand, consumer confidence, disposable income levels, employment levels, fuel prices and general economic conditions. Any significant reduction in vehicle sales and production by our customers may have a material adverse effect on our business, financial condition and results of operations.

Customer portfolio of SMRPBV has significantly diversified with execution of new orders and our current order book is also well diversified which is reducing our dependence on single OEM.

## Competition Risks

SMRP BV Group face global competition in its business. Competition is based on many factors, including product quality and reliability, breadth of product range, product design and innovation, manufacturing capabilities, distribution channels, scope and quality and reliability of service, price, customer loyalty and brand recognition. The Group also encounter competition from similar and alternative products, many of which are produced and marketed by major multinational or national companies, which may have an adverse effect on our business, financial condition and results of operations.

Additionally, as we further expand our presence in emerging markets we face competitive price pressures from low-cost producers in jurisdictions such as China, and we expect such price pressures to increase as our customers continue to expand their manufacturing footprints in these markets, thereby providing opportunities for local manufacturers to compete.

SMRPBV Group's ability to support OEMs in every phase of the product development process differentiates us from many of our competitors and, given the substantial investment and time that would be required to replicate our global operations, strengthens our status as a preferred partner to the leading OEMs in the automotive industry. This combined with our close proximity to our customers, our technological leadership and our demonstrated reliability, have enabled us to maintain a strong track record of repeat orders and provide us the competitive edge.

## A.10.2 OPERATIONAL RISKS

### Procurement Risks

The Group depends on its suppliers for the supply of raw materials and components that are critical to our manufacturing processes. SMRP BV Group sources its raw materials from a diversified group of global, national and local suppliers, but is still subject to supplier concentration with respect to certain of its key inputs. Certain products use components that are only available from a limited number of suppliers. Furthermore, some of the Group's suppliers are directed by our customers, and it is likely that we will continue to source components from such suppliers. In some cases we purchase parts for specific feature content sub-assemblies or modules from OEM-directed sources.

Prices of certain raw materials and pre-constructed components we rely on, such as resins (ABS and polypropylene) and metal parts (mainly aluminium and zinc), are linked to commodity markets and thus subject to fluctuation. Certain of our customer contracts, which typically factor in supply cost at the time at which the contract is entered into and subsequently when it is extended or renewed, allow for the pass-through of materials cost increases. For instance, certain of our supplier sources are directed by our OEM customers. In cases where a supplier is directed by the OEM, our contracts typically include provisions allowing for the pass-through of raw materials price increases to the customer.

Large portion of our components are OEM nominated which insulates any price risk. Moreover, our contracts sometimes include a mechanism whereby we can pass through increases in the costs of raw materials to our OEM customers, helping to reduce the effect on our margins relating to volatility in the prices of our raw materials

## Personnel Risks

*Dependence on skilled and qualified personnel*

The Group depends on its senior management, executive officers, key employees and skilled personnel, and if the Group is unable to recruit and retain skilled management personnel, its business and ability to operate or grow the business may be adversely affected. The Group can be affected by the loss of any of these executive officers and other key employees. The market for such qualified professionals is competitive and we may not continue to be successful in our efforts to attract and retain qualified people. In some of our markets, the specialized skills we require are difficult and time-consuming to acquire and, as a result, are in short supply. Its success depends to a large extent upon the continued services of its senior management, executive officers, key employees and other skilled personnel.

SMRPBV continuously work on structured succession planning giving opportunities to employees to take leadership positions which ensure the seamless continuation of management of our business.

*Increasing labor cost*

The Group operates in countries such as India, China, Brazil, Hungary and Mexico, the increasing labor cost in these countries may impact our profit margins and compromise our price competitiveness.

The Group undertakes various incentive programs to improve the productivity of its employees, as well as low-cost automation initiatives designed to reduce labor costs. However, if these measures are insufficient to offset increases in overhead costs, or if Group would be unable to effectively manage these increases in the future, our business, financial condition and results of operations may be adversely affected.

## Intellectual Property Infringement Risks

The success of SMRPBV's newly designed products and other innovations depends in part on its ability to obtain, protect and leverage intellectual property rights to their designs. We believe we have significant level of protected proprietary technology which gives us competitive advantage in marketing our products and services. SMRPBV therefore try to obtain and protect certain intellectual property rights to their newly designed products and other innovations. While it is also SMRPBV's policy to enter into confidentiality agreements with its key employees to protect intellectual property, however there may be a possibility that these confidentiality agreements may be breached. We cannot be certain that the measures that we employ will result in the protection of our intellectual property rights or will result in the prevention of unauthorized use of our proprietary technology. We also rely upon unpatented proprietary know-how and continuing technological innovations and other trade secrets to develop and maintain our competitive position. In addition, there can be no assurance that other companies will not obtain knowledge of these trade secrets through independent development or other legal means of access. Any failure to protect our proprietary rights relating to our designs, processes, components, technology, trade secrets or proprietary know-how could have a material adverse effect on our business, financial condition and results of operations.

## A.10.3. FINANCIAL RISKS

### Financial risks

The Group is exposed to various financial risks due to its activities as an international production company. These financial risks include the credit risk which is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations towards the Group and arises principally from the Group's receivables from customers and deposits with banking institutions.

Due to ongoing monitoring of the compliance with agreed terms of payment for all customers, risks of bad debt losses are minimised. Monitoring of credit ratings of suppliers/non-OEM customer takes place from time to time.

The liquidity risk encompasses any risk that the Group cannot fully meet its financial obligations. To manage the liquidity risk, cash flow forecasting is performed in the operating entities of the group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

### Forex Risk

The majority of our costs and incomes are denominated in local currencies, providing a "natural hedge" against currency exchange fluctuations, and some of our contracts with OEMs allow for price adjustments in the event of unfavourable currency exchange rate developments. Nevertheless, our global footprint exposes us to certain currency exchange risks, arising primarily from the import of raw materials for certain of our operations and our non-euro-denominated borrowings. SMRP BV group do selective hedging to hedge these currency risks.

### Financial instrument Risk

The Group makes use of financial instruments like forward contracts and fixed to fixed cross currency swap contracts for economic hedging purposes only, in order to protect against exchange rate movements. The forward contracts are used to hedge highly probable forecast transactions expected to occur over short to medium term period based on underlying business exposures. The Group also makes use of fixed to fixed cross currency interest rate swaps in order to protect against exchange movement on its USD denominated senior secured notes.

By entering into aforesaid financial instruments, the Group is exposed to potential credit risk of the counter party however the group's treasury maintains a close watch on credit standing of the counter parties and transactions are only entered into with banks and financial institutions of good credit standing and independently rated in order to eliminate or keep the potential credit risk to the minimum.

## A.10.4. COMPLIANCE RISKS

### Legal Risk

*Significant changes in laws & regulations*

The legal, regulatory and industry-standard environment in our principal markets is complex and dynamic, and future changes to the laws, regulations and market practice with regard to emissions and safety, could have an adverse effect on the products we produce and on our profitability.

Additionally, we could be adversely affected by changes in tax or other laws that impose additional costs on automobile manufacturers or consumers, or more stringent fuel economy and emissions requirements on manufacturers of sport-utility vehicles, light trucks and other vehicles from which we derive some of our sales.

*Changes in legislation or policies related to tax applicable to us could adversely affect our results of operations.*

The Group is subject to complex tax laws in each of the jurisdictions in which it operates. Changes in tax laws could adversely affect the tax position, including effective tax rate or tax payments. In addition, European tax laws and regulations are extremely complex and are subject to varying interpretations.

On 22 December 2017, the US introduced changes to the US tax system which will impact businesses significantly from January 1, 2018. These changes are also called the US Tax Cuts and Jobs Act (2017), have been the most significant tax policy reforms in more than 30 years. The changes bring about a reduction in US corporate tax rates from a base rate of 35% to 21%, greater limitations on deductibility of interest, transition to a largely territorial regime to prevent base erosion of the US tax base and a number of other business tax reform proposals. These changes are complex and can create additional tax complexities.

In addition, particularly in emerging markets such as China and Brazil, tax laws may be interpreted inconsistently. The application and interpretation of laws by governmental authorities may therefore be uncertain and difficult to predict.

Certain territories in which we operate also have transfer pricing regulations that require transactions involving associated companies to be effected on arm's length terms. Furthermore, the focus of OECD and the G20 countries on implementation of Base erosion and profit shifting (BEPS) measures also continues with many countries making changes through national legislations and multilateral instruments

It is our policy, therefore, that any pricing of arrangements between related parties, such as the intra-group provision of services, is carried out on an arm's length basis and in accordance with all applicable regulations.

The Group relies on generally available interpretations of tax laws and regulations in the jurisdictions in which it operates. We cannot be certain that the relevant tax authorities are in agreement with our interpretation of these laws. If our tax positions are challenged by relevant tax authorities, this may have an adverse effect on our business, financial condition and results of operations.

*Legal or regulatory claims or investigations against us could have a material adverse effect on our financial position.*

From time to time, the Group may become involved in legal or regulatory proceedings, claims or investigations, including by governmental bodies, anti-trust regulatory authorities, customers, suppliers, former employees, class action plaintiffs and others. On an on-going basis, we attempt to assess the likelihood of any adverse judgments or outcomes to these proceedings or claims, although it is difficult to predict final outcomes with any degree of certainty.

Last year it was informed that on May 3, 2016, SMR Automotive Systems USA, Inc. ("SMR USA"), one of the Group's U.S.-based subsidiary, received a grand jury subpoena from the United States Department of Justice, Antitrust Division (the "DOJ"), seeking certain documents from SMR USA and its affiliates, relating to possible violations of federal anti-trust regulations in the sale of automotive mirrors. The information requested by the grand jury is from January 1, 2008 which predates our acquisition of SMR USA on March 6, 2009.

In regard to above, the Company had provided all requisite documents to DOJ and after complete verification, DOJ was satisfied with the submission and found no evidence of illegal activities on the part of the Company or its affiliates. As a result DOJ issued investigation closure report on  August 1, 2017 with no further action.

## Risk Appetite Assessment

The Group operates in markets with growth potential which are subject to volatility and competition. We will pursue our growth targets with clear focus on ROCE and de-risking policy. SMRP BV risk appetite varies depending upon type of risk.

| RISK CATEGORY | RISK APPETITE |
|---|---|
| Strategic Risks | Moderate |
| Operational Risks | Moderate |
| Financial Risks | Low |
| Compliance Risk | Low |

## Risk Management System

The global presence and decentralised management structure with the main activities in the plants make an organised risk management system necessary. The Group has formed the collective risk management system through regulations, instructions, implementation rules and, in particular, the regular communication throughout the tightly controlled management process consisting of planning, controlling and monitoring which is used to define, record and minimise operating, financial and strategic risks.

The Group manages its risk by operating its business under well placed two tiered board structure, consisting of separate management and supervisory boards. There are well

structured senior management committees comprised of members of the Board as well as senior management personnel from each of SMR, SMP and SMG. The successful management of opportunities and risks is part of operating a business and is the primary task of all management personnel. During the regular management meetings at all management levels, opportunities, risks and optimisation measures are subjected to systematic treatment. Rapid, open and unhindered communication between all levels of management on the risks and imminent exceptional situations ensure that potential risks can be identified at an early stage and their effects can be limited. Risk awareness and the integration of risk management into management personnel's on-going duties at an organisational level enable the Group to identify risks immediately and to eliminate them or to minimise their effects on the net asset, financial and income position.

The Group averse the risks by operating under the uniform code of conduct. SMG maintains a uniform code of conduct which is implemented throughout SMG and which binds all officers, directors and employees.

The above risk management system provides the control measures to reduce/eliminate the risks. An overview of the main risks and the risk control (framework) can be found in paragraph A.6.6.3 of the Notes to the consolidated financial statements.

## A.11. CODE OF CONDUCT

SMG maintains a uniform code of conduct which is implemented throughout SMG and which binds all officers, directors and employees.

The Group is committed to conduct its business under this code of conduct with states highest standards of business ethics. This code is intended to provide guidance and help in recognizing and dealing with ethical issues, provide mechanisms to report unethical conduct and to help foster a culture of honesty and accountability. The matters covered in this Code are of the utmost importance to the Company, our shareholders and our business partners. Further, these are essential so that we can conduct our business in accordance with our stated values.

Our Group is committed to conduct its business affairs in accordance with the economic development, objectives of the Government and foreign policies of our country and in the countries in which we operate.

## A.12. FINANCIAL OUTLOOK & GOING CONCERN

These financial statements are prepared under the assumption that the Group is a going concern. The directors of the Group believe that, on the basis of the future business plans & cash flows and the ability to raise funds as required, they have a reasonable expectation that the Group will continue as a going concern.

SMRPBV has strong mid-term revenue and cash flow visibility on the back of robust Order Book of €17.2 billion as of March 31, 2018. This Order Book reflects Group's focus on growth across diversified geographies and customers. SMRPBV has incurred significant amount of capex for capacity expansion and modernization leading to Global foot print expansion and nearshoring to support its strong order book.

SMRP BV Group's liquidity requirements arise principally from operating activities, capital expenditure for new facilities, maintenance & expansion capital expenditure, short term investments in engineering projects for customer new product launches, repayment of borrowings and debt service obligations. Principal source of funding includes cash from operations, committed credit lines, short-term loans and overdraft facilities at some of the operating entities.

As at March 31, 2018 SMRP BV Group had available liquidity of € 640 million under committed revolver credit facilities and cash & cash equivalent. Cash generated from operating subsidiaries is utilised to finance growth within the operations of such subsidiary or is transferred to holding companies through the payment of dividends or inter-company loans. In most cases there are no significant obstacles or barriers for such transfer of funds but these are always subject to local jurisdictions at respective country.

As at March 31, 2018 SMRP BV group had net leverage ratio of 1.74x which clearly depicts that Group has significant headroom available for generating additional liquidity through borrowings for any growth opportunities and business contingencies.

## A.13. SIGNIFICANT FINANCING TRANSACTIONS

On June 20, 2017 the Company entered into a new Revolving Credit Facilities Agreement ("RCF 2017") with various banks. The RCF 2017 is guaranteed by the Company and certain of its subsidiaries, and will benefit from the same collaterals as all the existing Senior Secured Notes issued by the Company. The RCF 2017 establishes multi-currency revolving credit facilities for an aggregate principal amount of €500 million which will mature on the date falling four years from the issue date i.e. June 20, 2021. The existing Revolving Credit Facility Agreement entered into on June 23, 2015 ("RCF 2015") for an aggregate principal amount of €350 million has been subsequently terminated on June 21, 2017.

On July 06, 2017, the Company issued €300 million 1.8% Senior Secured Notes due 2024 (the "Notes") at 99.299% of the nominal value. The Notes carry coupon at a rate of 1.80% payable annually on 06 July each year and will mature on July 06, 2024. The Notes are listed on the Irish Stock Exchange and trade on the Global Exchange Market.

The entire proceeds from the issue of the Notes along with a portion of cash balance of the Company was utilized on July 06, 2017 to repay existing €500 million 4.125% Notes due 2021. The €500 million Notes were repaid at a redemption price (excluding accrued interest) of 102.171% calculated in accordance with the terms of indenture for the said Notes.

An overview of the significant financing transactions can be found in paragraph A.6.3.10 of the Notes to the consolidated financial statements.

## A.14. CREDIT RATING

Directors are pleased to inform that the company continues to enjoy long term corporate credit rating of BB+ by Standard and Poors. Furthermore, Fitch Ratings have also assigned a first time corporate rating of BB+ to SMRPBV.

The current rating status of the company as on date of report is as follows:

| Agency | Issuer Rating | Issue Rating | Outlook |
|---|---|---|---|
| S&P | BB+ | BB+ | Stable |
| Fitch Ratings | BB+ | BBB- | Positive |

Ratings last updated as of May 2018

## A.15. ENVIRONMENTAL AND SOCIAL POLICIES

SMRP BV recognises its corporate responsibility to carry out its operations whilst minimising the impact on the environment. It also aims to comply with all applicable environmental legislation to prevent pollution and to minimise environmental damage occurring as a result of its activities. Most of our primary production facilities are certified to ISO 9001 and/or 14001. We have established environmental policies with respect to the handling of chemicals, gases, emissions and waste disposals from our manufacturing operations and have not been party to any material environmental claims in the past.

We have undertaken several corporate social responsibility programs, including aiding underprivileged children and promoting the education of girls. Such programs are associated with several non-governmental organizations and institutions dedicated to primary education and development of underprivileged girls. They also provide support to organizations that care for children without adequate parental care and those in difficult circumstances, and to a non-governmental organization that is run for the benefit of special children. They provide need-based scholarships to underprivileged children and support orphanages and old-age homes.

## A.16. DIRECTORS' RESPONSIBILITY

The directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

In preparing these financial statements the directors should:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue the business; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors confirm they have complied with all the above requirements in preparing the financial statements.

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

As of January 1, 2013 a new Dutch law requirement was installed. The purpose of this is to attain a balance (at least 30% of each gender) between men & women in the board of directors and the supervisory board of large entities. In respect of this "Gender Paragraph" the Company does not fulfil the requirement. However, the Company will take these requirements into consideration for future decision with respect to the composition of the management & supervisory board at appropriate time.

However, the Company has well diversified composition of existing Management & Supervisory board in terms of age, experience, educational and professional background.

The brief resume of our directors outlining their nature of expertise in functional areas, educational and professional background is as follows:

**Mr. Vivek Chaand Sehgal** is a **supervisory director** of the Company and has been a supervisory director since June 2014. Mr. Sehgal established Motherson in 1975 and Motherson Sehgal Cables in 1977. In 1983, he entered into a technical collaboration with Tokai Electric Co. (now Sumitomo Wiring Systems Limited ("SWS")) and in 1986 entered into a joint venture with SWS to form MSSL. He is a director and chairman of MSSL and holds directorships in multiple SMG companies.

**Mr. Laksh Vaaman Sehgal** is a **managing director and Chief Executive Officer** of the Company, and has been a director since June 2014 and is responsible for strategic planning and decision making for the Group. Prior to his appointment as chief executive officer, he served as the chief executive officer of SMR following its acquisition in 2009 until 2013. He is also a director of MSSL and SMIL. In his capacity as Chief Executive Officer of the Issuer, he is actively involved in the Group's investment decisions and its strategic decision-making process, and helps to define and manage the Group's overall control policies. Mr. Vaaman Sehgal holds a Bachelor of Business Administration from Boston University and a Masters in Finance from Columbia University.

**Mr. Bimal Dhar** is a **supervisory director** of the Comapny, and has been a supervisory director since June 2014. He has over 40 years of experience in the automotive industry, serving in a variety of engineering and management roles. He currently serves on the board of MAS Middle East Ltd. (FZE), a business processes consulting firm. Mr. Dhar also holds directorships at various companies, including SMIL, SMGH, SMIL Mauritius and SMIA.
Mr. Andreas Heuser is a managing director of the Company and Head of Chairman's Office Europe & Americas of SMG, and has been a director of Issuer since October 2011. He joined SMG in 2005, as the Head of its European corporate office, Mr. Heuser also currently serves as a director of SMR, SMP and SMIA.

**Mr. Gaya Nand Gauba** is a **supervisory director** of the Company and has been a supervisory director since June 2014. He also currently serves as Chief Financial Officer of MSSL. Mr. Gauba joined MSSL in 1997, and has accumulated over 34 years of experience in finance, accounting and taxation working at various companies in India. He also holds directorships in various SMG companies. Mr. Gauba is an Associate Member of the Institute of Cost and Works Accountants of India and an Associate Member of the Institute of Company Secretaries of India. Mr. Gauba holds a Bachelor of Commerce (Honours) and a Master of Commerce from the University of Delhi.

**Mr. Kunal Malani** is a **supervisory director** of the Company and head of the Strategic Team of SMG, and has been a supervisory director since October 2014. Mr. Malani has 15 years of experience in banking and consulting roles, including positions with Merrill Lynch and India Infoline prior to joining SMG in 2013. Mr. Malani received a Bachelors of Commerce with honors from Calcutta University and completed a postgraduate program in Management at the Indian School of Business. He is a member of the Institute of Chartered Accountants of India.

**Mr. Cezary Zawadzinski** is a **supervisory director** of the Company and Chief Operating Officer of SMR, and has been a supervisory director since June 2014. He has been with SMR for 13 years and has 23 years of experience in the automotive industry. He holds a Bachelor of Engineering (Metallurgy) from Akademia Gorniczo Hutnicza, Poland and a Bachelor of Administration from Wyzsza Szkola Zarzadzania, Poland.

**Mr. Jacob Meint Buit** is an **independent local resident managing director** of the Company, and has been a director since the Issuer's incorporation in 2011. After studying economics and tax law in Amsterdam, Mr. Buit joined the tax law firm of Loyens & Loeff in 1974, where his practice focused on international corporate matters. Mr. Buit practiced at Loyens & Loeff for a total of 28 years, including 18 years as a partner and an additional 2 years as counsel, until leaving the firm in 2001. Mr. Buit is a member of various non-profit, supervisory and corporate boards.

**Mr. Randolph M. Th. de Cuba** is an **independent local resident managing director** of the Company and has been a director since June 2015. After studying law and economics in Rotterdam Mr. de Cuba joined PwC in 1980 as a tax professional, where his practice focused on international corporate tax matters. Mr. de Cuba's tenure at PwC was 32 years, including 26 years as a partner. Mr. de Cuba is an independent consultant and holds directorships on various corporate boards.

## A.17. ACKNOWLEDGEMENT

Your Board of Directors would like to place on record their sincere appreciation for the wholehearted support and contributions made by all the employees of the Company as well as customers, suppliers, bankers, auditors and other authorities.

Approved by the Board of Directors and signed on behalf of the Board

Date: May 24, 2018

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS OVERVIEW

Samvardhana Motherson Automotive Systems Group BV together with its subsidiaries (hereinafter referred as “SMRP BV Group” or “the Group”) are a leading global Tier 1 supplier of rear view vision systems and interior and exterior modules (including door panels, instrument panels and bumpers) to automotive original equipment manufacturers (“OEMs”) primarily for use in the production of light vehicles. We are also a member of the Samvardhana Motherson Group (“SMG”), one of the global Tier 1 automotive supplier. We have long-term relationships with global OEMs by production volume and our OEM customers collectively represented over 90% of global automotive production. We currently supply our products to over 600 vehicle programs. In addition, we currently hold leading market positions in our key product segments and geographies, particularly in the premium segment (which includes brands such as Audi, BMW, Jaguar Land Rover, Porsche, Mercedes-Benz and others), on which we are especially focused. We are active across the phases of our products’ lifecycles, from product conception, design, styling, prototyping and validation to the manufacture, assembly and subsequent delivery of fully-engineered assembled products. SMRP BV Group has presence in each major global automotive production region, with 48 production facilities and 13 module centres spread across 18 countries and strategically located in close proximity to the manufacturing plants of the OEM customers. SMRP BV Group operate business through following main divisions:

**Rear view vision systems:** SMR division produces a wide range of rear view vision systems primarily for light vehicles and is a leading global supplier of exterior mirrors. Rear view mirrors play an important role in automotive safety and design, and are becoming increasingly sophisticated. SMR’s mirrors are engineered to optimize aerodynamics and integrate technologically advanced features that enhance safety, comfort and aesthetics.

SMR is active in every phase of the product development cycle, and its product portfolio covers a wide spectrum of vehicle and price segments, from low-cost mirrors to highly complex premium mirrors incorporating a variety of electronic features. SMR’s focus on research & development and customer collaboration has resulted in various first-to-market innovations and a variety of full system solutions tailored to the needs of OEMs and end consumers, including Blind Spot Detection Systems (BSDS) and Telescopic Trailer Tow (TTT) mirrors.

From its division headquarters in Stuttgart, Germany, SMR operated 21 manufacturing facilities and 2 module centres with presence in 16 countries and employed 10,604 people as of March 31, 2018.

**Interior and exterior modules:** SMP division produce various polymer-based interior and exterior products for light vehicles. SMP's product portfolio is primarily comprised of complete modules, including door panels, instrument panels and bumpers as well as other plastic components and systems, such as centre consoles, decorative interior trims and plastic body parts. These products involve a complex manufacturing and assembly processes, require significant systems integration expertise and represent key comfort and aesthetic features of the vehicles in which they are integrated.

SMP focuses on the premium segment, and is a leading global supplier of door panels, instrument panels and bumpers. SMP's facilities are strategically located in close proximity to the plants of its OEM customers, allowing for minimal lead times and transport costs and efficient inventory management through "just-in-time" and "just-in-sequence" deliveries to customers.

SMP's research and development team are focussed on meeting and exceeding the steadily increasing requirements of its customers and focuses on key areas including lightweight constructions, renewable raw materials, occupant protection and pedestrian protection. The engineering team works with OEM to develop cost-efficient innovative products along with adding new functionalities and continually improving SMP's existing product range.

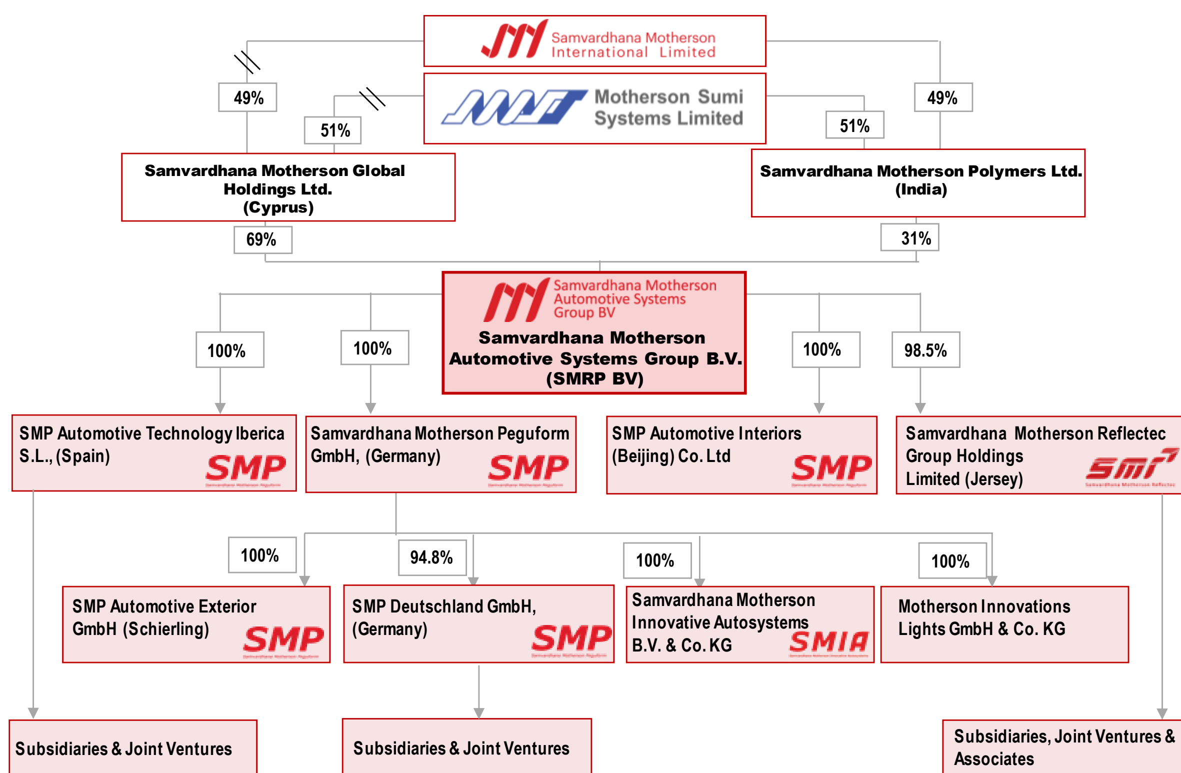
SMP division includes business of SMIA which was acquired in January 2015, SMIA with its headquarters in Michelau (Germany) is an internationally renowned specialist in plastic technologies since it's foundation in 1967.

SMP division also includes Kobek Siebdruck GmbH & Co. KG (hereinafter 'Kobek'), renamed as Motherson Innovations Lights Gmbh & Co KG ("MIL") acquired in January 2017. MIL is a specialist in lightning solutions and has been a supplier to the SMP subsidiaries.

SMP operated 27 manufacturing facilities and 11 module centres in 9 countries and employed 15,607 people as of March 31, 2018.

## GROUP STRUCTURE

The following diagram represents the Corporate Structure of SMRP BV Group along with details of its principal shareholders:




Corporate Structure as at March 31, 2018 and is not a legal structure

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# CORPORATE INFORMATION

## MANAGEMENT BOARD :

The Management Board of the company is responsible for managing day to day business and to legally represent the company in its dealing with third parties while maintaining high standards of corporate governance and corporate responsibility. Management Board consists of following members:

| | |
|---|---|
| 1. Laksh Vaaman Sehgal | Managing Director (Chairman and Chief Executive Officer) |
| 2. Andreas Heuser | Managing Director |
| 3. Jacob Meint Buit | Resident Managing Director |
| 4. Randolph de Cuba | Resident Managing Director |

## SUPERVISORY BOARD :

The Supervisory Board of the company is responsible for supervising the management board's policy and course of action and to supervise the general conduct of the affairs of the company and any business it may be affiliated with. The supervisory board assists the management board in an advisory capacity and have to carry out their duties in the interest of the company. Supervisory Board consists of following members:

| | |
|---|---|
| 1. Vivek Chaand Sehgal | Director and Chairman SMG |
| 2. Bimal Dhar | Director and Chief Executive Officer-SMP |
| 3. Cezary Zawadzinski | Director and Chief Operating Officer-SMR |
| 4. G.N. Gauba | Director |
| 5. Kunal Malani | Director |

The above composition of Management & Supervisory Board is as on date.

## REGISTERED OFFICE :

The registered office of the company is under :
Hoogoorddreef 15, 1101 BA Amsterdam
The Netherlands

## AUDITORS:

The statutory auditors of the company are:
Ernst & Young Accountants LLP,
Boompjes 258, 3011 XZ,
Rotterdam,
The Netherlands

## GEOGRAPHICAL FOOTPRINT

SMRP BV Group operate 48 manufacturing facilities across 18 countries and 13 module centres. Out of 48 manufacturing plants, SMR operates 21 manufacturing plants, SMP operates 27 manufacturing plants. These includes two new Greenfield plants in Kecskemet (Hungary) and Tuscaloosa (USA) established to cater to new customer orders.

SMRP BV Group's global footprint enables strategic presence of manufacturing facilities with close proximity to the plants of OEM customers. This enhances the ability to supply to in a timely and cost-efficient manner, particularly with respect to the majority of interior & exterior modules, including door panels, instrument panels and bumpers, which cannot typically be transported efficiently. In addition, consumer demand for vehicle personalisation in the premium segment has increased the complexities of interior and exterior modules, some of which could have hundreds of potential permutations and combinations. To overcome these challenges, SMRP BV assemble products in close proximity to the plants of OEM customers, and deliver them on "just-in-time" and "just-in-sequence" basis directly to customers' production lines with minimal lead times.

SMRP BV Group intends to continue to expand global footprint in line with the international expansion of main OEM customer's production footprint, particularly in emerging markets in Americas & Asia Pacific region.

Following chart provides an overview of SMRP BV Group's global footprint:

Above information is as at March 31, 2018

## FINANCIAL PERFORMANCE FY 2017-18

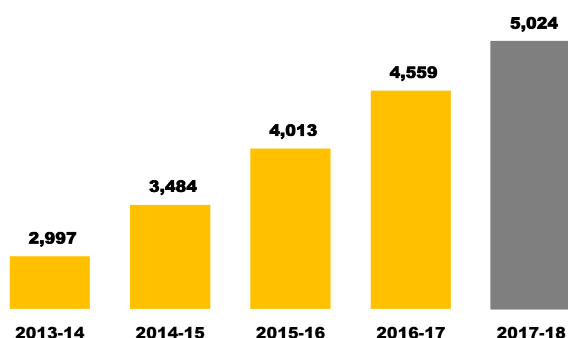
Samvardhana Motherson Automotive Systems Group BV's Board has approved its consolidated financial statements for the fiscal year ended March 31, 2018. The Consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code, as far as applicable.

## FINANCIAL HIGHLIGHTS

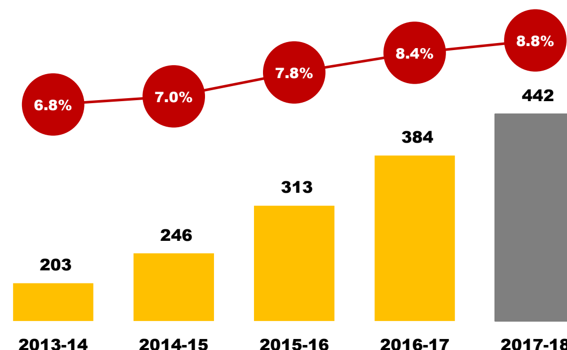
The company's main achievement for the fiscal year ended March 31, 2018 are summarized as follows:

- The Group achieved record revenue of € 5,024 Millions for fiscal year ended March 31, 2018 which represents growth of 10% over previous year.
- The Group improved its adjusted EBITDA to 8.8% in fiscal year ended March 31, 2018, increase of 15% over previous fiscal year ended at 8.4%
- The Group has stable net leverage of 1.74x as at March 31, 2018
- The Group has a robust order book of Euro 17.2 Billion as on March 31, 2018.
- On 2nd April 18, SMRPBV has executed the transaction documents for the proposed acquisition of Reydel Automotive Holdings B.V. and Reydel Automotive Management B.V. (together known as "Target Entities") for a purchase price of USD 201 million subject to closing adjustments.

### Consolidated Revenue
**(Euro in Millions)**




### Adjusted EBITDA
**(Euro in Million / % to revenue)**




SMRP BV Group is growing its revenue year on year for last five years. It has achieved compounded annual growth rate of 14% from fiscal year ended March 31, 2014 to fiscal year ended March 31, 2018. The strong revenue growth is due to new orders won, ramp-up of new plants established in past years to cater to OEM's order. Strong market demand in USA, Mexico, Germany & Spain has also supported SMRPBV Group to achieve the top line growth.

In the same time span, SMRP BV has consistently improved its operational performance. While top line growth has supported the operational performance but company has also been able to achieve improved manufacturing efficiencies, effective cost control measures and leveraging of the group synergies such as centralised procurement, innovation etc leading to better performance.

## REVIEW OF CONSOLIDATED FINANCIALS

Following are the summary financials for the quarter and fiscal year ended March 31, 2018:

| Income Statement | 3M ended March 31, 2017 | | | 3M ended March 31, 2018 | | |
|---|---|---|---|---|---|---|
| € millions | SMRPBV Group | SMP | SMR | SMRPBV Group | SMP | SMR |
| Revenue | 1,230 | 810 | 420 | 1,301 | 895 | 407 |
| **EBITDA** | **112** | **63** | **52** | **108** | **60** | **55** |
| **% to Revenue** | **9.1%** | **7.8%** | **12.4%** | **8.3%** | **6.7%** | **13.5%** |
| Startup cost for greenfield | (11) | (11) | - | (20) | (20) | - |
| Gain on fair valuation of investments | 6 | 6 | - | - | - | - |
| Exceptional costs* | - | - | - | (2) | - | - |
| **Adjusted EBITDA** | **117** | **68** | **52** | **130** | **80** | **55** |
| **% to Revenue** | **9.5%** | **8.4%** | **12.4%** | **10.0%** | **8.9%** | **13.5%** |

| Income Statement | Year ended March 31, 2017 | | | Year ended March 31, 2018 | | |
|---|---|---|---|---|---|---|
| € millions | SMRPBV Group | SMP | SMR | SMRPBV Group | SMP | SMR |
| Revenue | 4,559 | 2,986 | 1,575 | 5,024 | 3,452 | 1,575 |
| **EBITDA** | **362** | **201** | **166** | **378** | **205** | **189** |
| **% to Revenue** | **7.9%** | **6.7%** | **10.5%** | **7.5%** | **5.9%** | **12.0%** |
| Startup cost for greenfield | (28) | (28) | - | (62) | (62) | - |
| Gain on fair valuation of investments | 6 | 6 | - | - | - | - |
| Exceptional costs* | - | - | - | (2) | - | - |
| **Adjusted EBITDA** | **384** | **223** | **166** | **442** | **267** | **189** |
| **% to Revenue** | **8.4%** | **7.5%** | **10.5%** | **8.8%** | **7.7%** | **12.0%** |

** During the year, the company incurred expenditures of €2.4 Mio in connection with the proposed acquisition of Reydel Automotive Group, included in Legal and Professional expenses*

SMRPBV Group includes results of 'others', for details refer Note A.6.6.4 'Operating Segment Information' in consolidated financial statements for the fiscal year ended march 31, 2018.

| Statement of Financial Position | March 31, 2017 | March 31, 2018 |
|---|---|---|
| Total Assets | 2,819 | 2,808 |
| Debt | 1,022 | 865 |
| Cash and cash equivalents | 506 | 216 |
| Net Debt | 516 | 649 |

| Key Ratios# | Allowed | March 31, 2018 |
|---|---|---|
| Gross Leverage Ratio: Indenture | 3.50x | 2.31x |
| Net Leverage Ratio : RCF | 3.25x | 1.74x |

# Computed as per definitions given in Indenture & RCF agreements

## COMPONENTS OF REVENUE & EXPENSES

## REVENUE

SMRP BV Group's revenues for quarter ended March 31, 2018 were € 1,301 million which are higher than the revenue for the corresponding previous quarter ended March 31, 2017 at € 1,230 million. This represents growth of approximately 6% over quarter ended March 31, 2017. For the fiscal year ended March 31, 2018 Group's revenue rose by 10% to € 5,024 million from € 4,559 million for the fiscal year ended March 31, 2017.

