

MSSL WH System (Thailand) Limited
Report and financial statements
31 March 2021

Independent Auditor's Report

To the Shareholders of MSSL WH System (Thailand) Limited

Opinion

I have audited the accompanying financial statements of MSSL WH System (Thailand) Limited (the Company), which comprise the statement of financial position as at 31 March 2021, and the related statements of income and changes in shareholders' equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MSSL WH System (Thailand) Limited as at 31 March 2021 and its financial performance for the year then ended in accordance with Thai Financial Reporting Standards for Non-Publicly Accountable Entities.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Company in accordance with the *Code of Ethics for Professional Accountants* as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards for Non-Publicly Accountable Entities, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing 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 Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am responsible for the audit resulting in this independent auditor's report.



Supanee Triyanantakul

Certified Public Accountant (Thailand) No. 4498

EY Office Limited

Bangkok: 9 July 2021

MSSL WH System (Thailand) Limited**Statement of financial position****As at 31 March 2021**

		(Unit: Baht)	
	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Assets			
Current assets			
Cash and cash equivalents	5	55,461,360	9,911,850
Trade and other receivables	6	125,477,382	170,769,856
Inventories	7	173,944,768	157,564,385
Value added tax receivables		18,298,417	21,280,374
Other current assets		3,544,537	1,082,859
Total current assets		<u>376,726,464</u>	<u>360,609,324</u>
Non-current assets			
Restricted bank deposits	5	1,001,000	1,001,000
Building leasehold improvement and equipment	8	174,850,696	187,795,949
Deposits		1,302,560	1,387,560
Total non-current assets		<u>177,154,256</u>	<u>190,184,509</u>
Total assets		<u>553,880,720</u>	<u>550,793,833</u>

The accompanying notes are an integral part of the financial statements.

MSSL WH System (Thailand) Limited
Statement of financial position (continued)
As at 31 March 2021

			(Unit: Baht)
	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans from financial institutions	9	80,000,000	80,000,000
Trade and other payables	10	90,830,346	91,645,049
Current portion of long-term loans	11	40,000,000	40,000,000
Current portion of long-term loans from related companies	12	-	50,329,800
Other current liabilities		1,254,637	480,246
Total current liabilities		<u>212,084,983</u>	<u>262,455,095</u>
Non-current liabilities			
Long-term loans - net of current portion	11	70,000,000	110,000,000
Long-term loans from related companies - net of current portion	12	49,005,200	-
Provision for long-term employee benefits	13	6,326,119	5,122,070
Total non-current liabilities		<u>125,331,319</u>	<u>115,122,070</u>
Total liabilities		<u>337,416,302</u>	<u>377,577,165</u>

The accompanying notes are an integral part of the financial statements.

MSSL WH System (Thailand) Limited
Statement of financial position (continued)
As at 31 March 2021

(Unit: Baht)

	<u>2021</u>	<u>2020</u>
Shareholders' equity		
Share capital		
Registered		
15,000,000 ordinary shares of Baht 10 each	150,000,000	150,000,000
Issued and fully paid		
15,000,000 ordinary shares of Baht 10 each	150,000,000	150,000,000
Retained earnings - unappropriated	66,464,418	23,216,668
Total shareholders' equity	216,464,418	173,216,668
Total liabilities and shareholders' equity	553,880,720	550,793,833

The accompanying notes are an integral part of the financial statements.

 

Directors



MSSL WH System (Thailand) Limited**Income statement****For the year ended 31 March 2021**

		(Unit: Baht)	
	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Sales	14	517,754,162	580,492,202
Cost of sales		(414,812,944)	(447,964,232)
Gross profit		102,941,218	132,527,970
Gain on exchange		929,803	1,836,321
Other income		2,793,358	2,426,893
Profit before expenses		106,664,379	136,791,184
Selling and distribution expenses		2,289,841	4,709,925
Administrative expenses		54,892,592	63,893,175
Total expenses		57,182,433	68,603,100
Profit before finance cost		49,481,946	68,188,084
Finance cost		(6,234,196)	(10,204,902)
Net profit for the year		43,247,750	57,983,182

The accompanying notes are an integral part of the financial statements.

