# ANNUAL REPORT

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|---|---|
| **Beginning of financial year:** | 01.04.2020 |
| **End of financial year:** | 31.03.2021 |
| **Business name:** | PKC Eesti AS |
| **Registry code:** | 10858008 |
| **Name of street/farm, house and apartment number:** | Lõõtsa tn 8 |
| **City:** | Tallinn |
| **County:** | Harju County |
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# MANAGEMENT REPORT

## OPERATING ENVIRONMENT

PKC Eesti AS designs, manufactures and integrates tailored electrical distribution systems and related architecture components, vehicle electronics, wires and cables for trucks and buses, light and recreational vehicles, agricultural and forestry equipment.

Their service concept involves cost-effective subcontracting of manufacturing from other group companies combined with their own expertise of product development and design services. This is supported by a global delivery organization and supply chain.

As of 2017, PKC Estonia AS belongs to the Motherson Sumi Systems Limited international consolidation group.

The global economic environment was highly volatile in 2020. The generally positive outlook at the beginning of the year was quickly replaced by a negative outlook due to the rapid spread of the coronavirus starting from February. The situation deteriorated even further in March. This resulted in the economy contracting by 3.27% globally and by 7.4% in the euro area in 2020.

There is much uncertainty about the future. Analysts have different opinions and estimates on the short- and long-term impact of COVID-19 on the global economy. The recovery and rate of growth will vary greatly from region to region and industry to industry, depending above all on who, how and when manages to exit the health crisis. A successful vaccination program is seen as the key to recovery.

Changes in the global and especially European economy have an immediate impact on the economic performance of PKC Eesti AS and their clients. The year presented a variety of new challenges. The clients of the company were able to perform rather well, however, in these new conditions and placed enough orders to enable the company to register a relatively positive economic performance.

## TURNOVER AND PROFIT

In November 2019, the sole shareholder of the company adopted a resolution to amend the articles of association of the company and approve a financial year running from 1 April to 31 March. In relation thereto, the previous annual report was prepared for the period 1 January 2019 – 31 March 2020 and this annual report for the period 1 April 2020 – 31 March 2021. The difference in the length of these periods must be kept in mind when interpreting the financial information presented.

The turnover of the company amounted to 151.0 million euros in the reporting period, decreasing 34.8% from the period running from 1 January 2019 to 31 March 2020. Operating profit was 4.7 million euros (1 January 2019 – 31 March 2020: 17.5 million euros), i.e., 3.1% of the turnover.

The net profit of the company amounted to 5.0 million euros for the period of 1 April 2020 – 31 March 2021 (1 January 2019 – 31 March 2020: 17.6 million euros), i.e., 3.3% of the turnover. Dividends in the amount of 1.6 million euros were distributed in the reporting period (1 January 2019 – 31 March 2020: 0 euros).

## FINANCIAL RATIOS

| | 1 April 2020 – 31 March 2021 | 1 January 2019 – 31 March 2020 |
|---|---|---|
| Increase in revenue | -34.8% | 13.9% |
| Increase in net profit | -71.4% | -7.5% |
| Net profit margin | 3.3% | 7.6% |
| Current ratio | 3.4 | 3.7 |
| ROA | 2.4% | 8.7% |
| ROE | 2.9% | 10.3% |

• Increase in revenue (%) = (revenue in the period between 1 April 2020 and 31 March 2021 – revenue in the period between 1 January 2019 and 31 March 2020) / revenue in the period between 1 January 2019 and 31 March 2020 * 100

• Increase in net profit (%) = (net profit in the period between 1 April 2020 and 31 March 2021 – net profit in the period between 1 January 2019 and 31 March 2020 / net profit in the period between 1 January 2019 and 31 March 2020 * 100

• Net profit margin (%) = net profit / revenue * 100

• Current ratio = current assets / current liabilities

• ROA (%) = net profit / total assets * 100

• ROE (%) = net profit / total equity * 100

## PERSONNEL

The average number of employees in the company during the reporting period was 79, which is substantially unchanged from the previous period. In the context of the global health crisis, maintaining the health of the company's employees became the number one priority: their day-to-day work was reorganized and all possible measures taken to minimize the health risks.

Personnel expenses amounted to 5.6 million euros in the reporting period (1 January 2019 – 31 March 2020: 6.8 million euros).

## MANAGEMENT BOARD

As of December 2019, the management board of the company has two members. The chairman of the management board is Jani Kiljala and the member of the management board is Merle Montgomery. The composition of the management board did not change in the reporting period.

## SUMMARY OF REPORTING PERIOD AND FUTURE PLANS

Life changed significantly over the course of the last financial year. The company learned to adapt to the changes caused by the corona pandemic, reacted quickly and managed to end the financial year with relatively good financial results. The company is satisfied that their sales amounted to 151 million euros in the reporting period, regardless of the drop experienced in the first quarter of the financial year, and ROE was 2.9%, although it did decreased significantly compared to the previous period (10.3%). They feel they did the absolute best they could do in such a disruptive year.

PKC Eesti AS continues to focus on foreign markets, exporting 100% of its output. The majority of the output (93.6%) is exported to European Union member states. The largest export markets continue to be Sweden, the Netherlands, Finland, and France.

The subsidiary MSSL PKC Wiring Harness Systems FZE established in the United Arab Emirates in May 2019 started manufacturing operations in the financial year as previously planned.

The introduction of the group's new logo was successfully completed last financial year.

The company wants to be a learning organization, attract and retain motivated employees who fit the culture of the organization. To support this, a number of old HR project were continued and several new ones launched.

The company did not make any significant investments during the reporting period.

Based on the sales forecasts of the company's clients, a slight increase in the company's sales is expected in the coming financial year, but the impact of COVID-19 on the global and European economies still remains very difficult to estimate.

PKC Eesti AS focuses on finding better cost efficiency by improving intragroup integration both within the company and in the processes between the various companies of the group. This is illustrated by joint supply contracts, participation in joint international projects and procurements, as well as cross-utilization of employees and exchange of best practices. The keyword of the company's long-term strategy is sustainability, which is at the center of the company's attention when setting their goals and preparing action plans.

The company values sustainable and responsible management in both their relationships with their clients and in their subsidiaries. They follow the principles of honest and transparent corporate culture in their activities.

The company aims to be successful, internationally competitive and profitable in the long-term.

## ACKNOWLEDGMENTS

I thank the employees and other stakeholders of PKC Eesti AS for their contribution to the company's success.