SMP's revenues for quarter ended March 31, 2018 were € 895 million which are higher than the revenue for the corresponding previous quarter ended March 31, 2017 at € 810 million. This represents growth of approximately 10% over quarter ended March 31, 2017. For the fiscal year ended March 31, 2018 SMP's revenue rose by 16% to € 3,452 million from € 2,986 million for the fiscal year ended March 31, 2017.

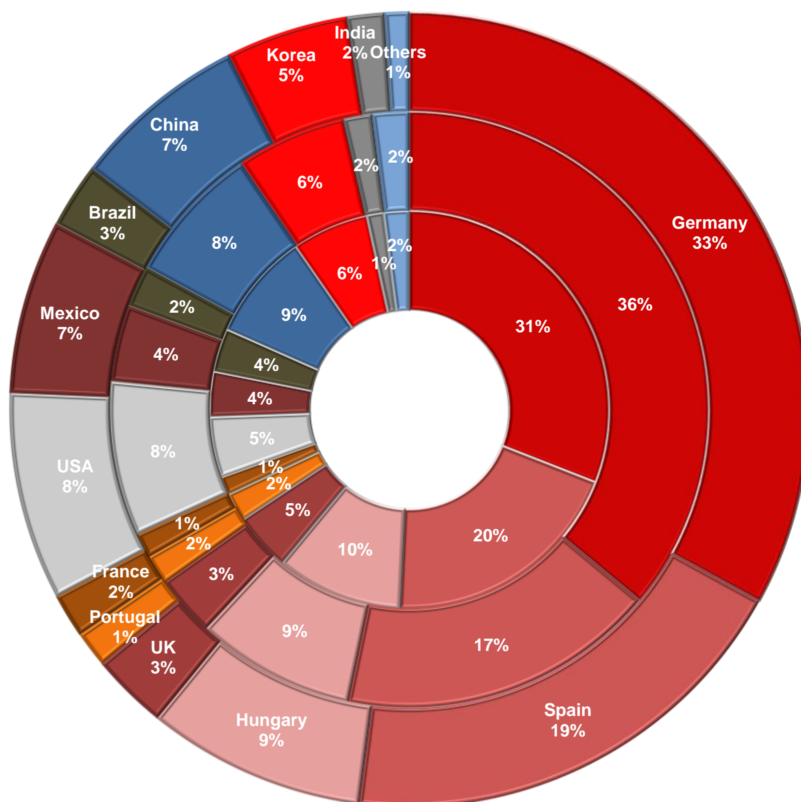
SMR's revenues for quarter ended March 31, 2018 were € 407 million as compared to revenue of corresponding previous quarter ended March 31, 2017 at € 420 million. For the fiscal year ended March 31, 2018 SMR's revenue were € 1,575 million as compared to € 1,575 million for the fiscal year ended March 31, 2017.

### *Geographical Spread of Revenues*

During the fiscal year ended March 31, 2018, 68% of the revenues were contributed by European region, APAC region contributed 14% and Americas contributed 18% to the overall group revenues. The company had achieved the healthy revenue growth across various geographies on consolidated basis.

In last 5 years geographical spread of revenue has become more diversified. As percentage share of total revenue of SMRP BV Group, USA grew from 5% to 8%, Mexico from 4% to 7% and Germany from 31% to 33% from fiscal year ended March 31, 2014 to fiscal year ended March 31, 2018 respectively.

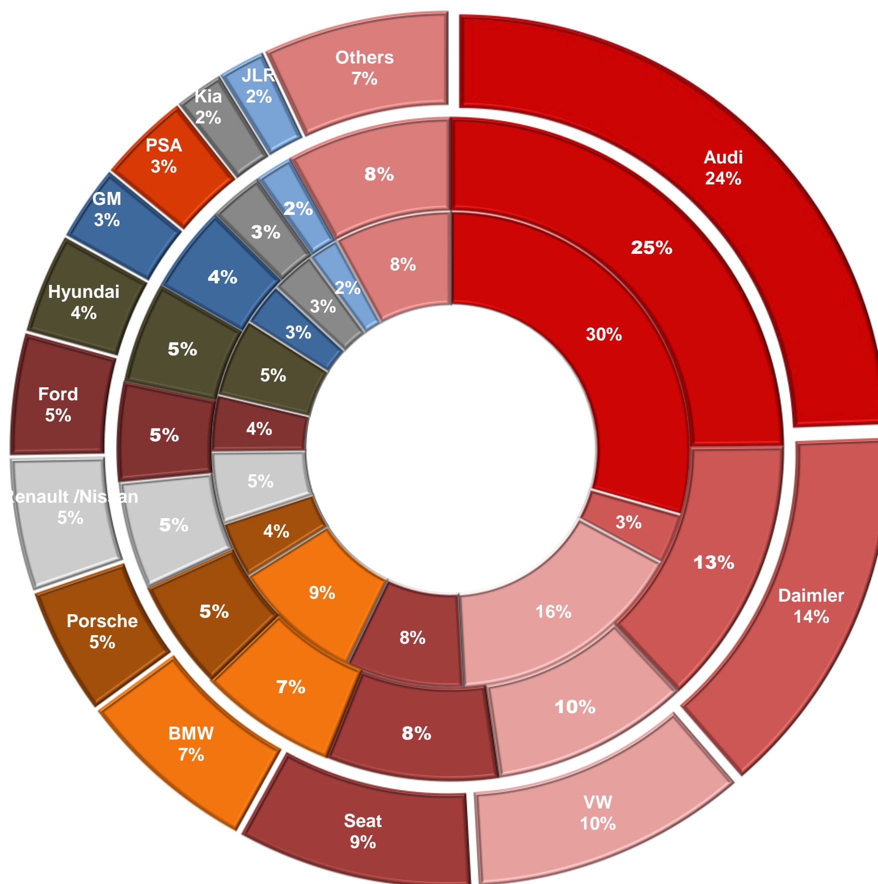
The geographical spread of revenues would further diversify with commencement of commercial production in FY 18-19 from Greenfields at USA & Hungary.




## *Diversified Customer Portfolio*

SMRP BV Group is a trusted partner and strategic Tier I supplier to leading global OEMs and have well established strategic relationships with several OEMs across the globe. The ability to support OEMs in every phase of product development process differentiates the company from many of the competitors and given the substantial investment & time that would be required to replicate company's global footprint, strengthens the status of SMRP BV Group as a preferred partner to most of the leading OEMs in the automotive industry. The company is able to engage with customers during the early stages of collaborative development projects which regularly enables the company to introduce company's products into vehicle's designs phase. This collaboration when combined with close proximity to customer, technological leadership, demonstrated reliability and financial stability results into maintaining strong track record by not only winning repeat orders but new global upcoming platforms.

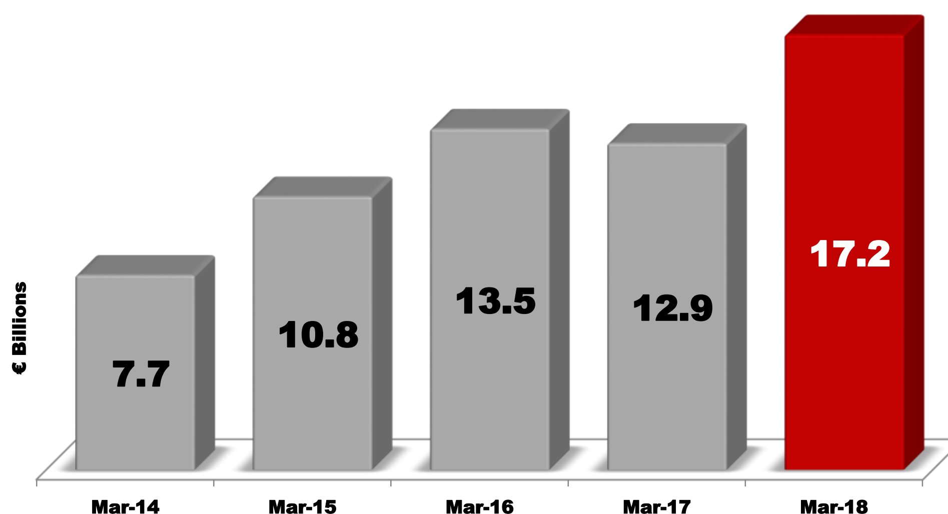
The following chart shows the change in revenue spread by customers from fiscal year ended March 31, 2014 to fiscal year ended March 31, 2018.




The group constantly monitors its vision of 3CX15. In last 5 years there is consistent growth in all customers leading to a diversified customer portfolio. As percentage of share of total revenue of SMRP BV Group Daimler grew from 3% in fiscal year ended March 31, 2014 to 14% in fiscal year ended March 31, 2018 and share of Audi and VW business got more balanced.

## ORDER BOOK

SMRP BV benefit from strong mid-term revenue visibility, with an estimated Order Book of €17.2 billion as of March 31, 2018, which represents the sales that we expect to record over the life time of the orders under contracts for vehicle programs that we have been awarded by OEMs but which are not yet in production and is comprised of both incremental and repeat business.




This Order Book reflects Group's focus on growth across diversified geographies and customers. We believe the potential revenue realization from these contracts positions us well for growth in the mid-term. In addition, our visibility over our revenues is enhanced by our strong track record of winning repeat orders and being awarded contracts for subsequent generations of a particular vehicle model, as well as by the unlikelihood that one of our customers switches suppliers once a project has been nominated to a preferred supplier, given the prohibitive operational, technical and logistical costs of switching.

## EBITDA

The adjusted EBITDA after excluding impact of below factors, was € 442 million for the fiscal year ended March 31, 2018 which represents growth of 15% over € 384 million for the corresponding fiscal year ended March 31, 2017. When expressed as % to revenue as well, adjusted EBITDA increased to 8.8% from 8.4% over the corresponding previous period.

1. ***Start-up cost for greenfield:*** There are significant start-up cost including project management cost, trial of new products, travelling & training cost incurred for setting up of manufacturing processes as per customer requirements, which are expensed to income statement as conservative accounting practice. This will get normalised once the matching revenues from the new plants will start. Start-up cost incurred was € 62 million for fiscal year ended March 31, 2018 and € 28 million for fiscal year ended March 31, 2017.

2. ***Gain on fair valuation of investment:*** Gain arising due to fair valuation of previously held equity interest in CEFA Celulosa Fabril S.A., Saragossa, Spain ("CEFA"), a joint venture with Blanos Participaciones, S.L. in which SMP controls 50% acquired majority control during the fiscal year ended March 31, 2017. This gain represents excess of fair value of investment over existing value of investment. One-time gain of € Nil for fiscal year ended March 31, 2018 and € 6 million for fiscal year ended March 31, 2017.

3. ***Exceptional Cost:*** During the year, the company incurred expenditures of €2.4 Mio in connection with the proposed acquisition of Reydel Automotive Group, included in

Legal and Professional expenses. Please refer note A.6.8 for further details on the proposed acquisition

SMP's adjusted EBITDA increased by 18% for the quarter ended March 31, 2018 at € 80 million which is higher than the adjusted EBITDA for the corresponding previous quarter ended March 31, 2017 at € 68 million. When expressed as % to revenue, adjusted EBITDA increased to 8.9% from 8.4% over the corresponding previous quarter ended March 31, 2017. For the fiscal year ended March 31, 2018 SMP's adjusted EBITDA increased by 20% to € 267 million from € 223 million for the fiscal year ended March 31, 2017. When expressed as % to revenue as well, adjusted EBITDA increased to 7.7% from 7.5% over the corresponding previous fiscal year ended March 31, 2017.

SMR's EBITDA for quarter ended March 31, 2018 was € 55 million which is 6% higher than the EBITDA of corresponding previous quarter ended March 31, 2017 at € 52 million. When expressed as % to revenue as well, adjusted EBITDA increased to 13.5% from 12.4% over the corresponding previous quarter ended March 31, 2017. For the fiscal year ended March 31, 2018 SMR's EBITDA grew by 14% at € 189 million as compared to € 166 million for the fiscal year ended March 31, 2017. When expressed as % to revenue as well, adjusted EBITDA increased to 12.0% from 10.5% over the corresponding previous fiscal year ended March 31, 2017.

## COST OF MATERIALS

Cost of materials includes purchases of raw materials, purchases of goods and tools for resale, discounts for prompt payment, purchase returns and similar transactions, volume discounts, changes to inventories, consumption of other supplies and purchase of pre-constructed components. These are primarily variable in nature based on the product mix sold during the period. Cost of material was at € 814 million for the quarter ended March 31, 2018 which is higher as compared to €776 million for the corresponding previous quarter ended March 31, 2017 in absolute terms. However, as a % of revenue, cost of materials represented 62.6% for the quarter ended March 31, 2018 lower than 63.1% for the quarter ended March 31, 2017. For the fiscal year ended March 31, 2018, cost of materials was € 3,216 million, which is higher in absolute terms from € 2,927 million for the fiscal year ended March 31, 2017, however as % of revenue it was lower at 64.0% vis-à-vis 64.2% for March 31, 2017. These absolute increases in cost of materials is primarily due to increased production volume and higher engineering projects due to launch of new programmes for our OEMs. The total cost of material is consistent as percentage of revenue.

## PERSONNEL COSTS

Personnel expenses include wages, salaries, paid labour rendered by third parties, employer's social security contributions and other welfare expenses. Personnel expenses are primarily driven by the size of our operations, our geographical reach and customer requirements. Personnel expenses were at € 256 million which accounted for 19.7% of revenues for the quarter ended March 31, 2017. This is higher in absolute terms as compared to € 243 million which accounted for 19.8% of revenues for the corresponding previous quarter ended March 31, 2017. For the fiscal year ended March 31, 2018 personnel expenses were € 975 million representing 19.4% of the revenues vis-à-vis € 886 million representing 19.4% of the revenues for the fiscal year ended March 31, 2017. Such increase in absolute value was primarily due to increased capacity and production level, ramp up of production from new

facilities, Mexico & China and headcount at new Greenfield plants in USA and Hungary during their construction phase.

## OTHER OPERATING EXPENSES

Other operating expenses primarily consists of general administrative expenses, energy costs, repair & maintenance costs, rental & lease costs, freight & forwarding costs, auditors' remuneration, net foreign exchange loss and legal & professional fees. Other operating expenses for the quarter ended March 31, 2018 were at € 135 million as compared to € 115 million for the corresponding previous quarter ended March 31, 2017. For the fiscal year ended March 31, 2018 other operating expenses were € 495 million vis-à-vis € 431 million for the fiscal year ended March 31, 2017. As a % of revenue other operating expenses represent 9.9% for fiscal year ended March 31, 2018 which is slightly higher than 9.4% for the fiscal year ended March 31, 2017. Increase in operating expenses is attributed primarily due to increase in variable cost of operations due to increased capacity & production levels and start-up costs for the new plants expensed to income statement as conservative accounting practice.

## OTHER OPERATING INCOME

Other operating income primarily consists of income from development work & other recoveries from customers, recovery of proceeds from insurance claims, rental income, royalty income and subsidies or grants. Other operating income for the quarter ended March 31, 2018 were at € 13 million as compared to € 17 million for the quarter ended March 31, 2017. For the fiscal year ended March 31, 2018, other operating income was € 40 million as compared to € 46 million for the fiscal year ended March 31, 2017. The other operating income includes gain on fair valuation of investments for € 6 million for the quarter and fiscal year ended March 31, 2017.

## DEPRECIATION & AMORTISATION

Depreciation & Amortisation refers to the amount recognized in the income statement reflecting the amortized value of the tangible and intangible assets on a straight-line basis over the estimated useful life of the asset. Depreciation & Amortisation for the quarter ended March 31, 2018 were at € 34 million and € 30 million for the quarter ended March 31, 2017. For the fiscal year ended March 31, 2018, depreciation and amortisation charges were € 123 million vis-à-vis € 118 million for the fiscal year ended March 31, 2017. The increase in absolute values reflect impact of depreciation on new facilities which have commenced commercial production.

## FINANCE COSTS/(INCOME)

Finance cost consists primarily of interest expense on borrowings, finance leases and defined benefit obligations as well as foreign exchange losses on long-term loans. Finance income consists of interest income, return on plan assets under defined benefit obligations and foreign exchange gain.

The following table depicts the net finance cost and adjusted net finance cost for the quarter and fiscal year ended March 31, 2018 and March 31, 2017. Adjusted net finance cost

represents finance cost as adjusted for amortisation of bond issuance cost & upfront fees paid on credit facilities and foreign exchange gain/(loss) included in finance cost:

| Net Finance Cost -€ millions | Q4 FY 16-17 | Q4 FY 17-18 | Inc(+)/Dec(-) |
|---|---|---|---|
| **Net Finance Cost** | **12** | **9** | **(3)** |
| Less: | | | |
| Exceptional costs | - | - | - |
| Amortisation charge[1] | (1) | (0) | 0 |
| Foreign Exchange Loss (Net) [2] | (0) | (2) | (1) |
| **Adjusted net finance cost** | **11** | **7** | **(4)** |

| Net Finance Cost -€ millions | FY 16-17 | FY 17-18 | Inc(+)/Dec(-) |
|---|---|---|---|
| **Net Finance Cost** | **45** | **60** | **15** |
| Less: | | | |
| Exceptional costs | - | (21) | (21) |
| Amortisation charge[1] | (4) | (2) | 1 |
| Foreign Exchange Loss (Net) [2] | 0 | (3) | (4) |
| **Adjusted net finance cost** | **42** | **33** | **(9)** |

1. *Represents prorata amortisation of bond issuance cost and upfront fees paid on credit facilities*
2. *Foreign exchange gain / (loss) on reinstatement of foreign currency loans and related item*

As evident from above table, after excluding impact of amortisation of bond issuance cost and upfront fee and forex loss on reinstatement of foreign currency loans and related items included in net finance cost, there is a decrease of € 4 million and € 9 million in adjusted net finance cost for the quarter and fiscal year ended March 31, 2018; primarily due to financing transactions during July 2017 involving repayment of € 500 million 4.125% senior secured notes and issuance of € 300 million senior secured notes at a coupon of 1.80% thereby lowering the net interest cost.

### Exceptional finance costs

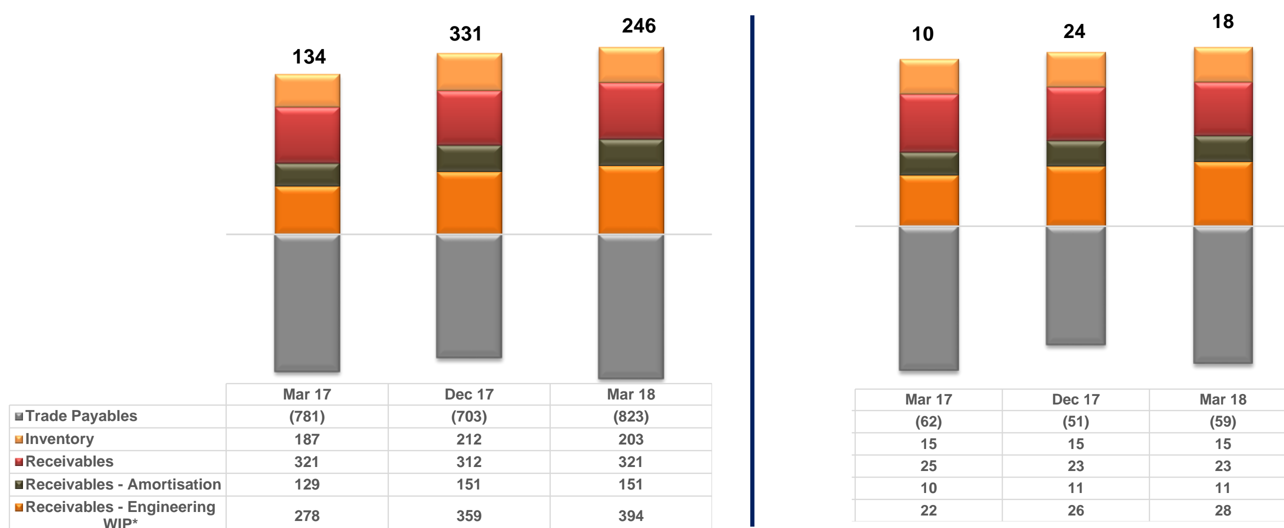
During the fiscal year ended March 31, 2018 the Company recorded € 21 million towards one time/exceptional costs amounting to € 11 million on early redemption of € 500 million notes and € 10 million on write-off of unamortised transaction costs as explained in Note A.6.4.7 of the consolidated financial statements.

## INCOME TAXES

Income tax represents the sum of tax currently payable and deferred tax under the laws of each jurisdiction in which the business is conducted. Tax is calculated at domestic tax rates applicable in the respective countries. Income tax expenses for the quarter ended March 31, 2018 were € 18 million as compared to € 15 million for the quarter ended March 31, 2017. For the fiscal year ended March 31, 2017 income tax expenses were € 71 million vis-à-vis € 66 million for the fiscal year ended March 31, 2017. Our effective tax rate was 34% for the fiscal year ended March 31, 2018 as compared to 31% for the fiscal year ended March 31, 2017. However effective tax rate for fiscal year ended March 31, 2018 was impacted by exceptional finance cost of € 21 million, excluding the impact of exceptional finance cost, our effective tax rate was 31% which is stable as compared to fiscal year ended March 31, 2017.

## TRADE WORKING CAPITAL

Net trade working capital as at March 31, 2018 was at € 246 million and as at March 31, 2017 was at € 133 million. Net trade working capital represents 18 days for March 31, 2018 which is higher than 10 days of working capital as at March 31, 2017.




| | Mar 17 | Dec 17 | Mar 18 |
|---|---|---|---|
| Trade Payables | (781) | (703) | (823) |
| Inventory | 187 | 212 | 203 |
| Receivables | 321 | 312 | 321 |
| Receivables - Amortisation | 129 | 151 | 151 |
| Receivables - Engineering WIP* | 278 | 359 | 394 |

| Mar 17 | Dec 17 | Mar 18 |
|---|---|---|
| (62) | (51) | (59) |
| 15 | 15 | 15 |
| 25 | 23 | 23 |
| 10 | 11 | 11 |
| 22 | 26 | 28 |

** Receivables - Engineering WIP represents in-progress engineering inventory recognized as receivables under percentage of completion method*
*Days on hand are calculated based on 360 days basis*

Analysis on each of these element are described below :

### Receivables

Receivables represents the amount to be received from customers for which goods have already been sold and delivered to the customers or title of the property in goods have been transferred to customers. Trade receivable are recognised initially at fair value and carried at amortised cost. These are net of impairment due to delay or defaults which become likely in specific cases. The above receivables are net of advances received from customers for which performance obligation is yet to be fulfilled.

The Company had net receivables for € 321 million and € 321 million as at March 31, 2018 and March 31, 2017 respectively.  These represent days on hand for 23 days and 25 days respectively.

In some cases, engineering receivables are paid by our OEMs during program life through piece price amortisation and hence related receivables form parts of our long-term receivables. The company had such amortisation receivables for € 151 million and € 129 million as at March 31, 2018 and March 31, 2017 respectively.  These represent days on hand for 11 days and 10 days respectively. The increase as at March 31, 2018 is due to new launches during the year and therefore due to the basic characteristic of these receivables having longer recovery period as per terms of the contract, the days were higher.

Further, the company had engineering WIP which represents in-progress engineering inventory recognized as unbilled receivables under percentage of completion method. The company had such receivables in form of engineering in progress for € 394 million and € 278 million as at March 31, 2018 and March 31, 2017 respectively. These represent days on hand for 28 days and 22 days respectively. The increases in absolute terms and days on hand is primarily led by higher engineering projects due to new programmes under development for our OEMs.

### Inventories

Inventories represent the amount of raw material, work-in-progress and finished goods held by the company in normal course of business. Inventories are carried at the lower of the cost or net realisable value at the reporting date. These are net of impairment due to reduced market visibility or obsolescence. The Company had inventory for € 203 million and € 187 million as at March 31, 2018 and March 31, 2017 respectively. The inventory levels increased due to increased capacity & production levels and start-up of new plants. The inventories represented days on hand for 15 days as at March 31, 2018 which is consistent with days on hand of 15 days as at March 31, 2017.

### Payables

Payables comprise of trade payables and payables for capital goods. Trade Payables represents obligations to pay for goods or services that have been acquired in the ordinary course of business from the suppliers. Payable towards capital creditors represent current obligation to pay for machinery and other such items in the nature of capital expenditure and also payables for work done by third parties in relation to assets under construction. Payables are carried at their fair value. The above payables include accruals for which supplier invoices are yet to be received and are net of advances paid to suppliers for which performance obligation is yet to be fulfilled.

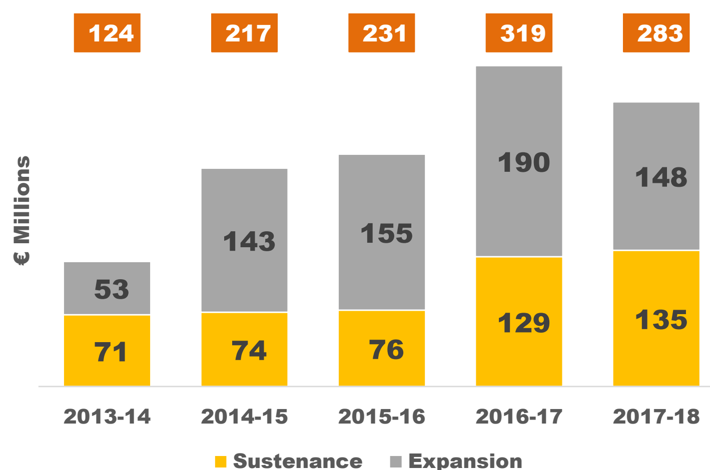
The Company had net payables for € 823 million and € 781 million as at March 31, 2018 and March 31, 2017 respectively. These represent days on hand for 59 days and 62 days respectively.

## CAPITAL EXPENDITURE

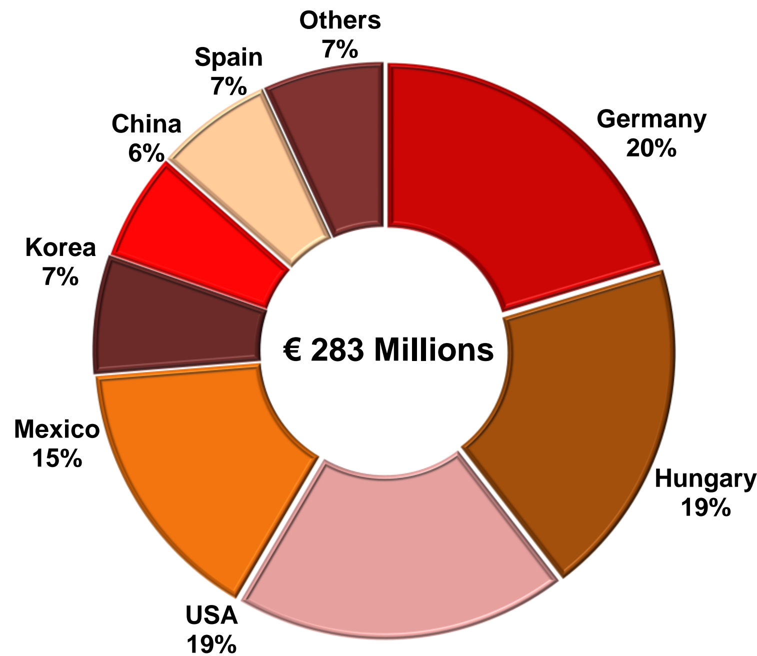
SMRP BV Group's growth strategy includes expanding operations in line with customers' growth and sales order book. The company is one of the few suppliers in its product segment with a global engineering & manufacturing footprint and this strong geographical diversification enables the company to capitalise on global growth opportunities while mitigating the impact of any regional demand fluctuations. The company continuously assess the need for setting up Greenfield plants or expand capacities in existing plants to cater to new platforms with existing/new customers.

SMRP BV Group is also focussed on improving the cost base by enhancing the vertical integration of the manufacturing operations. Capital expenditure is also incurred to upgrade or replace key machineries utilised in manufacturing & assembly process to increase production efficiencies. The establishment period for new manufacturing facilities typically ranges between 12 and 24 months. Such capital expenditure primarily relates to the building of new manufacturing plants or increasing the capacities in existing plants in response to new orders from our customers.

Substantial capex has been incurred in last 5 years to enhance the capabilities of the plants in both SMR & SMP. The Group has incurred about €1.2 billion in past five years, out of which almost 58% is incurred for capacity expansion and modernisation leading to global footprint expansion & increased vertical integration at its plants at Germany, Hungary, USA, Mexico, Spain, Korea, China & India.

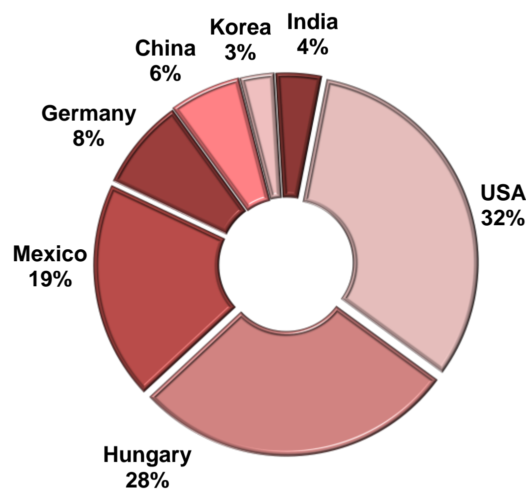



Capital Expenditure incurred during the fiscal year ended March 31, 2018 was € 283 million as depicted in below chart:




## UPDATE ON NEW FACILITIES

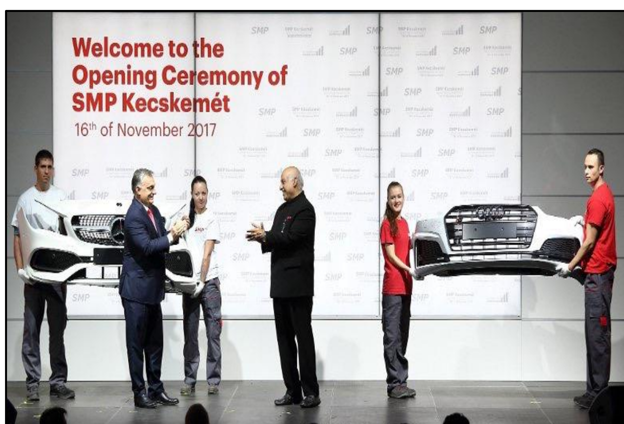
During the fiscal year ended March 31, 2018, approximately 52% of capital expenditure amounting to € 148 million was incurred on new facilities/expansion. As depicted by below chart, it is evident that SMRPBV is investing in most of the geographies led by Americas region followed by Europe and Asia Pacific region.



The status of new facilities is as under:

**SMP Tuscaloosa (USA), Greenfield plant :** SMP Tuscaloosa celebrated its grand opening on April 27th 2018 just 27 months after the ground breaking ceremony in February of 2016. During the 27 months SMP has constructed the facility and received all Tools, Injection Molding Presses and Secondary Equipment to Mold, Paint and Assemble Interior and Exterior series components. In addition to the Industrialization of the plant SMP Tuscaloosa has hired and trained 403 employees many of whom began with the company shortly after the ground breaking ceremony and have spent considerable time at other SMP facilities in Germany and Mexico training. The SMP team has completed the Prototype build phase and are currently conducting the Production Trials phase readying for the Start of series Production in October of 2018.

**SMP Kecskemét (Hungary), Greenfield plant :** SMP Kecskemét celebrated its grand opening November 16th 2017 just 24 months after the ground breaking ceremony in November of 2015. During the 24 months SMP has constructed the facility and received all Tools, Injection Molding Presses and Secondary Equipment to Mold, Exterior Paintshop, Slush and Foam Equipment for various customer projects. In addition to the Industrialization of the plant SMP Kecskemet has hired and trained 576 employees many of whom began with the company shortly after the ground breaking ceremony and have spent considerable time at other SMP facilities in Germany training. Since Q1 FY 2018, it starts the serial production of the Key Projects for various customers.

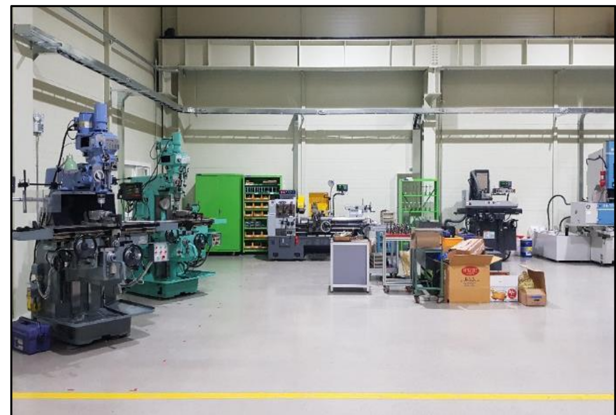


**SMP Neustadt (Germany), Expansion :** During the fiscal year ended March 31, 2018, SMP Neustadt started the expansion of its plant to focus on new projects. This expansion would be a further step to meet the growing customer requirements in the development of bumper systems to the point of production. It is scheduled to commence operations during Q3 2018-19.

**SMR Mosonszolnok (Hungary), Paintshop Expansion:** SMR has invested for expanding paint shop capacities at its Mosonszolnok facility in Hungary to support increasing volumes from customer for orders already booked and to further strengthen and improve excellence and efficiency levels of quality products supplied. This new fully automated robotic paint shop has been installed with offline programming cell, heat recovery system and 3 layer paint capacity of 150,000 pcs/week. This facility is supplying to all OEMs present in that region. The paint shop has started commercial production during Q1 2018-19.

**SMR Incheon (South Korea), Relocation of plant :** SMR has invested for relocating its facility from Bucheon to Incheon Bupyung area at South Korea. This strategic investment will support for expanding vertical integration capacities for key products like actuators, power fold and other mirror parts to support growing volumes globally at all facilities and address future business needs. This facility is equipped with state-of-the-art technology and all key processes in house. This new facility has started commercial production during Q4 2017-18.

**SMR Cheongju City (South Korea), Expansion/New Building :** SMR has built a new building at its existing facility at Cheongju City for expanding its current production capacities and create more room for future growth. This new facility has become operational during Q3 2017-18.



**SMR Yancheng (China), Brownfield expansion:** SMR has set up a new state of art facility at Yancheng, China for expanding vertical integration capacities for key products like actuators and side turn indicators to support volumes in that region. This facility is equipped with state-of-the-art technology and all key processes in house like injection molding, metalizing and welding assembly. This new facility has started commercial production during Q3 2017-18.

**SMR Chennai (India), Relocation & New Facilities**: SMR is setting up a new state of art facility at Chennai, India for expanding its production capacity and consolidating the existing operations in that region. The significant enhancement in manufacturing capacity will help to cater to the increasing volumes from customers for orders already booked as well as to support future business requirements. The new facility is planned to be equipped with fully automated robotic paint shop and all key process integrated in house including injection molding. The Company has also planned to make significant investments in setting up manufacturing facility for latest generation Glass Actuator to support the growing needs of Indian market. This new facility will be operational from Q4 2018-19.

## CASH FLOW

The following summarises cash flow information for the fiscal year ended March 31, 2018:

| Statement of Cash Flows (€ millions) | April 1, 2016 to March 31, 2017 | April 1, 2017 to March 31, 2018 |
|---|---|---|
| Cash flow from operating activities before changes in working capital and income tax | 356 | 388 |
| Changes in working capital | 26 | (59) |
| Income tax paid | (70) | (73) |
| **Cash flow from operating activities** | **312** | **256** |
| Purchase of property, plant and equipment (including Pre-Payments) | (243) | (345) |
| Others | 15 | (15) |
| **Cash flow from investing activities** | **(228)** | **(360)** |
| Proceeds from issue of bond | 352 | 292 |
| Repayment of bond | - | (500) |
| Net Proceeds/(Repayment) of borrowings (including finance leases) | (63) | 95 |
| Interest Paid | (40) | (50) |
| Others | (21) | (17) |
| **Cash flow from financing activities** | **228** | **(180)** |
| | | |
| **Net increase in cash and cash equivalents** | **312** | **(284)** |
| Cash and cash equivalents at the beginning of the period | 193 | 506 |
| Variation in cash and cash equivalents from translation in foreign currencies | 1 | (6) |
| **Cash and cash equivalents at the end of the period** | **506** | **216** |
| | | |

### Operating Activities

Net cash generated from operating activities for the fiscal year ended March 31, 2018 was € 257 million. Cash generated from operations before changes in working capital & income tax was € 388 million. This is primarily due to higher earnings before taxes and improved profitability of the business. However, cash outflow on working capital was € 59 million primarily due to increase in engineering trade receivables resulting from higher engineering projects to cater to new programmes under development for the OEMs. Income Tax payments of € 73 million were made during the fiscal year ended March 31, 2018.

### Investing Activities

Net cash flow utilised in investing activities during the fiscal year ended March 31, 2018 was € 360 million. This was primarily contributed by amount paid for purchase of property, plant & equipment (including advances) for € 345 million. This was primarily incurred for setting up of of two new plants in Tuscaloosa, U.S. and Kecskemét in Hungary as well as for the expansion of existing facilities in Mexico, Hungary, Germany, India, Korea and China.

### Financing Activities

Net cash flow utilised in financing activities for the fiscal year ended March 31, 2018 was € 181 million. This is mainly due to early redemption of € 500 million HY Bond which was partly offset by issuance of € 300 million HY Bond. Besides this the outflow on financing activities was also offset by proceeds from various working capital facilities utilised during the period. During the fiscal year ended March 31, 2018, interest payment on financial liabilities was € 50 million (including the redemption price on repayment of €500 Notes, see section "Financing Update") and € 17 million dividend were paid to non-controlling interest holders.

