

PRICOL WIPING SYSTEMS MEXICO, S.A. DE C.V.
(Subsidiary of Pricol España S.L.U.)

**FINANCIAL STATEMENTS FOR THE YEARS ENDED AS
OF MARCH 31, 2019 AND 2018 AND THE
INDEPENDENT AUDITORS' REPORT**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and to the partners of:

PRICOL WIPING SYSTEMS MEXICO S.A. DE.C.V (Subsidiary of Pricol España S.L.U.)

Opinion

We have audited the financial statements of Pricol Wiping Systems Mexico, S.A. de C.V., which comprise the statements of financial position as of March 31, 2019 and 2018, the statements of comprehensive income, statements of changes in stockholders' equity, and statements of cash flows for the years then ended, included a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present reasonably, in all material aspects, the financial situation of Pricol Wiping Systems Mexico, S.A. de C.V., as of March 31, 2019 and 2018, as well as their results and cash flows correspondent to the years then ended, according to the Mexican Financial Reporting Standards (MFRS).

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in México, and we have fulfilled our other ethical responsibilities in accordance with the IMCP'S Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter paragraph

As mentioned in Note 12-d), as of March 31, 2019 the company has generated accumulated losses for an amount of \$61,112,076 and it has lost more than 2/3 parts of its share capital. According to the Mexican Law of Commercial Companies, this could be a cause of dissolution of the entity at the request of a third party. Even so, the partners of the Company have expressed their support to the entity to meet its commitments.

Management's responsibility and those charged with Governance for the Financial Statements.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Mexican Financial reporting Standards (MFRS), and for such internal control procedures that Management determine necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Pricol Wiping Systems Mexico, S.A. de C.V., to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process of Pricol Wiping Systems Mexico, S.A. de C.V.

Auditor's responsibility for the audit of the financial statements.

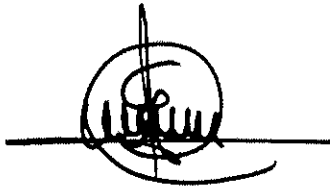
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not guarantee that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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and, whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide to those charged with governance with a statement that we have complied with the applicable ethical requirements regarding Independence and communicated to them all relationships and other matters that can reasonably be expected to affect our Independence and, where appropriate, the corresponding safeguards.

Kreston BSG, S.C.
Member of Kreston International, Ltd.

A handwritten signature in black ink, appearing to read 'Juan Espinosa', is written over a circular stamp or logo. The signature is positioned above a horizontal line.

C.P.A. Juan Espinosa
Partner

Puebla, Mexico.
May 8th, 2019

PRICOL WIPING SYSTEMS MEXICO, S.A. DE C.V.
(Subsidiary of Pricol España S.L.U.)
STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED AS OF MARCH 31, 2019 AND 2018
(Expressed in Mexican Pesos)

	2019	2018
ASSETS		
CURRENT:		
Cash and cash equivalents	\$ 16,489,466	\$ 1,983,873
Accounts receivable (note 4)	9,996,741	7,044,863
Inventories (note 5)	12,353,254	10,316,932
Advance Payments	28,427,355	12,599,826
Total current assets	67,266,816	31,945,494
NON CURRENT:		
Property and equipment, net (note 6)	14,155,313	15,433,067
Other assets, net (note 7)	3,053,341	2,104,755
Total non-current assets	17,208,654	17,537,822
Total assets	84,475,470	49,483,316
LIABILITIES		
CURRENT:		
Related parties (note 9)	3,851,488	1,603,802
Accounts payable	4,011,222	1,005,897
Taxes payable	125,618	94,230
Employees' profit sharing	188,074	442,520
Total current liabilities	8,176,402	3,146,449
NON CURRENT:		
Related parties (note 9)	61,909,094	23,398,292
Guarantee Deposit	483,749	135,749
Government Grants (note 2-o & 10)	688,491	807,348
Total non-current liabilities	63,081,334	24,341,389
Total liabilities	71,257,736	27,487,838
STOCKHOLDERS' EQUITY (note 12)		
Capital paid:		
Capital stock	74,329,810	74,329,810
Accumulated (losses)		
From previous years	(52,334,332)	(40,519,014)
Net (Loss) of the period	(8,777,744)	(11,815,318)
Total accumulated losses	(61,112,076)	(52,334,332)
Total equity	13,217,734	21,995,478
Total liabilities plus equity	\$ 84,475,470	\$ 49,483,316

