

SMRC Automotive Smart Interior Tech (Thailand) Ltd.
Report and financial statements
31 March 2019

Independent Auditor's Report

To the Shareholders of SMRC Automotive Smart Interior Tech (Thailand) Ltd.

Opinion

I have audited the accompanying financial statements of SMRC Automotive Smart Interior Tech (Thailand) Ltd. (the Company), which comprise the statement of financial position as at 31 March 2019, and the related statements of income and changes in shareholders' equity for the period as from 1 January 2019 to 31 March 2019, 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 SMRC Automotive Smart Interior Tech (Thailand) Ltd. as at 31 March 2019 and its financial performance for the period as from 1 January 2019 to 31 March 2019 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 the 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.



Vissuta Jariyathanakorn

Certified Public Accountant (Thailand) No. 3853

EY Office Limited

Bangkok: 5 July 2019

SMRC Automotive Smart Interior Tech (Thailand) Ltd.**Statement of financial position****As at 31 March 2019**

		(Unit: Baht)	
	Note	31 March 2019	31 December 2018
Assets			
Current assets			
Cash and cash equivalents		140,172,980	143,403,315
Trade and other receivables	5	190,718,843	226,933,276
Receivables from tooling charge		56,965,747	14,730,550
Inventories	6	28,394,266	24,931,855
Other current assets		6,251,606	7,667,904
Total current assets		422,503,442	417,666,900
Non-current assets			
Property, plant and equipment	7	181,576,284	189,686,517
Intangible assets	8	11,123,366	11,148,854
Other non-current assets		20,763,661	16,620,382
Total non-current assets		213,463,311	217,455,753
Total assets		635,966,753	635,122,653

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

SMRC Automotive Smart Interior Tech (Thailand) Ltd.**Statement of financial position (continued)****As at 31 March 2019**

		(Unit: Baht)	
	Note	31 March 2019	31 December 2018
Liabilities and shareholders' equity			
Current liabilities			
Trade and other payables	9	243,089,807	246,977,761
Advances received from tooling charge		2,270,660	5,769,164
Current portion of liabilities under finance lease agreements	10	1,627,351	2,174,742
Short-term provisions	11	51,851,983	48,600,292
Other current liabilities		2,466,913	3,530,034
Total current liabilities		301,306,714	307,051,993
Non-current liabilities			
Liabilities under finance lease agreements - net of current portion	10	2,669,236	3,013,212
Provision for long-term employee benefits	11	42,971,018	38,941,032
Total non-current liabilities		45,640,254	41,954,244
Total liabilities		346,946,968	349,006,237

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

SMRC Automotive Smart Interior Tech (Thailand) Ltd.**Statement of financial position (continued)****As at 31 March 2019**

		(Unit: Baht)	
	Note	31 March 2019	31 December 2018
Shareholders' equity			
Share capital			
Registered			
5,620,000 ordinary shares of Baht 100 each		562,000,000	562,000,000
Issued and fully paid up			
5,620,000 ordinary shares of Baht 100 each		562,000,000	562,000,000
Retained earnings (deficit)			
Appropriated - statutory reserve	12	56,200,000	56,200,000
Deficit		(329,180,215)	(332,083,584)
Total shareholders' equity		289,019,785	286,116,416
Total liabilities and shareholders' equity		635,966,753	635,122,653

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

Director

SMRC Automotive Smart Interior Tech (Thailand) Ltd.**Income statement****For the period as from 1 January 2019 to 31 March 2019**

(Unit: Baht)

		For the period as from 1 January 2019 to 31 March 2019	For the year ended 31 December 2018
	Note		
Revenues			
Sales	14	263,109,071	1,035,464,976
Other income		629,700	10,834,195
Total revenues		<u>263,738,771</u>	<u>1,046,299,171</u>
Expenses			
Cost of sales		224,086,118	896,832,110
Selling and distribution expenses		6,505,935	9,099,325
Administrative expenses		29,937,181	121,563,462
Other expenses		191,010	2,263,426
Total expenses		<u>260,720,244</u>	<u>1,029,758,323</u>
Profit before finance cost		<u>3,018,527</u>	<u>16,540,848</u>
Finance cost		(115,158)	(463,094)
Profit for the period/year	13	<u><u>2,903,369</u></u>	<u><u>16,077,754</u></u>