Jani Kiljala

Chairman of the Management Board

# Annual accounts

## Statement of financial position

(In euros)

| | 31 March 2021 | 31 March 2020 | Notes |
|---|---|---|---|
| Assets | | | |
| Current assets | | | |
| Cash | 279,224 | 37,494 | 2 |
| Receivables and prepayments | 99,468,165 | 99,255,591 | 3 |
| Inventories | 16,043,857 | 14,693,044 | 4 |
| **Total current assets** | **115,791,246** | **113,986,129** | |
| Non-current assets | | | |
| Investments in subsidiaries and associates | 72,137,017 | 72,137,017 | 6 |
| Receivables and prepayments | 21,422,210 | 15,135,420 | 3 |
| Property, plant and equipment | 610,252 | 337,014 | 7 |
| Intangible assets | 9,054 | 12,935 | 8 |
| **Total non-current assets** | **94,178,533** | **87,622,386** | |
| **Total assets** | **209,969,779** | **201,608,515** | |
| Liabilities and equity | | | |
| Liabilities | | | |
| Current liabilities | | | |
| Borrowings | 153,067 | 137,062 | 9 |
| Payables and prepayments | 34,007,755 | 30,976,221 | 11 |
| Provisions | 8,885 | 8,885 | 12 |
| **Total current liabilities** | **34,169,707** | **31,122,168** | |
| Non-current liabilities | | | |
| Borrowings | 403,343 | 126,872 | 9 |
| **Total non-current liabilities** | **403,343** | **126,872** | |
| **Total liabilities** | **34,573,050** | **31,249,040** | |
| Equity | | | |
| Share capital at nominal value | 1,022,714 | 1,022,714 | 14 |
| Legal reserve | 222,081 | 222,081 | 14 |
| Retained earnings (loss) | 169,114,680 | 151,537,305 | 13 |
| Profit (loss) for the year | 5,037,254 | 17,577,375 | 13 |
| **Total equity** | **175,396,729** | **170,359,475** | |
| **Total liabilities and equity** | **209,969,779** | **201,608,515** | |

# Income statement
(In euros)

| | 1 April 2020 – 31 March 2021 | 1 January 2019 – 31 March 2020 | Notes |
|---|---|---|---|
| Revenue | 150,655,812 | 231,032,228 | 15 |
| Cost of sales | -140,251,137 | -205,531,678 | 17 |
| **Gross profit (loss)** | **10,404,675** | **25,500,550** | |
| Distribution costs | -1,665,292 | -2,067,265 | 18 |
| Administrative expenses | -4,343,536 | -6,515,082 | 19 |
| Other operating income | 748,971 | 1,311,891 | 16 |
| Other operating expenses | -451,763 | -759,673 | 21 |
| **Operating profit (loss)** | **4,693,055** | **17,470,421** | |
| Other financial income and expenses | 344,199 | 106,954 | 22 |
| **Profit (loss) before income tax** | **5,037,254** | **17,577,375** | |
| **Profit (loss) for the year** | **5,037,254** | **17,577,375** | |

# Statement of cash flows

(In euros)

| | 1 April 2020 – 31 March 2021 | 1 January 2019 – 31 March 2020 | Notes |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Operating profit (loss) | 4,693,055 | 17,470,421 | |
| Adjustments | | | |
| Depreciation, amortization and impairment | 187,576 | 178,233 | 7, 8 |
| Other adjustments | 138 | 0 | |
| **Total adjustments** | **187,714** | **178,233** | |
| Change in receivables and prepayments related to operating activities | 1,339,397 | -39,303,920 | 3 |
| Change in inventories | -1,350,813 | 5,879,124 | 4 |
| Change in liabilities and prepayments related to operating activities | 5,031,534 | -4,580,316 | 11 |
| Corporate income tax paid | -400,000 | 0 | |
| **Total cash flows from operating activities** | **9,500,887** | **-20,356,458** | |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment and intangible assets | -11,792 | -2,142 | 7, 8 |
| Purchase of subsidiaries | 0 | -37,017 | 6 |
| Loans granted | -8,750,000 | -1,250,000 | 23 |
| Repayment of loans granted | 947,896 | 21,036,600 | 23 |
| Interest received | 467,282 | 926,698 | |
| **Total cash flows from investing activities** | **-7,346,614** | **20,674,139** | |
| Cash flows from financing activities | | | |
| Repayment of finance lease principal | -156,102 | -134,396 | |
| Interest paid | -3,437 | -3,987 | |
| Dividends paid | -1,600,000 | 0 | |
| Other cash outflows from financing activities | -153,004 | -247,316 | |
| **Total cash flows from financing activities** | **-1,912,543** | **-385,699** | |
| **Total cash flows** | **241,730** | **-68,018** | |
| Cash and cash equivalents at the beginning of the period | 37,494 | 105,512 | 2 |
| **Change in cash and cash equivalents** | **241,730** | **-68,018** | |
| Cash and cash equivalents at the end of the period | 279,224 | 37,494 | 2 |

# Statement of changes in equity
(In euros)

| | | | | Total |
|---|---|---|---|---|
| | Share capital at nominal value | Legal reserve | Retained earnings (loss) | |
| **31 December 2018** | 1,022,714 | 222,081 | 151,538,898 | 152,783,693 |
| Profit (loss) for the year | 0 | 0 | 17,577,375 | 17,577,375 |
| Other changes in equity | 0 | 0 | -1,593 | -1,593 |
| **31 March 2020** | 1,022,714 | 222,081 | 169,114,680 | 170,359,475 |
| Profit (loss) for the year | 0 | 0 | 5,037,254 | 5,037,254 |
| **31 March 2021** | 1,022,714 | 222,081 | 174,151,934 | 175,396,729 |

Additional information on the company's share capital and other changes in equity has been disclosed in Note 13.

# Notes to annual accounts

## Note 1 Accounting policies

**General information**
The annual accounts of PKC Eesti AS have been prepared in accordance with the Estonian financial reporting standard on a historical cost basis, unless stated otherwise in the accounting policies described below. The Estonian financial reporting standard is a body of financial reporting requirements based on the internationally accepted accounting and reporting principles, the principal requirements of which are established by the Accounting Act of the Republic of Estonia and supplemented by the guidelines issued by the Estonian Accounting Standards Board.
The income statement has been prepared according to Format 2 stipulated in Annex 2 of the Accounting Act of the Republic of Estonia.
Unless otherwise indicated, the annual accounts have been prepared in euros.
In the previous reporting year, the company decided to change the end date of their financial year in order to use the same financial year as the parent company. These annual accounts cover 12 months, from 1 April 2020 to 31 March 2021.

**Changes in accounting policies and presentation**
The change in accounting policies arises from the new IFRS 16, which entered into force on 1 January 2019. PKC Eesti AS has opted for the selective implementation option. The new standard significantly changes the way PKC Eesti AS recognizes their leases as a lessee by establishing a uniform, on-balance sheet lease accounting model that requires the recognition of right-of-use assets and the corresponding lease liabilities. In the income statement, the straight-line operating lease expense is replaced by the depreciation of the right-of-use asset and the interest expense on the lease liability.

The recognition of operating leases of office premises and cars became similar to the recognition of finance leases, i.e., the present value of lease payments for the contractual period is recognized as assets and liabilities in the statement of financial position.