## FINANCING UPDATE

### Revolving Credit Facilities

On June 20, 2017 the Company entered into a new Revolving Credit Facilities Agreement ("RCF 2017") with various banks.

The RCF 2017 is guaranteed by the Company and certain of its subsidiaries, and will benefit from the same collaterals as all the existing Senior Secured Notes issued by the Company. The RCF 2017 establishes multi-currency revolving credit facilities for an aggregate principal amount of €480 million (subsequently increased to €500 million in July 2017) which will mature on the date falling four years from the issue date i.e. June 20, 2021.

The existing Revolving Credit Facility Agreement entered into on June 23, 2015 ("RCF 2015") for an aggregate principal amount of €350 million has been subsequently terminated on June 21, 2017.

### Issue of Senior Secured Notes

On July 06, 2017, the Company issued €300 million 1.8% Senior Secured Notes due 2024 (the "Notes") at 99.299% of the nominal value. The Notes carry coupon at a rate of 1.80% payable annually on 06 July each year and will mature on July 06, 2024. The Notes are listed on the Irish Stock Exchange and trade on the Global Exchange Market.

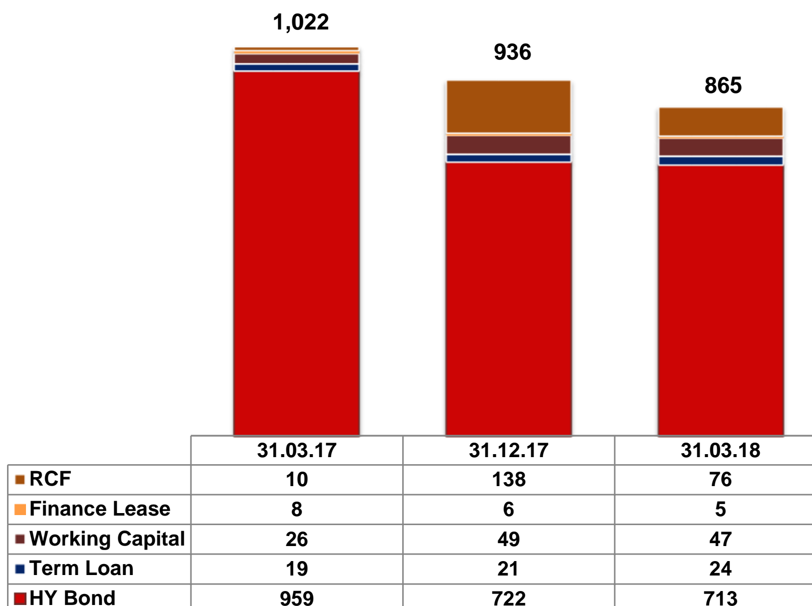
The entire proceeds from the issue of the Notes along with a portion of cash balance of the Company was utilized on July 06, 2017 to repay existing €500 million 4.125% Notes due 2021.

The €500 million Notes were repaid at a redemption price (excluding accrued interest) of 102.171% calculated in accordance with the terms of indenture for the said Notes.

## DEBT & CASH

### Gross Debt

Gross Debt as at March 31, 2018 was € 865 million against € 1,022 million as at March 31, 2017. Gross debt declined due to early repayment of € 500 million HY Bond in July 2017 which was partly offset by issuance of € 300 million HY Bond and utilisation of working capital and RCF facilities during the period. Break-up of Gross Debt into various facilities is as under:



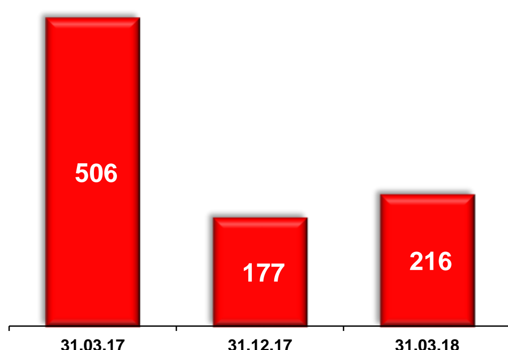

| | 31.03.17 | 31.12.17 | 31.03.18 |
|---|---|---|---|
| RCF | 10 | 138 | 76 |
| Finance Lease | 8 | 6 | 5 |
| Working Capital | 26 | 49 | 47 |
| Term Loan | 19 | 21 | 24 |
| HY Bond | 959 | 722 | 713 |

### Cash & Net Debt

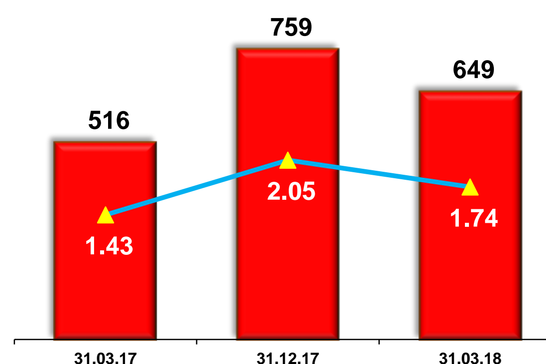
Cash and cash equivalent was € 216 million as at March 31, 2018 and € 506 million as at March 31, 2017. Cash balance decreased due to early repayment of € 500 million HY Bond and payments on account of capital expenditure as well as creditors and other working capital items.

Net Debt was € 649 million as on March 31, 2018 and € 516 million as on March 31, 2017. The increase in net debt is largely due to capital expenditure incurred in setting up of new facilities.

**Cash**
**(Euro in Millions)**




**Net debt & net leverage**
**(Euro in Million)**



## LIQUIDITY ANALYSIS

SMRP BV Group's liquidity requirements arise principally from operating activities, capital expenditure for new facilities, maintenance & expansion capital expenditure, short term investments in engineering projects for customer new product launches, repayment of borrowings and debt service obligations. Principal source of funding includes cash from operations, committed credit lines, short-term loans and overdraft facilities at some of the operating entities.

Cash generated from operating subsidiaries is utilised to finance growth within the operations of such subsidiary or is transferred to holding companies through the payment of dividends or inter-company loans. In most cases there are no significant obstacles or barriers for such transfer of funds but these are always subject to local jurisdictions at respective country.

As at March 31, 2018 SMRP BV Group had significant liquidity under committed revolver credit facilities as follows:

| € in Millions | Sanctioned Limit | Utilised as at March 31, 2018 | Liquidity Available |
|---|---|---|---|
| RCF (including Ancillary facility) ** | 500 | 76 | 424 |
| Cash and Cash Equivalents | | | 216 |
| **Total Liquidity Available** | | | **640** |

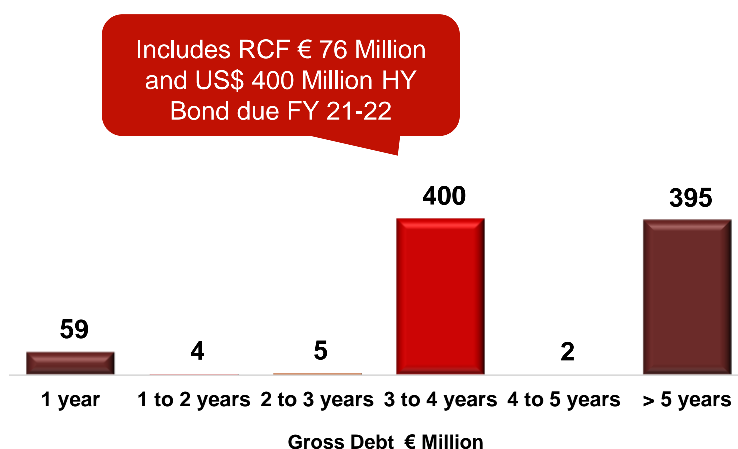
* Available liquidity subject to headroom under leverage ratios
** Earlier RCF facility of € 350 million was replaced with a new RCF facility

Status of leverage ratio as at March 31, 2018:

| Key Ratios# | Allowed | March 31, 2018 |
|---|---|---|
| Gross Leverage Ratio: Indenture | 3.50x | 2.31x |
| Net Leverage Ratio : RCF | 3.25x | 1.74x |

# Computed as per definitions given in Indenture & RCF agreements

SMRP BV Group's debt maturity profile as at March 31, 2018:




As can be seen from above maturity profile, there are no significant maturity in the next 3 years which is designed to support the growth of the company.

# Consolidated Financial Statements

For the year ended March 31, 2018

## A.1 Consolidated Statement of Financial Position

| | Note | March 31, 2018 | March 31, 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| Property, plant and equipment | **A.6.3.2** | 1,226,709 | 1,139,428 |
| Intangible assets | **A.6.3.3** | 26,672 | 29,106 |
| Investment properties | **A.6.3.4** | 11,728 | 10,466 |
| Investments accounted for using the equity method | **A.6.3.5** | 28,243 | 17,916 |
| Other financial instruments | **A.6.3.6** | - | 3,503 |
| Trade and other receivables | **A.6.3.7** | 156,483 | 114,115 |
| Investments in other entities | | 27,698 | 6,195 |
| Deferred tax assets | **A.6.5** | 41,559 | 39,496 |
| **Total non-current assets** | | **1,519,092** | **1,360,225** |
| | | | |
| Inventories | **A.6.3.8** | 203,192 | 186,649 |
| Trade receivables | **A.6.3.7** | 358,675 | 365,459 |
| Current tax assets | | 12,068 | 3,741 |
| Other financial instruments | **A.6.3.6** | 2,048 | 719 |
| Other receivables | **A.6.3.7** | 497,193 | 395,807 |
| Cash and cash equivalents | **A.6.3.9** | 215,640 | 506,048 |
| **Total current assets** | | **1,288,816** | **1,458,423** |
| **Total assets** | | **2,807,908** | **2,818,648** |
| **EQUITY AND LIABILITIES** | | | |
| Shareholder's equity | **A.5** | 548,059 | 484,707 |
| Non-controlling interests | **A.5** | 106,375 | 99,869 |
| **Total equity** | | **654,434** | **584,576** |
| | | | |
| Borrowings | **A.6.3.10** | 729,441 | 980,116 |
| Employee benefit obligations | **A.6.3.11** | 12,611 | 12,767 |
| Provisions | **A.6.3.12** | 3,965 | 2,515 |
| Other financial instruments | **A.6.3.6** | 28,065 | 151 |
| Other liabilities | **A.6.3.13** | 59,583 | 42,252 |
| Deferred tax liabilities | **A.6.5** | 57,662 | 51,797 |
| **Total non-current liabilities** | | **891,327** | **1,089,598** |
| | | | |
| Trade payables | | 828,603 | 801,199 |
| Provisions | **A.6.3.12** | 16,953 | 20,287 |
| Borrowings | **A.6.3.10** | 134,625 | 41,762 |
| Liabilities to related parties | | 27,579 | 25,256 |
| Other financial instruments | **A.6.3.6** | 88 | 961 |
| Current tax liabilities | | 19,462 | 15,208 |
| Other liabilities | **A.6.3.13** | 234,837 | 239,801 |
| **Total current liabilities** | | **1,262,147** | **1,144,474** |
| **Total liabilities** | | **2,153,474** | **2,234,072** |
| **Total equity and liabilities** | | **2,807,908** | **2,818,648** |

The notes on pages 56 to 137 are an integral part of these consolidated financial statements.

## A.2 Consolidated Income Statement

| | Notes | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|---|
| | | | |
| **Revenue** | **A.6.4.1** | 5,024,428 | 4,559,347 |
| Changes in inventories | **A.6.4.2** | 4,813 | (1,304) |
| Other operating income | **A.6.4.3** | 40,262 | 45,539 |
| Cost of materials | | (3,220,681) | (2,925,768) |
| Personnel expenses | **A.6.4.4** | (975,283) | (885,566) |
| Depreciation and amortization | **A.6.4.5** | (122,829) | (117,891) |
| Other operating expenses | **A.6.4.6** | (495,309) | (430,741) |
| **Result from operating activities** | | **255,401** | **243,616** |
| | | | |
| Finance income | **A.6.4.7** | 2,286 | 3,237 |
| Finance costs | **A.6.4.7** | (61,785) | (48,145) |
| **Earnings before taxes and share of net profit/(loss) of associates and joint ventures** | | **195,902** | **198,708** |
| | | | |
| Share of net profit of associates and joint ventures accounted for under the equity method | **A.6.4.8** | 13,083 | 14,631 |
| **Earnings before taxes (EBT)** | | **208,985** | **213,339** |
| | | | |
| Income tax expense | **A.6.5** | (70,620) | (66,150) |
| **Profit for the year** | | **138,365** | **147,189** |
| | | | |
| **Profit is attributable to:** | | | |
| Equity holders of the group | | 108,643 | 127,054 |
| Non-controlling interests | | 29,722 | 20,135 |
| **Profit for the year** | | **138,365** | **147,189** |

The notes on pages 56 to 137 are an integral part of these consolidated financial statements.

## A.3 Consolidated Statement of Comprehensive Income

| | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| | | |
| **Profit for the year:** | **138,365** | **147,189** |
| | | |
| **Other comprehensive income:** | **(50,654)** | **29,523** |
| | | |
| ***Items that will not be reclassified to profit or loss*** | | |
| Remeasurements of post-employment benefit obligations | 25 | (564) |
| Income tax relating to these items | 8 | 95 |
| | | |
| ***Items that may be subsequently classified to profit or loss*** | | |
| Cash flow hedges | (3,595) | (2,658) |
| Changes in the fair value of available for sale financial assets | (370) | - |
| Exchange differences on translation of foreign operations | (46,722) | 32,650 |
| **Total comprehensive income for the year** | **87,111** | **176,712** |
| | | |
| **Total comprehensive income is attributable to:** | | |
| Equity holders of the group | 63,565 | 154,938 |
| Non-controlling interests | 24,146 | 21,774 |
| | **87,711** | **176,712** |

The notes on pages 56 to 137 are an integral part of these consolidated financial statements.

## A.4 Consolidated Cash Flow Statement

| | Note | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Profit for the year before tax** | **A.2** | **208,985** | **213,339** |
| **Adjustments for:** | | | |
| Depreciation and amortization | **A.6.4.5** | 122,829 | 117,891 |
| Gain on step-up of previously held equity interest in joint venture | **A.6.4.3** | - | (6,340) |
| (Gain) / loss from the sale of property, plant and equipment | | 3,265 | 950 |
| Finance costs – net (excluding foreign exchange loss) | | 56,072 | 45,136 |
| Share of profits of JV and associates accounted for using equity method | **A.6.4.8** | (13,083) | (14,631) |
| Reversal / addition of bad debt allowances, provisions and other items | | 1,553 | (3,528) |
| Unrealized foreign exchange (gain)/loss | | 8,570 | 3,313 |
| **Cash flows from operations before working capital** | | **388,191** | **356,130** |
| | | | |
| **Working capital changes** | | | |
| | | | |
| (Increase) / decrease in inventories | | (25,136) | (12,975) |
| (Increase) / decrease in trade receivables | | (27,521) | (68,858) |
| (Increase) / decrease in other receivables | | (132,443) | (102,719) |
| Increase / (decrease) in trade payables | | 110,433 | 135,071 |
| Increase / (decrease) in provisions | | (1,459) | 1,503 |
| Increase / (decrease) in other liabilities | | 17,138 | 73,282 |
| **Cash flows from operating activities before income** | | **329,203** | **381,434** |
| Income taxes paid | | (72,566) | (69,565) |
| **Cash flows from operating activities (A)** | | **256,637** | **311,869** |
| | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payments for property, plant & equipment (including advances) | | (343,963) | (239,435) |
| Payments for intangible assets | | (6,076) | (3,542) |
| Proceeds from sale of property, plant and equipment | | 5,347 | 4,202 |
| Payments for purchase of investments | | (21,873) | (1,422) |
| Dividends received from joint ventures | | 4,649 | 8,780 |
| Payment for acquisition of subsidiaries, net of cash | | - | 873 |
| Interest received | | 2,286 | 3,009 |
| **Cash flows from investing activities (B)** | | **(359,630)** | **(227,535)** |
| | | | |

| | Note | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Dividends paid to non-controlling interest in subsidiaries | | (17,383) | (11,739) |
| Finance lease payments | **A.6.3.10** | (2,934) | (7,413) |
| Proceeds from borrowings | **A.6.3.10** | 299,501 | 353,928 |
| Repayment of borrowings (net) | **A.6.3.10** | (410,114) | (57,021) |
| Interest paid | | (50,168) | (39,928) |
| Acquisition of non-controlling interests | | - | (9,219) |
| **Cash flows from financing activities (C)** | | **(181,098)** | **228,608** |
| | | | |
| **Net increase (decrease) in cash and cash equivalents (A+B+C)** | | (284,091) | 312,942 |
| Cash and cash equivalents at beginning of the financial year | | 506,048 | 192,518 |
| Effects of exchange rate changes on cash and cash equivalents | | (6,317) | 588 |
| **Cash and cash equivalents at the end of year** | **A.6.3.9** | **215,640** | **506,048** |

The notes on pages 56 to 137 are an integral part of these consolidated financial statements.

## A.5 Consolidated Statement of Changes in Equity

| | Attributable to owners of the parent | | | | | | | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | Subscribed capital | Share premium | Currency translation reserve | Retained earnings | Other reserves | Merger reserve | Total | | |
| **As at April 01, 2016** | **66** | **900,910** | **(4,139)** | **159,196** | **-** | **(722,686)** | **333,347** | **70,795** | **404,142** |
| **Total comprehensive income** | | | | | | | | | |
| Profit for the year | - | - | - | 127,054 | **-** | **-** | **127,054** | 20,135 | **147,189** |
| **Other comprehensive income** | | | | | | | | | |
| **Items that may be subsequently classified to profit or loss** | | | | | | | | | |
| Cash flow hedges | - | - | - | - | (2,658) | **-** | **(2,658)** | - | **(2,658)** |
| Exchange differences on translation of foreign operations | - | - | 30,935 | - | **-** | **-** | **30,935** | 1,715 | **32,650** |
| **Items that will not be reclassified to profit or loss** | | | | | | **-** | | | |
| Remeasurements of post-employment benefit obligations | - | - | - | (450) | **-** | **-** | **(450)** | (114) | **(564)** |
| Income tax relating to these items | - | - | - | 56 | **-** | **-** | **56** | 39 | **95** |
| **Total other comprehensive income** | **-** | **-** | **30,935** | **(394)** | **(2,658)** | **-** | **27,883** | **1,640** | **29,523** |
| **Total comprehensive income** | **-** | **-** | **30,935** | **126,660** | **(2,658)** | **-** | **154,937** | **21,775** | **176,712** |
| **Transactions with owners** | | | | | | | | | |
| Changes due to business combination | - | - | - | - | **-** | **-** | **-** | 24,935 | **24,935** |
| Buy-out of non-controlling interests | - | - | - | (3,456) | **-** | **-** | **(3,456)** | (5,764) | **(9,220)** |
| Others | - | - | - | (121) | **-** | **-** | **(121)** | (133) | **(254)** |
| Dividend distribution to non-controlling interests | - | - | - | - | **-** | **-** | **-** | (11,739) | **(11,739)** |
| **Total transactions with owners** | **-** | **-** | **-** | **(3,577)** | **-** | **-** | **(3,577)** | **7,299** | **3,722** |
| **As at March 31, 2017** | **66** | **900,910** | **26,796** | **282,279** | **(2,658)** | **(722,686)** | **484,707** | **99,869** | **584,576** |

| | Attributable to owners of the parent | | | | | | | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | Subscribed capital | Share premium | Currency translation reserve | Retained earnings | Other reserves | Merger reserve | Total | | |
| **As at April 01, 2017** | **66** | **900,910** | **26,796** | **282,279** | **(2,658)** | **(722,686)** | **484,707** | **99,869** | **584,576** |
| **Total comprehensive income** | | | | | | | | | |
| Profit for the year | - | - | - | 108,643 | - | - | **108,643** | 29,722 | **138,365** |
| **Other comprehensive income** | | | | | | | | | |
| **Items that may be subsequently classified to profit or loss** | | | | | | | | | |
| Cash flow hedges | - | - | - | - | (3,605) | - | **(3,605)** | 10 | **(3,595)** |
| Exchange differences on translation of foreign operations | - | - | (41,155) | - | - | - | **(41,155)** | (5,567) | **(46,722)** |
| Changes in the fair value of available-for-sale financial assets | - | - | - | - | (364) | - | **(364)** | (6) | **(370)** |
| **Items that will not be reclassified to profit or loss** | | | | | | | | | |
| Remeasurements of post-employment benefit obligations | - | - | - | 45 | - | - | **45** | (20) | **25** |
| Income tax relating to these items | - | - | - | 1 | - | - | **1** | 7 | **8** |
| **Total other comprehensive income** | **-** | **-** | **(41,155)** | **46** | **(3,969)** | **-** | **(45,078)** | **(5,576)** | **(50,654)** |
| **Total comprehensive income** | **-** | **-** | **(41,155)** | **108,689** | **(3,969)** | **-** | **63,565** | **24,146** | **87,711** |
| **Transactions with owners** | | | | | | | | | |
| Others | - | - | - | (344) | 131 | - | **(213)** | (257) | **(470)** |
| Dividend distribution to non-controlling interests | - | - | - | - | - | - | **-** | (17,383) | **(17,383)** |
| **Total transactions with owners** | **-** | **-** | **-** | **(344)** | **131** | **-** | **(213)** | **(17,640)** | **(17,853)** |
| **As at March 31, 2018** | **66** | **900,910** | **(14,359)** | **390,624** | **(6,496)** | **(722,686)** | **548,059** | **106,375** | **654,434** |

For description on various components of the equity, please refer to note A.6.3.14.

The notes on pages 56 to 137 are an integral part of these consolidated financial statements.

# A.6. Notes to the Consolidated Financial Statements

## A.6.1 General information and description of the business

These consolidated financial statements comprise of Samvardhana Motherson Automotive Systems Group BV (SMRP BV) and its subsidiaries (hereinafter referred to as "SMRP BV Group" or "the Group") for the year ended March 31, 2018. A list of subsidiaries consolidated is in Note A.6.2.3. Motherson Sumi Systems Limited ("MSSL") is the ultimate parent of SMRP BV Group.

Samvardhana Motherson Automotive Systems Group BV, Amsterdam (hereafter referred as "Company" or "SMRP BV") is a private company with limited liability, incorporated under the laws of the Netherlands on 7 October 2011, having its corporate seat at Amsterdam (KvK number 53709713), with office at Hoogoorddreef 15, 1101 BA Amsterdam, The Netherlands.

These consolidated financial statements have been authorised for issuance by SMRP BV's management and supervisory board on May 24, 2018. The shareholders have the power to amend and reissue the financial statements.

**SMR Group**
On March 6, 2009 Samvardhana Motherson Reflectec Group Holdings Limited acquired the Visiocorp Group.

SMR Group produces a wide range of rear view vision systems primarily for light vehicles. It has production facilities and engineering centres in 16 countries across the globe.

**SMP Group**
SMRP BV acquired the Peguform Group on November 23, 2011.

SMP Group produce various polymer-based interior and exterior products for light vehicles. SMP's product portfolio is primarily comprised of complete modules, including door panels, instrument panels and bumpers as well as other plastic components and systems, such as centre consoles, decorative interior trims and plastic body parts. It has production facilities and engineering centres in 9 countries across the globe.

## A.6.2 Summary of Significant Accounting Policies

### A.6.2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared for the financial year beginning April 01, 2017 and ended on March 31, 2018.

The Consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code, as far as applicable.

The consolidated financial statements have been prepared under the historical cost convention except for available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand (€000), except when otherwise indicated.

During the year ended March 31, 2018 the management revisited the existing disclosure on segment information and evaluated that the management reviews performance of SMR and SMP business separately from the results of Motherson Innovations and other support functions and therefore the management decided to present performance and assets, liabilities of SMR and SMP segment separately from the results of Motherson Innovations and other support functions to provide a better view on operational performance of these segments. Since until the financial year ended March 31, 2017 segment disclosures for SMR and SMP segments were presented including these functions, the comparatives for March 31, 2017 have been restated to reflect this change.

Previous year figures have been regrouped or reclassified at some places to ensure consistency with current year classifications.

### A.6.2.2 Currency translation

#### A.6.2.2.1 Transactions in foreign currencies

All transactions are recorded in the functional currency of the principal operating environment in which each Group company operates. The Consolidated financial statements are presented in 'euro', which is also the parent company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the rate prevailing on this date. Differences from foreign currency transactions and foreign currency monetary assets and liabilities are reported in the income statement as finance income or finance cost if they relate to borrowings, interest thereon and cash, differences from other foreign currency transactions are reported as either other income or other expenses as the case may be. Non-monetary assets and liabilities that are measured at historical cost in foreign currencies at the reporting date are translated into the functional currency at the rate prevailing on the day of the transaction. Non-monetary assets and liabilities that are measured at fair value in foreign currencies at the reporting

date are translated into the functional currency at the rate prevailing on the date on which the fair value was determined.

### A.6.2.2.2 Annual financial statements of foreign operations

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

The exchange rates of currencies of non-Euro zone countries used for the consolidated financial statements are listed below (expressed in foreign currency units per Euro):

| | | Closing rates | | Average rates | |
|---|---|---|---|---|---|
| | | March 31, 2018 | March 31, 2017 | March 31, 2018 | March 31, 2017 |
| Brazilian Real | BRL | 4.07 | 3.33 | 3.77 | 3.62 |
| Mexican Peso | MXN | 22.36 | 19.93 | 21.67 | 21.09 |
| Chinese Yuan | CNY | 7.73 | 7.33 | 7.74 | 7.38 |
| US Dollar | USD | 1.23 | 1.06 | 1.17 | 1.10 |
| Great British Pound | GBP | 0.88 | 0.85 | 0.88 | 0.84 |
| Korean Won | KRW | 1,306.33 | 1,189.12 | 1,297.77 | 1,258.61 |
| Indian Rupee | INR | 80.30 | 69.05 | 75.45 | 73.56 |
| Thai Bhat | THB | 38.40 | 36.57 | 38.61 | 38.55 |
| Hungarian Forint | HUF | 312.35 | 308.34 | 309.50 | 310.30 |
| Japanese Yen | JPY | 130.92 | 118.61 | 129.65 | 118.77 |
| Australian Dollar | AUD | 1.60 | 1.40 | 1.51 | 1.46 |

## A.6.2.3 Principles of consolidation

### Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

### Joint ventures

Joint ventures are companies over which the Group holds joint control as a result of contractual agreements.

The group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

### Interest in associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of 20% to 50% of the voting rights. Investments in associate are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

### Equity Method

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in the associate/joint venture equals or exceeds its interest in the associate/joint venture, including any other long-term receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate/joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate/joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate/joint ventures and its carrying value and recognizes the amount of impairment adjacent to share of profit/(loss) of an associate/joint ventures in the income statement.

Accounting policies of the associates/joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates/joint ventures are recognized in the income statement.

**Elimination of business transactions in the course of consolidation**
Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated.

Profits and losses resulting from unrealised upstream and downstream transactions between the Group and its associate / joint ventures are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates / joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Unrealised gains or losses from business transactions with joint ventures accounted for using the equity method have been eliminated from the investments in accordance with the amount of the holding.

**Business combinations**
The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred in a business combination is measure at fair value and comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.
Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of acquisition. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IAS 39. Other contingent consideration that is not within the scope of IAS 39 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The consolidated financial statements of the Group include:

## SMR Group

SMR Group comprises the subsidiaries as disclosed below:

| Entity name | Country | Capital share | Minority shares | Voting rights |
|---|---|---|---|---|
| Samvardhana Motherson Reflectec Group Holdings Limited {SMRGHL} | Jersey | 98.45% | 1.45% | 98.45% |
| Samvardhana Motherson Innovative Autosystems Holding Company B.V. (held by SMRGHL) | Netherlands | 100% | - | 100% |
| Samvardhana Motherson Innovative Autosystems de Mexico, S.A. de C.V. (held by SMRGHL) | Mexico | 100% | - | 100% |
| Samvardhana Motherson Global (FZE) (held by SMRGHL) | UAE | 100% | - | 100% |
| SMR Automotive Mirror Technology Hungary Bt (held by SMRGHL) | Hungary | 100% | - | 100% |
| Motherson Innovations Company Limited (held by SMRGHL) {MI UK} | UK | 100% | - | 100% |
| SMR Automotive Holding Hong Kong Limited (held by SMRGHL) {SMR Hong Kong} | Hong Kong | 100% | - | 100% |
| Samvardhana Automotive Technology Holding Cyprus Limited (held by SMRGHL) {SMR Cyprus} | Cyprus | 100% | - | 100% |
| SMR Automotive Systems India Limited (held by SMR Cyprus) | India | 51% | 49% | 51% |
| SMR Automotive Systems France S. A. (held by SMR Cyprus) | France | 100% | - | 100% |
| SMR Automotive System (Thailand) Limited (held by SMR Cyprus) | Thailand | 100% | - | 100% |
| SMR Automotive Mirror Technology Holding Hungary Kft (held by SMR Cyprus) {SMR Hungary Kft} | Hungary | 100% | - | 100% |
| SMR Automotive Brasil LTDA (held by SMR Hungary Kft) | Brazil | 100% | - | 100% |
| SMR Holding Australia Pty Limited (held by SMR Hungary Kft) {SMR Australia} | Australia | 100% | - | 100% |
| SMR Automotives Systems Macedonia Dooel Skopje (held by SMR Hungary Kft) | Macedonia | 100% | - | 100% |
| SMR Automotive Operations Japan K.K. (held by SMR Hungary Kft) | Japan | 100% | - | 100% |
| SMR Automotive Australia Pty Limited (held by SMR Australia) | Australia | 100% | - | 100% |
| SMR Automotive Mirror Parts and Holdings UK Limited (held by SMRGHL) {SMR UK} | UK | 100% | - | 100% |
| SMR Patents S.A.R.L. (held by SMR Holding UK) | Luxemburg | 100% | - | 100% |
| SMR Automotive Technology Valencia SAU (held by SMR Holding UK) | Spain | 100% | - | 100% |
| SMR Automotive Mirrors UK Limited (held by SMR Holding UK) | UK | 100% | - | 100% |
| SMR Automotive Services UK Limited (held by SMR Holding UK, liquidated March 05, 2015) | UK | 100% | - | 100% |
| SMR Automotive Vision System Operations USA INC. (held by SMR Holding UK) {SMR USA} | USA | 100% | - | 100% |
| SMR Automotive Mirror Systems Holding Deutschland GmbH (held by SMR Holding UK) {SMR Holding Deutschland} | Germany | 100% | - | 100% |

| | | | | |
|---|---|---|---|---|
| SMR Mirrors UK Limited (held by SMR USA) {SMR UK} | UK | 100% | - | 100% |
| SMR Automotive Mirror International USA Inc. (held by SMR UK) {SMR International USA} | USA | 100% | - | 100% |
| SMR Automotive Systems USA Inc. (held by SMR International USA) | USA | 100% | - | 100% |
| SMP Automotive Systems Alabama Inc. (held by SMR International USA) | USA | 100% | - | 100% |
| SMR Automotive Beijing Company Limited (held by SMR Hong Kong) | China | 100% | - | 100% |
| SMR Automotive Yancheng Company Limited (held by SMR Hong Kong) | China | 100% | - | 100% |
| SMR Automotive Modules Korea Limited (held by SMR Holding Deutschland) {SMR Korea}* *(earlier known as SMR Poong Jeong Automotive Mirrors Korea Limited)* | South Korea | 100% | - | 100% |
| SMR Hyosang Automotive Limited (held by SMR Korea) | South Korea | 100% | - | 100% |
| SMR Automotive (Langfang) Co. Limited (held by SMR Korea) | China | 100% | - | 100% |
| SMR Automotive Beteiligungen Deutschland GmbH (held by SMR Holding Deutschland) | Germany | 100% | - | 100% |
| SMR Automotive Mirrors Stuttgart GmbH (held by SMR Holding Deutschland) {SMR Stuttgart} | Germany | 100% | - | 100% |
| SMR Grundbesitz GmbH & Co KG (held by SMR Holding Deutschland) | Germany | 93.07% | 6.93% | 93.07% |
| SMR Automotive Systems Spain S.A.U. (held by SMR Stuttgart) | Spain | 100% | - | 100% |
| SMR Automotive Vision Systems Mexico S.A. de C.V. (held by SMR Stuttgart) {SMR Mexico} | Mexico | 100% | - | 100% |
| SMR Automotive Servicios Mexico S.A. de C.V. (held by SMR Mexico) | Mexico | 99.99% | 0.01% | 99.99% |
| Motherson Innovations Deutschland GmbH (held by MI UK) | Germany | 100% | - | 100% |
| SMR Automotive Industries Rus Limited Liability Company (held by SMR Hungary Kft) {w.e.f. October 2016} | Russia | 100% | - | 100% |

* Minority interest of 10.14% bought back during May 2016.

SMR Group comprises joint ventures and associates as disclosed below:

| Entity name | Nature | Country | Capital share |
|---|---|---|---|
| Ningbo SMR Huaxiang Automotive Mirrors Co. Limited | Joint venture | China | 50% |
| Chongqing SMR Huaxiang Automotive Products Limited | Joint Venture | China | 50% |
| Re-Time Pty Limited | Associate | Australia | 35% |

## SMP Group

SMP Group comprises the subsidiaries as disclosed below:

| Entity Name | Country | Capital share | Minority shares | Voting rights |
|---|---|---|---|---|
| Samvardhana Motherson Peguform GmbH {SMP GmbH} | Germany | 100% | - | 100% |
| SMP Automotive Technology Ibérica, S.L. {SMP Iberica} | Spain | 100% | - | 100% |
| SMP Automotive Interiors (Beijing) Co. Ltd | China | 100% | - | 100% |
| SMP Automotive Exterior GmbH (held by SMP GmbH) {SMP AE} | Germany | 100% | - | 100% |
| SMP Deutschland GmbH (held by SMP GmbH) {SMP Deutschland} | Germany | 94.80% | 5.20% | 94.80% |
| Samvardhana Motherson Innovative Autosystems B.V. & Co. KG (held by SMP GmbH) | Germany | 100% | - | 100% |
| SMP Logistik Service GmbH (held by SMP Deutschland) | Germany | 100% | - | 100% |
| SMP Automotive Solutions Slovakia s.r.o. (held by SMP Deutschland) | Slovakia | 100% | - | 100% |
| Changchun Peguform Automotive Plastics Technology Ltd. (held by SMP Deutschland) {CPAT} | China | 50% | 50% | 50%+1* |
| SMP Automotive Technology Management Services (Changchun) Co. Ltd. (held by SMP Deutschland) | China | 100% | - | 100% |
| Foshan Peguform Automotive Plastics Technology Co. Ltd. (held by CPAT) | China | 100% | - | 100% |
| Shenyang SMP Automotive Plastic Components Co. Ltd. (held by CPAT) {w.e.f. 22 August 2017} | China | 100% | - | 100% |
| Tianjin SMP Automotive Components Co. Ltd. (held by CPAT) {w.e.f. 06 March 2018} | China | 100% | - | 100% |
| Samvardhana Motherson Peguform Automotive Technology Portugal, S.A. (held by SMP Iberica) | Portugal | 100% | - | 100% |
| SMP Automotive Technologies Teruel, S.L. (held by SMP Iberica) {SMP Teruel} | Spain | 100% | - | 100% |
| Samvardhana Motherson Peguform Barcelona, S.L.U. (held by SMP Iberica) {SMP Barcelona} | Spain | 100% | - | 100% |
| SMP Automotive Produtos Automotivos do Brasil Ltda (held by SMP Teruel) | Brazil | 100% | - | 100%-1 |
| SMP Automotive Systems México, S. A. de C. V. (held by SMP Barcelona) | Mexico | 100% | - | 100%-1 |
| SM Real Estate GmbH (held by SMP AE) | Germany | 94.80% | 5.20% | 94.80% |
| Celulosa Fabril (Cefa) S.A.** (held by SMP Iberica) {CEFA} | Spain | 50% | 50% | 50%** |
| Modulos Ribera Alto S.LU.** (held by CEFA) {MRA} | Spain | 100% | - | 100% |
| Motherson Innovations Lights GmbH & Co. KG (held by SMP GmbH) {MIL} | Germany | 100% | - | 100% |
| Motherson Innovations Lights Verwaltungs GmbH (held by MIL) | Germany | 100% | - | 100% |

*SMP Deutschland GmbH has 50% of the voting rights plus one additional vote.

** Treated as a subsidiary w.e.f. December 20, 2016 on gaining majority representation in the board of directors

SMP Group comprises joint ventures as disclosed below:

| Entity Name | Nature | Country | Capital share |
|---|---|---|---|
| Celulosa Fabril (Cefa) S.A.*** | Joint venture | Spain | 50% |
| Modulos Ribera Alto S.LU.*** | Joint venture | Spain | 50% |
| Eissmann SMP Automotive Interieur Slovensko s.r.o. | Associate | Slovakia | 49% |

*** till December 19, 2016

Capital shares mentioned represent shareholding by the immediate parent of the entity and does not represent effective shareholding by the Group.

## A.6.2.4 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets with a finite useful life are carried at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement.

Goodwill is measured as described in note A.6.2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

**Research and development costs**

Research costs are expensed as incurred. Development expenditure on an individual project is capitalised if it meets the definition of an intangible asset. Costs not eligible for capitalisation are expensed and disclosed under "Research and development costs" in the income statement.

The intangible assets are amortised on a straight-line basis over their useful lives, beginning at the time the asset is first used and ending after a length of time usual for the asset in operation. The uniform useful lives applied within the Group are as follows:

| ***Description*** | ***Useful life (in years)*** |
|---|---|
| Concessions, intellectual property, software and similar rights | 1-3 |
| Contracts with customers | 3-11 |
| Patents & Technologies | 5-13 |

The useful life of customer contracts, engineering contracts as well as technology is the result of the analyses and average useful life of the contracts.
The amortisation methods, the usual useful lives and the residual values are checked annually.