See accompanying notes to financial statements

PRICOL WIPING SYSTEMS MEXICO, S.A. DE C.V.
(Subsidiary of Pricol España S.L.U.)
STATEMENTS OF INCOME
FOR THE YEARS ENDED AS OF MARCH 31, 2019 AND 2018
(Expressed in Mexican Pesos)

	<u>2019</u>	<u>2018</u>
Sales, net	\$ 34,463,886	\$ 42,076,515
Other income, net	1,505,395	300,812
	<u>35,969,281</u>	<u>42,377,327</u>
Cost of sales	<u>34,094,206</u>	<u>38,455,212</u>
Gross profit	1,875,075	3,922,115
Operating expenses	9,648,550	14,177,828
Operating Loss (note 1-c)	(7,773,475)	(10,255,713)
Comprehensive Financing Result:		
Interest cost, net	990,804	1,314,843
Exchange loss (profit), net	13,465	(604,892)
	<u>1,004,269</u>	<u>709,951</u>
Loss before deferred income tax	(8,777,744)	(10,965,664)
Deferred (loss) income tax (note 8)	-	(849,654)
Net loss for the period	<u>\$ (8,777,744)</u>	<u>\$ (11,815,318)</u>

See accompanying notes to financial statements.

PRICOL WIPING SYSTEMS MEXICO, S.A. DE C.V.
(Subsidiary of Pricol España S.L.U.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED AS OF MARCH 31, 2019 AND 2018
(Expressed in Mexican Pesos)

	Capital Stock	Acumulated Losses	Loss of the Period	Total Equity
Balances as of March 31, 2017	\$ 9,077,390	\$ (21,564,207)	\$ (18,954,807)	\$ (31,441,624)
Transfer to accumulated losses		(18,954,807)	18,954,807	-
Capital stock increase according to the minutes of the extraordinary shareholders' meeting dated December 15, 2017	65,252,420			65,252,420
Comprehensive loss of the period (note 2-k)			(11,815,318)	(11,815,318)
Balances as of March 31, 2018	<u>74,329,810</u>	<u>(40,519,014)</u>	<u>(11,815,318)</u>	<u>21,995,478</u>
Transfer to accumulated losses		(11,815,318)	11,815,318	-
Comprehensive loss of the period (note 2-k)			(8,777,744)	(8,777,744)
Balances as of March 31, 2019	<u>\$ 74,329,810</u>	<u>\$ (52,334,332)</u>	<u>\$ (8,777,744)</u>	<u>\$ 13,217,734</u>

See accompanying notes to financial statements



PRICOL WIPING SYSTEMS MEXICO, S.A. DE C.V.
(Subsidiary of Pricol España S.L.U.)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AS OF MARCH 31, 2019 AND 2018
(Expressed in Mexican Pesos)

	2019	2018
OPERATING ACTIVITIES:		
Loss before income tax	\$ (8,777,744)	\$ (10,965,664)
Items related with investment activities		
Depreciation and amortization	2,513,322	2,626,195
Earned interest	(2,729,013)	(1,051,624)
Items related with financing activities		
Payable interest	3,719,817	2,366,467
	(5,273,618)	(7,024,626)
(Increase) decrease in:		
Accounts receivable	(2,951,878)	660,094
Inventories	(2,036,322)	21,513,198
Advance payments	(15,827,529)	(12,599,826)
Others accounts receivable	-	848,456
(Decrease) increase in:		
Related parties	42,099,527	7,499,405
Accounts payable	3,005,325	(5,506,827)
Guarantee deposits	348,000	(2,690)
Taxes payable	31,388	(1,039,834)
Government grant	(118,857)	(118,857)
Employees profit sharing	(254,446)	442,520
Cash used in operating activities	19,021,590	4,671,013
INVESTING ACTIVITIES:		
Acquisition of fixed assets	(2,184,154)	(247,866)
Interest charged	1,387,974	1,051,624
Net cash used in investing activities	(796,180)	803,758
Net cash to be obtained from financing activities	18,225,410	5,474,771
FINANCING ACTIVITIES:		
Capital stock	-	65,252,420
Interest paid	(3,719,817)	(2,366,467)
Export-Import Bank on India	-	(66,558,966)
Net cash generate from financing activities	(3,719,817)	(3,673,013)
Increase in cash and cash equivalents	14,505,593	1,801,758
Cash and cash equivalents, beginning of the year	1,983,873	182,115
Cash and cash equivalents, end of the year	\$ 16,489,466	\$ 1,983,873

See accompanying notes to financial statements.