Lease payments have been discounted using the interest rate determined by the PKC Group, which is 1.35%. The company has used the practical expedient stipulated in the standard and applies a single discount rate to a portfolio of leases with reasonably similar characteristics.

The transition to IFRS 16 had the following impact on the company's main statements of the previous reporting period (in thousands of euros):

| Additional item | 31 March 2020 | Change | 31 March 2020 |
|---|---|---|---|
| Property, plant and equipment (right-of-use assets) | 75 | 262 | 337 |
| Short-term borrowings | 0 | 137 | 137 |
| Long-term borrowings | 0 | 127 | 127 |
| Retained earnings (loss) | 151,539 | -2 | 151,537 |
| Cost of sales | -205,536 | 4 | -205,532 |
| Other financial income and expenses | 111 | -4 | 107 |
| Operating profit (loss) | 17,466 | 4 | 17,470 |
| Depreciation, amortization and impairment | 46 | 132 | 178 |
| Repayment of finance lease principal | 0 | -134 | -134 |
| Interest paid | 0 | -4 | -4 |
| Other cash outflows from financing activities | -250 | 3 | -247 |
| Other changes in equity | 0 | -2 | -2 |

**Cash**
For the purposes of the statement of cash flows, cash equivalents are short-term (with a term of up to 3 months) highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in market value, including cash in hand and at bank, deposits with an original maturity of 3 months or less and interest market fund shares.

**Foreign currency transactions and financial assets and liabilities denominated in foreign currency**
The functional currency of the company is the euro. All other currencies are considered foreign currencies.
Foreign currency transactions are recorded at the official euro exchange rates of the European Central Bank at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into euros at the reporting date using the euro exchange rates of the European Central Bank officially valid on the reporting date.
Foreign exchange gains and losses resulting from this translation are recorded in the income statement of the reporting period, whereas foreign exchange gains and losses related to settlements with suppliers and customers are recorded under operating income and expenses, and other foreign exchange gains and losses under financial income and expenses in the income statement.

**Shares in subsidiaries and associates**
Investments in subsidiaries are recognized in the statement of financial position using the cost method. This means that the investment is initially recognized at cost, being the fair value of the purchase consideration, and later adjusted for any accumulated impairment losses. PKC Eesti AS does not prepare consolidated annual accounts. The consolidated annual report is prepared by MSSL ESTONIA WH OÜ.

**Receivables and prepayments**
Short-term receivables and prepayments made are measured at amortized cost, which generally equals their nominal value less any write-downs.

An inventory of trade receivables is taken as at each reporting date, estimating the amounts receivable based on their collectibility. The collectibility of each invoice is assessed on an individual basis. If the buyer is insolvent and all attempts to recover the debt have proved unsuccessful (e.g., the buyer has not replied to any of the letters of formal notice), the invoice is classified under doubtful receivables and a respective loss from doubtful receivables recorded. Doubtful receivables are included in the expenses for the reporting period and reported in the statement of financial position as negative amounts.

If the expensed receivable or a part thereof is subsequently collected, an offsetting entry is made for the amount received:
• Debit – doubtful amounts
• Credit – loss from doubtful receivables

If the receivable becomes irrecoverable, the amount of the receivable is written off and deducted from trade receivables.
A receivable is deemed irrecoverable if its collection is not economically feasible (costs exceed income) or not possible (e.g., the debtor is bankrupt or cannot be found). Irrecoverable receivables are accounted for off-balance sheet and their monitoring and collection efforts continue on a regular basis. Any amounts received from the client as circumstances change (e.g., their solvency improves, receivables are aggregated) are recognized under other operating income.

Factoring

PKC Eesti AS uses factoring with recourse for sales invoices of major clients. The company transfers the ownership of the seller's financial receivable from a buyer to a factoring company. Factoring allows the company to offer buyers longer payment terms and frees up the company's working capital. Factoring simplifies cash flow planning and collection of receivables and increases control over debtors by improving their payment discipline. Sales invoices are the collateral in factoring transaction.

**Inventories**
Finished goods and work-in-progress are recorded at production cost, consisting of the direct and indirect production costs incurred upon bringing the inventories to their present condition and quantity. Production overheads are allocated to work-in-progress and finished goods based on normal production capacity.
Other inventories are recorded at cost, consisting of the purchase price, customs duties, other non-refundable taxes and transport costs directly related to the acquisition, less discounts. The cost of inventories is determined using the weighted average cost formula.
Inventories are measured in the statement of financial position at the lower of their acquisition cost and net realizable value. The write-down of inventories to their net realizable value is recorded as an expense for the reporting period under "Cost of sales" in the income statement.

**Property, plant and equipment and intangible assets**
Assets with a useful life of over one year and an acquisition cost of at least 1,000 euros are considered to be property, plant and equipment. Assets with a useful life of over one year but with an acquisition cost below 1000 euros are recorded as low-value items (inventories) and expensed when the asset is taken into use. Low-value items that have been expensed are accounted for off-balance sheet.

Property, plant and equipment is initially recognized at cost, comprising its purchase price and any costs directly attributable to its acquisition. An item of property, plant and equipment is subsequently carried in the statement of financial position at its cost less any accumulated depreciation and any accumulated impairment losses.

If an item of property, plant and equipment consists of distinguishable components with different useful lives, these components are separately recorded under assets, and their depreciation rates specified separately thereof in accordance with their useful lives. Expenses incurred in relation to an item of property, plant and equipment after its recognition (e.g., replacement of a part of the asset item) are added to the asset's carrying amount if they meet the definition of property, plant and equipment.

Replaced parts are written off the balance sheet. All other expenses are expensed in the period they are incurred. The depreciation of property, plant and equipment is calculated on a straight-line basis. Depreciation rates are determined separately for each item, depending on its useful life.
Depreciation is terminated if the asset's residual value (i.e., the estimated amount that the company would currently obtain from disposal of the asset, if the asset were already of the age and in the condition expected at the end of its useful life) exceeds its carrying amount. The depreciation methods, depreciation rates and residual values of property, plant and equipment are reviewed at least at the end of each financial year. If the new estimates differ from previous estimates, the change will be recorded as a change in accounting estimates, i.e., prospectively.

The carrying amount of property, plant and equipment is tested for impairment when certain events or changes in circumstances indicate the recoverable amount of the asset may have fallen below its carrying amount. If any such indication exists, the company will estimate the recoverable amount of the asset. If the estimated recoverable amount of the asset is lower than its carrying amount, the asset (or the assets of the cash-generating unit) is written down to its recoverable amount, which is the higher of the present value of the estimated future cash flows of the asset (i.e., value in use) and the fair value of the asset, less costs to sell. If necessary, the fair value of an asset is determined with the help of external experts.
The write-down is recognized as an expense for the period in the income statement within the same line item where the depreciation of the asset (or assets of the cash-generating unit) had been recorded.