MSSL WH System (Thailand) Limited**Statement of changes in shareholders' equity****For the year ended 31 March 2021**

(Unit: Baht)

	Paid-up share capital	Retained earnings - unappropriated	Total
Balance as at 1 April 2019	150,000,000	(34,766,514)	115,233,486
Net profit for the year	-	57,983,182	57,983,182
Balance as at 31 March 2020	150,000,000	23,216,668	173,216,668
Balance as at 1 April 2020	150,000,000	23,216,668	173,216,668
Net profit for the year	-	43,247,750	43,247,750
Balance as at 31 March 2021	150,000,000	66,464,418	216,464,418

The accompanying notes are an integral part of the financial statements.

MSSL WH System (Thailand) Limited

Notes to financial statements

For the year ended 31 March 2021

1. General information

MSSL WH System (Thailand) Limited ("the Company") is a limited company incorporated and domiciled in Thailand. Its parent company is MSSL (S) Pte Ltd., which was incorporated in Singapore. The parent company of the Group is Motherson Sumi Systems Limited. The Company is principally engaged in the manufacture and distribution of wiring harness. The registered office of the Company is at 500/51 Moo 3 Hemaraj Eastern Seaboard Industrial Estate, Tasith, Pluakdaeng, Rayong Province.

2. Basis of preparation

The financial statements have been prepared in accordance with Thai Financial Reporting Standards for Non-Publicly Accountable Entities as issued by the Federation of Accounting Professions and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

3. Significant accounting policies

3.1 Revenue recognition

Sales of goods

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value-added tax, of goods supplied after deducting discounts and allowances.

Interest income

Interest income is recognised on an accrual basis based on the effective interest rate.

3.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

3.3 Trade and other receivables

Trade and other receivables are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and analysis of debt ageing.

3.4 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined by First-in First-out method.

3.5 Building leasehold improvement and equipment/Depreciation

Building leasehold improvement and equipment are stated at cost less accumulated depreciation and allowance for diminution in value (if any).

Depreciation of building leasehold improvement and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives.

Buildings and leasehold improvement	14 years
Machinery and factory equipment	9 - 10 years
Office equipment	6 years
Motor vehicles	4 years
Computer	3 years

Depreciation is included in determining income. No depreciation is provided on assets under installation.

3.6 Long-term leases

Leases of property, plant and equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

3.7 Foreign currencies

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of the reporting period.

Gains and losses on exchange are included in determining income.

3.8 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

For long-term employee benefits, the Company calculates its long-term employee benefits obligation on the basis of its best estimate of its payment obligations as at the end of the reporting period.

3.9 Income tax

Income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

4. Use of accounting estimates

The preparation of financial statements in conformity with financial reporting standards requires management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

5. Cash and cash equivalents

	(Unit: Baht)	
	2021	2020
Cash on hand	31,098	153,727
Cash at bank	56,431,262	10,759,123
Total	56,462,360	10,912,850
Less: Deposit at bank pledged as collateral	(1,001,000)	(1,001,000)
Cash and cash equivalents - net	55,461,360	9,911,850

As at 31 March 2021, the deposit amount of 1,001,000 Baht (2020: Baht 1,001,000) has been pledged as collateral for bank guarantees as mentioned in Note 15.3.