PRICOL WIPING SYSTEMS MEXICO, S.A. DE C.V.
(Subsidiary of Pricol España S.L.U.)
NOTES TO FINANCIAL STATEMENTS AS OF MARCH 31, 2019 AND 2018
(Expressed in Mexican Pesos)

(1) Activity of the Company and basis of presentation

- a) Pricol Wiping Systems Mexico, S.A. de C.V., (the company), was incorporated on November 10, 2014. The Company's principal activity is the production of wiper systems for the automotive industry.
- b) Because the Company is an industrial enterprise, costs and expenses presented in the income statement were classified according to their function, the cost of sales was separated from other cost and expenses which know their margin profit and facilitates financial analysis.
- c) The directors of the company decided to show operating income or loss, which is the result of subtracting expenses from gross profit, considering that this sector contributes to a better understanding of the economic and financial performance of the Company.
- d) The company presents the comprehensive loss in one financial statement that includes the items that comprise the net income, under the name "Statement of income", due to that during the years 2019 and 2018 the company did not generate "Other comprehensive income (OCI)".
- e) The accompanying financial statements have been prepared based specifically on the recording and reporting currency (Mexican peso), opting, as established by Mexican Financial Reporting Standards (MFRS), not to make the translation process to the functional currency (U.S. dollars), because they will be used exclusively for submission to the General Assembly of Shareholders and to comply with legal provisions that apply to the Company.
- f) The accompanying financial statements have been translated from Spanish into English for use outside of Mexico. These financial statements are presented on the basis of Mexican Financial Reporting Standards "MFRS" (individually referred to as Normas de Información Financiera or "NIFs"). Certain accounting practices applied by the Company that conform to MFRS may not conform to accounting principles generally accepted in the country of use.

(2) Significant accounting policies

The financial statements as of March 31, 2019 and 2018 comply with the provisions of MFRS, to show a fair presentation of the financial position of the Company. The MFRS state that International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of Financial Reporting Standards (IIFRS) and the Standard Interpretations Committee (SIC) are additionally part of the MFRS, when the absence of MFRS requires it. Accordingly, the Company, with the purpose of recognizing, and disclosing its own particular transactions, applied the following IFRSs and SIC IIFRS, issued by the International Accounting Standards Board (IASB).

IAS-20 "Government grants", effective from January 1, 1984

A summary of the significant accounting policies that are in accordance with Mexican Financial Reporting Standard (MFRS), used in the preparation of the accompanying financial statements are as follows:

a) Recognition of the inflation effects on the financial information

The financial statements attached were prepared in accordance with MFRS which, due to the company operates in a non-inflationary environment, include recognition of the inflation effects in the financial information as of 31 December, 2007 based on the National Consumer Price Index (NCPI). The annual inflation rate in the last three years was 4.83%, 6.77%, and 3.36% respectively, and the accumulated percentage was 15.69%, 12.71%, and 9.87%.

b) Reclassifications

The financial statements for the period ended as of March 31, 2018 have been reclassified in certain items to conform the presentation used in 2019.

c) Cash and cash equivalents

Cash comprise deposits in bank accounts, foreign currency and other similar.

d) Financial instruments

Initial validation and recognition

The financial assets and liabilities, including accounts receivable and payable, are recognized when the fixed assets are originated or acquired or when the liabilities are issued or assumed, both contractually.

Accounts receivable

Accounts receivable are presented at the price of the agreed transaction, net of provisions for returns, discounts and impairment losses.

Other accounts receivable

Other accounts receivable are recognized initially when the right generated by a transaction arises, that is to say, when it accrues; the other accounts receivable are valued at the amount to which the Company has the right to collect, generally at face value.