If the recoverable amount of the asset later increases above its carrying amount, the write-down will be reversed and the carrying amount of the asset increased, but not in excess of the carrying amount the asset item would have had if no write-down had been recorded. The reversal is recorded in the income statement under the same entry previously used for the write-down.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses arising from the derecognition of property, plant and equipment are charged to other operating income or other operating expenses in the income statement of the period when the item of property, plant and equipment is derecognized.

Intangible assets

Intangible assets are initially recognized at cost, comprising its purchase price and any costs directly attributable to its acquisition. Intangible assets are subsequently carried in the statement of financial position at their cost less any accumulated amortization and any accumulated impairment losses.
The amortization of intangible assets is calculated on a straight-line basis. The following annual amortization rates apply:
Purchased licenses, trademarks – 20%
Other intangible assets – 33%

Research and development cost are usually recognized as expenses. The only exception is development costs that are identifiable and likely to participate in generating revenue in subsequent periods.

**Threshold for accounting for non-current assets:** 1,000 euros

**Useful lives by non-current asset groups (in years)**

| **Asset group** | **Useful life** |
|---|---|
| Buildings and constructions | 33 |
| Machinery and equipment | 5 |
| Computers and computer systems | 4 |
| Other inventories, tools | 7 |

**Leases**
A lease is classified as a finance lease if it transfers to the lessee substantially all the risks and rewards incidental to ownership of the asset. All other leases are treated as operating lease.

In the reporting period, PKC Eesti AS began to use the accounting policy stipulated in IFRS 16 and adjusted the comparative information accordingly.

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, but the key change affects only the lessees. A significant change for PKC Eesti AS as a lessee is that previously recognized operating leases have to be reported as assets and liabilities in the statement of financial position.

Finance leases where PKC Eesti AS is the lessee are recognized as an asset and a liability in the statement of financial position at amounts equal to the fair value of the leased assets or the present value of minimum lease payments, if lower. Lease payments are divided between financial expense (interest expense) and the reduction of the outstanding liability. Assets leased under finance lease terms are depreciated similarly to non-current assets acquired over the shorter of the lease term and their estimated useful lives. Initial direct expenses incurred by the lessee in connection with concluding the finance lease agreement are added to the acquisition cost of the leased assets.

In accordance with the requirements of IFRS 16, PKC Eesti AS reclassified all operating leases for leasing office premises and cars with a present value greater than 5,000 U.S. dollars.
Lease payment have been discounted using the interest rate determined by the PKC Group, which is 1.35%. The company has used the practical expedient stipulated in the standard and applies a single discount rate to a portfolio of leases with reasonably similar characteristics.

**Financial liabilities**
Financial liabilities are initially recognized at cost, being the fair value of the consideration received. Following initial recognition, financial liabilities are measured at their amortized cost using the effective interest rate method. Transaction costs are taken into consideration upon calculating the effective interest rate and expensed over the term of the financial liability.
Interest expenses related to the financial liability are recorded on accrual basis under financial income and expenses in the income statement for the reporting period (under interest expense in Note 21), except for interest expenses related to the financing of property, plant and equipment constructed for own use. A financial liability is derecognized when the liability is settled, canceled or expired.

**Provisions and contingent liabilities**
The company recognizes provisions for liabilities of uncertain timing or amount. The amount and timing of provisions is determined on the basis of estimates made by the management or relevant experts.
A provision is recognized when the company has a present legal or constructive obligation as a result of events that occurred before the reporting date, it is probable (probability greater than 50%) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The expenditure required to settle the obligation is estimated and the amount of the provision remeasured at each reporting date. If a provision is unlikely to be settled within a year, it is recognized at its discounted present value, except when the impact of discounting is immaterial. The discount rate will be the market interest rate for similar obligations.
Obligations the probability of settlement of which is less than 50% or the amount of which cannot be measured with sufficient reliability are treated as contingent liabilities. Contingent liabilities are accounted for off-balance sheet.

**Government grants**
Grants related to operations are recorded as income, when:
(a) Their receipt is practically certain; and
(b) Substantial conditions related to government grants have been met. (IFRS for SMEs 24.4)

Grants received before the revenue recognition criteria are satisfied are recognized as a liability in the statement of financial position. Such liability is recognized in the statement of financial position as current or non-current depending on when conditions attaching to the grant are met.

Conditions attaching to the grant are not considered substantial, if the cost of meeting the obligations is minimal and the risk that these are not met, practically non-existent. For example, the obligation to keep all documents related to government grants for five years is not a substantial condition (as it does not constitute significant costs and the risk that the entity is unable to comply with it is very low), therefore, upon meeting the other conditions, the company does not need to wait for five years to account for the revenue from government grant.

**Revenue**
Revenue is measured at the fair value of the consideration received or receivable. If payment is made over a longer time period, the revenue is recognized at the present value of the consideration receivable.
Revenue from the sale of goods is recognized when all significant risks and rewards of ownership have been transferred to the buyer, and the amount of revenue and expenses related to the transaction can be reliably measured. When the company has the obligation to install the sold goods and installation is a significant part of the cost of the transaction, revenue will be recognized after the installation process has been completed. As an exception, revenue is recognized immediately after the delivery of goods to the buyer if installation is neither complicated nor labor intensive. Revenue from the sale of services is recognized when the service has been rendered.
Interest income is recorded on an accrual basis using the effective interest rate method. Dividend income is recognized when the owner has become entitled to receiving them.

**Taxation**
Corporate income tax
In accordance with the Estonian Income Tax Act, corporate income tax is not levied on profits earned but on dividends distributed.
Up until 31 December 2018, dividends were subject to income tax at the rate of 20%. Amendments to the Estonian Income Tax Act that entered into force on 1 January 2018 enable companies to use a 14% reduced tax rate for regular dividend payments. The 14% reduced tax rate can be applied to dividends distributed on or after 1 January 2019 as follows: the 14% rate is applicable to the amount equal to a third of the last financial year's dividend distribution, while the portion of the distribution exceeding this threshold shall remain taxable at 20%. The reduced rate can be used on the share of the distribution equal to the company's last three years' average dividend distribution.
Since income tax is levied on dividends, not profits of the company, there are no temporary differences between the tax bases and carrying amounts of assets and liabilities and consequently also no deferred tax assets or liabilities arise. The contingent income tax liability related to the payment of the company's available equity as dividends is not reported in the statement of financial position. Corporate income tax on dividends is recognized as an expense in the income statement when dividends are declared.