## A.6.2.5 Property, plant and equipment

### A.6.2.5.1 Own assets

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

### A.6.2.5.2 Leased assets

Leasing agreements in which the Group has essentially assumed all risks and rewards incidental to ownership are classified as finance leases. A property acquired under finance lease needs to be capitalized at the lower of its fair value or the present value of the minimum lease payments at the beginning of the lease period. Asset acquired under finance lease is depreciated over shorter of its useful life and lease term (provided that there is no transfer of the assets at the end of the lease term) or the estimated useful life (see A.6.2.5.3). Impairments are performed as necessary (see A.6.2.7).

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

### A.6.2.5.3 Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

| *Description* | *Useful life (in years)* |
|---|---|
| Buildings | 40 – 50 |
| Machinery and other technical facilities | 10 -15 |
| Tooling | 1-7 |
| Other plant and office equipment | 5 – 15 |

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. No depreciation is charged on land.

## A.6.2.6 Investment Properties

Investment properties are stated at cost less accumulated depreciation and impairment. Transaction costs are included on initial measurement. The residual values, useful lives and methods of depreciation of Investment properties are reviewed at each financial year end and adjusted prospectively, if appropriate. The fair values of investment properties are disclosed in the notes. These are assessed using internationally accepted valuation methods. The fair values are calculated based on the income method and are supported by the results of the sales comparison method which compares a subject property's characteristics with those of comparable properties which have recently sold in similar transactions and uses multiples to calculate the fair value. Comparable characteristics that are used for the multiples are the construction level and the specific rent level. Depreciation is provided on investment property other than land, on a straight-line basis over the expected useful life which is 30 years.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

## A.6.2.7 Impairment of non-current assets

Assets that are subject to depreciation/amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable (see A.6.2.7.1).

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units), generally individual business units. Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Impairment is recognised if the carrying value of an asset or its cash-generating unit exceeds the recoverable amount. Impairments are reported in the income statement.

The Group performed reviews at the reporting date to determine whether there were indications that assets or their cash-generating units have to be impaired.

The triggering event for the impairment of technology could also be a budget that causes revenues to be reduced in the future or material changes in determination of royalty rate.

The triggering event for the impairment of patent and intellectual property is change in future economic benefits embodied in the asset. Refer Note A.6.2.4 for more details on impairment of intangible assets.

### A.6.2.7.1 Recoverable amounts

The recoverable amount of an asset or a cash-generating unit is the higher of fair value less costs of disposal and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For assets that primarily do not generate independent cash flows, the recoverable amount was determined for the cash-generating units to which these assets belonged.

#### A.6.2.7.2 Impairment reversals

In case events which caused impairment initially ceases to exist, impairments are only reversed to the extent that increased carrying amount of the asset does not exceed the carrying amount that would have been in place had there no impairment been carried out in the first place, taking into account the normal depreciation/amortization.

### A.6.2.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets can be placed into one of four categories according to their intended purpose: financial assets measured at fair value through profit or loss, financial assets held to maturity, loans and receivables, financial assets available for sale.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

Financial instruments include primary financial instruments such as receivables and trade liabilities, securities, debt instruments and other financial liabilities. They also include derivative financial instruments used to hedge against risks arising from changes in exchange rates and interest rates.

**Recognition and measurement**
Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'Gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of finance income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the group's right to receive payments is established.

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to the initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Financial liabilities with fixed or determinable payments that are neither debt instruments nor derivative financial instruments listed on an active market are reported in the statement of financial position under other liabilities at amortised cost.

A financial asset is derecognised in the following circumstances:

- The group transfers the contractual rights to receive the cash flow it generates have expired or have been transferred, and
- The group has transferred substantially all the risk and rewards of the ownership.

As at March 31, 2018, the Group had an amount of € 329.1 million (March 31, 2017: € 272.5 million) of receivables derecognised from its balance sheet as the Group had transferred the contractual right and has substantially transferred all risks and rewards of ownership of these receivables to various financial institutions.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

**Offsetting financial instruments**
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of The Group or the counterparty.

### A.6.2.8.1 Classification of financial assets

Primary financial instruments are allocated to one of four categories according to their intended purpose. This allocation is re-assessed at each reporting date and it is determined whether the asset is to be reported as current or non-current.

a. Financial assets carried at fair value through profit or losses are initially recognised at fair value, and transaction costs are expensed in the income statement. Changes in the fair value of financial assets measured at fair value – either because they have been designated as such upon initial recognition or are held for trading – are recognised directly in the income statement. They are also reported as current assets if they are being held for trading or it can be reasonably expected that they will be converted within twelve months from the reporting date.

b. Financial assets held to maturity are initially recognised at fair value plus transaction costs. Financial assets held to maturity which exhibit fixed or determinable payments and a fixed maturity period, and which the Group wishes and is able to hold until maturity are measured at amortised cost and reported depending on their maturity period as non-current or current assets. The amortisation and losses arising from impairments are recognised in the statement of profit or loss.

c. Loans and receivables are initially recognised at fair value plus transaction costs. Loans and receivables that have fixed or determinable payments and are not listed on an active market are measured at amortised cost using the effective interest method less any necessary write-downs arising from impairments. They are reported in the statement of financial position under other receivables and other assets unless they are trade receivables and are recorded as non-current or current depending on their maturity period.

d. Available-for-sale financial assets that have been classified as such upon initial recognition are measured at fair value plus transaction costs, provided that this can be determined, and then reported as non-current or current assets, depending on the expected time of sale. Gains and losses from changes in fair value are recorded net, i.e. after tax, and taken directly to equity ("Other comprehensive income") until the financial asset has been derecognised.

A security is considered to be impaired if there has been a significant or prolonged decline in the fair value below its cost. To determine if an available-for-sale financial asset is impaired, the group evaluates the duration and extent to which the fair value of the asset is less than its cost, and the financial health of and short-term business outlook for the investee (including factors such as industry and sector performance, changes in technology and operational and financing cash flows).

In the event that an asset is impaired permanently, however, the loss must be recorded directly in the income statement. If it is not possible to determine the fair value, for example with holdings in non-consolidated affiliated companies or other investments in companies, these assets are measured at cost.

### A.6.2.8.2 Impairment of financial assets

*(a) Assets carried at amortised cost*

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows

(excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

*(b) Assets classified as available for sale*
The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired

### A.6.2.8.3 Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure of foreign exchange, viz. foreign exchange forward contracts and fixed to fixed cross currency swaps.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into, and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments as cash flow hedges.

Derivative financial instruments that are not part of a hedging relationship are carried at fair value upon initial recognition, corresponding to the fair value of the consideration received or given in return. After initial recognition, derivative financial instruments are carried at fair value, which is based on the market value of the financial instrument. Any changes in fair value are recorded directly in profit or loss.

**Hedge accounting**
The Group designates fixed-to-fixed cross-currency interest-rate swaps as hedging instruments in cash flow hedges in respect of risk of variability, due to changes in foreign exchange rates, in EURO cash flows on financial assets and financial liabilities denominated in foreign currency. The Group also designates foreign currency forward contracts as hedging instruments in respect of risk of variability of cash flows due to cash flows in currencies denomination in other than the functional currency of the entity. Such hedges of foreign exchange risk on highly probable forecast cash flows are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values of the hedged item.

**Cash flow hedges**
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in 'Cash Flow Hedge Reserve'. The gain or loss relating to the ineffective portion is recognised immediately in the income statement and is included in the line 'Other Income or Other Operating Expenses'.
Amounts previously recognised in 'Cash Flow Hedge Reserve' and accumulated in equity are reclassified to the income statement in the periods when the hedged item affects income statement. The gain or loss relating to the effective portion of cross-currency interest-rate swaps is recognised in profit or loss within 'finance costs'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

**Discontinuation of hedge accounting**
Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity is reclassified from equity to income statement in the same period or periods during which the hedged forecast cash flows affect the income statement. If the underlying hedge transaction is no longer expected to occur, the amounts accumulated in equity are immediately reclassified in full to the income statement.

## A.6.2.9 Inventories

Inventories are initially measured at cost, which comprises those costs directly attributable to the production process and an appropriate share of production overheads based on normal operating capacity. This includes write-downs related to production and a reasonable proportion of the administrative and social security costs. Financing costs are not included in the acquisition or production costs. Costs for raw materials and supplies are determined using the moving weighted average prices.

Inventories are carried at the lower of the cost or net realisable value at the reporting date. The net realisable value is the estimated selling price that could be achieved in the course of normal business less estimated costs of completion and estimated costs necessary to make the sale.

## A.6.2.10 Revenue Recognition

**Sale of goods:**

**Measurement of revenue:** Revenue is measured at the fair value of the consideration received or receivable. Sales are recognised when the significant risks and rewards of ownership are transferred to the buyer as per the terms of contract and are recognised. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties, if any.

**Timing of recognition:** The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities. The Company bases its estimates on

historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

**Tooling Revenue**

**Timing of recognition:** The Company develops tooling for its customers. The Company uses the 'percentage of completion method' to determine the appropriate amount to recognise in a given period. The Company determines the level of completion on the basis of milestones achieved to date.

**Measurement of revenue:** When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable. If it is not possible to determine the level of completion reliably, revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable. The costs include all expenses incurred in direct relation to the specific projects and a proportion of the fixed and variable general costs incurred on the basis of normal capacity for the Company's construction contracts. On the balance sheet, the Company reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

**Customer acquisition costs:** Customer acquisition costs are recognised as an asset if there are future economic benefits associated with such costs. Such assets are amortised systematically to match the benefits and such amortisation is netted off with revenue.

## A.6.2.11 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

## A.6.2.12 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and short-term deposits with an original maturity three months or less. Cash equivalents are measured initially at fair value and subsequently at amortised cost.

## A.6.2.13 Income taxes

Current taxes are those taxes foreseeably payable on a year's taxable income in accordance with the statutory tax rates or tax rates that had been substantially adopted as of the reporting date, as well as all adjustments to payable taxes in relation to previous reporting periods.

Deferred tax assets and liabilities are recognised for all temporary differences between the carrying amount as per IFRS and the relevant tax assessment basis. Deferred tax liabilities are not recognised for temporary differences ("outside-basis differences") if the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax liabilities for dividends from subsidiaries will be recognised if the parent company determines that the profits of the respective subsidiary will be distributed in the foreseeable future. Deferred tax assets contain tax assets that are derived from the expected utilization of unused tax losses and unused tax credits, unless it is improbable that the future taxable profits will be available against which the temporary differences can be utilized. Deferred taxes are calculated on the basis of the tax rates that are expected to apply to the period when the asset is realized and the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period in the respective country.

Income taxes for the annual result reported in the income statement comprise current taxes and deferred taxes. Income taxes are recorded in the income statement unless they relate to items recognised directly in equity or in other comprehensive income. In this case, the income taxes incurred are also recognised directly in equity or in other comprehensive income.

## A.6.2.14 Provisions

### A.6.2.14.1 Pension provisions

Companies within the Group operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds. The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in income.

When a settlement or a curtailment occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss is recognised in the income statement during the period in which the settlement or curtailment occurs.

The value of a net pension benefit asset is restricted to the present value of any amount the Group expects to recover by way of refunds from the plan or reductions in the future contributions after considering any legal or contractual minimum funding requirements. The minimum funding requirements stipulate a minimum amount or level of contributions that must be made to a plan over a given period and may limit the ability of the entity to reduce future contributions and considered respectively in determining the economic benefit from the plan.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### A.6.2.14.2 Warranties

A provision is recognised for expected warranty claims on products sold during the year, based on past experience of the level of repairs and returns although it is expected that most of these costs will be paid out in the next financial year. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the warranty period for all products sold.

#### A.6.2.14.3 Other provisions

Provisions are recognised to accommodate the possibility that current legal or constructive obligations against third parties resulting from a past event exist, and that it is probable that an outflow of economic benefits will be required to settle the obligation, and that the amount of these obligations can be estimated reliably.

Long-term provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. Short term provisions are carried at their redemption value and are not offset against receivables from reimbursements.

### A.6.2.15 Government Grants and grants from public institutions

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment. Government grants in respect of capital expenditure are credited to the acquisition costs of the respective fixed asset and thus are released as income over the expected useful lives of the relevant assets. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate as the conditions attached to the grants are met.

Grants from public institutions are accounted for in a manner similar to the accounting for government grants, if the grants are comparable to government grants in their nature and the conditions related to these grants are satisfied.

### A.6.2.16 Liabilities from finance lease

Liabilities from finance lease are initially carried at equal to the fair value of leased property, or if lower, the present value of minimum lease payments. The lease payments are then separated into financing costs and the redemption of the remaining liability.

### A.6.2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

### A.6.2.18 Recognition of income and expenses

Operating expenses are recognised when goods or services are used or when the expense is incurred. Anticipated losses from construction contracts are directly recognised as expenses.

Interest is recognised using the effective interest method as an expense or income for the period in which it occurs. Interest payments for finance leases are calculated by breaking down the minimum lease payments into financing costs and redemption payments for the remainder of the liability and spreading the financing costs over the periods covered by the term of the leasing agreement. This allows a constant, periodic interest rate for the remainder of the liability to be calculated. Payments from operating leases are recognised over the term of the leasing agreement using a straight-line distribution in the income statement.

Rental income arising from investment properties given under operating leases is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit and loss.

Rental income is recognised over the period for which the investment property is given on rent.

Dividend income is recognised when the right to receive payment is established.

## A.6.2.19 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The management and supervisory board of The Group assesses financial performance and position of the Group and makes strategic decisions. The management and supervisory board which consists of chief executive officer, chief operating officer and head of strategy has been identified as chief operating decision maker.

## A.6.2.20 Changes in accounting policies and disclosures

The IASB has adopted the following changes to existing IFRS and adopted new IFRS standards, which have also already been adopted by the European Commission, thereby making their application mandatory as for Financial Year 2017-18 to the extent relevant for the Group.

**New standards and interpretations**

During the financial year ended March 31, 2018, below mentioned amendments to IFRS became applicable to the Group, however these did not have any impact on the net asset, financial or income position of the Group

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12, and
- Disclosure initiative – amendments to IAS 7 introducing additional disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The required disclosures have been included in Note A.6.3.10.

## New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for March 31, 2018 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

### (i) IFRS 9 Financial Instruments

*Nature of change :*

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

*Impact :*

While the group has yet to undertake a detailed assessment of the classification and measurement of financial assets, equity instruments, currently classified as available-for-sale (AfS), financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

Accordingly, the group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings and consequently there is no need to review such investments for possible impairment.

The new impairment model under IFRS 9 requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. The Group does not expect a significant change in loss allowance on adoption of IFRS 9.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from *IAS 39 Financial Instruments: Recognition and Measurement* and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The group has confirmed that its current hedge relationships will qualify as continuing hedges upon the adoption of IFRS 9.

IFRS 9 prescribes as to how the amount accumulated in the hedging reserve is subsequently accounted for, depending on the nature of the underlying hedged transaction:

- If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability, known as 'basis adjustment'. IAS 39 permitted reclassification of accumulated amounts in profit or loss in the period in which the associated non-financial asset or liability affected profit or loss. The Group's existing practice is in line with IFRS 9 on this matter and hence there shall be no significant impact once IFRS 9 is implemented.
- The above accounting treatment would equally apply to situations where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.
- For any other cash flow hedges, the amount accumulated in equity is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss. This accounting entry does affect OCI of the period

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

*Date of adoption by group :*
Must be applied for financial years commencing on or after 1 January 2018.
Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety.

### (ii) IFRS 15 Revenue from Contracts with Customers

*Nature of change :*
The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.
The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.
The standard permits either a full retrospective or a modified retrospective approach for the adoption.

*Impact :*
The preliminary impacts of IFRS 15 on the Group's consolidated financial statements have been assessed as follows:

Essential concepts in IFRS 15 have been analysed on revenue stream level. The Group's revenue streams consists of contract with customers in interior and exterior rear-view mirrors and polymers module processing. Current revenue recognition is based on transfer of risks and rewards to customer.

Group has frame agreements with major customers. Separate purchase orders are covered by frame agreement and as a rule they form a separate performance obligation. Revenue for performance obligations is recognised also in the future at a point in time.

Based on preliminary analysis timing of their revenue recognition for sale of goods is not expected to change. Timing of revenue recognition in respect of tooling contracts will continue to be recognised over time. Standard will increase disclosure information related to revenue recognition. Warranties given are more statutory in nature thus accounting for such warranties correspond mainly current practice.

SMRP BV plans to apply IFRS 15 standard retrospectively possibly using practical expedients for presenting comparative information.

During FY 18-19, Group will continue the analysis in more detailed level and implement the standard. SMRP BV will inform effects in a more detailed level during the year.

*Mandatory application date/ Date of adoption by group :*
Mandatory for financial years commencing on or after 1 January 2018.

### (iii)IFRS 16 Leases

*Nature of change :*
IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rental are recognised. The only exceptions are short-term and low-value leases.
The accounting for lessors will not significantly change.

*Impact :*

The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of k€84,153, see note A.6.6.5. The group estimates that some of these relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss.

The group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the group's profit or loss and classification of cash flows going forward.

*Mandatory application date/ Date of adoption by group :*
Mandatory for financial years commencing on or after 1 January 2019.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### (iv) IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:
(i) The beginning of the reporting period in which the entity first applies the interpretation
Or
(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, since the Group's current practice is in line with the Interpretation, the Group does not expect any effect on its consolidated financial statements.

### (v) IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:
- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements and the required disclosures. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

## A.6.3 Disclosures regarding the Consolidated Statement of Financial Position

### A.6.3.1 Business Combinations

#### A. Acquisition of control in Celulosa Fabril S.A.

Celulosa Fabril S.A. (CEFA) is a leading Spanish company in the development and production of components for the automobile industry based mainly on the technology of injection of plastic materials. It is the parent company of Módulos Ribera Alta, S.L ("MRA").

In 1994 CEFA got into a strategic alliance with erstwhile Peguform Group (which was later on acquired by SMRP BV Group), whom under a joint venture agreement became shareholder by the ownership of 50% stake in the Group. CEFA focuses on Spanish market where it is amongst the three leading suppliers for instrument panels and door trims.

Following a change in composition of the board of directors of CEFA, the Group through its subsidiaries gained majority control over CEFA with effect from December 20, 2016.

CEFA was treated as a joint venture in the consolidated financial statements of the Group prior to December 20, 2016 and accounted for using equity method of accounting prescribed by IFRS 11. As a result of above event, the Group through its subsidiaries is regarded parent of CEFA within the framework of IFRS 10 and accordingly CEFA along with its subsidiary Modulos Ribera Alta S.L.U. is treated as a subsidiary of the Group with effect from December 20, 2016. The acquisition of additional control did not involve payment of any further purchase consideration.

The Group held equity interest of k€ 21,798 in CEFA prior to December 20, 2016 which was accounted for using the equity method.

The following table summarises the recognised amounts of identifiable assets and liabilities assumed at the date of acquisition.

| Particulars | Amount |
|---|---|
| **Fair value of business** | 58,270 |
| **Recognised amounts of identifiable assets acquired and liabilities assumed** | |
| Property, plant and equipment (refer note A.6.3.2) | 33,270 |
| Intangible assets (refer note A.6.3.3) | 2,227 |
| Non-current receivables | 7,828 |
| Deferred tax assets | 751 |
| Inventories | 3,937 |
| Trade receivables | 35,426 |
| Other current receivables | 6,862 |
| Cash and cash equivalents | 2,449 |
| Borrowings | (10,588) |
| Employee benefit obligations | (61) |
| Other liabilities | (6,127) |
| Deferred tax liabilities | (3,055) |
| Trade payables | (16,205) |
| Current tax liabilities | (4,852) |
| **Total identifiable net assets** | **51,862** |
| Goodwill arising on acquisition of control (A.6.3.3) | 3,204 |
| Non-controlling interest | (25,931) |
| **Fair value of business (50%)** | **29,135** |

Other information –

**(i) Accounting policy choice for non-controlling interests**

The group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in CEFA, the group elected to recognise the non-controlling interests in at its proportionate share of the acquired net identifiable assets. Refer note A.6.2.3 for accounting policy on non-controlling interests.

**(ii) Revenue and profit contribution**

If the acquisition had occurred on April 01, 2016, consolidated pro-forma revenue and profit for the year ended March 31, 2017 would have been higher by k€ 90,821 and k€ 10,021 respectively.

**(iii)** The Group recognised Goodwill of k€ 3,204 being 50% of the total k€ 6,408 excess of fair value over identifiable net assets assumed upon consolidation (refer note A.6.3.3).

**(iv)** The previously held equity interest in CEFA was stepped up to fair value on the date of obtaining majority control, this resulted in fair value exceeding the existing book value of equity interest investment by k€ 6,340. The gain has been recognised in the income statement under Other Income (refer note A.6.4.3).

## B. Acquisition of Kobek Siebdruck GmbH & Co. KG

On January 02, 2017 the Group through its subsidiaries acquired 100% of the issued share capital of Kobek Siebdruck GmbH & Co. KG (hereinafter 'Kobek'). Kobek is a specialist in lightning solutions and has been a supplier to the Group's subsidiaries. The acquisition adds new technology to the Group and will help expand Group's ability to cater to customers demand and develop unique solutions. Kobek has been subsequently renamed as "Motherson Innovations Lights GmbH & Co. KG" as of March 31, 2018.

The following table summarises the recognised amounts of identifiable assets and liabilities assumed at the date of acquisition.

| Particulars | Amount |
|---|---|
| **Total consideration transferred** | 1,595 |
| **Recognised amounts of identifiable assets acquired and liabilities assumed** | |
| Property, plant and equipment (refer note A.6.3.2) | 61 |
| Intangible assets (refer note A.6.3.3) | 1,492 |
| Inventories | 114 |
| Trade receivables | 90 |
| Other receivables | 92 |
| Cash and cash equivalents | 19 |
| Borrowings | (119) |
| Provisions | (8) |
| Trade payables | (34) |
| Current tax liabilities | (112) |
| **Total identifiable net assets** | **1,595** |
| Excess of acquirer's interest in the fair value of acquirer's identifiable net assets | - |
| **Total** | **1,595** |

Other information –

**(i) Revenue and profit contribution**

If the acquisition had occurred on April 01, 2017, consolidated pro-forma revenue and profit for the year ended March 31, 2017 would have been higher by k€ 1,215 and k€ 219 respectively.

## A.6.3.2 Property, plant and equipment

| | Land and buildings | Machinery and other technical facilities | Tooling | Other plant and office equipment | Capital work-in progress (including capital advances) | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **At April 01, 2016** | 352,877 | 588,637 | 40,277 | 65,084 | 177,349 | 1,224,224 |
| Additions | 46,191 | 107,989 | 1,727 | 16,208 | 143,183 | 315,298 |
| Acquisition through business combinations | 5,078 | 26,322 | - | 300 | 1,631 | 33,331 |
| Disposals | (19) | (3,914) | (3,926) | (5,660) | (860) | (14,379) |
| Reclassifications | 16,060 | 40,177 | 4,462 | 2,351 | (63,781) | (731) |
| Foreign currency translation | 8,286 | 28,512 | 3,320 | 2,561 | 21,432 | 64,110 |
| **At March 31, 2017** | **428,473** | **787,723** | **45,860** | **80,844** | **278,954** | **1,621,854** |
| **Depreciation and Impairment** | | | | | | |
| **At April 01, 2016** | 46,945 | 248,284 | 25,863 | 39,163 | 19 | 360,274 |
| Depreciation charge for the period | 14,522 | 74,314 | 6,091 | 12,605 | - | 107,532 |
| Impairment | - | - | - | - | - | - |
| Disposals | (13) | (37) | (3,606) | (5,521) | - | (9,177) |
| Reclassifications | 19 | 129 | - | (148) | - | - |
| Foreign currency translation | 1,264 | 18,311 | 2,111 | 2,111 | - | 23,796 |
| **At March 31, 2017** | **62,737** | **341,001** | **30,459** | **48,210** | **19** | **482,426** |
| **Net book values at March 31, 2017** | **365,736** | **446,722** | **15,401** | **32,634** | **278,935** | **1,139,428** |
| **Cost** | | | | | | |
| **At April 1, 2017** | 428,473 | 787,723 | 45,860 | 80,844 | 278,954 | 1,621,854 |
| Additions | 16,297 | 56,319 | 2,348 | 13,531 | 188,502 | 276,997 |
| Acquisition through business combinations | - | - | - | - | - | - |
| Disposals | (3,308) | (8,394) | (1,982) | (3,285) | (2,585) | (19,554) |
| Reclassifications | 45,324 | 88,684 | (892) | 7,838 | (143,399) | (2,445) |
| Foreign currency translation | (17,667) | (41,033) | (4,266) | (4,057) | (23,875) | (90,898) |
| **At March 31, 2018** | **469,119** | **883,299** | **41,068** | **94,871** | **297,597** | **1,785,954** |
| **Depreciation and Impairment** | | | | | | |
| **At April 1, 2017** | 62,737 | 341,001 | 30,459 | 48,210 | 19 | 482,426 |
| Depreciation charge for the period | 16,142 | 77,914 | 5,020 | 14,327 | - | 113,403 |
| Impairment | - | 350 | - | - | - | 350 |
| Disposals | (1,094) | (5,887) | (1,219) | (2,692) | - | (10,892) |
| Reclassifications | (456) | 3,380 | (3,167) | (205) | - | (448) |
| Foreign currency translation | (2,330) | (17,365) | (3,202) | (2,678) | (19) | (25,594) |
| **At March 31, 2018** | **74,999** | **399,393** | **27,891** | **56,962** | **-** | **559,245** |
| **Net book values at March 31, 2018** | **394,120** | **483,906** | **13,177** | **37,909** | **297,597** | **1,226,709** |

As at March 31, 2018, property, plant and equipment with a net book value of k€ 673,617 (March 31, 2017: k€ 461,935) were subject to security for borrowings. (see note A.6.3.10).

During the year, the Group has capitalised borrowing costs amounting to k€ 5,809 (March 31, 2017: k€ 3,925) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 2.98% (March 31, 2017 : 4.00%).

The following table presents the movement of the carrying amounts of the finance lease assets reported in property, plant and equipment:

| | Land and buildings | Machinery & other technical facilities | Other plant and office equipment | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| **At April 01, 2016** | 17,490 | 15,470 | 614 | 33,574 |
| Additions | - | 1,078 | 143 | 1,221 |
| Acquisition through business combinations | - | 38 | - | 38 |
| Disposals | (7,650) | (4,257) | - | (11,907) |
| Foreign currency translation | 235 | 1,971 | 54 | 2,260 |
| **At March 31, 2017** | **10,075** | **14,300** | **811** | **25,186** |
| **Depreciation and Impairment** | | | | |
| **At April 01, 2016** | 2,772 | 4,599 | 286 | 7,657 |
| Depreciation charge for the period | 329 | 2,486 | 78 | 2,893 |
| Disposals | (950) | - | - | (950) |
| Reclassification | (74) | (2,114) | - | (2,188) |
| Foreign currency translation | 52 | 745 | 20 | 817 |
| **At March 31, 2017** | **2,129** | **5,716** | **384** | **8,229** |
| **Net book values at March 31, 2017** | **7,946** | **8,584** | **427** | **16,957** |
| **Cost** | | | | |
| **At April 01, 2017** | 10,075 | 14,300 | 811 | 25,186 |
| Additions | - | 1,180 | 96 | 1,276 |
| Disposals | - | (101) | - | (101) |
| Reclassifications | 1,383 | (2,845) | (261) | (1,723) |
| Foreign currency translation | (497) | (768) | (70) | (1,335) |
| **At March 31, 2018** | **10,961** | **11,766** | **576** | **23,303** |
| **Depreciation and Impairment** | | | | |
| **At April 01, 2017** | 2,129 | 5,716 | 384 | 8,229 |
| Depreciation charge for the period | 417 | 1,916 | (16) | 2,317 |
| Disposals | - | (101) | - | (101) |
| Reclassification | - | (2,101) | - | (2,101) |
| Foreign currency translation | (118) | (274) | (34) | (426) |
| **At March 31, 2018** | **2,428** | **5,156** | **334** | **7,918** |
| **Net book values at March 31, 2018** | **8,533** | **6,610** | **242** | **15,385** |

All leasing agreements have a defined minimum term of lease. Once the lease term ends, the lessor has the right to sell the leased assets at the agreed residual value. The residual values are pre-financed, making the exercise of the put option a non-monetary transaction, which also does not affect the income statement.

Lease liabilities are secured by finance lease assets as on March 31, 2018 of k€ 15,385 (March 31, 2017: k€ 16,957) (see note A.6.3.10).

## A.6.3.3 Intangible assets

| | Concessions, Intellectual Property, Software and Similar rights | Patents & Technology | Customer Contracts | Goodwill | Advance payment | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At April 01, 2016 | 19,327 | 26,019 | 28,399 | - | - | 73,745 |
| Additions | 3,542 | - | - | - | - | 3,542 |
| Acquisitions through business combinations | - | 1,471 | 2,227 | 3,204 | 21 | 6,923 |
| Disposals | (2) | - | - | - | - | (2) |
| Reclassifications | 731 | - | - | - | - | 731 |
| Foreign currency translation | 172 | - | 136 | - | - | 308 |
| **At March 31, 2017** | **23,770** | **27,490** | **30,762** | **3,204** | **21** | **85,247** |
| **Amortisation** | | | | | | |
| At April 01, 2016 | 14,403 | 18,893 | 12,641 | - | - | 45,937 |
| Amortisation charge | 2,967 | 3,137 | 3,988 | - | - | 10,092 |
| Disposals | - | - | - | - | - | - |
| Reclassifications | - | - | - | - | - | - |
| Foreign currency translation | 8 | - | 104 | - | - | 112 |
| **At March 31, 2017** | **17,378** | **22,030** | **16,733** | **-** | **-** | **56,141** |
| **Net book value March 31, 2017** | **6,392** | **5,460** | **14,029** | **3,204** | **21** | **29,106** |
| | | | | | | |
| **Cost** | | | | | | |
| At April 1, 2017 | 23,770 | 27,490 | 30,762 | 3,204 | 21 | 85,247 |
| Additions | 4,178 | - | - | - | 1,898 | 6,076 |
| Disposals | (14) | - | - | - | - | (14) |
| Reclassifications | 426 | - | - | - | (21) | 405 |
| Foreign currency translation | (210) | - | (457) | - | - | (667) |
| **At March 31, 2018** | **28,150** | **27,490** | **30,305** | **3,204** | **1,898** | **91,047** |
| **Amortisation** | | | | | | |
| At April 1, 2017 | 17,378 | 22,030 | 16,733 | - | - | 56,141 |
| Amortisation charge | 3,085 | 1,529 | 4,137 | - | - | 8,751 |
| Disposals | (14) | - | - | - | - | (14) |
| Reclassifications | (5) | - | - | - | - | (5) |
| Foreign currency translation | (120) | - | (378) | - | - | (498) |
| **At March 31, 2018** | **20,324** | **23,559** | **20,492** | **-** | **-** | **64,375** |
| **Net book value March 31, 2018** | **7,826** | **3,931** | **9,813** | **3,204** | **1,898** | **26,672** |

Expenses for research and development for the year ended March 31, 2018 amounted to k€ 110,840 (March 31, 2017: k€ 95,889).

As at March 31, 2018, intangible assets with a net book value of k€ 4,327 (March 31, 2017: k€ 3,601) were subject to security for bank borrowings.

Goodwill represents excess of fair value of business over carrying value of investment in CEFA recognised during the year ended March 31, 2017. For the purposes of impairment testing, this goodwill is part of CEFA which is considered as an independent cash generating unit. Since there has not been any material change in the performance of CEFA and its assets and liabilities have not changed significantly and there are no other events or conditions that would lead to recoverable amount being less than value in use, a detailed impairment testing has not be carried out during the current year.

## A.6.3.4 Investment properties

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Cost** | | |
| **At beginning of the year** | 12,637 | 12,637 |
| Reclassifications from property, plant & equipment | 2,041 | - |
| **At end of the year** | **14,678** | **12,637** |
| **Depreciation and Impairment** | | |
| **At beginning of the year** | 2,171 | 1,904 |
| Reclassifications from property, plant & equipment | 454 | - |
| Depreciation charge | 325 | 267 |
| **At end of the year** | **2,950** | **2,171** |
| **Net book value** | **11,728** | **10,466** |

The fair value of investment properties as on March 31, 2018 is k€ 14,662 (March 31, 2017: k€ 11,440). The fair value has been determined based on valuations performed by an accredited independent valuer and falls in the Level 3 of financial instruments valuation hierarchy.

The investment properties comprise a number of commercial properties that are leased to third parties. The leases contain an initial non-cancellable period of 5 years and subsequent renewals are negotiated with the lessee. No contingent rents are charged.

At the year end, the future minimum lease payments under non-cancellable lease receivable are as follows:

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Not later than one year | 997 | 814 |
| Later than one year and not later than five years | 4,094 | 1,665 |
| **Total** | **5,091** | **2,479** |

During the year, following amounts were recognised in the income statement in respect of investment properties:

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Rental income from rented properties, all leased under operating leases | 819 | 865 |
| Other operating income | - | 61 |
| Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period | (235) | (763) |
| Direct operating expenses (including repairs and maintenance) arising from investment property that did not generated rental income during the period | (11) | - |
| **Net rental income from rented properties** | **573** | **163** |

## A.6.3.5 Investments accounted for using the equity method

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Joint ventures | 28,200 | 17,781 |
| Associates | 43 | 135 |
| **Total** | **28,243** | **17,916** |

## a) Joint ventures accounted for using the equity method

The Group's interest in following entities is accounted for using the equity method in the consolidated financial statements. There is no quoted market price for these investments.

| Name of the entity | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Ningbo SMR Huaxiang Automotive Mirrors Co., Ltd (Ningbo) (including Chongqing SMR Huaxiang automotive Products Ltd) | 22,821 | 12,676 |
| Eissmann SMP Automotive Interieur Slovensko s.r.o. (Eissmann) | 5,379 | 5,105 |
| **Total** | **28,200** | **17,781** |

Summarised financial information of the joint ventures, based on their IFRS financial statements, and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

| | Joint Ventures |
|---|---|
| | |
| **At April 01, 2016** | 33,593 |
| Share of the profits[1)] | 14,766 |
| Acquisition of control | (21,798) |
| Dividends received | (8,780) |
| **At March 31, 2017** | **17,781** |
| Share of the profits[2)] | 13,125 |
| Exchange differences | 1,943 |
| Dividends received | (4,649) |
| **At March 31, 2018** | **28,200** |

[1)] Includes k€ 5,011 being share of profits from CEFA prior to obtaining majority control over the board of directors as referred to in note A.6.3.1

[2)] Includes k€ 2,864 towards reversal of impairment loss recognised in earlier years in respect of investment in Ningbo.

## Summarised financial information of joint ventures

| Name of The Group | March 31, 2018 | | |
|---|---|---|---|
| | Ningbo | Eissmann | Group's share |
| Percentage ownership interest | 50% | 49% | |
| **Balance Sheet** | | | |
| Non-current assets | 26,620 | 10,516 | 18,463 |
| Current assets | 97,657 | 5,662 | 51,603 |
| **Gross assets** | **124,277** | **16,178** | **70,066** |
| | | | |
| Current liabilities | 78,758 | 4,988 | 41,823 |
| Non-current liabilities | 222 | 211 | 214 |
| **Gross liabilities** | **78,980** | **5,199** | **42,037** |
| | | | |
| **Net assets** | **45,297** | **10,979** | **28,029** |
| | | | |
| Group's interest | 22,649 | 5,379 | 28,028 |
| Less: foreign currency translation | 172 | - | 172 |
| **Carrying value of investment** | **22,821** | **5,379** | **28,200** |
| | | | |
| **Above net assets include** | | | |
| Cash and cash equivalents | 20,785 | 22 | 10,403 |
| Current financial liabilities (excluding trade payable and other provisions) | - | 1,444 | 708 |
| Non-Current financial liabilities (excluding trade payable and other provisions) | - | - | - |
| | | | |
| **Results** | | | |
| Revenue | 191,376 | 45,885 | 118,172 |
| Expense | (171,401) | (45,326) | (107,910) |
| **Profit for the period** | **19,975** | **559** | **10,261** |
| Other comprehensive income | - | - | - |
| **Total comprehensive income** | **19,975** | **559** | **10,261** |
| | | | |
| **Above results include** | | | |
| Depreciation and amortisation | (4,691) | (1,731) | (3,194) |
| Interest income | 85 | - | 43 |
| Interest expense | (6) | - | (3) |
| Income tax expense/ income | (3,534) | (896) | (2,206) |
| | | | |

| Name of The Group | March 31, 2017 | | |
|---|---|---|---|
| | Ningbo | Eissmann | Group's share |
| Percentage ownership interest | 50% | 49% | |
| **Balance Sheet** | | | |
| Non-current assets | 29,907 | 10,462 | 20,080 |
| Current assets | 74,653 | 7,174 | 40,842 |
| **Gross assets** | **104,560** | **17,636** | **60,922** |
| | | | |
| Current liabilities | 62,247 | 7,085 | 34,595 |
| Non-current liabilities | 376 | 132 | 253 |
| **Gross liabilities** | **62,623** | **7,217** | **34,848** |
| | | | |
| **Net assets** | **41,937** | **10,419** | **26,074** |
| | | | |
| Group's interest | 20,969 | 5,105 | 26,074 |
| Less: foreign currency translation | (8,293) | - | (8,293) |
| **Carrying value of investment** | **12,676** | **5,105** | **17,781** |
| | | | |
| **Above net assets include** | | | |
| Cash and cash equivalents | 10,780 | 321 | 5,547 |
| Current financial liabilities (excluding trade payable and other provisions) | - | 2,503 | 1,226 |
| Non-Current financial liabilities (excluding trade payable and other provisions) | - | - | - |
| | | | |
| **Results** | | | |
| Revenue | 171,663 | 58,248 | 114,373 |
| Expense | (155,139) | (55,202) | (104,618) |
| **Profit for the period** | **16,524** | **3,046** | **9,755** |
| Other comprehensive income | - | - | - |
| **Total comprehensive income** | **16,524** | **3,046** | **9,755** |
| | | | |
| **Above results include** | | | |
| Depreciation and amortisation | (4,314) | (1,595) | (2,939) |
| Interest income | - | - | - |
| Interest expense | (22) | - | (11) |
| Income tax expense/ income | (2,738) | (896) | (1,808) |
| | | | |

As the year end, the Group had no contractually fixed capital commitments in relation to its joint ventures and there are no restrictions on the ability of the joint ventures to transfer funds to the Group. Also, there are no contingent liabilities incurred relating to the Group's interest in joint ventures.