Accounts payable to suppliers

Accounts payable to suppliers are recognized when the Company is part of a contract, having received the risks and benefits of the good or when the service was provided. The accounts payable to suppliers are recognized that the price of transaction of the goods or services received, when the transaction that gave rise to them was considered accrued. The bonuses and the commercial discounts are recognized in the same period in which the risks and benefits have been substantially transferred to the Company or in which the service has been received, as a decrease in the cost of them, when there is a reasonable certainty of its realization.

e) Inventories

Raw material is recorded at acquisition cost modified by the first-in first-out (FIFO) method. Finished goods inventories are recorded using standard cost, Inventories do not exceed the net realizable value.

f) Property, equipment, and depreciation

Are recorded at their acquisition cost and restated in accordance with the MFRS B-10 "Inflationary effects". Depreciation is calculated by the straight-line method using the rates mentioned in the note 6, the administration of the Company considers that those rates are in accordance with the estimated useful lives of the assets.

g) Impairment and disposal of long-lived assets

In accordance with the MFRS C-15, "Impairment and disposal of long-lived assets" the company is in process of making an analysis that determines if impairment indexes in the long-lived assets could exist. A calculation will be made in order to know if assets are overvalued compared to its cash flows and if they could generate cash flows in the future.

h) Comprehensive financial result

As of March 31, 2019 and 2018 the interest and the exchange gain or loss are included in the income statement, as part of the Comprehensive Financing Result; except those interests capitalized as part of the fixed assets as required by the specific standard.

i) Income tax

The Company recognizes the current income tax in the income of the year and recognizes deferred income tax, assets and liabilities, for the future consequences of temporary differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases, measured using enacted rates. Deferred income tax assets are recorded only if it is probable to recover that amount.

j) Transactions in foreign currencies and exchange differences

Transactions in foreign currencies are recorded at the exchange rates ruling on the transaction dates. Assets and liabilities in foreign currency are adjusted at the exchange rates at year-end issued by the Mexican Central Bank, mentioned in note 3 in the financial statements. Any exchange gains and losses resulting from there are taken to the income statement as part of the comprehensive financing result.

k) Comprehensive loss

The comprehensive loss shown in the statement of changes in equity as the result of the company's performance during the period and it is represented by the net loss of the year.

l) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and their accompanying disclosures. The estimates are based on the best knowledge of management on current events. Although management believes the estimates and assumptions used in the preparation of these financial statements were appropriate in the circumstances, actual results could differ from those estimates and assumptions.

m) Contingencies and commitments

The obligations or associated losses of contingencies are recognized as liabilities in the statement of financial position when an obligation in the present exists as a result of past events, if it is likely that these effects materialize and can be quantified reasonably, otherwise they would be qualitative disclosure in the notes to the financial statements.

The effects of long-term commitments established with third parties, as it is the case of the contracts with suppliers or clients, are recognized in the financial statements in consideration of the substance of the agreements based on said incurred contracts. The prominent commitments, in this case, are disclosed in the notes of the financial statements. No income, profits, or contingent assets are recognized.

n) Income Recognition

Income is recognized in the period in which it meets all of the following requirements:

- a) The company has transferred to the buyer the risks and benefits of the goods and not retained any significant control of these.
- b) The amount of revenue, costs incurred or to be incurred are reliably determined.
- c) It is likely that the Company receives the economic benefits associated with the sale.

The allowance for doubtful accounts, rebates, and discounts refunds are recognized based on studies by the Directors of the Company and are sufficient to absorb losses, application of discounts, rebates, and refunds in accordance with the policies established by the Company

o) Employees' profit sharing

Employees' profit sharing (PTU) is recorded in the results of the year in which it is incurred and presented under other expenses in the income statement.

p) Government grants

Government grants are recognized until there is reasonable assurance that; a) the entity will comply with the conditions attaching to them, and b) the grants will be received. Government grants shall be recognized in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related cost for which the grants are intended to compensate.

q) Leases

The classification of leases as financial or operative depends on the substance of the transaction rather than the form of the contract. The leases in which a significant part of the risks and benefits of the property are retained by the landlord are classified as operative leases.