**Related parties**
A related party is a person or entity related to PKC Eesti AS to the extent that transactions between them may not occur under market conditions.
A person or a close member of that person's family is a related party if that person:
(a) Is a member of the management of PKC Eesti AS or the parent company of PKC Eesti AS; or
(b) Has control of or significant influence over PKC Eesti AS (e.g., via equity ownership).
An entity is a related party if one or several of the following conditions applies:
(a) The entity and PKC Eesti AS are under common control.
(b) One entity is an entity under the control of a third party and the other entity is an entity under significant influence of that third party.
(c) The entity has control or significant influence over PKC Eesti AS.
(d) The entity is under the control or significant influence of PKC Eesti AS.
(e) Entities over which persons belonging to the management of PKC Eesti AS (or close family members of these persons) have control or significant influence.
(f) Entities with persons (or close family members of these persons) in their management who have control or significant influence over PKC Eesti AS.

Subsequent events

Material circumstances that have an effect on the valuation of assets and liabilities and became evident between the reporting date and the date of preparing the report, but are related to transactions that took place in the reporting period or earlier periods, are recorded in the annual accounts. Subsequent events that have not been taken into consideration when estimating the values of assets and liabilities, but have a material effect on the result of the next financial year, have been disclosed in the annual accounts.

## Note 2 Cash

(In euros)

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Cash at bank | 279,224 | 37,494 |
| **Total cash** | **279,224** | **37,494** |

## Note 3 Receivables and prepayments

(In euros)

| | 31 March 2021 | Allocation by remaining maturity | | Notes |
|---|---|---|---|---|
| | | Within 12 months | Within 1–5 years | |
| Trade receivables | 6,532,073 | 6,532,073 | 0 | |
| Accounts receivable | 6,716,239 | 6,716,239 | 0 | |
| Doubtful receivables | -184,166 | -184,166 | 0 | |
| Receivables from related parties | 114,186,550 | 92,779,990 | 21,406,560 | 23 |
| Tax prepayments and receivables | 54,136 | 54,136 | 0 | 5 |
| Prepayments | 117,616 | 101,966 | 15,650 | |
| **Total receivables and prepayments** | **120,890,375** | **99,468,165** | **21,422,210** | |
| | | | | |
| | **31 March 2020** | **Allocation by remaining maturity** | | **Notes** |
| | | **Within 12 months** | **Within 1–5 years** | |
| Trade receivables | 7,569,821 | 7,569,821 | 0 | |
| Accounts receivable | 7,722,566 | 7,722,566 | 0 | |
| Doubtful receivables | -152,745 | -152,745 | 0 | |
| Receivables from related parties | 106,340,223 | 91,204,803 | 15,135,420 | 23 |
| Tax prepayments and receivables | 402,320 | 402,320 | 0 | 5 |
| Prepayments | 78,647 | 78,647 | 0 | |
| **Total receivables and prepayments** | **114,391,011** | **99,255,591** | **15,135,420** | |

## Note 4 Inventories

(In euros)

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Raw materials | 10,625,806 | 9,419,748 |
| Work-in-progress | 1,363,541 | 997,136 |
| Finished goods | 4,042,584 | 4,269,123 |
| Prepayments for inventories | 11,926 | 7,037 |
| **Total inventories** | **16,043,857** | **14,693,044** |

As the net realizable value of some inventories had fallen below their acquisition cost, inventories in the total amount of 2,015,000 euros were written down in the period 1 April 2020 – 31 March 2021 (1 January 2019 – 31 March 2020: 1,723,000 euros).

## Note 5 Tax prepayments and liabilities

(In euros)

| | 31 March 2021 | | 31 March 2020 | |
|---|---|---|---|---|
| | Prepayment | Liability | Prepayment | Liability |
| Corporate income tax | 0 | 1,600,000 | 0 | 2,000,000 |
| Value added tax | 40,255 | 0 | 389,089 | 0 |
| Personal income tax | 0 | 98,666 | 0 | 93,666 |
| Income tax on fringe benefits | 0 | 3,601 | 0 | 3,407 |
| Social tax | 0 | 159,428 | 0 | 167,589 |
| Mandatory funded pension contributions | 0 | 5,611 | 0 | 5,588 |
| Unemployment insurance contributions | 0 | 10,574 | 0 | 11,074 |
| Prepayment account balance | 13,881 | | 13,231 | |
| **Total tax prepayments and liabilities** | **54,136** | **1,877,880** | **402,320** | **2,281,324** |

Tax receivables have been disclosed in Note 3 and tax liabilities in Note 11.

## Note 6 Shares in subsidiaries

(In euros)

| Shares in subsidiaries, general information | | | | | |
|---|---|---|---|---|---|
| Registry code of the subsidiary | Name of the subsidiary | Country of incorporation | Principal activity | Ownership interest (%) | |
| | | | | 31 March 2020 | 31 March 2021 |
| 303297652 | PKC Group Lithuania UAB | Lithuania | Design and manufacturing of wiring harnesses and interface cables | 100 | 100 |
| KRS0000309537 | PKC Group Poland Sp.z o.o. | Poland | Design and manufacturing of wiring harnesses and interface cables | 100 | 100 |
| 2151031032227 | AEK OOO | Russia | Design and manufacturing of wiring harnesses and interface cables | 98.06 | 98.06 |
| 0000004026552 | MSSL PKC Wiring Harness Systems FZE | United Arab Emirates | Design and manufacturing of wiring harnesses and interface cables | 100 | 100 |

| Shares in subsidiaries, details | | |
|---|---|---|
| Name of the subsidiary | 31 March 2020 | 31 March 2021 |
| PKC Group Lithuania UAB | 7,500,000 | 7,500,000 |
| PKC Group Poland Sp.z o.o. | 61,400,000 | 61,400,000 |
| AEK OOO | 3,200,000 | 3,200,000 |
| MSSL PKC Wiring Harness Systems FZE | 37,017 | 37,017 |
| **Total shares in subsidiaries at the end of the previous period** | **72,137,017** | **72,137,017** |

At the end of 2019, the subsidiary MSSL PKC Wiring Harness systems FZE was established with an acquisition cost of 150,000 United Arab Emirates dirhams.

## Note 7 Property, plant and equipment

(In euros)

| | Buildings | Transport vehicles | Computers and computer systems | Machinery and equipment | Other property, plant and equipment | Total |
|---|---|---|---|---|---|---|
| **31 March 2020** | | | | | | |
| Acquisition cost | 253,664 | 140,680 | 138,835 | 279,515 | 121,036 | 654,215 |
| Accumulated depreciation | -92,241 | -39,761 | -122,045 | -161,806 | -63,153 | -317,200 |
| **Carrying amount** | 161,423 | 100,919 | 16,790 | 117,709 | 57,883 | 337,015 |
| | | | | | | |
| Acquisitions and additions | 0 | 0 | 8,134 | 8,134 | 3,658 | 11,792 |
| Depreciation | -92,708 | -60,854 | -10,935 | -71,789 | -19,198 | -183,695 |
| Impairment loss | 0 | 0 | -6,603 | -6,603 | -3,308 | -9,911 |
| Other changes | 298,163 | 146,977 | 6,603 | 153,580 | 3,308 | 455,051 |
| | | | | | | |
| **31 March 2021** | | | | | | |
| Acquisition cost | 551,827 | 242,660 | 140,366 | 383,026 | 121,386 | 1,056,239 |
| Accumulated depreciation | -184,949 | -55,618 | -126,377 | -181,995 | -79,043 | -445,987 |
| **Carrying amount** | 366,878 | 187,042 | 13,989 | 201,031 | 42,343 | 610,252 |

Buildings and transport vehicles are related to the implementation of IFRS16. Other changes includes the acquisitions, extensions and depreciation adjustments of right-of-use assets due to terminated contracts.