## b) Associates accounted for using the equity method

Re-Time Pty Ltd. Is a technology company which owns certain intellectual property rights through which it designed, developed and commercialised Re-Timer glasses, these glasses intend to reset internal body clock and help overcome jet lag without drug use.

Reconciliation of Group's interest in Re-Time is as below –

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Opening investment | 135 | 259 |
| Share of the profits | (42) | (135) |
| Exchange differences | (50) | 11 |
| **Closing investment** | **43** | **135** |

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## A.6.3.6 Other financial instruments

| | March 31, 2018 | | March 31, 2017 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| **Non-current** | | | | |
| Forward contracts | - | - | - | 151 |
| Cross currency swaps | - | 28,065 | 3,503 | - |
| **Total** | **-** | **28,065** | **3,503** | **151** |
| **Current** | | | | |
| Forward contracts | 2,048 | 88 | 719 | 961 |
| Cross currency swaps | - | - | - | - |
| **Total** | **2,048** | **88** | **719** | **961** |

The maximum exposure to the credit risk is carrying value of instruments. Please refer note A.6.6.3 for details on forward contracts and cross currency swaps.

## A.6.3.7 Trade and other receivables

**Non-current**

| Trade and other receivables | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Trade receivables | 117,880 | 94,590 |
| Deferred revenue expenditure | 32,798 | 10,679 |
| Others | 5,805 | 8,846 |
| **Total non-current** | **156,483** | **114,115** |

**Current**

| Trade receivables | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Trade receivables | 358,675 | 365,459 |
| **Total** | **358,675** | **365,459** |

| Other receivables | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Unbilled receivables | 393,600 | 277,708 |
| Other tax receivables | 17,910 | 28,913 |
| Advanced payments | 37,342 | 49,462 |
| Prepaid expenses | 10,752 | 9,705 |
| Deposits | 5,198 | 5,094 |
| Supplier bonus | 3,310 | 4,030 |
| Receivables from related parties | 1,739 | 487 |
| Deferred revenue expenditure | 5,685 | - |
| Other | 21,657 | 20,408 |
| **Total** | **497,193** | **395,807** |

The carrying amount of the non-current trade receivables as at March 31, 2018 is calculated using discount rates of 0.5%-2.4% (March 31, 2017: 0.0%-3.0%)
Other tax receivables mainly comprise receivables from input VAT and other similar taxes.

The carrying values approximately correspond to the fair values. Trade receivables as at March 31, 2018 were reported after deducting impairments amounting to k€ 8,603 (March 31, 2017: k€ 6,150). The impairments are reported in the income statement under the item “Other operating expenses”.

## A.6.3.8 Inventories

Inventories comprise the following:

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Raw materials and manufacturing supplies | 133,155 | 119,111 |
| Work in progress | 28,914 | 27,619 |
| Finished goods and goods for trading | 41,123 | 39,919 |
| **Total** | **203,192** | **186,649** |

During the year, inventories of k€ 9,666 (March 31, 2017: k€ 5,445) were written down. The amounts of the write-down are calculated based on an analysis of various factors. The most important factors included in this analysis are: aging of inventories, current market conditions, physical obsolescence and turnover of individual items. During the year, the Group recognised reversal of write-down amounting to k€ 8,112 (March 31, 2017: k€ 3,614) as the related goods were sold during the year at prices equal to or above the cost. The amount of such write-down and reversals of write-down are recognised as "Cost of materials" in the statement of profit and loss.

As at March 31, 2018, inventories amounting to k€ 91,958 (March 31, 2017: k€ 98,795) were pledged as security for various bank borrowings. (see note A.6.3.10).

## A.6.3.9 Cash and cash equivalents

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| | | |
| Cash at bank | 215,521 | 505,920 |
| Cash on hand | 119 | 128 |
| **Total** | **215,640** | **506,048** |

As of March 31, 2018, cash and cash equivalents of k€ 102,038 (March 31, 2017: k€ 418,483) are charged as security in respect of borrowings, please refer note A.6.3.10 for further details.

## A.6.3.10 Borrowings

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Non-current** | | |
| Notes | 713,367 | 959,303 |
| Bank loans | 3,623 | 4,172 |
| Finance lease liabilities | 2,729 | 4,777 |
| Other loans | 9,722 | 11,864 |
| **Non-current borrowings** | **729,441** | **980,116** |
| | | |
| **Current** | | |
| Bank loans | 130,124 | 35,570 |
| Finance lease liabilities | 2,678 | 3,000 |
| Other loans | 1,823 | 3,192 |
| **Current borrowings** | **134,625** | **41,762** |

*(i) Secured liabilities and assets pledged as security*

The Notes are structured as senior secured obligations and rank 'pari passu' in right of payment with all the existing and future senior obligations of SMRP BV, including the obligations under the Revolving Credit Facility. The Notes are guaranteed on a senior secured basis by certain subsidiaries of SMRP BV and are secured by share pledge and security interests granted over certain property and assets of SMRP BV and certain of its subsidiaries. The Group has issued below mentioned notes which were outstanding on the date referred –

***March 31, 2017***

| Principal amount | Coupon rate (fixed) | Maturity |
|---|---|---|
| € 500 million | 4.125% | 10 July 2021 |
| € 100 million | 3.700% | 18 June 2025 |
| US$ 400 million | 4.875% | 16 December 2021 |

***March 31, 2018***

| Principal amount | Coupon rate (fixed) | Maturity |
|---|---|---|
| € 100 million | 3.700% | 18 June 2025 |
| US$ 400 million | 4.875% | 16 December 2021 |
| € 300 million | 1.800% | 06 July 2024 |

Of the remaining borrowings, secured loans from banks and others amount to k€ 112,893 (March 31, 2017 k€ 32,956). Borrowings are secured by pledge of various assets mainly comprising of inventories, trade receivables, cash and cash equivalents etc. of certain subsidiaries. Finance lease liabilities are secured by the respective assets under lease. Total unsecured borrowings as of March 31, 2018 were k€ 32,399 (March 31, 2017 : k€ 21,842).

For contractual cash flows to bank and finance lease liabilities see note A.6.6.3.

The Group has financial covenants requirements (see note A.6.6.3), which all have been met.

*(ii) Issuance of new Notes and pre-payment of existing Notes*

On July 06, 2017, the Company issued €300 million 1.8% Senior Secured Notes due 2024 (the "Notes") at 99.299% of the nominal value. The Notes carry coupon at a rate of 1.80% payable annually on 06 July each year and will mature on 06 July 2024. The Notes are listed on the Irish Stock Exchange and trade on the Global Exchange Market.

The Notes are senior obligations of the Company and rank pari passu in right of payment with all the Company's existing and future senior obligations that are not subordinated in right of payment to the Notes, including the Company's obligations under the existing Notes and the Revolving Credit Facilities. The Notes are guaranteed on a senior basis by the Company and certain of its subsidiaries and are also secured by security interests granted over certain property and assets of the Company and certain of its subsidiaries.

The entire proceeds from the issue of the Notes along with a portion of cash balance of the Company was utilized on July 06, 2017 to prepay existing €500 million 4.125% Notes due 2021.

The notes are recognised on an amortised cost basis until extinguished on prepayment or maturity of the notes.

*(iii) New Revolving Credit Facilities Agreement*

On June 20, 2017 the Company entered into a new Revolving Credit Facilities Agreement ("RCF 2017") with various banks.

The RCF 2017 is guaranteed by the Company and certain of its subsidiaries and will benefit from the same collaterals as all the existing Senior Secured Notes issued by the Company. The RCF 2017 establishes multi-currency revolving credit facilities for an aggregate principal amount of €480 million, which was subsequently increased to €500 million in July 2017 and will mature on the date falling four years from the issue date i.e. June 20, 2021.

The existing Revolving Credit Facility Agreement entered into on June 23, 2015 ("RCF 2015") for an aggregate principal amount of €350 million was subsequently terminated on June 21, 2017.

*(iv) Fair value*

Except for Notes, the fair values of other borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current borrowing rates or the borrowings are of a short-term nature. For Notes, fair values are as below –

| | March 31, 2018 | | March 31, 2017 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| € 500 million | - | - | 490,132 | 512,965 |
| € 100 million | 98,260 | 103,975 | 98,120 | 95,313 |
| US$ 400 million | 322,322 | 328,178 | 371,051 | 388,112 |
| € 300 million | 292,784 | 287,187 | - | - |

Fair values of the notes represent traded value on Irish Stock Exchange where these notes are listed and they are classified as below –

| As at March 31, 2018 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| € 100 million | - | - | 103,975 |
| US$ 400 million | 328,178 | - | - |
| € 300 million | 287,187 | - | - |

| As at March 31, 2017 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| € 500 million | 512,965 | - | - |
| € 100 million | - | - | 95,313 |
| US$ 400 million | 388,112 | - | - |

Euro 100 Mn notes are held by a limited set of investors and are not very actively traded on the stock exchange, as a result the quoted prices may not reflect fair value under an active market and hence fall in Level 3 hierarchy.

**Net debt reconciliation**
This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

| | Note | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|---|
| Cash and cash equivalents | A.6.3.9 | 215,640 | 506,048 |
| Borrowings – repayable within one year | A.6.3.10 | 134,625 | 41,762 |
| Borrowings – repayable after one year | A.6.3.10 | 729,441 | 980,116 |
| **Net Debt** | | **648,426** | **515,830** |

| | Cash and Cash equivalents | Finance leases | Other Borrowings | Total |
|---|---|---|---|---|
| **Net Debt as at April 01, 2016** | 192,518 | 13,372 | 681,103 | 501,957 |
| Cash flows | 312,942 | (7,413) | 296,907 | (23,448) |
| Foreign exchange adjustments | 588 | 420 | 21,960 | 21,792 |
| Other non-cash movements | - | 1,398 | 14,131 | 15,529 |
| **Net Debt as at March 31, 2017** | **506,048** | **7,777** | **1,014,101** | **515,830** |
| Cash flows | (284,091) | (2,934) | (110,613) | 170,544 |
| Foreign exchange adjustments | (6,317) | (402) | (56,090) | (50,175) |
| Other non-cash movements | - | 966 | 11,261 | 12,227 |
| **Net Debt as at March 31, 2018** | **215,640** | **5,407** | **858,659** | **648,426** |

Other non-cash movements for finance leases represent finance lease liability recognised during the year in respect of new lease contracts. Other non-cash movements for other borrowings represent amortisation of issue costs related to Notes issued by the company.

## A.6.3.11 Employee benefit obligations

Companies within the Group operate various pension schemes. The schemes are generally fully or partly funded through payments to insurance companies or trustee-administered funds. The Group has both defined benefit and defined contribution plans.

SMP Group mainly operates a defined benefit pension plan in Germany based on employee pensionable remuneration and length of service. The plan is unfunded. The pension plan is closed since 2004. That means that as of this date it is not possible for new members to join the plan.

SMR Group has various defined benefit plans, which consider final salary as well as average salary components in order to determine the benefits for the pensioners. Different pension plans are operated by the Group in Germany, Mexico, France, Thailand, India and South Korea. The schemes in South Korea is administered by separate trust funds.

Changes in the present value of the defined benefit pension obligations are analysed as follows:

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **As at beginning of the period** | 21,677 | 19,203 |
| Current service cost | 1,684 | 1,958 |
| Interest expense | 557 | 494 |
| Benefits paid | (736) | (1,635) |
| Actuarial (gains) or losses | (159) | 519 |
| Foreign currency differences | (1,319) | 1,073 |
| Reclassifications | - | 65 |
| **As at end of the period** | **21,704** | **21,677** |

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Re-measurements:** | | |
| –Return on plan assets, excluding amounts included in interest expense | 134 | 45 |
| –(Gain)/loss from change in demographic assumptions | 51 | 74 |
| –(Gain)/loss from change in financial assumptions | (223) | 101 |
| –Experience (gains)/losses | 13 | 344 |
| **Total** | **(25)** | **564** |

The amounts recognised in the income statement are analysed as follows:

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Recognised in the income statement** | | |
| Current service cost | 1,684 | 1,958 |
| Running Costs | 18 | 13 |
| **Net benefit expense** | **1,702** | **1,971** |
| **Other finance costs / Income** | | |
| Interest income on scheme assets | (304) | (237) |
| Interest costs on scheme liabilities | 557 | 494 |
| **Other finance costs (net)** | **253** | **257** |

The pension provisions correspond to each of the defined-benefit obligations at their present value. The expenses are reported under the item “Finance costs” (under “Interest expenses on defined benefit obligations”) and “Personnel expenses” (under “Pension costs from defined benefit plans”).

The amounts taken to the Statement of Comprehensive Income are as follows:

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Actual return on plan assets | 170 | 192 |
| Expected return on plan assets | (304) | (237) |
| **Actuarial gains and (losses) on plan assets** | **(134)** | **(45)** |
| Actuarial gains and (losses) on defined benefit obligations | 159 | (519) |
| **Total** | **25** | **(564)** |
| Effects of the limitation of scheme assets | - | - |
| **Actuarial gains and (losses) recognised in the consolidated Statement of Comprehensive Income** | **25** | **(564)** |

The assets and liabilities of the schemes are:

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Scheme assets at fair value** | | |
| Bonds and gilts and others | | |
| - Quoted | 8,116 | 7,867 |
| - Unquoted | 977 | 1,043 |
| **Fair value of scheme assets** | **9,093** | **8,910** |
| | | |
| **Defined Benefit Obligation** | **21,704** | **21,677** |
| Thereof funded | 9,093 | 8,910 |
| Thereof unfunded | 12,611 | 12,767 |
| **Funding status - deficit / (surplus)** | **12,611** | **12,767** |

Changes in the fair value of plan assets are analysed as follows:

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **As at beginning of the period** | 8,910 | 7,365 |
| Return on plan assets | 304 | 237 |
| Contributions made by the Group | 1,555 | 1,414 |
| Benefits paid | (683) | (781) |
| Running Cost | (18) | (13) |
| Actuarial gains / (losses) on plan assets | (134) | (45) |
| Foreign currency differences | (841) | 733 |
| **As at end of the period** | **9,093** | **8,910** |

Pension provisions are calculated on the basis of assumptions. The most significant actuarial assumptions were as follows:

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Actuarial assumptions** | | |
| Rate of salary increases | 2.00% - 8.00% | 2.00% - 8.00% |
| Rate of increase in pension | 1.50% - 2.00% | 1.50% - 2.00% |
| Mortality Table* | - | - |
| Discount rate | 1.50% - 7.90% | 1.70% - 7.90% |
| | | |

*Due to the use of different tables at different locations, this information is not disclosed.

The amounts recorded in the balance sheet as a provision for pensions are as follows:

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **As at beginning of the period** | 12,767 | 11,838 |
| Expense recorded in the period | 1,955 | 2,228 |
| Benefits paid | (53) | (854) |
| Contributions made by the Group | (1,555) | (1,414) |
| Amount recognised in Consolidated Statement of Comprehensive Income | (25) | 564 |
| Foreign currency differences | (478) | 341 |
| Other (reclassification and net transfer out) | - | 64 |
| **As at end of the period** | **12,611** | **12,767** |

## Sensitivity Analysis

The sensitivity of defined benefit obligation to changes in the weighted principal assumptions is :

| | Change in assumption | | Increase in assumption | | Decrease in assumption | |
|---|---|---|---|---|---|---|
| | March 31, 2018 | March 31, 2017 | March 31, 2018 | March 31, 2017 | March 31, 2018 | March 31, 2017 |
| Discount rate | 0.50% | 0.50% | (1,282) | (1,174) | 1,375 | 1,294 |
| Salary growth rate | 0.50% | 0.50% | 896 | 800 | (860) | (746) |
| Pension growth rate | 0.50% | 0.50% | 73 | 88 | (54) | (68) |
| Life expectancy | 1 year | 1 year | 292 | 294 | (295) | (275) |

Expected contributions to post-employment benefit plans for the year ending March 31, 2019 are k€ 1,096.

The above sensitivity analyses are based on a change in assumption while holding all the other assumptions constant. In practice, this is unlikely to occur, and change in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in balance sheet.
The method and type of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

## Defined contribution plans

The group also contributes towards defined contribution plans which receive fixed contributions from group companies and employees. The group's legal or constructive obligation for these plans is limited to the contributions. The expense recognised in the current period in relation to these contributions was k€ 23,758 (March 31, 2017: k€ 22,904). The expenses are included in income statement under Personnel expenses.

## A.6.3.12 Provisions

| | Warranties | Personnel related | Others | Total |
|---|---|---|---|---|
| **At April 01, 2016** | **15,554** | **3,381** | **2,567** | **21,502** |
| Arising during the year | 3,764 | 394 | 1,136 | 5,294 |
| Acquired in business combination | - | - | 1,153 | 1,153 |
| Utilised | (4,019) | (739) | (222) | (4,980) |
| Reversal of unused amounts | (596) | - | (252) | (848) |
| Foreign currency differences | 488 | 187 | 6 | 681 |
| **At March 31, 2017** | **15,191** | **3,223** | **4,388** | **22,802** |
| | | | | |
| Current | 13,863 | 2,036 | 4,388 | 20,287 |
| Non-current | 1,328 | 1,187 | - | 2,515 |
| | **15,191** | **3,223** | **4,388** | **22,802** |
| | | | | |
| **At April 01, 2017** | **15,191** | **3,223** | **4,388** | **22,802** |
| Arising during the year | 7,306 | 172 | 408 | 7,886 |
| Acquired in business combination | - | - | - | - |
| Utilised | (4,309) | (720) | (3,188) | (8,217) |
| Reversal of unused amounts | (238) | (137) | (70) | (445) |
| Foreign currency differences | (889) | (165) | (54) | (1,108) |
| **At March 31, 2018** | **17,061** | **2,373** | **1,484** | **20,918** |
| | | | - | |
| Current | 14,204 | 1,265 | 1,484 | 16,953 |
| Non-current | 2,857 | 1,108 | - | 3,965 |
| | **17,061** | **2,373** | **1,483** | **20,918** |

### Warranties

A provision is recognised for expected warranty claims on products previously, based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred in the next financial year. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the warranty period for all products sold.

### Personnel related

Personnel related provisions mostly comprise of long term employment and other benefits.

### Others

Other provisions are related to provision for litigations, site restoration expenses for removing the asset and/or restoring the site and other miscellaneous items.

## A.6.3.13 Other liabilities

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Non-current** | | |
| Accrued expenses | 44,145 | 22,243 |
| Deferred revenue | 1,440 | 1,075 |
| Liabilities towards employees | 10,324 | 10,577 |
| Others | 3,674 | 8,357 |
| **Total** | **59,583** | **42,252** |
| | | |
| **Current** | | |
| Advance received from customers | 5,323 | 10,075 |
| Liabilities towards employees | 77,727 | 74,372 |
| Other tax liabilities | 46,892 | 47,084 |
| Social security | 2,170 | 2,433 |
| Deferred revenue | 4,991 | 4,251 |
| Accrued expenses | 50,066 | 69,854 |
| Interest accrued but not due on borrowings | 10,997 | 12,122 |
| Others | 36,671 | 19,610 |
| **Total** | **234,837** | **239,801** |

Other tax liabilities mainly represent liability for VAT and other similar taxes in the ordinary course of business.

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## A.6.3.14 Shareholder's equity

### Share Capital

The authorised share capital of The Group amounts to € 90,000, divided into 90,000 shares with a nominal value of € 1 each. The issued and paid in capital amounts to € 66,176, divided into 66,176 shares with a nominal value of € 1 each.

| | Number of equity shares (in No.s) | Share Capital (in €) |
|---|---|---|
| As at April 01, 2016 | **66,176** | **66,176** |
| | | |
| Add: Issued during the year | - | - |
| **As at March 31, 2017** | **66,176** | **66,176** |
| | | |
| Add: Issued during the year | - | - |
| **As at March 31, 2018** | **66,176** | **66,176** |
| | | |

### Share premium

On June 13, 2014 The Group issued 45,676 shares of € 1 each to Samvardhana Motherson Group Holdings Limited, Cyprus in lieu of acquisition of 98.45% interest in Samvardhana Motherson Reflectec Group Holdings Limited, Jersey for a non-cash consideration of k€ 905,716 consisting of € 45,676 towards share capital and transfer of k€ 12,250 loan from MSSL Mideast (FZE), the remaining amount of k€ 893,420 was recognised as share premium. The Group also received share premium contributions amounting to k€7,490 in the previous years from its shareholders.

### Currency translation reserve

Currency translation reserve comprises of all foreign exchange differences arising on the translation of the results and financial position of subsidiaries whose functional currencies differ from the Group's reporting currency.

### Retained earnings

Retained earnings comprises accumulated profits/ (losses) of the Group and also include actuarial gains / losses arising on post-employment defined benefit plans and related tax impacts.

### Merger reserve

The merger reserve represents the differences on consolidation arising on the adoption of predecessor accounting. On June 13, 2014, SMRP BV acquired 98.45% shareholding of Samvardhana Motherson Reflectec Group Holdings Limited (SMR Group) from Samvardhana Motherson Group Holdings Limited (SMGHL), Cyprus in share exchange deal wherein SMGHL transferred its entire shareholding to SMRP BV in exchange of 45,676 shares of a nominal value of € 1 each issued by SMRP BV and consequently SMRP BV has become subsidiary of SMGHL. Shareholders of SMRP BV approved allotment of shares to SMGHL in their meeting dated June 13, 2014. Prior to June 13, 2014, SMRP BV and SMR Group were jointly controlled by Motherson Sumi Systems Limited (MSSL India) and Samvardhana Motherson International Limited (SMIL India) and after this transaction SMRP BV Group comprising SMR Group continue to be jointly controlled by MSSL India and SMIL India.
As this transaction is done under "common control" as defined by IFRS, the activities of SMR Group were included in the consolidated accounts for the year ended March 31, 2015 using the predecessor accounting method. This accounting treatment leads to differences on consolidation

between consideration and fair value of the underlying net assets and this difference is included within equity as a merger reserve.

**Other reserves**
The following table shows a breakdown 'other reserves' and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

| | Cash flow hedges | AfS financial assets | Total other reserves |
|---|---|---|---|
| **As at April 01, 2016 (A)** | **-** | **-** | **-** |
| Revaluation – gross | 5,840 | - | 5,840 |
| Reclassification to profit or loss – gross | (8,498) | - | (8,498) |
| Deferred hedging gains and losses transferred to the carrying value of property, plant & equipment purchased during the year | - | - | - |
| **Other comprehensive income for the year (B)** | **(2,658)** | **-** | **(2,658)** |
| Non-Controlling Interest (C) | - | - | - |
| **As at March 31, 2017 (D=A+B-C)** | **(2,658)** | **-** | **(2,658)** |
| | | | |
| Revaluation – gross | (29,250) | (370) | (29,620) |
| Reclassification to profit or loss – gross | 25,537 | - | 25,537 |
| Deferred hedging gains and losses transferred to the carrying value of property, plant & equipment purchased during the year | 118 | - | 118 |
| Others | 131 | - | 131 |
| **Other comprehensive income for the year (E)** | **(3,464)** | **(370)** | **(3,834)** |
| Non-Controlling Interest (F) | 10 | (6) | 4 |
| **As at March 31, 2018 (G=D+E-F)** | **(6,132)** | **(364)** | **(6,496)** |

*Available-for-sale financial assets*
Changes in the fair value of investments that are classified as available-for-sale financial assets (e.g. equities), are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

*Cash flow hedges*
The Group uses two types of hedging instruments as part of its foreign currency risk associated with highly probable foreign currency forecast transaction and foreign currency borrowings. These include foreign currency forward contracts for highly probable forecast transactions and cross currency interest rate swap for borrowings. The hedging reserve is used to record gains or losses on such hedging instruments that are designated and qualify as cash flow hedges and that are recognised in other comprehensive income. Amounts associated with foreign currency forward contracts are reclassified to profit or loss when the associated hedged transaction affects profit or loss or added to the initial cost of the related balance sheet item. The foreign exchange gain or loss on the portion of borrowings hedged by swaps is reclassified from cash flow hedge reserve to profit or loss and recognised within 'finance cost'.

## A.6.3.15 Construction Contracts

The net position of constructions contracts and amount due to/from customers for contract work comprises the following:

| | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| | | |
| **For contracts in progress:** | | |
| - The aggregate costs incurred and recognised profits (less recognised losses) to date (included in Note A.6.3.7) | 478,172 | 339,140 |
| - the amount of advances received; (included in Note A.6.3.7) | 84,572 | 61,432 |
| - Amount of contract revenue recognised as revenue in the period (see Note A.6.4.1) | 607,038 | 455,510 |
| - Gross amount due from customers for contract work as an asset | 478,172 | 339,140 |
| - Gross amount due to customers for contract work as a liability | 84,572 | 61,432 |
| | | |

## A.6.3.16 Investment in subsidiaries

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held, except as disclosed. The parent company does not have any shareholdings in the preference shares, if any, of subsidiary undertakings included in the group.

The following subsidiaries of the Group have non-controlling interests:

| Entity name | Country | Capital share [a] | Minority shares | Voting rights [a] |
|---|---|---|---|---|
| Samvardhana Motherson Reflectec Group Holdings Limited | Jersey | 98.45% | 1.45% | 98.45% |
| SMR Automotive Systems India Limited (held by SMR Cyprus) {SMR India} | India | 51% | 49% | 51% |
| SMR Grundbesitz GmbH & Co KG (held by SMR Holding Deutschland) | Germany | 93.07% | 6.93% | 93.07% |
| SMP Deutschland GmbH (held by SMP GmbH) | Germany | 94.80% | 5.20% | 94.80% |
| Changchun Peguform Automotive Plastics Technology Ltd. (held by SMP Deutschland) {CPAT} | China | 50% | 50% | 50%+1 [b] |
| Foshan Peguform Automotive Plastics Technology Co. Ltd. (held by CPAT) {FPAT} | China | 100% | - | 100% |
| Shenyang SMP Automotive Plastic Components Co. Ltd. (held by CPAT) {w.e.f. 22 August 2017} | China | 100% | - | 100% |
| Tianjin SMP Automotive Components Co. Ltd. (held by CPAT) {w.e.f. 06 March 2018} | China | 100% | - | 100% |
| SM Real Estate GmbH (held by SMP AE) | Germany | 94.80% | 5.20% | 94.80% |
| Celulosa Fabril (Cefa) S.A. (held by SMP Iberica){CEFA} [c] | Spain | 50% | 50% | 50% [d] |
| Modulos Ribera Alto S.LU. (held by CEFA) {MRA} | Spain | 100% | - | 100% |

[a] Capital shares mentioned above represent shareholding by the immediate parent of the entity and does not represent effective shareholding by the Group.

[b] SMP Deutschland GmbH has 50% of the voting rights plus one additional vote.

c) Subsidiary relation since 20 December 2016

d) Represents shareholder voting rights however majority control over the board of directors

### Transactions with non-controlling interests

- During the year ended March 31, 2017, one of the Group's subsidiary SMR Automotive Modules Korea Limited bought back 81,660 shares from its minority shareholder against a consideration of k€ 9,219, the carrying value of non-controlling interest was k€ 5,764 as on the date of buy back resulting in k€ 3,455 as excess consideration paid, k€ 5,764 was therefore adjusted in equity as transactions with non-controlling interests. Pursuant to this transaction, this subsidiary has become a 100% subsidiary of Samvardhana Motherson Reflectec Group Holdings Limited, Jersey and of the Group.

- During the year ended March 31, 2017, the Group recognised non-controlling interest on acquisition of majority control over the board of directors of CEFA, refer note A.6.3.1 for more details.

- There were other adjustments for the year ended March 31, 2018 k€ 125 (March 31, 2017: k€ 133) due to change in reserves of CPAT for statutory reporting.

### Summarised financial information on subsidiaries with material non-controlling interests

The non-controlling interest in respect of SMR Automotive Systems India Limited (SMR India), Celulosa Fabril (Cefa) S.A., Modulos Ribera Alto S.LU., Changchun Peguform Automotive Plastics Technology Ltd. (CPAT) and Foshan Peguform Automotive Plastics Technology Co. Ltd. (FPAT) is only considered to be material.

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the group.

## Summarised balance sheet and income statement

| | March 31, 2018 | | | | | March 31, 2017 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | CEFA | MRA | CPAT | FPAT | SMR India | CEFA [a)] | MRA [a)] | CPAT | FPAT | SMR India |
| | | | | | | | | | | |
| **Balance Sheet** | | | | | | | | | | |
| Non-current assets | 22,972 | 14,145 | 35,792 | 6,310 | 18,299 | 24,063 | 12,026 | 35,265 | 6,246 | 15,809 |
| Current assets | 44,479 | 24,808 | 120,705 | 7,941 | 23,740 | 45,124 | 20,317 | 105,286 | 2,687 | 30,680 |
| **Gross assets** | **67,451** | **38,953** | **156,497** | **14,251** | **42,039** | **69,187** | **32,343** | **140,551** | **8,933** | **46,489** |
| | | | | | | | | | | |
| Current liabilities | 32,169 | 11,962 | 59,848 | 11,564 | 13,584 | 35,770 | 9,487 | 50,503 | 6,156 | 21,311 |
| Non-current liabilities | 7,427 | 105 | - | - | 1,124 | 8,237 | 1,112 | - | - | 820 |
| **Gross liabilities** | **39,596** | **12,067** | **59,848** | **11,564** | **14,708** | **44,007** | **10,599** | **50,503** | **6,156** | **22,131** |
| | | | | | | | | | | |
| **Net assets** | **27,855** | **26,886** | **96,649** | **2,687** | **27,331** | **25,180** | **21,744** | **90,048** | **2,777** | **24,358** |
| | | | | | | | | | | |
| **Results** | | | | | | | | | | |
| Revenue | 91,651 | 43,641 | 218,654 | 8,715 | 76,714 | 19,254 | 12,373 | 199,453 | 4,215 | 72,765 |
| Expense | (81,974) | (38,500) | (181,513) | (8,661) | (69,882) | (17,749) | (10,509) | (169,754) | (4,907) | (66,441) |
| **Profit for the period** | **9,677** | **5,141** | **37,141** | **54** | **6,832** | **1,505** | **1,864** | **29,699** | **(692)** | **6,324** |
| Other Comprehensive Income | - | - | - | - | - | - | - | - | - | (223) |
| **Total Comprehensive Income** | **9,677** | **5,141** | **37,141** | **54** | **6,832** | **1,505** | **1,864** | **29,699** | **(692)** | **6,101** |
| Dividends paid to non-controlling interest | - | - | - | - | (562) | - | - | (11,707) | - | - |
| Profit for the year attributable to non-controlling interest | 4,838 | 2,571 | 18,570 | 27 | 3,623 | 752 | 932 | 14,849 | (345) | 2,990 |
| Accumulated non-controlling interest | 27,222 | 2,538 | 49,526 | (360) | 12,511 | 15,594 | 10,872 | 46,292 | (316) | 10,901 |

[a)] Information presented is for the period post acquisition of control

## Summarised cash flows

| | March 31, 2018 | | | | | March 31, 2017 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | CEFA | MRA | CPAT | FPAT | SMR India | CEFA a) | MRA a) | CPAT | FPAT | SMR India |
| **Cash flows from Operating Activities** | | | | | | | | | | |
| Cash generated from operations | 20,658 | 11,313 | 47,901 | 1,185 | 14,061 | 10,817 | 5,750 | 28,110 | (407) | 13,820 |
| Interest paid | 963 | 238 | 222 | (2) | 47 | (117) | 36 | 251 | 3 | (227) |
| Income tax paid | (2,715) | (1,772) | (5,496) | - | (4,116) | (712) | (762) | (4,394) | (195) | (3,421) |
| **Net cash generated from operating activities** | **18,906** | **9,779** | **42,627** | **1,183** | **9,992** | **9,988** | **5,024** | **23,967** | **(599)** | **10,172** |
| **Net cash used in investing activities** | (1,490) | (3,963) | (6,637) | (948) | (6,349) | (914) | (206) | (4,377) | (100) | (5,808) |
| **Net cash used in financing activities** | (4,508) | (5,817) | (30,450) | - | (1,195) | (2,505) | (4,819) | (23,670) | - | (3,641) |
| **Net (decrease)/increase in cash and cash equivalents** | **12,908** | **(1)** | **5,539** | **234** | **2,449** | **6,569** | **(1)** | **(4,080)** | **(699)** | **723** |
| Cash, cash equivalents and bank overdrafts at beginning of year | 9,003 | 15 | 25,690 | 126 | 1,214 | 2,434 | 16 | 29,747 | 825 | 491 |
| Exchange gains/(losses) on cash and cash equivalents | - | - | - | - | (316) | - | - | 23 | - | - |
| **Cash and cash equivalents at end of year** | **21,911** | **14** | **31,230** | **361** | **3,346** | **9,003** | **15** | **25,690** | **126** | **1,214** |

The information above is the amount before inter-company eliminations.

# A.6.4 Disclosures regarding the Consolidated Income Statement

## A.6.4.1 Revenues

| | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| Sale of products | 4,417,390 | 4,103,837 |
| Sale of tooling (construction contracts) | 607,038 | 455,510 |
| **Total** | **5,024,428** | **4,559,347** |

## A.6.4.2 Changes in inventories

| | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| Opening stock of | | |
| finished goods | 39,919 | 42,186 |
| work-in-progress | 27,619 | 24,280 |
| exchange differences | (2,294) | 376 |
| Closing stock of | | |
| finished goods | 41,123 | 39,919 |
| work-in-progress | 28,914 | 27,619 |
| exchange differences | 20 | (2,000) |
| | | |
| **Increase/(Decrease) in inventories** | **4,813** | **(1,304)** |

## A.6.4.3 Other operating income

| | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| Subsidies /Income recognised from grants received | 6,838 | 5,877 |
| Income from development work and other recoveries from Customers | 6,764 | 7,826 |
| Rental income | 841 | 874 |
| Royalty income | 3,069 | 2,917 |
| Gain from the sale of property, plant and equipment and Intangible assets | 147 | 240 |
| Provisions written back/Gain on reversal of bad debt allowance | 1,273 | 5,277 |
| Gain on step up of investment in joint venture | - | 6,340 |
| Other Income | 21,330 | 16,188 |
| **Total** | **40,262** | **45,539** |

During the year ended March 31, 2017, the Group acquired majority control over its joint venture CEFA as referred to in A.6.3.1 and as per the requirements of IFRS, previously held equity interest in CEFA was step up to fair value resulting in k€ 6,340 as gain representing excess of fair value of investment over existing value of investment.

## A.6.4.4 Personnel expenses

| | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| Wages and salaries | 663,002 | 614,947 |
| Paid labour rendered by third parties | 182,256 | 153,289 |
| Social security costs | 128,323 | 115,359 |
| Pensions costs from defined benefit plans | 1,702 | 1,971 |
| | **975,283** | **885,566** |

## A.6.4.5 Depreciation and amortization

| | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| Depreciation of property, plant and equipment | 113,753 | 107,532 |
| Depreciation on investment properties | 325 | 267 |
| Amortisation of intangible assets | 8,751 | 10,092 |
| **Total** | **122,829** | **117,891** |

## A.6.4.6 Other operating expenses

| | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| General administration expenses | 165,615 | 132,956 |
| Energy | 72,816 | 65,989 |
| Repairs and maintenance | 98,247 | 82,681 |
| Rent and lease | 52,474 | 48,679 |
| Freight and forwarding | 48,784 | 41,822 |
| Bad debts/advances written off | 2,826 | 1,749 |
| Auditors remuneration | 7,143 | 6,210 |
| Net foreign exchange loss | 1,510 | 1,681 |
| Legal and professional expenses | 45,894 | 48,974 |
| **Total** | **495,309** | **430,741** |

During the year, the company incurred expenditures of k€ 2,400 in connection with the proposed acquisition of Reydel Automotive Group, included in Legal and professional expenses. Please refer note A.6.8 for further details on the proposed acquisition

## A.6.4.7 Finance income and costs

| | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| Interest Income | 2,286 | 3,009 |
| Net exchange losses on foreign currency borrowings | - | 228 |
| **Finance income** | **2,286** | **3,237** |
| Interest expenses finance leases | 260 | 457 |
| Interest expense on borrowings | 57,541 | 47,194 |
| Interest expense on defined benefit obligations | 557 | 494 |
| Net exchange losses on foreign currency borrowings | 3,427 | - |
| **Finance costs** | **61,785** | **48,145** |

Foreign exchange loss contains amounts from the revaluation of foreign currency financial liabilities.
On July 06, 2017 the Company issued € 300 million 1.8% Senior Secured Notes due 2024. The proceeds from these notes together with the cash available were utilised to prepay outstanding € 500 million 4.125% Senior Secured Notes due 2021. Accordingly, redemption premium and unamortised transaction costs amounting to k€ 21,153 have been charged to the income statement for the year ended March 31, 2018 and recorded as interest expense on borrowings.