Payments done under operative leases are registered in the income statement based on the straight line method during the leasing period. The leases in which the Company owns substantially all the risks and benefits of the property are classified as financial leases. As of January 1st 2019, the company adopted the new NIF- D-5, as described in the note 11-d.

(3) Administration of financial risks

The activities of the Company expose it to several financial risks: market risk (including exchange risk), credit risk, liquidity risk and risk in the cash flow.

Market risk

3.1 Exchange rate risk. The Company is exposed to Exchange rate risk that arises from the exposure of the Mexican peso (MXN) mainly with regards to the price of the American dollar (USD). A part of the debt is expressed in USD so it is exposed to exchange rate variations. The Company registers gains or losses for the Exchange rate when the MXN is appreciated or depreciated against the USD. Because the monetary liabilities of the Company denominated in USD, have exceeded, and are expected to continue exceeding, the monetary assets of the Company expressed in the same currency, the depreciation of the MXN against the USD will result in exchange losses.

a) As of March 31, 2019 and 2018 the company had the following assets and liabilities in foreign currency, converted to the exchange rate of \$19.3793 MXN per USD (\$18.3445 in 2018) and a rate of \$21.7624 MXN per EUR (\$22.6404 for 2018).

	2019	
	USD	EUR
Monetary assets	\$ 5,559,860	\$ -
Monetary liabilities	(6,683,993)	(19,891)
Excess of liabilities	<u>\$ (1,124,133)</u>	<u>\$ (18,456)</u>

	2018	
	USD	EUR
Monetary assets	\$ 3,878,199	\$ 1,435
Monetary liabilities	(4,468,646)	-
Excess of (liabilities) assets	<u>\$ (590,447)</u>	<u>\$ 1,435</u>

b) At the date of the opinion of the independent auditors, the exchange rate was \$19.0499 MXN per USD and \$21.3804 MXN per EUR.



Credit risk

The credit risk is the risk of financial loss for the Company if a client or a counterparty of a financial instrument fails to meet its contractual obligations and causes a financial loss. The credit risk is generated by the exposure of the credit to clients. The concentration of the credit is low due to the fact that the good is charged when it is given and in the case of delay from the clients the good is no longer provided. The Company does not have a significant exposure to credit risk over a client or group of clients with similar characteristics.

Accounts receivable are completely reserved when there are specific collection problems based on previous experiences. As of March 31st, 2019 and 2018 there is no estimation for impairment in accounts receivable because they are considered recoverable.

Liquidity and cash flow risk

The administration monitors continuously the cash flow projections and the liquidity requirements from the Company making sure to keep enough cash and investments with immediate realization in order to comply with the operative needs. The projections consider the financial plans of the Company, and any other legal or regulatory requirement.

The Company expects to comply its cash flow obligations with the flows generated by the operations and/or contributed flows from their principal shareholders.

(4) Accounts receivable

The breakdown of this item as of March 31, 2019 and 2018 is as follows:

Concept	2019	2018
Customers, mainly	\$ 3,506,953	\$ 2,469,406
Recoverable Tax (Mainly value added tax)	6,489,788	4,575,457
Total	<u>\$ 9,996,741</u>	<u>\$ 7,044,863</u>

(5) Inventories

The breakdown of this item as of March 31, 2019 and 2018 is as follows:

Concept	2019	2018
Raw material	\$ 10,322,218	\$ 8,266,469
Production in process	802,180	575,248
Finished goods	1,228,856	1,475,214
Total	<u>\$ 12,353,254</u>	<u>\$ 10,316,932</u>



(6) Property and equipment

a) The breakdown of this item as of March 31, 2019 and 2018 is as follows:

Concept	% Dep.	2019	2018
Machinery and equipment	10%	\$ 21,668,967	\$ 20,649,147
Transportation equipment	25%	354,113	354,113
Office equipment	10%	327,847	327,847
Computer equipment	30%	1,222,807	1,190,461
		<u>23,573,734</u>	<u>22,521,567</u>
Less- Accumulated Depreciation		(9,418,421)	(7,088,500)
Property and equipment, net		<u>\$ 14,155,313</u>	<u>\$ 15,433,067</u>

b) The depreciation for the years 2019 and 2018 was \$2,329,920 and \$2,512,360 respectively.