## Note 8 Intangible assets

(In euros)

| | Computer software | Total |
|---|---|---|
| **31 March 2020** | | |
| Acquisition cost | 19,402 | 19,402 |
| Accumulated amortization | -6,467 | -6,467 |
| **Carrying amount** | 12,935 | 12,935 |
| | | |
| Amortization | -3,881 | -3,881 |
| | | |
| **31 March 2021** | | |
| Acquisition cost | 19,402 | 19,402 |
| Accumulated amortization | -10,348 | -10,348 |
| **Carrying amount** | 9,054 | 9,054 |

# Note 9 Finance lease

(In euros)

**Accounting entity as a lessee**

| | 31 March 2021 | Allocation by remaining maturity | | Interest rate | Underlying currency | Due date |
|---|---|---|---|---|---|---|
| | | Within 12 months | Within 1–5 years | | | |
| Buildings | 368,608 | 91,760 | 276,848 | 1.35% | EUR | 31 December 2024 |
| Transport vehicles | 187,802 | 61,308 | 126,494 | 1.35% | EUR | December 2021 – March 2026 |
| **Total finance lease liabilities** | 556,410 | 153,068 | 403,342 | | | |
| | | | | | | |
| | **31 March 2020** | **Allocation by remaining maturity** | | **Interest rate** | **Underlying currency** | **Due date** |
| | | **Within 12 months** | **Within 1–5 years** | | | |
| Buildings | 162,503 | 92,392 | 70,111 | 1.35% | EUR | 31 December 2021 |
| Transport vehicles | 101,431 | 44,670 | 56,761 | 1.35% | EUR | January 2021 – September 2023 |
| **Total finance lease liabilities** | 263,934 | 137,062 | 126,872 | | | |

| **Carrying amount of leased assets** | | |
|---|---|---|
| | **31 March 2021** | **31 March 2020** |
| Buildings | 366,878 | 161,423 |
| Machinery and equipment | 187,042 | 100,918 |
| **Total** | **553,920** | **262,341** |

# Note 10 Operating lease17

(In euros)

**Accounting entity as a lessee**

| | 1 April 2020 – 31 March 2021 | 1 January 2019 – 31 March 2020 | Notes |
|---|---|---|---|
| Operating lease expense | 74,183 | 201,006 | 17, 18, 19 |

In the period 1 April 2020 – 31 March 2021, operating leases were used for the company's office and production buildings, cars, packaging materials and other general-purpose equipment.

## Note 11 Payables and prepayments

(In euros)

| | 31 March 2021 | Within 12 months | Notes |
|---|---|---|---|
| Trade payables | 15,914,688 | 15,914,688 | |
| Employee payables | 757,927 | 757,927 | |
| Tax payables | 1,877,880 | 1,877,880 | |
| Other payables | 6,569,706 | 6,569,706 | |
| Dividend payables | 6,400,000 | 6,400,000 | |
| Other accrued expenses | 169,706 | 169,706 | |
| Payables to related parties | 8,887,554 | 8,887,554 | 23 |
| **Total payables and prepayments** | **34,007,755** | **34,007,755** | |
| | | | |
| | **31 March 2020** | **Within 12 months** | **Notes** |
| Trade payables | 13,139,419 | 13,139,419 | |
| Employee payables | 483,208 | 483,208 | |
| Tax payables | 2,281,324 | 2,281,324 | |
| Other payables | 8,107,496 | 8,107,496 | |
| Dividend payables | 8,000,000 | 8,000,000 | |
| Other accrued expenses | 107,496 | 107,496 | |
| Payables to related parties | 6,964,774 | 6,964,774 | 23 |
| **Total payables and prepayments** | **30,976,221** | **30,976,221** | |

Trade payables are due within 7–90 days. The underlying currency of 22,486,000 euros worth of trade payables is the euro (1 January 2019 – 31 March 2020: 19,847,000 euros), trade payables in the amount of 2,316,00 euros have other underlying currencies (1 January 2019 – 31 March 2020: 257,000 euros).
Additional details on tax payables have been disclosed in Note 5.

## Note 12 Provisions

(In euros)

| | 31 March 2020 | Recognition/ adjustments | Provisions used | 31 March 2021 |
|---|---|---|---|---|
| Redundancy reserve | 8,885 | 0 | 0 | 8,885 |
| **Total provisions** | **8,885** | **0** | **0** | **8,885** |

Short-term provisions were recognized in 2016 in relation to the closure of the Keila plant and expenses related to the relocation of production.

## Note 13 Contingent assets and liabilities

(In euros)

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Contingent liabilities | | |
| Income tax liability on distributable dividends | 34,830,387 | 33,822,936 |
| **Total contingent liabilities** | **34,830,387** | **33,822,936** |

As at 31 March 2020, the company's retained earnings amounted to 174,151,934 euros (31 March 2020: 169,114,680 euros). The corporate income tax on the payment of dividends is 20/80 of the net distribution. As at the reporting date, it would have been therefore possible to distribute to the owners 139,321,547 euros (1 January 2019 – 31 March 2020: 135,291,744 euros) of the retained earnings as dividends and the corporate income tax on the payment of dividends would have amounted to 34,830,387 euros (1 January 2019 – 31 March 2020: 33,822,936 euros).

## Note 14 Share capital

(In euros)

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Share capital | 1,022,714 | 1,022,714 |
| Number of shares | 1,600,200 | 1,600,200 |

PKC Wiring Systems OY holds 100% of the shares of PKC Eesti AS. According to the articles of association of PKC Eesti AS, the minimum share capital of the company is 1,000,000 euros and the maximum share capital is 4,000,000 euros.
As at 31 March 2021, the share capital of PKC Eesti AS consisted of 1,600,200 registered shares of the same class without a nominal value.