## A.6.4.8 Share of net profit of associates and joint ventures accounted for using the equity method

| | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| Joint ventures | 13,125 | 14,766 |
| Associates | (42) | (135) |
| **Total** | **13,083** | **14,631** |

Section A.6.3.5 contains further details related to the participation in joint ventures.

## A.6.5 Income taxes

Deferred income taxes are calculated using the balance-sheet based liability method. Deferred tax assets and liabilities are recognised for all temporary differences between the carrying amount of an asset or liability and the values used for taxation purposes. Deferred tax assets are also recognised for tax-loss carry forwards to the extent it is probable that future taxable profits will be available. For this reason, the recognition of all deferred tax assets based on tax losses is carried out with suitable consideration given to their realisation. Deferred taxes are determined on the basis of tax rates that have been enacted or substantially enacted by the end of the reporting period.

The income tax credit/expense for the year comprises the following:

| | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| Current tax on profits for the year | 67,118 | 71,917 |
| Adjustments for current tax of prior periods | 1,218 | (3,224) |
| **Current tax expense** | **68,336** | **68,693** |
| | | |
| Development and reversal of temporary differences | 616 | 5,247 |
| Prior year adjustments | 1,925 | (694) |
| Effect of reported tax losses | (205) | (6,763) |
| Others | (52) | (333) |
| **Deferred tax expense/(credit)** | **2,284** | **(2,543)** |
| | | |
| **Income tax expense** | **70,620** | **66,150** |

During the year base corporate income tax rate in USA decreased from 35% to 21%. Other than this there is no significant change in corporate tax rates, in jurisdictions where group operates, having material impact on current charge and future adjustment to the carrying amounts of assets and liabilities.

This statement enables the expected tax expense to be reconciled with the effective tax expense reported.

| Reconciliation of the effective tax rate | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| **Earnings before income tax** | **208,985** | **213,339** |
| | | |
| Tax at rate of 25%[a)] | 52,247 | 53,241 |
| Difference in overseas tax rates | 4,601 | 9,462 |
| Tax effect of losses on which deferred tax assets not recognised | 16,925 | 10,491 |
| Utilisation of previously unrecognised tax losses | (18,019) | (8,141) |
| Adjustments for current and deferred tax of prior periods | 3,143 | (3,917) |
| Tax effect of amounts which are not deductible in calculating taxable income | 12,658 | 1,077 |
| Withholding taxes | 2,918 | 2,197 |
| Tax impact of US tax reforms | (1,741) | - |
| Sundry items | (2,112) | 1,740 |
| **Income tax expense** | **70,620** | **66,150** |

a) Tax rate is the general corporate tax rate applicable in the Netherlands, the country of domicile of SMRP BV and does not consider the change in tax rate due to level of taxable income

Tax is calculated at domestic tax rates applicable in the respective countries. The weighted average applicable tax rate was 34% for the year ended March 31, 2018 (March 31, 2017: 31%). The movement in weighted average tax rate is mainly on account of variation in profitability of the Group's subsidiaries in the respective countries. There have been no significant changes in tax rates applicable to the Group's subsidiaries during the year except for decline in corporate income tax rates in USA to 21% from 35%.

Capitalised deferred tax assets and deferred tax liabilities have been allocated to individual items as per the following table:

| Deferred tax assets | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| Provisions | 10,376 | 3,690 |
| Property, plant and equipment | (3,469) | 4,203 |
| Receivable / Accruals | 8,521 | 8,499 |
| Inventories | 1,955 | 1,101 |
| Tax Value of Reported Loss carry forwards | 23,992 | 22,029 |
| Others | 184 | (26) |
| **Total** | **41,559** | **39,496** |

| Deferred tax liabilities | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| Intangible assets | 4,370 | 6,802 |
| Property, plant and equipment (Including Finance Lease Liability) | 40,057 | 46,599 |
| Government grants | 1,303 | 3,861 |
| Pension | (2,003) | - |
| Others | 13,935 | (5,465) |
| **Total** | **57,662** | **51,797** |

The analysis of deferred tax assets and deferred tax liabilities is as follows:

| | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| Deferred tax assets: | | |
| - Deferred tax assets to be recovered after 12 months | 23,834 | 30,201 |
| - Deferred tax assets to be recovered within 12 months | 17,725 | 9,295 |
| | **41,559** | **39,496** |
| Deferred tax liabilities: | | |
| - Deferred tax liabilities to be settled after 12 months | 45,867 | 47,326 |
| - Deferred tax liabilities to be settled within 12 months | 11,795 | 4,471 |
| | **57,662** | **51,797** |

**Unrecognised temporary differences**
Temporary difference relating to investments in subsidiaries for which deferred tax liabilities have not been recognised:

| | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| Foreign currency translation | (14,359) | 26,796 |
| Undistributed earnings | 449,895 | 358,746 |

Temporary differences of k€ (14,359) (March 31, 2017 : k€ 26,796) have arisen as a result of the translation of the financial statements of the group's subsidiary in USA, Mexico, China, Brazil, South Korea, India, Australia and Thailand. However, a deferred tax liability has not been recognised as the liability will only crystallise in the event of disposal of the subsidiary, and no such disposal is expected in the foreseeable future.

The Group has undistributed earnings of k€ 449,895 (March 31, 2017 k€ 358,746) which, if paid out as dividends, would be not be subject to tax in the hands of the recipient and hence no assessable temporary difference exists.

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The group did not recognise deferred income tax assets in respect of losses amounting to k€ 330,383 (March 31, 2017: k€ 309,131) that can be carried forward against future taxable income. These losses can be carried-forward as below –

| Year of expiry | Amount | Year of expiry | Amount |
|---|---|---|---|
| 2018 | 1,262 | 2026 | 42,318 |
| 2019 | 3,586 | 2027 | 1,250 |
| 2020 | 6,563 | 2028 | 9 |
| 2021 | 2,071 | 2029 | 51 |
| 2022 | 5,650 | 2032 | 92 |
| 2023 | 5,260 | 2033 | 210 |
| 2024 | 6,049 | No expiry | 245,729 |
| 2025 | 10,283 | | |

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

| | As at April 01, 2017 | Charged/(credited) to the income statement | Charged/(credited) to other comprehensive income | Reclassification | Exchange differences | As at March 31, 2018 |
|---|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | | |
| Provisions | 3,690 | 7,682 | - | (490) | (506) | 10,376 |
| Property, plant and equipment | 4,203 | (1,438) | - | (6,545) | 311 | (3,469) |
| Receivable / Accruals | 8,499 | 943 | - | (614) | (307) | 8,521 |
| Inventories | 1,101 | (44) | - | 1,139 | (241) | 1,955 |
| Tax Value of Reported Loss carryforwards | 22,029 | (1,075) | - | 5,657 | (2,619) | 23,992 |
| Others | (26) | (2,263) | 8 | 2,600 | (135) | 184 |
| **Total deferred tax assets** | **39,496** | **3,805** | **8** | **1,747** | **(3,497)** | **41,559** |
| | | | | | | |
| **Deferred tax liabilities** | | | | | | |
| Intangible assets | 6,802 | (2,432) | - | - | - | 4,370 |
| Property, plant and equipment (Including finance lease liability) | 46,599 | (2,764) | - | (2,187) | (1,591) | 40,057 |
| Government grants | 3,861 | (2,209) | - | - | (349) | 1,303 |
| Pension | - | (153) | - | (1,850) | - | (2,003) |
| Others | (5,465) | 13,647 | - | 5,784 | (31) | 13,935 |
| **Total deferred tax liabilities** | **51,797** | **6,089** | **-** | **1,747** | **(1,971)** | **57,662** |

| | As at April 01, 2016 | Charged/(credited) to the income statement | Charged/(credited) to other comprehensive income | Acquisition on business combination | Exchange differences | As at March 31, 2017 |
|---|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | | |
| Provisions | 6,118 | (2,633) | - | 13 | 192 | 3,690 |
| Property, plant and equipment | 2,716 | 1,244 | - | 162 | 81 | 4,203 |
| Receivable / Accruals | 6,227 | 1,733 | - | 479 | 60 | 8,499 |
| Inventories | 1,168 | (203) | - | 9 | 127 | 1,101 |
| Tax Value of Reported Loss carryforwards | 23,308 | (1,938) | - | - | 659 | 22,029 |
| Others | (157) | 148 | 95 | - | (112) | (26) |
| **Total deferred tax assets** | **39,380** | **(1,649)** | **95** | **663** | **1,007** | **39,496** |
| | | | | | | |
| **Deferred tax liabilities** | | | | | | |
| Intangible assets | 7,562 | (1,316) | - | 557 | (1) | 6,802 |
| Property, plant and equipment (Including Finance Lease Liability) | 39,810 | (411) | - | 2,325 | 4,875 | 46,599 |
| Government grants | 80 | 3,650 | - | 18 | 113 | 3,861 |
| Pension | (36) | - | - | - | 36 | - |
| Others | 906 | (6,115) | - | 125 | (381) | (5,465) |
| **Total deferred tax liabilities** | **48,322** | **(4,192)** | **-** | **3,025** | **4,642** | **51,797** |

# A.6.6 Other disclosures

## A.6.6.1 Financial instruments

The following table shows the carrying amounts and fair values of the Group's financial instruments

| Financial instruments | Category according to IAS 39 | Carrying value March 31, 2018 | Measurement according to IAS 39 | | Measurement according to IAS 17 | Fair Value March 31, 2018 | Not in Scope |
|---|---|---|---|---|---|---|---|
| | | | Amortised cost | At fair value | | | |
| **Assets** | | | | | | | |
| Other investments | Afs | 27,698 | 5 | 27,693 | - | 27,698 | - |
| Trade receivables | LaR | 476,555 | 476,555 | - | - | 476,555 | - |
| Other receivables | LaR | 535,796 | 425,248 | - | - | 425,248 | 110,548 |
| Derivative Financial Instruments | FVPL | 2,048 | - | 2,048 | - | 2,048 | - |
| Cash and cash equivalents | LaR | 215,640 | 215,640 | - | - | 215,640 | - |
| **Liabilities** | | | | | | | |
| Borrowings - non-current | | | | | | | |
| Notes | FLAC | 713,367 | 713,367 | - | - | 719,340 | - |
| Liabilities to banks and others | FLAC | 13,345 | 13,345 | - | - | 13,345 | - |
| Finance lease liabilities | FLAC | 2,729 | - | - | 2,729 | 2,560 | - |
| Borrowings - current | | | | | | | |
| Liabilities to banks and other | FLAC | 131,947 | 131,947 | - | - | 131,947 | - |
| Finance lease liabilities | FLAC | 2,678 | - | - | 2,678 | 2,788 | - |
| Trade payables | FLAC | 828,603 | 828,603 | - | - | 828,603 | - |
| Liabilities to joint ventures and related parties | FLAC | 27,579 | 27,579 | - | - | 27,579 | - |
| Derivative Financial Instruments | FVPL | 28,153 | - | 28,153 | - | 28,153 | - |
| Other liabilities | FLAC | 294,420 | 141,740 | - | - | 141,740 | 152,680 |
| **Thereof: aggregated by category according to IAS 39** | | | | | | | |
| Loans and Receivables (LaR) | | 1,227,991 | 1,117,443 | - | - | 1,117,443 | 110,548 |
| Available-for-Sale Financial Assets (Afs) | | 27,698 | 5 | 27,693 | - | 27,698 | - |
| Financial instruments carried at fair value through profit or loss (FVPL) | | (26,105) | - | (26,105) | - | (26,105) | - |
| Financial liabilities measured at amortised cost (FLAC) | | 2,014,668 | 1,856,581 | - | 5,407 | 1,867,902 | 152,680 |

| Financial instruments | Category according to IAS 39 | Carrying value March 31, 2017 | Measurement according to IAS 39 | | Measurement according to IAS 17 | Fair Value March 31, 2017 | Not in Scope |
|---|---|---|---|---|---|---|---|
| | | | Amortised cost | At fair value | | | |
| **Assets** | | | | | | | |
| Other investments | Afs | 6,195 | 5 | 6,190 | - | 6,195 | - |
| Trade receivables | LaR | 460,049 | 460,049 | - | - | 460,049 | - |
| Other receivables | LaR | 415,332 | 312,819 | - | - | 312,819 | 102,513 |
| Derivative Financial Instruments | FVPL | 4,222 | - | 4,222 | - | 4,222 | - |
| Cash and cash equivalents | LaR | 506,048 | 506,048 | - | - | 506,048 | - |
| **Liabilities** | | | | | | | |
| Borrowings - non-current | | | | | | | |
| Notes | FLAC | 959,303 | 959,303 | - | - | 996,390 | - |
| Liabilities to banks and others | FLAC | 16,035 | 16,035 | - | - | 16,035 | - |
| Finance lease liabilities | FLAC | 4,777 | - | - | 4,777 | 4,517 | - |
| Borrowings - current | | | | | | | |
| Liabilities to banks and other | FLAC | 38,762 | 38,762 | - | - | 38,762 | - |
| Finance lease liabilities | FLAC | 3,000 | - | - | 3,000 | 3,090 | - |
| Trade payables | FLAC | 801,199 | 801,199 | - | - | 801,199 | - |
| Liabilities to joint ventures and related parties | FLAC | 25,256 | 25,256 | - | - | 25,256 | - |
| Derivative Financial Instruments | FVPL | 1,113 | - | 1,113 | - | 1,113 | - |
| Other liabilities | FLAC | 282,055 | 130,827 | - | - | 130,827 | 151,228 |
| **Thereof: aggregated by category according to IAS 39** | | | | | | | |
| Loans and Receivables (LaR) | | 1,381,429 | 1,278,916 | - | - | 1,278,916 | 102,513 |
| Available-for-Sale Financial Assets (Afs) | | 6,195 | 5 | 6,190 | - | 6,195 | - |
| Financial instruments carried at fair value through profit or loss (FVPL) | | 3,109 | - | 3,109 | - | 3,109 | - |
| Financial liabilities measured at amortised cost (FLAC) | | 2,130,387 | 1,971,382 | - | 7,777 | 2,016,076 | 151,228 |

Due to the short-term nature of cash and cash equivalents and the short-term maturities of trade receivables and liabilities and other current receivables and liabilities, their fair values are equal to their carrying amounts.

A description of the Group's financial instrument risks, including risk management objectives and policies is given in note A.6.6.3.

The following table shows the net gains and losses from the financial instruments recognised in the income statement.

| Net gains or losses | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| Available-for-Sale Financial Assets (Afs) | (370) | - |
| Receivables and payables | 280 | 2,489 |
| Financial liabilities at fair value through profit and loss | 244 | (253) |
| Financial liabilities measured at amortised cost | 35,963 | 23,856 |

Net gains and losses from Receivables and payables are included in other operating income and expenses. Net gains and losses from financial instruments measured at amortised cost are part of finance cost and income.

**Interest income and interest expense for financial assets and financial liabilities**

| | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| Receivables and payables | 2,286 | 3,009 |
| Financial liabilities measured at amortised cost | (57,801) | (47,651) |

Interest incomes from receivables are included in interest income, interest expense for financial liabilities measured at amortised cost are included in interest expense.

### A.6.6.1.1 Financial instruments

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

| Fair value measurements At March 31, 2018 | Level 1 | Level 2 | Level 3 | Fair Value March 31, 2018 |
|---|---|---|---|---|
| **Assets** | | | | |
| Available-for-Sale financial assets (Afs) | - | 27,693 | 5 | 27,698 |
| Derivative financial instruments | - | 2,048 | - | 2,048 |
| **Liabilities** | | | | |
| Derivative financial instruments | - | 28,153 | - | 28,153 |

| Fair value measurements At March 31, 2017 | Level 1 | Level 2 | Level 3 | Fair Value March 31, 2017 |
|---|---|---|---|---|
| **Assets** | | | | |
| Available-for-Sale financial assets (Afs) | - | 6,190 | 5 | 6,195 |
| Derivative financial instruments | - | 4,222 | - | 4,222 |
| **Liabilities** | | | | |
| Derivative financial instruments | - | 1,113 | - | 1,113 |

## Fair value hierarchy

### (a) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise of equity instruments classified as available for sale. Quoted market prices are used to value Level 1 instruments.

### (b) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Entity's Level 2 instruments comprise of forward contracts relating to foreign currency and commodities and cross-currency interest rate swaps. The fair value of forward foreign contracts is determined using forward exchange rates at the balance sheet date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

### (c) Financial instruments in Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Group's Level 3 instruments represent investment in unlisted equity instruments and are valued using discounted cash flow analysis.

### A.6.6.1.2 Offsetting Financial Assets and Financial Liabilities:

The following table present the Group's financial assets and liabilities that are subject to offsetting, enforceable master netting arrangements and similar agreements:

| Trade receivables | Gross amounts of recognised financial assets | Gross amounts of recognised financial liabilities set off in the Balance sheet | Net amounts of financial assets presented in the balance sheet |
|---|---|---|---|
| March 31, 2018 | 491,763 | 15,208 | 476,555 |
| March 31, 2017 | 460,049 | - | 460,049 |

| Unbilled receivables* | Gross amounts of recognised financial assets | Gross amounts of recognised financial liabilities set off in the Balance sheet | Net amounts of financial assets presented in the balance sheet |
|---|---|---|---|
| March 31, 2018 | 478,172 | 84,572 | 393,600 |
| March 31, 2017 | 339,140 | 61,432 | 277,708 |

*grouped under other receivables

### A.6.6.2 Contingent Liabilities

In the ordinary course of business activities, the Group may be contingently liable for litigation and claims with customers, suppliers, former employees and other parties. In addition, the Group may be, or could become, liable to incur environmental remediation costs to bring environmental contamination levels back within acceptable legal limits.

On an on-going basis, the Group assesses the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable costs and losses. A determination of the provision required, if any, for these contingencies is made after analysis of each individual issue. The required provision may change in the future due to new developments in each matter or changes in approach such as a change in settlement strategy in dealing with these matters.

The tax position taken by the Group with respect to certain transactions and calculations may be challenged by tax authorities for reasons including transfer pricing, the availability of deductions for interest expense and other deductible items, the treatment of acquisition, refinancing and reorganization transactions, intercompany funding arrangements, the application and effect of tax "holidays" and the calculation of deferred tax assets and liabilities. The Group does not expect any significant cash outflow in respect of these contingencies.
As at the year end, the Group has following contingent liabilities:

| | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Indirect tax matters | 95 | 63 |
| Direct tax matters | 1,472 | 414 |
| Others (refer note below) | 16,041 | 7,280 |
| **Total** | **17,608** | **7,757** |

The Group has acted as surety in respect of subsidy received by one of its subsidiary, which limits the total liability of the Group to 1.2x of the amount of subsidy granted. As per the conditions of subsidy received from the local government the subsidiary is required to incur certain level of capital expenditure along with maintaining the headcount at certain level for a period of 5 years. As of March

31, 2018, both the conditions have been fulfilled however headcount level needs to be sustained for 5 years therefore the Group may be contingently liable for k€ 15,101 (March 31, 2017: k€ 7,280) in the event of non-compliance of subsidy conditions by the subsidiary in the future.

**Capital expenditure commitments**

The group has outstanding capital expenditure commitments which represents outstanding amount of contracts for capital expenditure against which work is yet to be executed by the contractor or supplies to be received. Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

| | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Property, plant and equipment (net of advances) | 73,410 | 49,979 |

### A.6.6.3 Risk management with respect to financial risks

The Group in its capacity as an internationally active supplier for the automobile industry is exposed to various risks with each of its business segments and products. The global presence and decentralised management structure with the main activities in the plants make an organised risk management system necessary. The regulations, instructions, implementation rules and, in particular, the regular communication throughout the tightly controlled management process consisting of planning, controlling and monitoring collectively form the risk management system used to define, record and minimise operating, financial and strategic risks.

The successful management of opportunities and risks is part of operating a business and is the primary task of all management personnel. During the regular management meetings at all management levels, opportunities, risks and optimisation measures are subjected to systematic treatment. Rapid, open and unhindered communication between all levels of management on the risks and imminent exceptional situations ensure that potential risks can be identified at an early stage and their effects can be limited. Risk awareness and the integration of risk management into management personnel's on-going duties at an organisational level enable the Group to identify risks immediately and to eliminate them or to minimise their effects on the net asset, financial and income position.

A detailed examination has revealed that the risks detailed below are manageable for the SMRP Group.
The Group is exposed in particular to credit risks with regard to trade receivables, liquidity risks and market risks from changes in interest rates and exchange rates. The Group counters customer default risks by monitoring customers continuously and carrying out regular credit checks. Liquidity is secured by means of medium-term loans, pre-emptive liquidity planning and daily liquidity reporting. Interest and currency risks are monitored on a monthly basis centrally by the finance department and the Group's Board of Management.

The Group has developed guidelines on risk controlling and the use of financial instruments. These guidelines contain a clear allocation of duties. Risks are controlled and monitored by means of operational and financial measures.
The risks listed below are not so material that they would result in extraordinary concentrations of risk.

*Credit risk*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations towards the Group and arises principally from the Group's receivables from customers and deposits with banking institutions. For banks and financial institution, the Group usually deal with entities rated par or above the Group. The maximum amount of the credit exposure is equal to the carrying amounts of these receivables.

The Group has developed guidelines for the management of credit risk from trade receivables. The Group's primary customers are major European automobile manufacturers (OEMs) with good credit ratings. Non-OEM clients are subjected to credit assessments as a precautionary measure, and the adherence of all clients to payment due dates is monitored on an on-going basis, thereby practically eliminating the risk of default.
The Group has deposited liquid funds at various banking institutions. Primary banking institutions are major international banks. In long term credit ratings these banking institutions are considered to be investment grade. Also, no impairment loss has been recorded in respect of fixed deposits that are with recognised commercial banks and are not past due.

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| | | |
| **As at beginning of the year** | 6,150 | 8,407 |
| Impairment loss recognised | 4,883 | 2,070 |
| Amounts written off | (561) | (745) |
| Unused amounts reversed | (1,660) | (3,472) |
| Exchange fluctuation | (209) | (110) |
| **As at end of the year** | **8,603** | **6,150** |

The following table shows the ageing of trade and other receivables that were not impaired:

| | Total | Neither past due nor impaired | Past due but not impaired | | | | |
|---|---|---|---|---|---|---|---|
| | | | < 30 days | 30-90 days | 90-180 days | 180-360 days | >360 days |
| **March 31, 2018** | | | | | | | |
| Trade receivables | 476,555 | 339,889 | 108,112 | 11,240 | 10,131 | 2,828 | 4,355 |
| Cash and cash equivalents | 215,640 | 215,640 | - | - | - | - | - |
| Other receivables | 425,248 | 425,248 | - | - | - | - | - |
| **March 31, 2017** | | | | | | | |
| Trade receivables | 460,049 | 392,152 | 54,434 | 4,049 | 5,881 | 1,681 | 1,852 |
| Cash and cash equivalents | 506,048 | 506,048 | - | - | - | - | - |
| Other receivables | 312,819 | 312,819 | - | - | - | - | - |

Impairment is recognised as soon as the carrying amount of an asset exceeds its recoverable amount. In general, there are impairments for overdue receivables as a result of price, quality differences as well as discount differences, for uncertain receivables, law cases and overdue receivables. A receivable is completely impaired when recoverability is not probable. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

Impairments are recognised in the income statement. The Group has not recognised any other impairment of financial instruments.

Overdue and unimpaired trade receivables are for the most part attributable to OEMs. The good credit rating of these clients means that there was no reason to impair these receivables as of the reporting date.

*Liquidity risk*
The liquidity risk encompasses any risk that the Group cannot fully meet its financial obligations. To manage the liquidity risk, cash flow forecasting is performed in the operating entities of the group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions. Furthermore, in the case of an expected breach of covenants Group management evaluates early counteractions to prohibit negative impacts for the Group out of a breach of covenants. Please refer section on 'Capital Management' below.

The following table shows the remaining contractual maturities of financial liabilities of the Group presented on a gross and undiscounted basis and include estimated interest payments and exclude the impact of netting arrangements:

| | **March 31, 2018** | | | |
|---|---|---|---|---|
| | **Less Than 1 Year** | **1 to 5 years** | **More than 5 years** | **Total** |
| **Non-derivative financial liabilities** | | | | |
| Borrowings | 146,616[1)] | 416,869 | 413,233 | **976,718** |
| Finance lease liabilities | 2,843 | 2,587 | 364 | **5,794** |
| Trade payables | 828,603 | - | - | **828,603** |
| Liabilities due to shareholders & related parties | 27,579 | - | - | **27,579** |
| Other financial liabilities | 128,826 | 5,080 | 7,836 | **141,742** |
| **Total** | **1,134,467** | **424,536** | **421,433** | **1,980,436** |
| **Derivative financial liabilities** | | | | |
| Forward contracts | 88 | - | - | **88** |
| Cross-currency interest rate swap | 2,380[1)] | 26,443 | - | **28,823** |
| **Total** | **2,468** | **26,443** | **-** | **28,911** |
| | | | | |

[1)] Accrued interest as of March 31, 2018 is included in other financial liabilities

| | March 31, 2017 | | | |
|---|---|---|---|---|
| | Less Than 1 Year | 1 to 5 years | More than 5 years | Total |
| **Non-derivative financial liabilities** | | | | |
| Borrowings | 70,011[2)] | 1,047,589 | 120,111 | **1,237,711** |
| Finance lease liabilities | 3,266 | 4,578 | 686 | **8,530** |
| Trade payables | 801,199 | - | - | **801,199** |
| Liabilities due to shareholders & related parties | 25,256 | - | - | **25,256** |
| Other financial liabilities | 119,347 | 4,291 | 7,189 | **130,827** |
| **Total** | **1,019,079** | **1,056,458** | **127,986** | **2,203,523** |
| **Derivative financial liabilities** | | | | |
| Forward contracts | 1,113 | - | - | 1,113 |
| Cross-currency interest rate swap | - | - | - | - |
| **Total** | **1,113** | **-** | **-** | **1,113** |
| | | | | |

[2)] Accrued interest as of March 31, 2018 is included in other financial liabilities

*Market risk*

*(i) Interest rate risk*

The Group's exposure to changes in interest rates of borrowings is relatively low as a large part of borrowings comprises of Senior Secured Notes which have been issued on fixed coupon rates. As at March 31, 2018 total outstanding value of these Notes was k€ 713,366 which represents 83% of the total borrowings. With respect to other borrowings, variable rate borrowings do not represent a significant exposure considering the overall size of the borrowings.

*(ii) Foreign exchange risk*

Foreign exchange risk arises from monetary receivables and obligations expressed in a currency other than the functional currency of a Group company. Group companies are required to hedge their foreign exchange risk exposure using forward contracts transacted by the group treasury. The group's risk management policy is to hedge less than 100% of anticipated cash flows (mainly export sales, purchase of inventory and certain expenses) in foreign currency for the subsequent 12 months. The contracts are timed to mature when payments against the forecasted sales, purchase or expenses are to be received or made.

The Group is also exposed to foreign exchange risk arising from its US$ 400 million senior secured notes. The Group has in place fixed to fixed cross currency swaps amounting to US$ 235 million in order to hedge against the fluctuations in USD/EURO foreign exchange rate. The terms of the swap are on fixed to fixed basis wherein the Group pays interest in EURO terms on a fixed interest rate and receives interest in USD terms on a fixed interest rate.

The group's unhedged exposure to foreign currency risk (for major currencies) at the end of the reporting period was as follows

*(Amounts in foreign currency 000s)*

| March 31, 2018 | USD | GBP | CNY | MXN | HUF |
|---|---|---|---|---|---|
| Receivables | 260,533 | 9,911 | 1,126 | 58,807 | 1,147,164 |
| Borrowings | 201,000 | - | - | - | - |
| Payables | 26,639 | 3,313 | - | 91,636 | 4,633,330 |

| March 31, 2017 | USD | GBP | CNY | MXN | HUF |
|---|---|---|---|---|---|
| Receivables | 23,225 | 10,224 | 2,329 | 74,131 | 1,007,353 |
| Borrowings | 225,000 | - | - | - | - |
| Payables | 29,429 | 4,092 | 64 | 131,473 | 3,340,605 |

As shown in the table above, the group is primarily exposed to changes in USD/EURO exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from US-dollar denominated financial instruments and the impact on other components of equity arises from foreign forward exchange contracts designated as cash flow hedges. The Group conducted sensitivity analyses at year-end to estimate the currency risk concerning movement in USD/EURO. If the Euro were to appreciate by 10% against the US dollar, receivables would decrease by k€ 19,223 as on March 31, 2018 (March 31, 2017 : k€ 1,983), while liabilities would decrease by k€ 16,796 as on March 31, 2018 (March 31, 2017 : k€ 21,720). Net impact on equity will be a loss of k€ 2,427 as on March 31, 2018 (March 31, 2017 : gain k€ 19,738). On the other hand, if the Euro were to depreciate by 10% against the US dollar, receivables would increase by k€ 23,495 as on March 31, 2018 (March 31, 2017 : k€ 2,423), while liabilities would increase by k€ 20,529 as on March 31, 2018 (March 31, 2017 : 26,547). Net impact on equity will be a gain of k€ 2,966 as on March 31, 2018 (March 31, 2017 : loss of 24,124).

*Derivative contracts*

The Group had adopted hedge accounting in respect of following derivative contracts.

### *March 31, 2018*

| Type of Hedge & Risks | Nominal Value (Bought) | Carrying amount of Hedge instrument | | Maturity date | Hedge ratio | Weighted average strike price | Changes in fair value of hedging instrument | Change in the value of hedged item |
|---|---|---|---|---|---|---|---|---|
| | | Assets | Liabilities | | | | | |
| **Forward covers** | | | | | | | | |
| USD:MXN | MXN 591,745 | 1,511 | - | September 2018 - March 2019 | 1:1 | 20.23 | 1,511 | (1,511) |
| USD:EUR | EUR 16,212 | 304 | - | April 2018 - September 2018 | 1:1 | 0.82 | 304 | (304) |
| EUR:USD | USD 3,000 | 9 | - | April 2018 | 1:1 | 1.24 | 9 | (9) |
| EUR:CNY | CNY 31,736 | 116 | - | April 2018 - May 2019 | 1:1 | 8.14 | 116 | (116) |
| CNY:EUR | EUR 18 | - | - | April 2018 - May 2019 | 1:1 | 0.13 | - | - |
| EUR:HUF | HUF 4,577,558 | 43 | - | April 2018 - August 2018 | 1:1 | 313.53 | 43 | (43) |
| **Total** | | **1,983** | **-** | | | | | |
| Other forward covers not under hedge accounting | | 65 | 88 | | | | | |
| **Total** | | **2,048** | **88** | | | | | |
| **Cross currency swaps** | | | | | | | | |
| EUR:USD | USD 175,000 | - | 23,368 | 15 December 2021 | 1:1 | 1.11 | 23,026 | (23,368) |
| EUR:USD | USD 60,000 | - | 4,697 | 14 June 2019 | 1:1 | 1.14 | 4,687 | (4,697) |
| **Total** | | **-** | **28,065** | | | | | |

### *March 31, 2017*

| Type of Hedge & Risks | Nominal Value (Bought) | Carrying amount of Hedge instrument | | Maturity date | Hedge ratio | Weighted average strike price | Changes in fair value of hedging instrument | Change in the value of hedged item |
|---|---|---|---|---|---|---|---|---|
| | | Assets | Liabilities | | | | | |
| **Forward covers** | | | | | | | | |
| EUR:HUF | HUF 2,208,513 | 200 | - | April 2017 – June 2017 | 1:1 | 320.07 | 200 | (200) |
| USD:EUR | EUR 9,692 | - | 456 | April 2017 – July 2018 | 1:1 | 0.88 | (456) | 456 |
| USD:MXN | MXN 134,153 | 411 | - | April 2017 – Nov 2017 | 1:1 | 20.02 | 411 | (411) |
| **Total** | | **611** | **456** | | | | | |
| Other forward covers not under hedge accounting | | 108 | 657 | | | | | |
| **Total** | | **719** | **1,113** | | | | | |
| **Cross currency swaps** | | | | | | | | |
| EUR:USD | USD 175,000 | 3,503 | - | 15 December 2021 | 1:1 | 1.11 | 3,543 | (3,503) |

During the year, no hedge ineffectiveness was recognised in the statement of profit or loss. The Group's hedging policy only allows for effective hedge relationships to be established. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item, and so a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument.

The Group uses the hypothetical derivative method to assess effectiveness. In the case of fixed to fixed cross currency swaps, retrospective effectiveness testing is performed at each reporting date using change in fair value of cash flows method (hypothetical derivative method) at each reporting date during the period of hedging. The effectiveness is measured as the ratio of change in the fair value of the hedging instrument and the hypothetical derivative during the period.

*Capital management*

The group's objectives when managing capital are to safeguard their ability to continue as a going concern and also their ability to fund inorganic growth, so that they can continue to provide returns for shareholders and benefits for other stakeholders and maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the group monitors Net Debt to EBITDA ratio: Net debt (total borrowings net of cash and cash equivalents) divided by EBITDA (Profit before tax plus depreciation and amortization expense plus finance costs plus exceptional expense).

The group's strategy is to ensure that the Net Debt to EBITDA is managed at an optimal level considering the above factors. The Net Debt to EBITDA ratios were as follows:

| | March 31, 2018 | March 31, 2017 |
|---|---:|---:|
| Borrowings - non-current | 729,441 | 980,116 |
| Borrowings – current | 134,625 | 41,762 |
| **Total borrowings** | **864,066** | **1,021,878** |
| Less: Cash and cash equivalents | (215,640) | (506,048) |
| **Net Debt** | **648,426** | **515,830** |
| EBITDA | 378,230 | 361,507 |
| **Net Leverage Ratio*** | **1.74** | **1.43** |

*Calculated in accordance with the definitions of Net Debt and EBITDA as per Revolving Credit Facilities Agreement

The Group is not subject to any capital requirements on the basis of its Articles of Incorporation. Certain capital requirements were contractually imposed in loan agreements with the financial institutions. As per the terms of the Notes and Revolver Credit Facilities referred to in note A.6.3.10, the Group is required to maintain financial covenants of net leverage ratio not exceeding 3.25x and net interest cover ratio more than 3.0x calculated on the group's consolidated financial statements.

Upon the occurrence of any event of default under any of the Revolving Credit Facilities Agreements or the Notes, subject to applicable cure periods and other limitations on acceleration or enforcement, the relevant creditors/Trustee could elect to declare all amounts outstanding, together with accrued interest, immediately due and payable and cancel the availability of the facilities, as applicable.

As at March 31, 2018 the Group had net leverage ratio of 1.74x and net interest cover ratio of 5.60x and therefore was in compliance with both these financial covenants. The Group continuously monitors these covenants and it is controlled by capital measures regarding both, shareholders equity as well as debt.

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### A.6.6.4 Operating Segment Information

The Company is primarily in the business of manufacture and sale of components to automotive original equipment manufacturers. The CODM examines the group's performance from a product perspective and has identified two reportable segments of its business:

**SMR**

Represents Samvardhana Motherson Reflectec Group Holdings Limited including its subsidiaries excluding Samvardhana Motherson Innovative Autosystems Holding Company BV, Samvardhana Motherson Innovative Autosystems de Mexico, S.A. de C.V., SMP Automotive Systems Alabama Inc. and plant at Kecskemet of SMR Automotive Mirror Technology Hungry Bt. and is engaged in development, manufacture and supply of rear view mirrors and drive assistance systems.

**SMP**

Represents Samvardhana Motherson Peguform GmbH, SMP Automotive Technology Ibérica, S.L., SMP Automotive Interiors (Beijing) Co. Ltd and their subsidiaries and includes Samvardhana Motherson Innovative Autosystems Holding Company BV, Samvardhana Motherson Innovative Autosystems de Mexico, S.A. de C.V., SMP Automotive Systems Alabama Inc. and plant at Kecskemet of SMR Automotive Mirror Technology Hungry Bt. as referred above. SMP supplies polymer based interior and exterior modules and parts for automotive industry.

**Others**

Represents activities carried out by Motherson Innovations (Group's R&D and new technologies development arm) and results of certain corporate and shareholder support functions not allocable to a particular segment on a reasonable basis. Results of such support functions are not included in the business review reports provided to the management.

The management reviews performance of SMR and SMP business separately from the results of Motherson Innovations and other support functions and therefore the Company decided to present performance and assets, liabilities of SMR and SMP segment separately from the results of Motherson Innovations and other support functions to provide a better view on operational performance of these segments. Since until the financial year ended March 31, 2017 segment disclosures for SMR and SMP segments were presented including these functions, the comparatives for March 31, 2017 have been restated to reflect this change.