(7) Other assets

a) The breakdown of this item as of March 31, 2019 and 2018 is as follows:

Concept	% Amort.	2019	2018
Pre-operating expenses	5%	\$ 630,097	\$ 630,097
Installation and adaptation costs	5%	1,735,525	1,702,732
Software	15%	645,239	56,403
		<u>3,010,861</u>	<u>2,389,232</u>
Accumulated amortization		(502,759)	(319,357)
		<u>2,508,102</u>	<u>2,069,875</u>
Research and Development		510,359	-
Guarantee deposits		34,880	34,880
Total other assets, net		<u>\$ 3,053,341</u>	<u>\$ 2,104,755</u>

b) The amortization for the years 2019 and 2018 was \$183,402 and \$113,835 respectively.

(8) Income tax

a) As of March 31, 2019 and 2018, the Company has tax losses carryforward as follows:

Year	Amount	Expiration date
2015	(9,419,902)	2025
2016	(27,950,678)	2026
2018	(9,310,483)	2028
Tax losses carry forward	<u>\$ (46,681,063)</u>	

b) As of March 31st, 2018 and 2017 the deferred tax asset, mainly derived from tax losses carryforward, is not recognized in the financial statements due to its low recovery probability.



(9) Related parties

a) The breakdown of this item as of March 31, 2019 and 2018 is as follows:

Concept	2019	2018
Receivable		
PMP Auto Components Private Limited	\$ -	\$ 32,479
Pricol Do Brasil Componentes Automotivos, LTDA	60,650,122	56,074,472
Total:	60,650,122	56,106,951
Payable		
Pricol España S.L.U.	122,559,216	79,472,763
Pricol Do Brasil Componentes Automotivos, LTDA	35,697	
PMP Pal International s.r.o.	3,815,791	1,636,280
Total:	126,410,704	81,109,043
Payable, net	\$ 65,760,582	\$ 25,002,094
Short Term	3,851,488	1,603,802
Long Term	61,909,094	23,398,292

(10) Government grants

- a) The Company received a Grant from the Federal and State government under the protection of the Project called: "Proyecto Integral para el Desarrollo y Fortalecimiento del Mercado de Componentes Automotrices de Alta Calidad en el Estado de Puebla" which only objective is to contribute to the productive scaling of the Micro, Small and Medium size companies in the region through the strengthening of the industrial infrastructure and the creation of new highly specialized jobs in order to satisfy the product demand required by VW de Mexico.
- b) The amounts provided by the Federal and State Government and the use of funds as of March 31, 2019 are shown below:

Concept	Total grant Received
Grant received	\$ 1,450,000
Grant used	761,509
Grant pending to be used	\$ 688,491



The company will be in charge of the operation of "The Project" by increasing its production levels and sales by promoting the attraction of new investments and the strengthening of support industries in the State of Puebla.

- c) For the application and allocation of the resources previously mentioned, Pricol Wiping Systems Mexico, S.A. de C.V. shall comply, among others, with the following obligations:
- c.1.- Cannot allocate the resources for operation expenses such as electricity, phone, rent, water, gas, salaries, duty, etc.
 - c.2.- The resources cannot be used to buy promotional gifts, properties such as lands, buildings or any kind of vehicle;
 - c.3.- The resources cannot be used for applications, food expenses, transportation expenses, or any other type of lease or concept that has no relationship whatsoever with the strict performance of "The Project", whenever they have not been previewed in the respective application in terms of what is specified in the "Operation Rules".
 - c.4.- Quarterly and final reports, advances in the program, goals, impacts and objectives reached in terms of the "Operation Rules" must be given to the "SECOTRADE" and any authority that requires information about the status of "The Project".
- d) Termination of the agreement.

The "SECOTRADE" may administratively terminate, fully fledged and without a court declaration, this agreement in the following cases:

- d.1.- If "The Company" does not comply with the objective of the agreement in the terms and conditions established in it, in the "Operation Rules", commitments, charges and obligations as indicated in the "Support Application".
- d.2.- For unjustified suspension of "The Project" object of this agreement.
- d.3.- In general, for the non-compliance of "The Company" to any of the obligations derived from this agreement, "The Support Application" and the "Operation Rules".