## Note 15 Revenue20
(In euros)

| | 1 April 2020 – 31 March 2021 | 1 January 2019 – 31 March 2020 |
|---|---|---|
| Revenue by geographical location | | |
| Sales in EU | | |
| Finland | 11,088,378 | 17,435,632 |
| Sweden | 77,189,714 | 120,747,534 |
| Germany | 1,662,974 | 1,359,526 |
| Belgium | 2,835,910 | 3,762,336 |
| Netherlands | 38,035,786 | 56,285,942 |
| UK | 18,978 | 67,922 |
| Poland | 3,251,050 | 3,632,432 |
| France | 3,383,322 | 9,950,626 |
| Czech Republic | 95,489 | 127,458 |
| Denmark | 2,075,487 | 2,644,943 |
| Lithuania | 259,997 | 421,352 |
| Spain | 126 | -1,823 |
| Italy | 1,050,652 | 1,294,023 |
| Romania | 5,760 | 5,821 |
| Other sales in EU | 5,616 | 3,206 |
| **Total sales in EU** | **140,959,239** | **217,736,930** |
| Sales outside EU | | |
| Brazil | 3,340,695 | 3,890,107 |
| Russia | 2,696,359 | 3,987,912 |
| China | 1,695,580 | 3,209,290 |
| USA | 634,690 | 1,134,261 |
| Australia | 135 | 5,783 |
| Japan | 12,256 | 42,047 |
| Serbia | 954,960 | 967,445 |
| Switzerland | 0 | 8,032 |
| India | 324,517 | 18,599 |
| United Arab Emirates | 21,330 | 1,346 |
| Taiwan | 7,800 | 28,700 |
| Thailand | 842 | 1,647 |
| Other sales outside EU | 7,409 | 129 |
| **Total sales outside EU** | **9,696,573** | **13,295,298** |
| **Total revenue** | **150,655,812** | **231,032,228** |
| Revenue by operating activities | | |
| Services | 3,912,511 | 4,547,820 |
| Sales of raw materials and goods | 7,791,784 | 10,346,902 |
| Production | 138,951,517 | 216,137,506 |
| **Total revenue** | **150,655,812** | **231,032,228** |

Sales to related parties have been disclosed in Note 23.

## Note 16 Other operating income

(In euros)

| | 1 April 2020 – 31 March 2021 | 1 January 2019 – 31 March 2020 |
|---|---|---|
| Income from government grants | 179,874 | 0 |
| Foreign exchange gains | 137,239 | 380,399 |
| Other income | 45,269 | 0 |
| Income from intermediation of group expenses | 386,204 | 919,492 |
| Other | 385 | 12,000 |
| **Total other operating income** | **748,971** | **1,311,891** |

## Note 17 Cost of sales

(In euros)

| | 1 April 2020 – 31 March 2021 | 1 January 2019 – 31 March 2020 | Notes |
|---|---|---|---|
| Raw materials | -102,067,326 | -151,262,567 | |
| **Energy** | **-15,583** | **-12,179** | |
| Electricity | -9,624 | -6,874 | |
| Fuel | -5,959 | -5,305 | |
| Subcontracting | -28,561,861 | -41,510,774 | |
| Transportation | -2,300,597 | -3,283,946 | |
| Logistics | -566,923 | -813,156 | |
| Leases | -35,255 | -146,815 | 10 |
| Miscellaneous office expenses | -26,243 | -40,408 | |
| Business trips | -99,652 | -296,334 | |
| Trainings | -1,408 | -27,626 | |
| Personnel expenses | -3,108,906 | -3,373,560 | 20 |
| Depreciation | -185,718 | -148,554 | 7, 8 |
| Services purchased | -116,148 | -187,227 | |
| Group's subcontracting service | -2,953,254 | -4,081,211 | |
| Other | -212,263 | -347,321 | |
| **Total cost of sales** | **-140,251,137** | **-205,531,678** | |

Purchases from related parties have been disclosed in Note 23.

## Note 18 Distribution costs22
(In euros)

| | 1 April 2020 – 31 March 2021 | 1 January 2019 – 31 March 2020 | Notes |
|---|---|---|---|
| Leases | -14,443 | -13,154 | 10 |
| Transportation | -530,927 | -308,619 | |
| Logistics | -20,123 | -8,205 | |
| Miscellaneous office expenses | -4,773 | -13,147 | |
| Business trips | -24,531 | -159,265 | |
| Allowance for doubtful receivables | -31,421 | 33,220 | |
| Personnel expenses | -548,507 | -810,185 | 20 |
| Depreciation | -831 | -9,040 | 7, 8 |
| Group’s subcontracting service | -488,442 | -770,547 | |
| Other | -1,294 | -8,323 | |
| **Total distribution costs** | **-1,665,292** | **-2,067,265** | |

Purchases from related parties have been disclosed in Note 23.

## Note 19 Administrative expenses
(In euros)

| | 1 April 2020 – 31 March 2021 | 1 January 2019 – 31 March 2020 | Notes |
|---|---|---|---|
| Leases | -24,485 | -41,037 | 10 |
| Logistics | -3,569 | -10,010 | |
| Miscellaneous office expenses | -7,209 | -11,367 | |
| Business trips | -18,210 | -173,552 | |
| Trainings | -898 | -3,199 | |
| Personnel expenses | -1,951,400 | -2,533,162 | 20 |
| Depreciation | -1,027 | -20,639 | 7, 8 |
| Other | -311,882 | -487,489 | |
| Group’s subcontracting service | -2,024,856 | -3,234,627 | |
| **Total administrative expenses** | **-4,343,536** | **-6,515,082** | |

Purchases from related parties have been disclosed in Note 23.

## Note 20 Personnel expenses22
(In euros)

| | 1 April 2020 – 31 March 2021 | 1 January 2019 – 31 March 2020 | Notes |
|---|---|---|---|
| Wages and salaries | -4,185,295 | -4,966,769 | |
| Social security taxes | -1,423,518 | -1,750,138 | |
| **Total personnel expenses** | **-5,608,813** | **-6,716,907** | **17, 18, 19** |
| Average number of full-time employees | 79 | 80 | |
| Average number of employees by types of employment: | | | |
| Persons employed under employment contracts | 77 | 78 | |
| Members of the management or controlling bodies of the legal person | 2 | 2 | |

Remuneration calculated for the management board has been disclosed in Note 23.

## Note 21 Other operating expenses

(In euros)

| | 1 April 2020 – 31 March 2021 | 1 January 2019 – 31 March 2020 |
|---|---|---|
| Foreign exchange loss | -416,400 | -690,429 |
| Fines, penalties and compensations | -138 | -1,221 |
| Donations and gifts | 0 | -320 |
| Other | -35,225 | -67,703 |
| **Total other operating expenses** | **-451,763** | **-759,673** |

## Note 22 Other financial income and expenses

(In euros)

| | 1 April 2020 – 31 March 2021 | 1 January 2019 – 31 March 2020 |
|---|---|---|
| Foreign exchange gains (losses) | -268,491 | -609,671 |
| Interest income | 777,109 | 970,322 |
| Factoring service charges | -160,982 | -249,710 |
| Other financial income and expenses | -3,437 | -3,987 |
| **Total other financial income and expenses** | **344,199** | **106,954** |

## Note 23 Related parties23

(In euros)

| | |
|---|---|
| Name of accounting entity's parent company | PKC Wiring Systems OY |
| Country where accounting entity's parent company is registered | Finland |
| Group name where parent company belongs | Motherson Sumi Systems Limited |
| Country where group's parent company is registered | India |