6. Trade and other receivables

	(Unit: Baht)	
	2021	2020
Trade receivables - related parties	2,467,579	11,174,105
Trade receivables - unrelated parties	122,701,413	155,142,946
Deposit - current portion	-	3,352,416
Advance payments	16,380	142,808
Prepaid expenses	905,193	957,581
Total	126,090,565	170,769,856
Less: Allowance for doubtful accounts	(613,183)	-
Trade and other receivables - net	125,477,382	170,769,856

7. Inventories

	(Unit: Baht)					
	Cost		Reduce cost to net realisable value		Inventories-net	
	2021	2020	2021	2020	2021	2020
Finished goods	20,060,252	16,844,242	(2,402,073)	(383,281)	17,658,179	16,460,961
Work in process	36,076,570	39,632,671	(282,950)	(475,021)	35,793,620	39,157,650
Raw materials	89,558,259	91,661,951	(6,944,344)	(2,996,158)	82,613,915	88,665,793
Goods in transit	37,879,054	13,279,981	-	-	37,879,054	13,279,981
Total	183,574,135	161,418,845	(9,629,367)	(3,854,460)	173,944,768	157,564,385

During the current year, the Company reduced cost of inventories by Baht 5,966,978 (2020: Baht 819,131), to reflect the net realisable value. This was included in cost of sales. In addition, the Company reversed the write-down of cost of inventories by Baht 192,071 (2020: Baht 329,596), and reduced the amount of inventories recognised as expenses during the year.

8. Building leasehold improvement and equipment

(Unit: Baht)

	Building and leasehold improvement	Machinery and factory equipment	Office equipment	Motor vehicles	Computer	Assets under installation	Total
Cost							
1 April 2019	9,955,383	48,575,725	2,068,490	5,843,525	2,602,940	176,071,322	245,117,385
Additions	-	105,256	626,333	-	-	-	731,589
Write-off	(9,955,383)	-	-	-	-	-	(9,955,383)
Transfers in (out)	176,071,322	-	-	-	-	(176,071,322)	-
31 March 2020	176,071,322	48,680,981	2,694,823	5,843,525	2,602,940	-	235,893,591
Additions	174,000	4,279,601	581,680	-	208,400	-	5,243,681
Write-off	-	-	(337,200)	-	(70,398)	-	(407,598)
31 March 2021	176,245,322	52,960,582	2,939,303	5,843,525	2,740,942	-	240,729,674
Accumulated depreciation							
1 April 2019	8,908,375	23,746,758	1,108,945	5,643,529	2,293,461	-	41,701,068
Depreciation for year	9,996,746	5,022,730	268,474	199,996	166,006	-	15,653,952
Depreciation on write-off	(9,257,378)	-	-	-	-	-	(9,257,378)
31 March 2020	9,647,743	28,769,488	1,377,419	5,843,525	2,459,467	-	48,097,642
Depreciation for year	12,599,678	5,100,137	363,146	-	125,973	-	18,188,934
Depreciation on write-off	-	-	(337,200)	-	(70,398)	-	(407,598)
31 March 2021	22,247,421	33,869,625	1,403,365	5,843,525	2,515,042	-	65,878,978
Net book value							
31 March 2020	166,423,579	19,911,493	1,317,404	-	143,473	-	187,795,949
31 March 2021	153,997,901	19,090,957	1,535,938	-	225,900	-	174,850,696

9. Short-term loans from financial institutions

Short-term loans from financial institutions represented loan in Thai Baht, which are due on 10 May 2021 (2020: Due on 7 May 2020) and bear interest at the rate of 1.82% per annum (2020: 2.56% per annum).

10. Trade and other payables

(Unit: Baht)

	2021	2020
Trade payables - related parties	33,934,140	45,521,155
Trade payables - unrelated parties	47,709,917	38,907,191
Accrued expenses	9,186,289	7,216,703
Total	90,830,346	91,645,049

11. Long-term loans

	(Unit: Baht)	
	2021	2020
Long-term loans from financial institutions	110,000,000	150,000,000
Less: Current portion	(40,000,000)	(40,000,000)
Long-term loans from financial institutions - net	70,000,000	110,000,000

Long-term loans from financial institutions bear interest at rates based on BIBOR plus 1.45% per annum. The loans are repayable by quarterly installments with prescribed principal repayment in the agreement within 5 years from the drawdown date. Full settlement of these loans is to be made within November 2023. The loans are guaranteed by Motherson Sumi Systems Limited ("the Guarantor").