(11) Contingencies and Commitments

- a) During the years 2019 and 2018, sales were mainly to Volkswagen de México, S.A. de C.V.; for this reason, the company has a high economic dependence on this client.
- b) According to the current tax legislation in Mexico, the authorities are entitled to examine the five fiscal years prior to the last income tax return, which may arise from possible tax differences.

- c) According to the Law on Income Tax, companies that carry out transactions with related parties are subject to certain limitations and requirements for the determination of the agreed prices, as these must be comparable to those used with independent parties in comparable transactions. If the tax authorities review prices and reject certain amounts, they may require, in addition to the tax levy and accessories that match (upgrades and surcharges), fines on unpaid taxes, which could be up to 75% on the updated amount of unpaid taxes. At the date of the opinion of the external auditors, the Company does not have the transfer pricing study that supports that transactions between related parties at market value.
- d) The new standard NIF D-5 "Leases", issued in November of 2017; incorporates the majority of the leases in the balance sheet under a single model for lessees, eliminating the distinction between operating and financial leases. The NIF D-5 is effective for periods beginning on or after January 1st, 2019. Under this standard, lessees will recognize an asset for the right of use and a liability for the corresponding lease. The right to use is treated in a similar manner to any other non-financial asset, with its corresponding depreciation, while the liability accrues interest. Additionally, NIF D-5 establishes as exceptions to these requirements lease agreements (i) with a term of less than 12 months, provided that they do not contain purchase options or that there is reasonable certainty that they will be extended for an equal or longer period to the originally hired; (ii) whose value of the underlying asset is immaterial in the context of the financial statements and under certain conditions.

As of March 31, 2019, the Company has operating lease commitments as follows:

<u>Lease concept</u>	<u>Monthly amount of the lease</u>	<u>Expiration date</u>
Property lease (Inmobiliaria Arrallanes, S. de R.L. de C.V.)	\$ 475,394	October 31, 2019

(12) Stockholders equity

- a) As of March 31, 2019 the fixed capital stock is represented by 50 nominative shares "AA series" fully subscribed and paid with a par value of one Mexican peso each. The variable part of the capital stock is represented by 74,279,810 nominative shares "BB series" fully subscribed and paid with a par value of one Mexican peso each. The total amount of the capital stock as of March 31, 2019 is of \$74,329,810.
- b) The reductions in capital will be taxable on the excess of the distributed amount against their tax value determined in accordance with the provisions of the Income Tax Law.
- c) Five percent of the company's net profit per year must be set aside to increase the legal reserve, up to an amount equal to 20 percent of the capital stock. This reserve cannot be distributed to the partners during the life of the Company, except if it is distributed in the form of a stock dividend.



- d) As of March 31, 2019 the company has generated a net loss of \$61,112,076; correspondingly, it has lost more than 2/3 parts of its share capital and, according to the Mexican Corporate Law, this could be a cause of dissolution of the entity at the request of a third party.

(13) Tax environment

The Company is subject to the Income tax (ISR per its initials in Spanish). ISR is computed taking into consideration the taxable and deductible effects of inflation, such as depreciation calculated on restated asset values. Taxable income is increased or reduced by the effects of inflation on certain monetary assets and liabilities through the inflation adjustment, which is similar to the gain or loss from monetary position. The income tax is calculated using a rate of 30%.

(14) New Mexican Financial Reporting Standards.

- a) The following is a list of the new accounting pronouncements that have been submitted by the Mexican Council of Financial Information Standards (CINIF for its name in Spanish) and which are applicable for the years that start as of January 1st, 2020, allowing its anticipated application in the terms established in each NIF:

New NIF	Content
NIF E-1	Agricultural activities
NIF B-11	Disposition of long-lived assets and discontinued operations.

- b) The Company's Administration considers that the above mentioned changes will not have any effect in their financial position nor the results of their activities.

(15) Financial statement issuance authorization

On May 8th, 2019, the issuance of the financial statements was authorized by Alberto Vazquez, Director of the company. These financial statements are subject to the approval of the Shareholders' Meeting, who may decide on their modification, based on provisions set forth by the General Corporate Law.

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