**Balances with related parties**

| | 31 March 2021 | | 31 March 2020 | |
|---|---|---|---|---|
| | Receivables | Liabilities | Receivables | Liabilities |
| Parent company | 0 | 132,158 | 0 | 133,386 |
| Subsidiaries | 26,058,136 | 5,299,699 | 18,315,752 | 3,127,905 |
| Other entities belonging into same consolidation group | 88,101,566 | 3,209,206 | 88,017,819 | 2,820,784 |
| Legal entities with material ownership interest and companies under their dominant or significant influence | 26,848 | 246,491 | 6,652 | 882,699 |

**Loans**

| 1 April 2020 – 31 March 2021 | Loans granted | Repayment of loans granted | Interest received | Interest rate | Underlying currency | Due date |
|---|---|---|---|---|---|---|
| Subsidiaries | | | | | | |
| AEK OOO | 0 | 0 | 116,183 | 9.075% | RUB | 27 December 2022 |
| MSSL PKC Wiring Harness | 8,750,000 | 0 | 0 | 4.79% + 12-month Euribor | EUR | 23 March 2026 |
| PKC Group Lithuania UAB | 0 | 947,896 | 129,661 | 3.81% + 12-month Euribor | EUR | 3 October 2021 |
| PKC Group Poland Sp.z o.o. | 0 | 0 | 221,436 | 3-month WIBOR + 1.5% | PLN | 27 December 2023 |

| 1 January 2019 – 31 March 2020 | Loans granted | Repayment of loans granted | Interest received | Interest rate | Underlying currency | Due date |
|---|---|---|---|---|---|---|
| Parent company | | | | | | |
| PKC Wiring Systems OY | 0 | 20,000,000 | 66,078 | 0.626% | EUR | 28 June 2019 |
| Subsidiaries | | | | | | |
| AEK OOO | 0 | 1,036,600 | 208,058 | 9.075% | RUB | 20 June 2022 |
| MSSL PKC Wiring Harness Systems FZE | 1,250,000 | 0 | 0 | 4.79% + 12-month Euribor | EUR | 26 February 2025 |
| PKC Group Lithuania UAB | 0 | 0 | 148,019 | 5.353% + 6-month Euribor | EUR | 3 October 2021 |
| PKC Group Poland Sp.z o.o. | 0 | 0 | 504,537 | 3-month WIBOR + 1.5% | PLN | 27 December 2023 |

**Sales and purchases of goods and services**

| | 1 April 2020 – 31 March 2021 | | 1 January 2019 – 31 March 2020 | |
|---|---|---|---|---|
| | Purchases of goods and services | Sales of goods and services | Purchases of goods and services | Sales of goods and services |
| Parent company | 1,250,961 | 0 | 2,188,703 | 3,649 |
| Subsidiaries | 36,026,887 | 5,650,948 | 54,254,241 | 7,799,987 |
| Other entities belonging into same consolidation group | 38,250,680 | 5,297,089 | 53,261,166 | 6,578,276 |
| Legal entities with material ownership interest and companies under their dominant or significant influence | 821,879 | 97,256 | 1,057,239 | 14,032 |

| Remuneration and other significant benefits calculated for executive and senior management | | |
|---|---|---|
| | 1 April 2020 – 31 March 2021 | 1 January 2019 – 31 March 2020 |
| Remuneration | 667,983 | 918,745 |

The related parties of PKC Eesti AS are parent company PKC Wiring Systems OY, subsidiaries PKC Group Lithuania UAB, PKC Group Poland Sp.z o.o. and AEK OOO acquired at the end of 2016, subsidiary MSSL PKC Wiring Harness Systems FZE established in 2019, group companies PKC Group PLC, PK Cables do Brasil Ltda, PKC Electronics (Suzhou) Co.Ltd, AEES Inc., AEES Power Systems LP, PKC Segu Systemelektrik GmbH, PKC Wiring Systems DOO, PKC Vehicle Technology (Suzhou) Co.Ltd, Arneses y Accesorios de Mexico, S.de R.L.de C.V., Kabel-Technik-Polska Sp.z o.o. and Jiangsu Huakai-PKC Wire Harness Co.Ltd., and members of the managing bodies.
Motherson Sumi Systems Ltd and companies related to it have been related parties as of 1 April 2017.

Purchase transactions with related parties include the purchase of goods and processing services as well as services purchased under the management contract. Refer to notes 16, 17, 18, 19.

Receivables from related parties have been disclosed in Note 3 and liabilities in Note 11.

## Note 24 Subsequent events

In the period between the end of the reporting period and the approval of this annual report, many countries, including Estonia, have declared a state of emergency related to COVID-19.
This has already had and will continue to have a direct impact on the company' operating activities, primarily through its impact on their clients' businesses and the volumes of orders that they place with the company.
The management has prepared a crisis management plan and is carrying out regular impact assessments to estimate the effects of the pandemic on the company's operating activities. As the virus started to spread already before the reporting date, the management board analyzed its impact on the company's financial position as at 31 March 2021.
In the light of the state of emergency related to COVID-19, the management board of PKC Eesti AS assessed the collectibility of receivables and the values of inventories (realization) and non-current assets (including investments) and did not see the need to write down any receivables, inventories or non-current assets as at 31 March 2021.
Having assessed the turnover and profit forecasts for the period 1 April 2021 to 31 March 2022 in light of the state of emergency, the management board of the company believes that although the situation that has arisen has a negative impact on the turnover and profits of the company, there is every reason to believe that the company will be able to continue as a going concern.
No other material events have occurred between the reporting date and the date of preparing this report that would need to be disclosed in the annual report or the notes thereto.

# Signatures to the annual report

We hereby confirm the annual report (beginning of financial year: 01.04.2020; end of the financial year: 31.03.2021) of PKC Eesti AS:

Jani Taneli Kiljala
Chairman of the Management Board

Merle Montgomery
Member of the Management Board

Tallinn, 28 May 2021

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working world

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VAT payer code EE 100770654

Translation of the Estonian Original

INDEPENDENT AUDITOR'S REPORT

**To the Shareholder of PKC Eesti AS**

*Opinion*

We have audited the financial statements of PKC Eesti AS, which comprise the balance sheet as at 31 March 2021, and the income statement, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PKC Eesti AS as at 31 March 2021, and its financial performance and its cash flows for the year then ended in accordance with the Estonian Financial Reporting Standard.

*Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code) together with the ethical requirements that are relevant to our audit of the financial statements in Estonia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code.

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

*Other information*

Management is responsible for the other information. Other information consists of management report, but does not consist of the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of management 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 the Estonian Financial Reporting Standard, 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.

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

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*Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (Estonia) 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 International Standards on Auditing (Estonia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with 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.

Tallinn, 28 May 2021

Olesia Abramova
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Ernst & Young Baltic AS
Audit Company's Registration number 58