Transfer prices for transactions between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

| | March 31, 2018 | | | | | March 31, 2017 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | SMP | SMR | Others | Inter-segment eliminations | Total | SMP | SMR | Others | Inter-segment eliminations | Total |
| | | | | | | | | | | |
| Revenues | 3,451,502 | 1,574,855 | - | (1,929) | 5,024,428 | 2,986,286 | 1,575,204 | - | (2,143) | 4,559,347 |
| **Earnings before interest, tax, deprication and amortisation (EBITDA)** | 205,318 | 189,334 | (16,422) | - | 378,230 | 200,652 | 166,336 | (5,481) | - | 361,507 |
| Depreciation & Amortisation | (78,231) | (44,518) | (80) | - | (122,829) | (75,179) | (42,656) | (56) | - | (117,891) |
| **Earnings before interest, tax and share of net profit/(loss) of associates and joint ventures** | **127,087** | **144,816** | **(16,502)** | **-** | **255,401** | **125,473** | **123,680** | **(5,537)** | **-** | **243,616** |
| | | | | | | | | | | |
| Share of net profit of associates and joint ventures | 274 | 12,809 | - | - | **13,083** | 6,504 | 8,127 | - | - | **14,631** |
| Interest Income | | | | | 2,286 | | | | | 3,237 |
| Interest expense | | | | | (61,785) | | | | | (48,145) |
| **Profit before tax** | | | | | **208,985** | | | | | **213,339** |
| | | | | | | | | | | |
| **Segment Assets** | 2,068,998 | 927,600 | 1,821,804 | (2,010,494) | **2,807,908** | 1,792,327 | 806,664 | 1,959,516 | (1,739,859) | **2,818,648** |
| **Segment Liabilities** | 1,195,681 | 428,945 | 829,164 | (300,316) | **2,153,474** | 1,024,268 | 363,830 | 994,101 | (148,127) | **2,234,072** |
| | | | | | | | | | | |
| **Other disclosures:** | | | | | | | | | | |
| Capital expenditure | 204,308 | 78,702 | 61 | - | **283,071** | 239,042 | 79,402 | 396 | - | **318,840** |

Assets under Others primarily represent intercompany loans and investment in subsidiaries
Liabilities under Others primarily represent borrowings in the form of Notes and Revolving Credit Facilities utilised at the holding company level

**Revenue by region**

| | March 31, 2018 | | | | | March 31, 2017 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | SMP | SMR | Others / Unallocated | Intersegment eliminations | Total | SMP | SMR | Others / Unallocated | Intersegment eliminations | Total |
| Asia Pacific | 301,844 | 406,851 | - | (46) | **708,649** | 279,157 | 450,922 | - | (35) | **730,044** |
| Europe | 2,714,008 | 689,576 | - | (1,882) | **3,401,702** | 2,493,977 | 657,454 | - | (1,999) | **3,149,432** |
| The Americas | 435,650 | 478,428 | - | (1) | **914,077** | 213,075 | 466,828 | - | (32) | **679,871** |
| **Total** | **3,451,502** | **1,574,855** | **-** | **(1,929)** | **5,024,428** | **2,986,209** | **1,575,204** | **-** | **(2,066)** | **4,559,347** |

**Non-current assets by region (excluding deferred taxes, investments and financial instrument)**

| | March 31, 2018 | | | | | March 31, 2017 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | SMP | SMR | Others / Unallocated | Intersegment eliminations | Total | SMP | SMR | Others / Unallocated | Intersegment eliminations | Total |
| Asia Pacific | 54,231 | 125,772 | 141 | - | **180,144** | 55,679 | 114,925 | 197 | - | **170,801** |
| Europe | 707,923 | 126,118 | 1,241 | - | **835,282** | 635,957 | 106,634 | 1,117 | - | **743,708** |
| The Americas | 309,125 | 97,041 | - | - | **406,166** | 266,376 | 112,230 | - | - | **378,606** |
| **Total** | **1,071,279** | **348,931** | **1,382** | **-** | **1,421,592** | **958,012** | **333,789** | **1,314** | **-** | **1,293,115** |

**Revenue from external customers contributing more than 10% of segment revenue**

| | March 31, 2018 | | | | | March 31, 2017 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | SMP | SMR | Others / Unallocated | Intersegment eliminations | Total | SMP | SMR | Others / Unallocated | Intersegment eliminations | Total |
| Audi | 1,169,900 | 55,828 | - | - | **1,225,728** | 1,066,261 | 68,900 | - | - | **1,135,161** |
| Volkswagen | 453,518 | 72,016 | - | - | **525,534** | 385,838 | 55,781 | - | - | **441,619** |
| Daimler | 601,430 | 114,808 | - | - | **716,238** | 499,586 | 101,413 | - | - | **600,999** |
| SEAT | 440,563 | 6,410 | - | - | **446,973** | 376,975 | 7,643 | - | - | **384,618** |
| Ford | 52,112 | 178,081 | - | - | **230,193** | 57,307 | 164,916 | - | - | **222,223** |
| Hyundai | - | 189,291 | - | - | **189,291** | - | 226,348 | - | - | **226,348** |
| **Total** | **2,717,523** | **616,434** | **-** | **-** | **3,333,957** | **2,385,967** | **625,001** | **-** | **-** | **3,010,968** |

*The Group has no revenue from external customers in the Netherlands, the country of its domicile.

** As at March 31, 2018 assets amounting to k€ 1,241 (March 31, 2017: 1,117) relate to the Netherlands, the country of domicile.

### A.6.6.5 Other financial obligations

The following table shows the future financial obligations arising from long-term rental and leasing contracts.

**Operating leases – group as lessee**

The group leases various properties, vehicles and machinery under non-cancellable operating lease agreements. The lease terms are between 3 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. There are no restrictions placed upon the lessee by entering into these leases.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Not later than one year | 32,389 | 27,797 |
| After one year but not more than five years | 49,401 | 54,305 |
| More than five years | 2,363 | 6,737 |
| **Total** | **84,153** | **88,839** |

During the year, k€ 42,832 (March 31, 2017: k€ 38,193) has been recognised in the income statement as lease rent expense towards operating leases.

**Finance leases – group as lessee**

The group leases various buildings and machinery under non-cancellable finance lease agreements. The lease terms are between 3 and 10 years, and ownership of the assets lies within the group

**Future Minimum Lease Payments under Finance Lease**

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Future minimum payments due:** | | |
| Not later than 1 year | 2,843 | 3,257 |
| Later than 1 year but not more than 5 years | 2,587 | 4,445 |
| Later than 5 years | 364 | 686 |
| **Total** | **5,794** | **8,388** |
| Less finance charges allocated to future periods | 387 | 611 |
| **Present value of future minimum lease payments** | **5,407** | **7,777** |
| **Thereof** | | |
| Not later than 1 year | 2,678 | 3,000 |
| Later than 1 year but not more than 5 years | 2,377 | 4,128 |
| Later than 5 years | 352 | 649 |
| **Total** | **5,407** | **7,777** |
| **Thereof** | | |
| Current | 2,678 | 3,000 |
| Non-current | 2,729 | 4,777 |

### A.6.6.6 Related parties

During the year the Group entered into transactions, in the ordinary course of business, with related parties. Transactions entered into, include the sale and purchase of goods and services. In addition, financing transactions have been undertaken.

**Entities with significant influence over the Group**

Samvardhana Motherson Global Holdings Limited ("SMGHL"), Cyprus, the direct parent entity of the Company holds 69% of the voting shares in the Company.

Samvardhana Motherson Polymers Limited ("SMPL"), India holds 31% of the voting shares in the Company.

SMGHL and SMPL are both indirectly held by MSSL (which prepares financial statements available for public use) and by Samvardhana Motherson International Limited ("SAMIL").

MSSL effectively holds 51% of the voting shares in the Company and therefore considered as Ultimate parent entity. SAMIL holds 49% of the voting shares in the Company.

As a result, MSSL and SAMIL and their direct and indirect held subsidiaries, except for the companies forming the Company are considered as related parties.

**Key Management Personnel**

Members of the management and supervisory board are considered to be Key Management Personnel as they are charged with the responsibility for planning, directing and controlling the activities of the Group.

During the year, below remuneration was paid to the Key Management Personnel:

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Short term employee benefits | 2,610 | 2,166 |
| Post-employment benefits | 20 | 31 |
| Long-term employee benefits | - | - |
| Directors sitting fees | 115 | 36 |
| **Total compensation** | **2,744** | **2,233** |

**Terms and conditions**

Transactions relating to sales and purchase of goods with related parties during the year are based on the price lists in force and terms that would be available to third parties. All other transactions were made on normal commercial terms and conditions and at market rates.

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties. Outstanding balances are unsecured and are repayable in cash.

### Details of related party transactions

| | Year ended March 31, 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Parent | Entities with significant influence | Fellow Subsidiaries | Joint ventures and associates | Key Management Personnel | Other related parties | Total |
| Sales | 965 | - | 2,785 | 38,539 | - | - | 42,289 |
| Purchases | 35,657 | - | 60,026 | 39,061 | - | 135 | 134,879 |
| Miscellaneous expenses | 147 | 61 | 9,271 | 51 | - | 9,551 | 19,081 |
| Loans given | - | - | - | - | - | 10 | 10 |
| Loans taken | - | - | 41 | - | - | - | 41 |
| Rental income | - | - | 2 | - | - | - | 2 |
| Purchase of assets | 81 | - | - | - | - | 3,728 | 3,809 |
| Miscellaneous income | 2,437 | 20 | 2,533 | 774 | - | 252 | 6,016 |

### Details of related party balances

| | | As at March 31, 2018 | | | | | |
|---|---|---|---|---|---|---|---|
| | Parent | Entities with significant influence | Fellow Subsidiaries | Joint ventures and associates | Key Management Personnel | Other related parties | Total |
| Trade receivables | 832 | 23 | 2,125 | 12,980 | - | 339 | 16,299 |
| Other receivables | - | - | - | - | 16 | 1,723 | 1,739 |
| Trade and other payables | 7,565 | 101 | 13,298 | 4,112 | 5 | 2,496 | 27,577 |
| Loans payable | - | - | 286 | - | - | - | 286 |

### Details of related party transactions

| | Year ended March 31, 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Parent | Entities with significant influence | Fellow Subsidiaries | Joint ventures and associates | Key Management Personnel | Other related parties | Total |
| Sales | 1,758 | 16 | 897 | 18,928 | - | - | 21,599 |
| Purchases | 39,535 | - | 52,237 | 62,584 | - | 9 | 154,365 |
| Miscellaneous expenses | 858 | 124 | 6,346 | 63 | - | 5,934 | 13,325 |
| Loans given | - | - | - | - | - | 17 | 17 |
| Repayment of loans taken | - | - | 1,719 | - | - | 430 | 2,149 |
| Loans taken | - | - | 1,999 | - | - | 430 | 2,429 |
| Sale of assets | - | - | 263 | - | - | 3 | 266 |
| Purchase of assets | - | - | - | - | - | 2,189 | 2,189 |
| Interest expenses | - | - | 315 | - | - | - | 315 |
| Miscellaneous income | 1,656 | - | 1,257 | 171 | - | - | 3,084 |

### Details of related party balances

| | | As at March 31, 2017 | | | | | |
|---|---|---|---|---|---|---|---|
| | Parent | Entities with significant influence | Fellow Subsidiaries | Joint ventures and associates | Key Management Personnel | Other related parties | Total |
| Trade receivables | 706 | 129 | 2,490 | 5,932 | - | 9 | 9,266 |
| Other receivables | - | - | - | - | 23 | 555 | 578 |
| Trade and other payables | 7,270 | 1,948 | 10,313 | 5,152 | - | 293 | 24,976 |
| Loans payable | - | - | 280 | - | - | - | 280 |

### A.6.7 Accounting estimates and evaluations

The Group makes estimates and assumptions concerning the future and makes significant judgements in the process of application of accounting policies. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

- Determination of the useful life of intangible assets and property, plant and equipment (see A.6.3.2 and A.6.3.3).
- Valuation of customer and engineering agreements as well as technology and property, plant and equipment, particularly with regard to their underlying cash flow forecasts and discount rates (see A.6.3.2 and A.6.3.3).
- Determination of the level of completion, the contract revenues and contract costs of construction contracts. The Group uses the percentage-of-completion method in accounting for its fixed price contracts to deliver design services. Use of the percentage-of-completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed. (see A.6.3.15).
- Valuation of recoverable income tax assets especially with respect to deferred tax assets on tax loss carry forwards. The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. (see A.6.5).
- Recognition and presentation of provisions and liabilities for pensions and other post-employment benefits. The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions for pension obligations are based in part on current market conditions. (see A.6.2.14.1 and A.6.3.11).
- Recognition and presentation of provisions and liabilities (esp. the accrual for price differences and the liabilities out of contract work) and to the probability of expenses arising from warranty claims and claims from legal disputes. Price accruals primarily represent the amount of price down to be given to customers, the final outcome of these price accruals is dependent on negotiation with customers (see A.6.2.14).

These estimates and assumptions are based on the latest information available at the time that the consolidated financial statements were prepared. The assumptions and estimates are checked and updated regularly to accommodate any actual developments that may arise.

## A.6.8 Subsequent events

On 2 April, 2018, the Company executed the put option agreement for the proposed acquisition of 100% stake in Reydel Automotive Holdings B.V. and Reydel Automotive Management B.V. (hereinafter collectively referred as "Reydel Automotive Group") for a purchase price of USD 201 million subject to closing adjustments. Subsequently, upon receiving favourable opinions from European and French works council, the existing shareholders of Reydel Automotive Group have exercised their put option on 08 May 2018. Accordingly, the Share Purchase Agreement for acquisition of Reydel Automotive Group by SMRP BV is deemed to have been executed on 08 May 2018.

The proposed transaction is subject to customary closing conditions and receipt of required regulatory approvals. Indicatively, it is expected that the transaction will take 4-6 months to close from the execution of the put option agreement (April 2, 2018).

Reydel Automotive Group is a portfolio company of Cerberus Capital Management, L.P. and is an established global supplier of Instrument Panels, Door Panels, Console Modules, Decorative Parts and Cockpit, with presence across Europe, South America and Asia.

## Signing of the financial statements

Mr. Jacob Meint Buit
(Managing Director)

Mr. Randolph Marie Thaddeus De Cuba
(Managing Director)

Mr. Laksh Vaaman Sehgal
(Managing Director)

Mr. Andreas Heuser
(Managing Director)

Mr. Cezary Zawadzinski
(Member of Supervisory Board)

Mr. Bimal Dhar
(Member of Supervisory Board)

Mr. Kunal Malani
(Member of Supervisory Board)

Mr. G.N. Gauba
(Member of Supervisory Board)

Mr. Vivek Chaand Sehgal
(Member of Supervisory Board)

# Standalone Financial Statements

## For the year ended March 31, 2018

## B.1 Statement of Financial Position

| | Note | March 31, 2018 | March 31, 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| Property, plant and equipment | B.6.3.2 | 355,342 | 340,945 |
| Investments in subsidiaries | B.6.3.3 | 1,077,182,336 | 1,055,282,336 |
| Other receivables and assets | B.6.3.4 | 885,342 | 775,639 |
| Other financial assets | B.6.3.5 | 669,287,785 | 525,275,051 |
| **Total non-current assets** | | **1,747,710,805** | **1,581,673,971** |
| | | | |
| Receivables from related parties | | 1,062,004 | 688,581 |
| Other receivables and other assets | B.6.3.4 | 14,917,387 | 14,633,812 |
| Cash and cash equivalents | B.6.3.6 | 39,007,778 | 361,260,463 |
| **Total current assets** | | **54,987,169** | **376,582,856** |
| **Total assets** | | **1,802,697,974** | **1,958,256,827** |
| **EQUITY AND LIABILITIES** | | | |
| Subscribed capital | B.6.3.1 | 66,176 | 66,176 |
| Share premium | B.6.3.1 | 900,909,907 | 900,909,907 |
| Cash flow hedge reserve | B.5 | (8,156,552) | (2,848,397) |
| Retained earnings | B.5 | 82,654,881 | 65,650,523 |
| **Total equity** | | **975,474,412** | **963,778,209** |
| | | | |
| Borrowings | B.6.3.7 | 713,366,745 | 959,303,042 |
| Derivative financial liabilities | B.6.3.5 | 28,065,455 | - |
| Other liabilities | | - | 1,219,177 |
| **Total non-current liabilities** | | **741,432,200** | **960,522,219** |
| | | | |
| Borrowings | B.6.3.7 | 69,218,408 | 17,400,000 |
| Other liabilities | B.6.3.8 | 16,572,954 | 16,556,399 |
| **Total current liabilities** | | **85,791,362** | **33,956,399** |
| **Total liabilities** | | **827,223,562** | **994,478,618** |
| **Total equity and liabilities** | | **1,802,697,974** | **1,958,256,827** |

The notes on pages 144 to 175 are an integral part of these financial statements.

## B.2 Income Statement

| | Notes | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|---|
| | | | |
| Service income | **B.6.4.1** | 1,344,134 | 206,561 |
| Dividend income | **B.6.4.2** | 46,500,000 | 95,000,000 |
| Cost of services | | (356,347) | (95,261) |
| Personnel expenses | **B.6.4.3** | (520,914) | (212,148) |
| Other operating expenses | **B.6.4.4** | (6,427,583) | (6,052,290) |
| **Result from operating activities** | | **40,539,290** | **88,846,862** |
| Finance income | **B.6.4.5** | 31,583,525 | 33,193,435 |
| Finance costs | **B.6.4.5** | (55,118,457) | (40,824,956) |
| Finance costs – net | | **(23,534,932)** | **(7,631,521)** |
| **Earnings Before Taxes (EBT)** | | **17,004,358** | **81,215,341** |
| Income taxes | **B.6.4.6** | - | - |
| **Profit for the year** | | **17,004,358** | **81,215,341** |

The notes on pages 144 to 175 are an integral part of these financial statements.

## B.3 Statement of Comprehensive Income

| | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| | | |
| **Profit for the year after tax:** | **17,004,358** | **81,215,341** |
| | | |
| **Other comprehensive income / (loss):** | **(5,308,155)** | **(2,848,397)** |
| **- Items that may be subsequently classified to Profit & Loss** | | |
| Cash flow hedges | (5,308,155) | (2,848,397) |
| Income tax relating to these items | - | - |
| **Total comprehensive income for the year** | **11,696,203** | **78,366,944** |
| | | |

The notes on pages 144 to 175 are an integral part of these financial statements.

## B.4 Cash Flow Statement

| | Note | Year-ended March 31, 2018 | Year-ended March 31, 2017 |
|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| **Earnings before taxes** | **B.2** | **17,004,358** | **81,215,341** |
| | | | |
| Finance costs – net (excluding foreign exchange loss) | **B.6.4.5** | 20,678,350 | 8,132,653 |
| Dividend from subsidiaries | | (46,500,000) | (95,000,000) |
| Foreign currency translation loss /(gain) | | 3,016,364 | (3,087,369) |
| **Net earnings before changes in working capital** | | **(5,800,928)** | **(8,739,375)** |
| | | | |
| **Change in working capital** | | | |
| Decrease /(increase) in receivables from related parties | | (373,423) | 924,548 |
| Decrease /(increase) in other receivables and assets | | (167,985) | 149,494 |
| Increase/(decrease) in other liabilities | | (453,858) | 4,455,627 |
| **Cash flow from operating activities before income tax** | | **(6,796,194)** | **(3,209,706)** |
| Income tax paid | | - | - |
| **Cash flow from operating activities (A)** | | **(6,796,194)** | **(3,209,706)** |
| | | | |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Investment in subsidiaries | | (21,900,000) | (9,500,000) |
| Dividend from subsidiaries | | 46,500,000 | 95,000,000 |
| Purchase of property plant and equipment | | (14,397) | (340,945) |
| Loans given to subsidiaries | | (459,213,330) | (406,832,449) |
| Repayment of loan given to subsidiaries | | 290,032,955 | 317,837,705 |
| Interest received | | 30,757,763 | 29,040,647 |
| **Cash flow from investing activities (B)** | | **(113,837,009)** | **25,204,958** |
| | | | |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Proceeds from long term borrowings | | 291,999,612 | 352,166,650 |
| Repayment of short term borrowings (net of receipts) | | (445,649,081) | (11,300,000) |
| Interest paid | | (40,118,791) | (34,139,207) |
| **Cash flow from financing activities (C)** | | **(193,768,260)** | **306,727,443** |
| | | | |
| **Changes in cash and cash equivalents (A+B+C)** | | (314,401,463) | 328,722,695 |
| Cash and cash equivalents at beginning of period | | 361,260,463 | 24,360,475 |
| Variation in cash and cash equivalents from translation in foreign currencies | | (7,851,222) | 8,177,293 |
| **Cash and cash equivalents at end of year** | **B.6.3.6** | **39,007,778** | **361,260,463** |
| | | | |

The notes on pages 144 to 175 are an integral part of these financial statements.

# B.5 Statement of Changes in Equity

| | Share capital | Share premium | Cash flow hedge reserve | Retained earnings | Total |
|---|---|---|---|---|---|
| | | | | | |
| **As at April 01, 2016** | **66,176** | **900,909,907** | **-** | **(15,564,818)** | **885,411,265** |
| **Comprehensive income** | | | | | |
| Profit for the year | - | - | - | 81,215,341 | 81,215,341 |
| **Items that may be subsequently classified to Profit & Loss** | | | | | |
| Cash flow hedge reserve | - | - | (2,848,397) | - | (2,848,397) |
| **Total comprehensive income** | **-** | **-** | **(2,848,397)** | **81,215,341** | **78,366,944** |
| **Transactions with owners** | | | | | |
| Shares issued during the year | - | - | - | - | - |
| **As at March 31, 2017** | **66,176** | **900,909,907** | **(2,848,397)** | **65,650,523** | **963,778,209** |
| | | | | | |
| **As at April 01, 2017** | **66,176** | **900,909,907** | **(2,848,397)** | **65,650,523** | **963,778,209** |
| **Comprehensive income** | | | | | |
| Profit for the year | - | - | - | 17,004,358 | 17,004,358 |
| **Items that may be subsequently classified to Profit & Loss** | | | | | |
| Cash flow hedge reserve | - | - | (5,308,155) | - | (5,308,155) |
| **Total comprehensive income** | **-** | **-** | **(5,308,155)** | **17,004,358** | **11,696,203** |
| **Transactions with owners** | | | | | |
| Shares issued during the year | - | - | - | - | - |
| **As at March 31, 2018** | **66,176** | **900,909,907** | **(8,156,552)** | **82,654,881** | **975,474,412** |

The notes on pages 144 to 175 are an integral part of these financial statements.

# B.6 Notes to the Financial Statements

## B.6.1 General information and description of the business

Samvardhana Motherson Automotive Systems Group BV, Amsterdam (hereafter referred as "Company" or "SMRP BV") is a private company with limited liability, incorporated under the laws of the Netherlands on 7 October 2011, having its corporate seat at Amsterdam (KvK number 53709713), with office at Hoogoorddreef 15, 1101 BA Amsterdam, The Netherlands.

The principal business activities of the Company are holding, financing and management activities.

## B.6.2 Summary of Significant Accounting Policies

### B.6.2.1 Basis of preparation

The financial statements of the Company comprise the period April 01, 2017 to March 31, 2018.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union, and comply with the financial reporting requirements in section 9 of Book 2 of the Netherlands Civil Code, as far as applicable. These correspond to the IFRS issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and endorsed by the European Union.

The financial statements have been prepared on a going concern basis and in accordance with the accrual basis of accounting. The financial statements have been prepared under the historical cost convention except for financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

In case no other policies are mentioned, refer to the accounting policies as described in the accounting policies in the consolidated financial statements of this Annual Report. For an appropriate interpretation, the parent financial statements of the Company should be read in conjunction with the consolidated financial statements.

The financial statements are presented in euros and all values are rounded to the nearest euro, except when otherwise indicated.

These financial statements have been approved for issue by SMRP BV's management and supervisory board on May 24, 2018.

### B.6.2.2 Functional and presentation currency

The financial statements are presented in Euro (€), which is the Company's functional currency, as it is the currency of the primary economic environment in which the Company operates.

### B.6.2.3 Transactions in foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the rate prevailing on this date. Differences from foreign currency transactions are reported in the income statement. Non-monetary assets and liabilities that are measured at historical cost in foreign currencies at the reporting date are translated into the functional currency at the rate prevailing on the day of the transaction. Non-monetary assets and liabilities that are measured at fair value in foreign currencies at the reporting date are translated into the functional currency at the rate prevailing on the date on which the fair value was determined.

### B.6.2.4 Investments in subsidiaries

Subsidiaries are entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In line with IAS 27.10a, the investments in subsidiaries have been valued at cost. Dividend will be recognised in the income statement when received or when the Company is legally entitled to the dividend.

In general, the Company yearly performs reviews at the reporting date to determine whether there were indications that financial fixed assets or their cash-generating units have to be impaired. The amount of impairment is the difference between the asset´s carrying amount and the recoverable amount. The recoverable amount of a fixed asset or a cash-generating unit is the higher of fair value less costs to sell and the value in use. Calculation of recoverable amount is based on estimated future cash flows, discounted at an appropriate interest rate. Impairments, if any, are reported in the income statement.

### B.6.2.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments can be placed into one of four categories according to their intended purpose: financial assets measured at fair value through profit or loss, financial assets held to maturity, loans and receivables, financial assets available for sale.

Financial instruments include primary financial instruments such as receivables and trade liabilities, debt instruments and other financial liabilities. They also include derivative financial instruments used to hedge against risks arising from changes in exchange rates and interest rates.

Financial assets are derecognised when the rights to receive cash flows from financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and

there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to the initial recognition, these liabilities are measured at amortised cost using the effective interest method.

**Primary financial instruments**

Primary financial instruments are allocated to one of four categories according to their intended purpose. This allocation is re-assessed at each reporting date and it is determined whether the asset is to be reported as current or non-current.

a. Financial assets carried at fair value through profit or losses are initially recognised at fair value, and transaction costs are expensed in the income statement. Changes in the fair value of financial assets measured at fair value – either because they have been reported as such upon initial recognition or are held for trading – are recognised directly in the income statement. They are also reported as current assets if they are being held for trading or it can be reasonably expected that they will be converted within twelve months from the reporting date.

b. Financial assets held to maturity are initially recognised at fair value plus transaction costs. Financial assets held to maturity which exhibit fixed or determinable payments and a fixed maturity period, and which the Group wishes and is able to hold until maturity are measured at amortised cost and reported depending on their maturity period as non-current or current assets. The amortisation and losses arising from impairments are recognised in the statement of profit or loss.

c. Loans and receivables are initially recognised at fair value plus transaction costs. Loans and receivables that have fixed or determinable payments and are not listed on an active market are measured at amortised cost using the effective interest method less any necessary write-downs arising from impairments. They are reported in the statement of financial position under other receivables and other assets unless they are trade receivables, and are recorded as non-current or current depending on their maturity period.

d. Available-for-sale financial assets that have been reported as such upon initial recognition are measured at fair value, provided that this can be determined, and then reported as non-current or current assets, depending on the expected time of sale. Gains and losses from changes in fair value are recorded net, i.e. after tax, and taken directly to equity ("Other comprehensive income") until the financial asset has been derecognised. In the event that an asset is impaired permanently, however, the loss must be recorded directly in the income statement. If it is not possible to determine the fair value, for example with other investments in companies, these assets are measured at cost.

### B.6.2.6 Derivative financial instruments

The Company enters into derivative financial instruments to manage its exposure of foreign exchange, viz. fixed to fixed cross currency swaps.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into, and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Company designates certain derivatives as hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments as cash flow hedges.

Derivative financial instruments that are not part of a hedging relationship are carried at fair value upon initial recognition, corresponding to the fair value of the consideration received or given in return. After initial recognition, derivative financial instruments are carried at fair value, which is based on the market value of the financial instrument. Any changes in fair value are recorded directly in profit or loss.

**Hedge accounting**
The Company designates fixed-to-fixed cross-currency interest-rate swaps as hedging instruments in cash flow hedges in respect of risk of variability, due to changes in foreign exchange rates, in EURO cash flows on financial assets and financial liabilities denominated in foreign currency.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

**Cash flow hedges**
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in 'Cash Flow Hedge Reserve'. The gain or loss relating to the ineffective portion is recognised immediately in income statement and is included in the 'Other Income or Other Operating Expenses'.
Amounts previously recognised in 'Cash Flow Hedge Reserve' and accumulated in equity are reclassified to income statement in the periods when the hedged item affects income statement. The gain or loss relating to the effective portion of cross-currency interest-rate swaps is recognised in profit or loss within 'finance costs'.

**Discontinuation of hedge accounting**
Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity is reclassified from equity to income statement in the same period or periods during which the hedged forecast cash flows affect the income statement. If the underlying hedge transaction is no longer expected to occur, the amounts accumulated in equity are immediately reclassified in full to the income statement.

### B.6.2.7 Receivable from related parties

Receivables are amounts due from subsidiaries and other related parties for the services charged to them.

### B.6.2.8 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand/bank and short-term deposits with an original maturity three month or less.

### B.6.2.9 Taxes

Current taxes are those taxes foreseeably payable on a year's taxable income in accordance with the statutory tax rates or tax rates that had been substantially adopted as of the reporting date, as well as all adjustments to payable taxes in relation to previous reporting periods.

Income taxes for the annual result reported in the income statement comprise current taxes and deferred taxes. Income taxes are recorded in the income statement unless they relate to items recognised directly in equity or in other comprehensive income. In this case, the income taxes incurred are also recognised directly in equity or in other comprehensive income.

Deferred tax assets and liabilities are recognised for all temporary differences between the carrying amount as per IFRS and the relevant tax assessment basis. Deferred tax liabilities are not recognised for temporary differences ("outside-basis differences") if the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax liabilities for dividends from subsidiaries will be recognised if the parent company determines that the profits of the respective subsidiary will be distributed in the foreseeable future. Deferred tax assets contain tax assets that are derived from the expected utilization of unused tax losses and unused tax credits, unless it is improbable that the future taxable profits will be available against which the temporary differences can be utilized. Deferred taxes are calculated on the basis of the tax rates that are expected to apply to the period when the asset is realized and the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period in the respective country.

### B.6.2.10 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.
Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.
General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

### B.6.2.11 Recognition of income and expenses

Service Income is income generated from services provided to associated companies based on service level agreements.

Operating expenses are recognised when goods or services are used or when the expense is incurred.
Interest expense is recognised using the effective interest method as an expense or income for the period in which it occurs. This allows a constant, periodic interest rate for the remainder of the liability to be calculated.

Dividend income is recognised when the right to receive payment is established and disclosed separately in the income statement.

Interest income is recognised on a pro-rata basis for the period funds were given to the subsidiaries using effective interest method as per the rate of interest mentioned in the loan agreements. Interest income is included in the finance income and costs in the income statement.

### B.6.2.12 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

### B.6.2.13 Changes in accounting policies and disclosures

The IASB has adopted the following changes to existing IFRS and adopted new IFRS standards, which have also already been adopted by the European Commission, thereby making their application mandatory as for Financial Year 2017-18 to the extent relevant for the Group.

#### New standards and interpretations

During the financial year ended March 31, 2018, below mentioned amendments to IFRS became applicable to the company, however these did not have any impact on the net asset, financial or income position of the Company

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12, and
- Disclosure initiative – amendments to IAS 7 introducing additional disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The required disclosures have been included in Note B.6.3.7.

## New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for March 31, 2018 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

#### (i) IFRS 9 Financial Instruments

*Nature of change :*
IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

*Impact :*
While the group has yet to undertake a detailed assessment of the classification and measurement of financial assets, equity instruments, currently classified as available-for-sale (AfS), financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

Accordingly, the group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings and consequently there is no need to review such investments for possible impairment.

Under IFRS 9 a necessary condition for classifying loans and receivables at Amortized Cost or FVOCI is that the contractual payments give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI test) on the principal outstanding. As a general rule, loans and receivables that require only fixed payments on fixed dates, or only fixed and variable

payments where the amount of the variable payment for a period is determined by applying a floating market rate of interest for that period (e.g., the BA rate, the prime rate, or LIBOR) plus a fixed spread to a specified reference amount (such as a stated maturity amount) will have payments that meet the SPPI test. The Company expect to meet SPPI test for its loans to subsidiaries as the loans are held for receipt of principal and interest cash flows at fixed intervals and pre-determined rates.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from *IAS 39 Financial Instruments: Recognition and Measurement* and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The group has confirmed that its current hedge relationships will qualify as continuing hedges upon the adoption of IFRS 9.

IFRS 9 prescribes as to how the amount accumulated in the hedging reserve is subsequently accounted for, depending on the nature of the underlying hedged transaction:

- If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability, known as 'basis adjustment'. IAS 39 permitted reclassification of accumulated amounts in profit or loss in the period in which the associated non-financial asset or liability affected profit or loss. The Group's existing practice is in line with IFRS 9 on this matter and hence there shall be no significant impact once IFRS 9 is implemented.
- The above accounting treatment would equally apply to situations where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.
- For any other cash flow hedges, the amount accumulated in equity is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss. This accounting entry does affect OCI of the period

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

*Date of adoption by group :*
Must be applied for financial years commencing on or after 1 January 2018.
Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety.

## B.6.3 Disclosures regarding the Statement of Financial Position

### B.6.3.1 Shareholder's equity

The authorised share capital of the Company amounts to € 90,000, divided into 90,000 shares with a nominal value of € 1 each. The issued and paid in capital amounts to € 66,176, divided into 66,176 shares with a nominal value of € 1 each.

Movement during the period can be summarised as follows:

| | Number of equity shares (in No.s) | Share Capital (in €) |
|---|---|---|
| **As at March 31, 2016** | **66,176** | **66,176** |
| Add: Issued during the year | - | - |
| **As at March 31, 2017** | **66,176** | **66,176** |
| Add: Issued during the year | - | - |
| **As at March 31, 2018** | **66,176** | **66,176** |
| | | |

**Share premium**
On June 13, 2014 the Company issued 45,676 shares of € 1 each to Samvardhana Motherson Group Holdings Limited, Cyprus (SMGHL) in lieu of acquisition of 98.45% interest in Samvardhana Motherson Reflectec Group Holdings Limited (SMR) for a non-cash consideration of € 905,716,083 consisting of € 45,676 towards share capital and transfer of € 12,250,000 loan from MSSL Middle East FZE, the remaining amount of € 893,420,407 was recognised as share premium. As a result of this transaction, SMRP BV became subsidiary of SMGHL and SMR became subsidiary of SMRP BV.

The Company also received share premium contributions amounting to € 7,489,500 in the previous years from its shareholders.

**Cash flow hedge reserve**
The Company uses cross currency interest rate swaps ('swaps') as hedging instruments for its foreign currency risk associated with foreign currency borrowings. The hedging reserve is used to record gains or losses on such hedging instruments that are designated and qualify as cash flow hedges and that are recognised in other comprehensive income. The foreign exchange gain or loss on the portion of borrowings hedged by swaps is reclassified from cash flow hedge reserve to profit or loss and recognised within 'finance cost'. Please refer note B.6.5.3 for more details.

### B.6.3.1.1 Differences between the company equity and the group's consolidated equity

The difference between the company's standalone equity and the group's consolidated equity is explained by the fact that the company's investments in subsidiaries are eliminated against their net asset value in the consolidated financial statements; however these are accounted for at historical costs in the company financial statements. Further differences can be explained by the results on intercompany transactions.
The difference between the company and group's consolidated equity and result for the year can be shown as follows:

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| | | |
| Equity in accordance to the consolidated financial statements | 654,434,000 | 584,576,000 |
| Add: negative net asset values of consolidated subsidiary companies | (362,556,469) | 32,634,519 |
| Add: not realised cumulative intercompany results | 683,596,881 | 346,567,690 |
| **Equity in accordance to the company financial statements** | **975,474,412** | **963,778,209** |

### B.6.3.1.2 Difference in results

| | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| | | |
| Result for the year in accordance to the consolidated financial statements | 138,365,000 | 147,189,000 |
| Result of consolidated subsidiary companies | (152,705,179) | (194,803,733) |
| Results on Intercompany transactions | 31,344,537 | 128,830,074 |
| **Result for the year in accordance to the company financial statements** | **17,004,358** | **81,215,341** |

### B.6.3.2 Property, plant and equipment

| | Land | Total |
|---|---|---|
| **Cost** | | |
| **At April 01, 2016** | **-** | **-** |
| Additions | 340,945 | 340,945 |
| **At March 31, 2017** | **340,945** | **340,945** |
| | | |
| Additions | 14,397 | 14,397 |
| **At March 31, 2018** | **355,342** | **355,342** |

## B.6.3.3 Investment in subsidiaries

The Company has prepared consolidated financial statements. In line with IAS 27, the investments have been valued at cost in the company's separate financial statements. A summary of movement in the investments is presented below:

| | Amount in € |
|---|---:|
| | |
| **At March 31, 2016** | **1,045,782,336** |
| Investments during the year | 9,500,000 |
| **At March 31, 2017** | **1,055,282,336** |
| | |
| Investments during the year | 21,900,000 |
| **At March 31, 2018** | **1,077,182,336** |

During the year, the Company contributed additional capital of € 21,900,000 into SMP Automotive Technology Ibérica, S.L.

### B.6.3.3.1 Details of investments

The carrying value of investments in subsidiaries and the percentage of shareholding are as below:

| Name of the entity | Share | March 31, 2018 | March 31, 2017 |
|---|---:|---:|---:|
| Samvardhana Motherson Reflectec Group Holdings Limited | 98.45% | 905,716,083 | 905,716,083 |
| Samvardhana Motherson Peguform GmbH | 100.00% | 3,804,191 | 3,804,191 |
| SMP Automotive Interiors (Beijing) Co. Ltd | 100.00% | 6,000,000 | 6,000,000 |
| SMP Automotive Technology Ibérica, S.L. | 100.00% | 161,661,742 | 139,761,742 |
| SMP Automotive Systems México, S. A. de C. V. | 00.00% | 320 | 320 |
| **Total** | | **1,077,182,336** | **1,055,282,336** |

### B.6.3.3.2 Impairment of investments

At the end of each reporting period, the Company performs a review of the carrying value of its investments to determine whether there were indications that any of these investments may have been impaired. The amount of impairment is the difference between the investments carrying amount and the recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and the value in use. Calculation of recoverable amount is based on estimated future cash flows, discounted at the effective interest rate at the reporting date. As at the end of March 31, 2018 there were no indications of decline in the recoverable value and hence no impairment loss needs to be recognised in the financial statements.