The loan agreements contain covenants as specified in the agreement that, among other things, requires the Guarantor to maintain a certain net leverage ratio according to the agreement.

As at 31 March 2021 and 2020, there was no long-term credit facilities of the Company which have not yet been drawn down.

12. Long-term loans from related companies

	(Unit: Baht)	
	2021	2020
Long-term loans from related companies	49,005,200	50,329,800
Less: Current portion	-	(50,329,800)
Long-term loans from related companies - net	49,005,200	-

As at 31 March 2021, long-term loans from related companies consist of loans amounting to Baht 17,500,000 bearing interest at the rate of 3.00% per annum and due within 30 June 2022; and amounting to USD 1,000,000, bearing interest at the rate of LIBOR plus 1.50% per annum and due within 31 March 2024.

As at 31 March 2020, long-term loans from related companies consist of loans amounting to Baht 17,500,000 bearing interest at the rate of 3.00% per annum and due within 30 June 2020; and amounting to USD 1,000,000, bearing interest at the rate of LIBOR plus 1.50% per annum and due within 20 March 2021.

13. Provision for long-term employee benefits

	(Unit: Baht)
As at 1 April 2019	3,365,294
Increase during the year	<u>1,756,776</u>
As at 31 March 2020	5,122,070
Increase during the year	<u>1,204,049</u>
As at 31 March 2021	<u>6,326,119</u>

The provisions represent the Company's obligations payable to its employees when they reach retirement age. They are determined based on the employee's age, length of employment services and salary increase rate, among other things.

14. Promotional privileges

The Company has received promotional privileges from the Board of Investment for the manufacture of wiring harness, pursuant to the promotion certificate No. 2426(2)/2555 issued on 2 July 2012. Subject to certain imposed conditions, the privileges include the exemption from import duty on approved machinery, the exemption for import duty on approved raw materials and the exemption from corporate income tax for the promoted activities not in excess of 100% of investments excluding land cost and working capital for a period of 8 years from the date of commencement of earning revenue.

Revenues for promoted activities and non-promoted activities are as follows.

	(Unit: Baht)					
	Promoted operations		Non-promoted operations		Total	
	2021	2020	2021	2020	2021	2020
Sales						
Domestic sales	327,035,306	404,098,647	20,910,261	1,413	347,945,567	404,100,060
Export sales	<u>159,508,271</u>	<u>166,547,417</u>	<u>10,300,324</u>	<u>9,844,725</u>	<u>169,808,595</u>	<u>176,392,142</u>
Total sales	<u>486,543,577</u>	<u>570,646,064</u>	<u>31,210,585</u>	<u>9,846,138</u>	<u>517,754,162</u>	<u>580,492,202</u>

15. Commitments and contingent liabilities

15.1 Capital commitments

As at 31 March 2021, the Company had capital commitments of approximately JPY 17.78 million and EUR 0.01 million (2020: JPY 0.54 million), relating to acquisition of machinery and equipment.

15.2 Operating lease commitments

The Company has entered into several lease agreements in respect of the lease of land. The terms of the agreements are generally 15 years.

Future minimum lease payments required under these non-cancellable operating lease contracts were as follows.

	(Unit: Baht)	
	As at 31 March	
	2021	2020
Payable:		
In up to 1 year	2,531,214	2,410,680
In over 1 and up to 5 years	13,211,009	13,033,582
In over 5 years	18,195,199	20,903,839

15.3 Guarantees

As at 31 March 2021, there were outstanding bank guarantees of approximately Baht 1.2 million issued by a financial institution on behalf of the Company in respect of electricity use and custom duty (2020: Baht 1.2 million).

16. Approval of financial statements

These financial statements were authorised for issue by authorised directors of the Company on 9 July 2021.