### B.6.3.3.3 Investments pledged as security

Shares in Samvardhana Motherson Reflectec Group Holdings Limited, Samvardhana Motherson Peguform GmbH, SMP Automotive Technology Ibérica, S.L. have been pledged as security for borrowings, refer Note B.6.3.7 for details.

### B.6.3.3.4 Investment in SMR

On June 13, 2014, the Company acquired 98.45% shareholding of Samvardhana Motherson Reflectec Group Holdings Limited (SMR) from Samvardhana Motherson Group Holdings Limited, Cyprus (SMGHL) in share exchange deal wherein SMGHL transferred its entire shareholding (including acquired on June 9, 2014 from minority shareholders) to SMRP BV in exchange of 45,676 shares of a nominal value of euro one each issued by SMRP BV and consequently SMRP BV has become subsidiary of SMGHL. SMRP BV Group and SMR were jointly controlled by Motherson Sumi Systems Limited and Samvardhana Motherson International Limited prior to June 13, 2014.

### B.6.3.4 Other receivables and assets

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Non-current** | | |
| Prepaid expenses | 880,942 | 771,739 |
| Others | 4,400 | 3,900 |
| **Total** | **885,342** | **775,639** |
| **Current** | | |
| Interest receivable from subsidiaries | 14,050,244 | 13,656,963 |
| Interest accrued on deposits | - | 142,044 |
| Prepaid expenses | 428,853 | 396,515 |
| Others | 438,290 | 438,290 |
| **Total** | **14,917,387** | **14,633,812** |

The carrying values approximately correspond to the fair values.

### B.6.3.5 Other financial assets

| | March 31, 2018 | | March 31, 2017 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| **Non-current** | | | | |
| Cross currency swaps | - | 28,065,455 | 3,503,091 | - |
| Loans to subsidiaries | 669,287,785 | - | 521,771,960 | - |
| **Total** | **669,287,785** | **28,065,455** | **525,275,051** | **-** |

The maximum exposure to the credit risk is the carrying value of instruments. The loans given to subsidiaries currently carry interest rate from 4.50% to 5.60% determined on the basis of credit risk of the relevant subsidiary and costs of borrowings to the Company.

The Company has entered into fixed to fixed cross currency swaps amounting to US$ 235 million in order to hedge against the fluctuations in USD/EURO foreign exchange rate related to its US$ 400 million notes. The terms of the swap are on fixed to fixed basis wherein the Group pays interest in EURO terms on a fixed interest rate and receives interest in USD terms on a fixed interest rate. Please refer note B.6.5.3 for more details.

### B.6.3.6 Cash and cash equivalents

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Cash at bank | 39,007,778 | 361,260,463 |
| **Total** | **39,007,778** | **361,260,463** |

There are no contractual or other restrictions on the use of cash and cash equivalents.

Cash and cash equivalents are pledged as security in respect of borrowings, refer Note B.6.3.7 for details.

### B.6.3.7 Borrowings

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Non-current** | | |
| Notes (at amortized cost) | 713,366,745 | 959,303,042 |
| **Non-current borrowings** | **713,366,745** | **959,303,042** |
| **Current** | | |
| Bank loans | 69,218,408 | - |
| Loans from subsidiaries | - | 17,400,000 |
| **Current borrowings** | **69,218,408** | **17,400,000** |

*(i) Secured liabilities and assets pledged as security*

The Notes are structured as senior secured obligations and rank ‘pari passu’ in right of payment with all the existing and future senior obligations of SMRP BV, including the obligations under the Revolving Credit Facility. The Notes are guaranteed on a senior secured basis by certain subsidiaries of SMRP BV and are secured by share pledge and security interests granted over certain property and assets of SMRP BV and certain of its subsidiaries. As of March 31, 2018, the Company has issued below mentioned notes which were outstanding on the date referred –

| Principal amount | Coupon rate (fixed) | Maturity |
|---|---|---|
| € 100 million | 3.700% | 18 June 2025 |
| US$ 400 million | 4.875% | 16 December 2021 |
| € 300 million | 1.80% | 06 July 2024 |

Borrowings from banks represent utilisations under the Revolving Credit Facility Agreement and are secured as mentioned above.

*(ii) Issuance of new Notes and pre-payment of existing Notes*

On July 06, 2017, the Company issued €300 million 1.8% Senior Secured Notes due 2024 (the "Notes") at 99.299% of the nominal value. The Notes carry coupon at a rate of 1.80% payable annually on 06 July each year and will mature on 06 July 2024. The Notes are listed on the Irish Stock Exchange and trade on the Global Exchange Market.

The Notes are senior obligations of the Company and rank pari passu in right of payment with all the Company’s existing and future senior obligations that are not subordinated in right of payment to the Notes, including the Company’s obligations under the existing Notes and the Revolving Credit Facilities. The Notes are guaranteed on a senior basis by the Company and

certain of its subsidiaries and are also secured by security interests granted over certain property and assets of the Company and certain of its subsidiaries.

The entire proceeds from the issue of the Notes along with a portion of cash balance of the Company was utilized on July 06, 2017 to prepay existing €500 million 4.125% Notes due 2021.

The notes are recognised on an amortised cost basis until extinguished on prepayment or maturity of the notes.

*(iii) New Revolving Credit Facilities Agreement*
On June 20, 2017 the Company entered into a new Revolving Credit Facilities Agreement (“RCF 2017”) with various banks.

The RCF 2017 is guaranteed by the Company and certain of its subsidiaries and will benefit from the same collaterals as all the existing Senior Secured Notes issued by the Company. The RCF 2017 establishes multi-currency revolving credit facilities for an aggregate principal amount of €480,000,000, which was subsequently increased to €500,000,000 in July 2017, and will mature on the date falling four years from the issue date i.e. June 20, 2021.

The existing Revolving Credit Facility Agreement entered into on June 23, 2015 (“RCF 2015”) for an aggregate principal amount of €350,000,000 has been subsequently terminated on June 21, 2017.

*(iv) Fair value*
Except for Notes, the fair values of other borrowings are not materially different to their carrying amounts, since the borrowings are of a short-term nature. For Notes, fair values are as below –

| | March 31, 2018 | | March 31, 2017 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| € 500 million | - | - | 490,131,592 | 512,965,000 |
| € 100 million | 98,260,379 | 103,975,000 | 98,120,262 | 95,313,000 |
| US$ 400 million | 322,322,459 | 328,177,908 | 371,051,188 | 388,111,560 |
| € 300 million | 292,783,907 | 287,187,000 | - | - |

Fair values of the notes represent traded value on Irish Stock Exchange where these notes are listed and they are classified as below –

| As at March 31, 2018 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| € 100 million | - | - | 103,975,000 |
| US$ 400 million | 328,177,908 | - | - |
| € 300 million | 287,187,000 | - | - |

| As at March 31, 2017 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| € 500 million | 512,965,000 | - | - |
| € 100 million | - | - | 95,313,000 |
| US$ 400 million | 388,111,560 | - | - |

Euro 100 Mn notes are held by a limited set of investors and are not very actively traded on the stock exchange, as a result the fair value of these notes is based on computed prices and hence fall in Level 3 hierarchy.

**Net debt reconciliation**

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Cash and Cash equivalents | 39,007,778 | 361,260,463 |
| Borrowings – repayable within one year | 69,218,408 | 17,400,000 |
| Borrowings – repayable after one year | 713,366,745 | 959,303,042 |
| **Net Debt** | **743,577,375** | **615,442,579** |

| | Cash and Cash equivalents | Notes | Other Borrowings | Net Debt |
|---|---|---|---|---|
| **As at April 01, 2016** | 24,360,475 | 585,723,045 | 28,700,000 | 590,062,570 |
| Cash flows | 328,722,695 | 352,166,650 | (11,300,000) | 12,143,955 |
| Foreign exchange adjustments | 8,177,293 | 18,142,591 | - | 9,965,298 |
| Other non-cash movements | - | 3,270,756 | - | 3,270,756 |
| **As at March 31, 2017** | **361,260,463** | **959,303,042** | **17,400,000** | **615,442,579** |
| Cash flows | (314,401,463) | (208,000,388) | 54,350,919 | 160,751,994 |
| Foreign exchange adjustments | (7,851,222) | (50,597,879) | (2,532,511) | (45,279,168) |
| Other non-cash movements | - | 12,661,970 | - | 12,661,970 |
| **As at March 31, 2018** | **39,007,778** | **713,366,745** | **69,218,408** | **743,577,375** |

Other non-cash movements for represent amortisation of issue costs related to Notes issued by the Company.

### B.6.3.8 Other liabilities

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Interest and commitment fee on borrowings | 10,889,934 | 11,638,698 |
| VAT payable | 19,028 | 153,445 |
| Accrued expenses | 4,431,439 | 3,820,262 |
| Other payables | 1,232,553 | 943,994 |
| **Total** | **16,572,954** | **16,556,399** |

## B.6.4 Disclosures regarding the Income Statement

### B.6.4.1 Service income

| | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| | | |
| Management Services | 653,674 | - |
| Accounting Services | - | - |
| Internal audit | 72,023 | 109,194 |
| General Services | 618,437 | 97,367 |
| | | |
| **Total** | **1,344,134** | **206,561** |

### B.6.4.2 Dividend income

| | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| Samvardhana Motherson Peguform GmbH | 39,000,000 | 85,000,000 |
| SMP Automotive Technology Ibérica, S.L. | 7,500,000 | 10,000,000 |
| **Total** | **46,500,000** | **95,000,000** |

### B.6.4.3 Personnel expenses

| | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| | | |
| Wages and salaries | 401,784 | 86,586 |
| Social security costs | 40,720 | 82,537 |
| Other expenses | 78,410 | 43,025 |
| **Total** | **520,914** | **212,148** |

For the year ended March 31, 2018 the Company has employed 3 persons (including part-time employment) based out of the Netherlands.

## B.6.4.4 Other operating expenses

| | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| | | |
| General and administration expenses | 1,863,956 | 1,094,584 |
| Auditors remuneration | 788,579 | 770,509 |
| Foreign exchange loss (net) | 56,040 | 15,799 |
| Legal and professional expenses | 3,719,008 | 4,171,398 |
| **Total** | **6,427,583** | **6,052,290** |

During the year ended March 31, 2018, following amounts were recorded in respect of fee (without VAT) paid to auditor for various services

| | Ernst & Young Accountants LLP | Other EY Network | Total EY Network |
|---|---|---|---|
| | | | |
| Audit of the financial statements | 81,818 | - | 81,818 |
| Other audit services | - | 310,336 | 310,336 |
| Tax services | - | - | - |
| Other non-audit services | - | - | - |
| **Total** | **81,818** | **310,336** | **392,154** |

The fees listed above relate to the procedures applied to the Company and its consolidated group entities by accounting firms and external auditors forming part of Ernst & Young network; as referred to in Section 1, subsection 1 of the Audit Firms Supervision Act ('Wet toezicht accountantsorganisaties - Wta'). Above fee does not include fee for procedures performed by previous auditor for a part of the year before appointment of Ernst & Young as auditor for the year ended March 31, 2018.

During the year ended March 31, 2017, following amounts were recorded in respect of fee (without VAT) paid to auditor for various services

| | PricewaterhouseCoopers Accountants N.V. | Other PwC Network | Total PwC network |
|---|---|---|---|
| | | | |
| Audit of the financial statements | 228,000 | 30,000 | 258,000 |
| Other audit services[1)] | - | 250,000 | 250,000 |
| Tax services[2)] | 31,000 | - | 31,000 |
| Other non-audit services[2)] | 131,340 | 18,000 | 149,340 |
| **Total** | **390,340** | **298,000** | **688,340** |

[1)] Above fee does not include € 369,492 with respect to fee of PricewaterhouseCoopers Accountants N.V. for the work performed in connection with issuance of senior secured notes of US$ 400 million as the same has been netted off with the carrying value of notes.
[2)] Included in legal and professional expenses

The fees listed above relate to the procedures applied to the Company and its consolidated group entities by accounting firms and external auditors forming part of PricewaterhouseCoopers network; as referred to in Section 1, subsection 1 of the Audit Firms Supervision Act ('Wet toezicht accountantsorganisaties - Wta').

## B.6.4.5 Finance income and costs

| | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| | | |
| Interest Income | 31,583,525 | 33,193,435 |
| Foreign exchange gain | - | - |
| **Total finance income** | **31,583,525** | **33,193,435** |
| | | |
| Foreign exchange losses | 2,856,582 | (501,132) |
| Interest expense on borrowings | 39,573,961 | 37,890,981 |
| Amortisation of borrowing costs | 12,687,914 | 3,435,107 |
| **Total finance costs** | **55,118,458** | **40,824,956** |

Foreign exchange gain / loss contain amounts from the revaluation and settlement of foreign currency financial assets and liabilities.
On July 06, 2017 the Company issued € 300 million 1.8% Senior Secured Notes due 2024. The proceeds from these notes together with the cash available were utilised to prepay outstanding € 500 million 4.125% Senior Secured Notes due 2021. Accordingly, redemption premium and unamortised transaction costs amounting to € 21,152,534 have been charged to the income statement for the year ended March 31, 2018.

## B.6.4.6 Income taxes

Deferred income taxes are calculated using the balance-sheet based liability method. Deferred tax assets and liabilities are recognised for all temporary differences between the carrying amount of an asset or liability and the values used for taxation purposes. However no deferred tax assets are recognised on current year and carry-forward tax losses as it is not certain when such assets will be reversed against taxable income.

The income tax expense comprises the following:

| | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| Current tax expense | - | - |
| Deferred tax expense | - | - |
| **Total** | **-** | **-** |

The general tax rate for the Company is 25% as per the corporate tax laws prevailing in the Netherlands. A reconciliation of tax expense and accounting profit is presented below

| | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| **Earnings before tax** | 17,004,358 | 81,215,341 |
| | | |
| Tax on profits /(losses) | 4,251,089 | 20,303,835 |
| Deferred tax asset not recognised on loss | 7,373,911 | 3,446,165 |
| Tax impact on dividends (exempt from tax) | (11,625,000) | (23,750,000) |
| **Tax expense** | **-** | **-** |

Deferred tax assets have not been recognised on carry forward of losses as they are not expected to be recoverable in the near future. Deferred taxes are determined on the basis of tax rates that are applicable or can be expected at the time of the realisation of the gain. The expiry date of unused tax losses is as below:

| Expiry date | Amount |
|---|---|
| March 31, 2020 | 2,863,932 |
| March 31, 2021 | 27,410 |
| March 31, 2022 | 1,242,725 |
| March 31, 2023 | 1,020,384 |
| March 31, 2024 | 4,497,052 |
| March 31, 2025 | 10,283,438 |
| March 31, 2026 | 29,679,563 |
| **Total unused tax losses** | **49,614,504** |

# B.6.5 Other disclosures
## B.6.5.1 Financial instruments

The following table shows the carrying amounts and fair values of the Company's financial instruments

| Financial instruments | Category according to IAS 39 | Carrying Amt. March 31, 2018 | Measurement according to IAS 39 | | Fair Value March 31, 2018 | Not in Scope |
|---|---|---|---|---|---|---|
| | | | Amortised cost | At fair value | | |
| **Assets** | | | | | | |
| Other financial instruments | LaR | 669,287,785 | 669,287,785 | - | 669,287,785 | - |
| Receivables from related parties | LaR | 1,062,004 | 1,062,004 | - | 1,062,004 | - |
| Other receivables and other assets | LaR | 15,802,729 | 14,492,934 | - | 14,492,934 | 1,309,795 |
| Derivative financial instruments | FVPL | - | - | - | - | - |
| Cash and cash equivalents | LaR | 39,007,778 | 39,007,778 | - | 39,007,778 | - |
| **Liabilities** | | | | | | |
| Borrowings (non-current) | FLAC | 713,366,745 | 713,366,745 | | 719,339,908 | - |
| Borrowings (current) | FLAC | 69,218,408 | 69,218,408 | - | 69,218,408 | - |
| Derivative financial instruments | FVPL | 28,065,455 | - | 28,065,455 | 28,065,455 | - |
| Other liabilities | FLAC | 16,572,952 | 16,553,924 | - | 16,553,924 | 19,028 |
| Thereof: aggregated by category according to IAS 39 | | | | | | |
| **Loans and Receivables (LaR)** | | 725,160,296 | 723,850,501 | - | 723,850,501 | 1,309,795 |
| **Financial instruments carried at fair value through profit or loss (FVPL)** | | 28,065,455 | - | 28,065,455 | 28,065,455 | - |
| **Financial liabilities measured at amortised cost (FLAC)** | | 799,158,105 | 799,139,077 | - | 805,112,240 | 19,028 |

| Financial instruments | Category according to IAS 39 | Carrying Amt. March 31, 2017 | Measurement according to IAS 39 | | Fair Value March 31, 2017 | Not in Scope |
|---|---|---|---|---|---|---|
| | | | Amortised cost | At fair value | | |
| **Assets** | | | | | | |
| Other financial instruments | LaR | 521,771,960 | 521,771,960 | - | 521,771,960 | - |
| Receivables from related parties | LaR | 688,581 | 688,581 | - | 688,581 | - |
| Other receivables and other assets | LaR | 15,409,451 | 14,241,197 | - | 14,241,197 | 1,168,254 |
| Derivative financial instruments | FVPL | 3,503,091 | - | 3,503,091 | 3,503,091 | - |
| Cash and cash equivalents | LaR | 361,260,463 | 361,260,463 | - | 361,260,463 | - |
| **Liabilities** | | | | | | |
| Borrowings (non-current) | FLAC | 959,303,042 | 959,303,042 | - | 996,389,560 | - |
| Borrowings (current) | FLAC | 17,400,000 | 17,400,000 | - | 17,400,000 | - |
| Other liabilities | FLAC | 17,775,576 | 16,074,186 | - | 16,074,186 | 1,701,390 |
| Thereof: aggregated by category according to IAS 39 | | | | | | |
| **Loans and Receivables (LaR)** | | 899,130,455 | 897,962,201 | - | 897,962,201 | 1,168,254 |
| **Financial instruments carried at fair value through profit or loss (FVPL)** | | 3,503,091 | - | 3,503,091 | 3,503,091 | - |
| **Financial liabilities measured at amortised cost (FLAC)** | | 994,478,618 | 992,777,228 | - | 1,029,863,746 | 1,701,390 |

Due to the short-term nature of cash and cash equivalents and the short-term maturities of receivables from related parties, trade payables, other receivables and liabilities, their fair values are equal to their carrying amounts.

The following table shows the interest income and expense for financial instruments.

| | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| Income from loans to related parties | 31,147,064 | 32,288,230 |
| Expenses on financial liabilities measured at amortised cost | 52,261,875 | 41,326,088 |

Interest income for loans to subsidiaries is included in interest income and interest expense on financial liabilities measured at amortised cost is included in interest expense.

A description of the Company's financial instrument risks, including risk management objectives and policies is given in note B.6.5.3.

### B.6.5.2 Contingent Liabilities

The Company has issued senior secured notes and entered into revolving credit facilities during the year. As per the terms of the agreement, the Company is the initial guarantor to these borrowings and has provided security of its bank accounts along with assets of certain of its subsidiaries for these borrowings. Refer Note B.6.3.7 for details on the arrangement.

The Company has further given corporate guarantees to various financial institutions in respect of working capital facilities and/or letters of credit extended by those financial institutions to the Company's subsidiaries. As at March 31, 2018 total amount of such corporate guarantees outstanding was € 26,333,814 representing the utilised limits of those facilities.

The Company has acted as surety in respect of subsidy received by one of its subsidiary, which limits the total liability of the Company to the amount of subsidy. As at March 31, 2018 the Company may be contingently liable for € 15,100,857 in the event of non-compliance of subsidy conditions by the subsidiary.

### B.6.5.3 Risk management with respect to financial risks

The Company's primary financial assets and liabilities include loans given to its subsidiaries and borrowings from third parties. The Company's financial assets like receivables, cash and cash equivalents arise directly out of these primary financial assets and liabilities.

These financial instruments are potentially exposed to foreign currency risk, credit risk and liquidity risk. Information on how these risks arise is set out below, as are the objectives, policies and processes agreed by the board for their management and the methods used to measure each risk.

The objective of the Company's treasury is to manage the financial risk, secure cost-effective funding for the Company and its subsidiaries operations and to minimise the adverse effects of fluctuations in the financial markets on the value of the Company's financial assets and liabilities, on reported profitability and on the cash flows of the Company. The treasury team is accountable to the board.

The Company gives due consideration to its risk mitigation process and ensures that appropriate measures are taken to avoid, reduce and transfer or intentionally accept risk. During the period the Company did not enter into any complex financial instruments nor had established any hedge relationship.

*Credit risk*
Credit risk is the risk of financial loss to the Company due to counterparty's failure to honour its obligations.

Credit risk arises from cash and cash equivalents, trade and other receivables, loan to subsidiaries, financial instruments entered into by the Company. For banks and financial institutions, the Company maintain relationships with only creditworthy banks which it reviews on an on-going basis. Consequently, the credit risk related to bank balances and financial instruments is not considered material. Loans given to subsidiaries, trade and other receivables represent balances with subsidiaries and other related parties, accordingly no credit risk is perceived on these balances as well.

The following table shows the ageing of trade and other receivables that were not impaired:

| | Total | Neither past due nor impaired | Past due but not impaired | | | | |
|---|---|---|---|---|---|---|---|
| | | | < 30 days | 30-90 days | 90-180 days | 180-360 days | >360 days |
| | | | | | | | |
| **March 31, 2018** | | | | | | | |
| Receivables from related parties | 1,062,004 | 74,609 | - | 360,657 | 10,052 | - | 616,686 |
| Cash and cash equivalents | 39,007,778 | 39,007,778 | - | - | - | - | - |
| Interest receivable | 14,050,244 | 8,556,882 | (182,722) | 1,567,757 | 706,415 | 239,763 | 3,162,149 |
| Other receivables | 4,400 | 4,400 | - | - | - | - | - |
| | | | | | | | |
| **March 31, 2017** | | | | | | | |
| Receivables from related parties | 688,581 | 41,562 | - | 18,061 | 12,281 | 34,637 | 582,040 |
| Cash and cash equivalents | 361,260,463 | 361,260,463 | - | - | - | - | - |
| Interest receivable | 13,656,963 | 2,386,991 | 8,571,580 | - | 1,917,810 | 160,038 | 620,544 |
| Other receivables | 145,944 | 145,944 | - | - | - | - | - |
| | | | | | | | |

*Liquidity risk*

The liquidity risk encompasses any risk that the Company cannot fully meet its financial obligations on time or at a reasonable price. The treasury is responsible for liquidity, funding as well as settlement management. In addition, liquidity and funding risks, related processes are overseen by management regularly. Financial liabilities for which the corresponding counterparty can demand repayment at any time are assigned to the earliest possible time period.

The following table shows the remaining contractual maturities of financial liabilities of the Company presented on a gross and undiscounted basis and include estimated interest payments and exclude the impact of netting arrangements:

| Financial Liabilities | March 31, 2018 | | | |
|---|---|---|---|---|
| | Less Than 1 Year | 1 to 5 years | More than 5 years | Total |
| **Non-derivative financial liabilities** | | | | |
| Borrowings (non-current) | 13,437,201[1)] | 408,528,886 | 419,001,667 | **840,967,754** |
| Borrowings (current) | 69,280,071[1)] | - | - | **69,280,071** |
| Other liabilities | 16,553,924 | - | - | **16,553,924** |
| **Total** | **99,271,196** | **408,528,886** | **419,001,667** | **926,801,749** |
| Derivative financial liabilities | (2,380,349) [1)] | 13,375,319 | - | **10,994,970** |

[1)] Accrued interest as of March 31, 2018 is included in other financial liabilities

| Financial Liabilities | March 31, 2017 | | | |
|---|---|---|---|---|
| | Less Than 1 Year | 1 to 5 years | More than 5 years | Total |
| **Non-derivative financial liabilities** | | | | |
| Borrowings (non-current) | 30,043,201[2)] | 1,035,855,938 | 114,800,000 | **1,180,699,139** |
| Borrowings (current) | 17,695,800[2)] | - | - | **17,695,800** |
| Other liabilities | 16,074,186 | - | - | **16,074,186** |
| **Total** | **63,813,187** | **1,035,855,938** | **114,800,000** | **1,214,469,125** |
| Derivative financial liabilities | - | - | - | **-** |

[2)] Accrued interest as of March 31, 2017 is included in other financial liabilities

### *Market risk*

*Interest rate risk*

Due to the fixed terms of interest at which borrowings are obtained and fixed terms for loans given to subsidiaries, the Company is not exposed to cash flow interest rate risk on financial assets and liabilities. The terms of revolving credit facility provides Euribor and LIBOR as the relevant base rate for amounts utilised under the facility, however given the current weak Euribor rates, the management does not expect any material impact of future changes in the Euribor. In respect of USD denomination utilisations from the facility, the variability in LIBOR rates is not considered to be significant enough.

*Foreign currency risk*

The Company is also exposed to market risk with respect to changes in foreign exchange rates. These changes may affect the operating result and financial position.

Foreign exchange risk arises from loans given to few subsidiaries in US dollar and the related interest receivable and also the unhedged portion of US$ denominated senior secured notes and interest arising thereon.

The Company is exposed to foreign exchange risk arising from its US$ 400 million senior secured notes. The Company has in place fixed to fixed cross currency swaps amounting to US$ 235 million in order to hedge against the fluctuations in USD/EURO foreign exchange rate. The terms of the swap are on fixed to fixed basis wherein the Company pays interest in EURO terms on fixed interest rate and receives interest in USD terms on fixed interest rate.

Unhedged receivables and liabilities in foreign currencies as of the reporting date are listed in the following table:

| In USD | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Receivables | 239,931,210 | 122,482,495 |
| Borrowings | 165,000,000 | 225,000,000 |
| Other payables | 38,468,113 | 3,255,676 |

The Company conducted sensitivity analyses at year-end to estimate the currency risk of these monetary financial instruments. If the Euro were to depreciate by 10% against the USD, receivables would increase by € 66,243,991 as on March 31, 2018 and if it were to appreciate by 10%, receivables would decrease by € 21,637,061. If the Euro were to depreciate by 10% against the Euro, borrowings and payables would increase by € 18,348,009 as on March 31, 2018 and if it were to appreciate by 10%, receivables would decrease by € 15,012,662. Net impact on equity would be gain of € 2,690,388 and a loss of € 3,288,252 in the mentioned two conditions respectively.

As of March 31, 2018 the Company has US$ 235 million outstanding fixed to fixed cross currency swap; entered into to hedge liability in respect of US$ 400 million notes; which have been recognised as per hedge accounting

***As at March 31, 2018***

| Carrying amount of Hedge instrument | | Maturity date | Hedge ratio | Weighted average strike price | Changes in fair value of hedging instrument | Change in the value of hedged item |
|---|---|---|---|---|---|---|
| **Assets** | **Liabilities** | | | | | |
| - | 23,367,508 | 15 December 2021 | 1:1 | 1.11 | (2,6569,100) | (26,870,600) |
| - | 4,697,947 | 14 June 2019 | 1:1 | 1.14 | (4,697,947) | (4,686,928) |

***As at March 31, 2017***

| Carrying amount of Hedge instrument | | Maturity date | Hedge ratio | Weighted average strike price | Changes in fair value of hedging instrument | Change in the value of hedged item |
|---|---|---|---|---|---|---|
| **Assets** | **Liabilities** | | | | | |
| 3,503,091 | - | 15 December 2021 | 1:1 | 1.11 | 3,543,428 | (3,503,091) |

*Cash flow hedge reserve*

Below is the movement in cash flow hedge reserve for the period

| | |
|---|---|
| Opening Balance as at April 01, 2016 | - |
| Add: change in fair value of hedging instrument recognised in OCI for the year (effective portion) | 3,503,091 |
| Less: reclassification to foreign exchange gain (finance costs – net) | (6,351,488) |
| **Closing balance as at March 31, 2017** | **(2,848,397)** |
| Add: change in fair value of hedging instrument recognised in OCI for the year (effective portion) | (31,568,545) |
| Less: reclassification to foreign exchange gain (finance costs – net) | 26,260,391 |
| **Closing balance as at March 31, 2018** | **(8,156,551)** |

During the year, no hedge ineffectiveness was recognised in the statement of profit or loss. The Company's hedging policy only allows for effective hedge relationships to be established. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Company enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item, and so a qualitative assessment of effectiveness is performed. The Company uses the hypothetical derivative method to assess effectiveness. In the case of fixed to fixed cross currency swaps, retrospective effectiveness testing is performed at each reporting date using change in fair value of cash flows method (hypothetical derivative method) at each reporting date during the period of hedging. The effectiveness is measured as the ratio of change in the fair value of the hedging instrument and the hypothetical derivative during the period.

*Capital management*

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Company monitors Net Debt to EBITDA ratio on a group level: Net debt (total borrowings net of cash and cash equivalents) divided by EBITDA (Profit before tax plus depreciation and amortization expense plus finance costs plus exceptional expense).

The Company is not subject to any capital requirements on the basis of its Articles of Incorporation. Certain capital requirements were contractually imposed in loan agreements with the financial institutions. As per the terms of the Notes and Revolver Credit Facilities referred to in note B.6.3.7, the Company is required to maintain financial covenants of net leverage ratio not exceeding 3.25x and net interest cover ratio more than 3.0x calculated on the group's consolidated financial statements. For more details refer note A.6.6.3 of the Consolidated Financial Statements.

Upon the occurrence of any event of default under any of the Revolving Credit Facilities Agreements or the Notes, subject to applicable cure periods and other limitations on acceleration or enforcement, the relevant creditors/Trustee could elect to declare all amounts outstanding, together with accrued interest, immediately due and payable and cancel the availability of the facilities, as applicable.

### B.6.5.4 Related parties

During the year the Group entered into transactions, in the ordinary course of business, with related parties. Transactions entered into, include the sale and purchase of goods and services. In addition, financing transactions have been undertaken.

**Entities with significant influence over the Group**
Samvardhana Motherson Global Holdings Limited ("SMGHL"), Cyprus, the direct parent entity of the Company holds 69% of the voting shares in the Company.

Samvardhana Motherson Polymers Limited ("SMPL"), India holds 31% of the voting shares in the Company.

SMGHL and SMPL are both indirectly held by MSSL (which prepares financial statements available for public use) and by Samvardhana Motherson International Limited ("SAMIL").

MSSL effectively holds 51% of the voting shares in the Company and therefore considered as Ultimate parent entity. SAMIL holds 49% of the voting shares in the Company.

As a result, MSSL and SAMIL and their direct and indirect held subsidiaries, except for the companies forming the Company are considered as related parties.

**Key Management Personnel**
Members of the management and supervisory board are considered to be Key Management Personnel as they are charged with the responsibility for planning, directing and controlling the activities of the Group.

Few of the KMP's receives sitting fee from the Company but no other remuneration as they are either the shareholders of substantial shareholders of the Company or these have operational role in other group companies and draw their remuneration from those companies and for which no recharge is made as their services to SMRP BV is considered incidental to their wider role.

There are no different roles and responsibilities for individual board member as all the directors are charged with managing the company affairs, therefore a split of directors fee between executive and non-executive directors is not presented.

## B.6.5.4.1 Details of related party transactions

| | Year ended March 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Fellow Subsidiaries | Key management personnel | Entities with significant influence | Other related parties | Subsidiaries | Total |
| | | | | | | |
| Services rendered | - | - | - | 10,052 | 1,334,082 | 1,344,134 |
| Interest on loans given | 3,833 | - | - | - | 31,143,231 | 31,147,064 |
| Dividend received | - | - | - | - | 46,500,000 | 46,500,000 |
| Services received | 92,782 | - | - | - | - | 92,782 |
| Legal and professional expenses | 113,033 | - | - | 22,799 | 262,022 | 397,854 |
| Interest on loans taken | - | - | - | - | 32,739 | 32,739 |
| General administration expenses | 53,796 | - | - | 14,344 | 838,015 | 906,155 |
| Directors fee | - | 112,751 | - | - | - | 112,751 |
| Loans given | 4,000,000 | - | - | - | 455,213,330 | 459,213,330 |
| Loans received back | 4,000,000 | - | - | - | 251,232,955 | 255,232,955 |
| Loans repaid | - | - | - | - | 17,400,000 | 17,400,000 |
| | | | | | | |

| | Year ended March 31, 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Fellow Subsidiaries | Key management personnel | Entities with significant influence | Other related parties | Subsidiaries | Total |
| | | | | | | |
| Services rendered | 41,660 | - | - | 16,059 | 148,842 | 206,561 |
| Interest on loans given | - | - | - | - | 32,288,229 | 32,288,229 |
| Dividend received | - | - | - | - | 95,000,000 | 95,000,000 |
| Services received | - | - | - | - | 95,261 | 95,261 |
| Legal and professional expenses | 125,064 | - | 95,821 | - | 519,323 | 740,208 |
| Interest on loans taken | - | - | - | - | 130,423 | 130,423 |
| General administration expenses | 76,074 | - | 559 | 13,398 | 568,308 | 658,339 |
| Directors fee | - | 35,478 | - | - | - | 35,478 |
| Loans given | - | - | - | - | 406,832,449 | 406,832,449 |
| Loans received back | - | - | - | - | 317,837,705 | 317,837,705 |
| Loans taken | - | - | - | - | 64,800,000 | 64,800,000 |
| Loans repaid | - | - | - | - | 53,500,000 | 53,500,000 |
| | | | | | | |

## B.6.5.4.2 Details of related party balances

| | As at March 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Fellow Subsidiaries | Key management personnel | Entities with significant influence | Other related parties | Subsidiaries | Total |
| | | | | | | |
| Receivables | - | - | - | 10,052 | 1,051,952 | 1,062,004 |
| Interest receivable | - | - | - | - | 14,050,244 | 14,050,244 |
| Loans receivable | - | - | - | - | 669,287,785 | 669,287,785 |
| Other payables | 16,319 | - | - | 10,671 | 793,097 | 820,087 |
| | | | | | | |

| | As at March 31, 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Fellow Subsidiaries | Key management personnel | Entities with significant influence | Other related parties | Subsidiaries | Total |
| | | | | | | |
| Receivables | 34,888 | - | - | 12,281 | 641,412 | 688,581 |
| Interest receivable | - | - | - | - | 13,656,963 | 13,656,963 |
| Loans receivable | - | - | - | - | 525,275,051 | 525,275,051 |
| Other payables | 131,857 | - | 96,380 | - | 161,309 | 389,546 |
| Loans Payable | - | - | - | - | 17,400,000 | 17,400,000 |
| | | | | | | |

## B.6.6 Accounting estimates and evaluations

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

- Impairment of financial fixed assets:

The company uses its judgement to perform the impairment testing on the bases of estimated discounted future cash flows. Details on the impairment testing can be found in note B.6.3.3.

The actual results may differ from these estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognised in the period in which the estimate is revised and in future periods for which the revision has consequences.

## B.6.7 Subsequent Events

On 2 April, 2018, the Company executed the put option agreement for the proposed acquisition of 100% stake in Reydel Automotive Holdings B.V. and Reydel Automotive Management B.V. (hereinafter collectively referred as “Reydel Automotive Group”) for a purchase price of USD 201 million subject to closing adjustments. Subsequently, upon receiving favourable opinions from European and French works council, the existing shareholders of Reydel Automotive Group have exercised their put option on 08 May 2018. Accordingly, the Share Purchase Agreement for acquisition of Reydel Automotive Group by SMRP BV is deemed to have been executed on 08 May 2018.

The proposed transaction is subject to customary closing conditions and receipt of required regulatory approvals. Indicatively, it is expected that the transaction will take 4-6 months to close from the execution of the put option agreement (April 2, 2018).

Reydel Automotive Group is a portfolio company of Cerberus Capital Management, L.P. and is an established global supplier of Instrument Panels, Door Panels, Console Modules, Decorative Parts and Cockpit, with presence across Europe, South America and Asia.

## Signing of the financial statements

Mr. Jacob Meint Buit
(Managing Director)

Mr. Randolph Marie Thaddeus De Cuba
(Managing Director)

Mr. Laksh Vaaman Sehgal
(Managing Director)

Mr. Andreas Heuser
(Managing Director)

Mr. Cezary Zawadzinski
(Member of Supervisory Board)

Mr. Bimal Dhar
(Member of Supervisory Board)

Mr. Kunal Malani
(Member of Supervisory Board)

Mr. G.N. Gauba
(Member of Supervisory Board)

Mr. Vivek Chaand Sehgal
(Member of Supervisory Board)

# ABBREVIATIONS

| | |
|---|---|
| € | Euro (European currency) |
| k€ | Thousands of Euros |
| $ | US Dollar (US currency) |
| IASB | International Accounting Standards Board |
| IFRS | International Financial Reporting Standards |
| EU | European Union |

## Abbreviations used for companies

| | |
|---|---|
| SMRP BV or SMRP BV Group | Samvardhana Motherson Automotive Systems Group B.V. & its subsidiaries |
| SMR or SMR Group | Samvardhana Motherson Reflectec Group Holdings Limited & its subsidiaries |
| SMP Group | Samvardhana Motherson Peguform GmbH & its subsidiaries, SMP Automotive Technology Ibérica S.L. & its subsidiaries and SMP Automotive Interiors (Beijing) Co. Ltd. |
| SMPL | Samvardhana Motherson Polymers Limited, India |
| SMGHL | Samvardhana Motherson Global Holdings Ltd, Cyprus |
| MSSL | Motherson Sumi Systems Limited, India |
| SMIL India | Samvardhana Motherson International Limited, India |
| SMG | Samvardhana Motherson Group |