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

SMRC Automotive Smart Interior Tech (Thailand) Ltd.**Statement of changes in shareholders' equity****For the period as from 1 January 2019 to 31 March 2019**

(Unit: Baht)

	Paid-up	Retained earnings (deficit)		Total
	share capital	Appropriated	Unappropriated	
Balance as at 1 January 2018	562,000,000	56,200,000	(348,161,338)	270,038,662
Profit for the year	-	-	16,077,754	16,077,754
Balance as at 31 December 2018	562,000,000	56,200,000	(332,083,584)	286,116,416
Balance as at 1 January 2019	562,000,000	56,200,000	(332,083,584)	286,116,416
Profit for the period	-	-	2,903,369	2,903,369
Balance as at 31 March 2019	562,000,000	56,200,000	(329,180,215)	289,019,785

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

SMRC Automotive Smart Interior Tech (Thailand) Ltd.

Notes to financial statements

For the period as from 1 January 2019 to 31 March 2019

1. General information

1.1 Corporate information

SMRC Automotive Smart Interior Tech (Thailand) Ltd. ("the Company") is a limited company incorporated and domiciled in Thailand. Currently, its parent company is SMRC Automotive Holdings Netherlands B.V., which was incorporated in Netherlands. The parent company of the Group is Motherson Sumi Systems Limited, which was incorporated in India. The Company is principally engaged in the manufacture and distribution of automotive parts. The registered office of the Company is at 62 Moo 4, Eastern Seaboard Industrial Estate (Rayong), Tambon Pluakdaeng, Amphoe Pluakdaeng, Rayong.

1.2 Change of fiscal year

The Company changed its fiscal year-end date from 31 December to 31 March commencing from the period ended 31 March 2019. Accordingly, the financial statements for the period ended 31 March 2019 were drawn up to cover for only the period as from 1 January 2019 to 31 March 2019.

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 dated 28 September 2011, issued under the Accounting Act B.E. 2543.

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

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.

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 accounts receivable

Trade accounts receivable 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 aging.

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 Property, plant and equipment/Depreciation

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and allowance for diminution in value (if any).

Depreciation of plant and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives:

Land improvement	-	30 years
Buildings and building improvement	-	5 - 30 years
Machinery and equipment	-	3 - 15 years
Furniture, fixtures and equipment	-	3 - 12.5 years
Motor vehicles	-	5 years

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

3.6 Intangible assets

Intangible assets are stated at cost less any accumulated amortisation and allowance for diminution in value (if any).

Intangible assets are amortised as expenses in the income statements on a straight-line basis over the following economic useful lives.

Computer software	-	5 years
Intellectual property	-	7 years
License	-	5 years

3.7 Long-term leases

Leases of plant and equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables, which interest element is charged to the income statements over the lease period.

Leases of property, plant or 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.

3.8 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.

3.9 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.

3.10 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. Trade and other receivables

		(Unit: Thousand Baht)	
		31 March	31 December
		2019	2018
Trade accounts receivables		187,040	216,297
Other receivables		4,047	11,004
Total		191,807	227,301
Less: Allowance for doubtful debts		(368)	(368)
Total trade and other receivables - net		190,719	226,933

6. Inventories

(Unit: Thousand Baht)						
	Cost		Reduce cost to net realisable value		Inventories - net	
	31 March	31 December	31 March	31 December	31 March	31 December
	2019	2018	2019	2018	2019	2018
Finished goods	10,909	11,498	(2,808)	(960)	8,101	10,538
Work in process	5,712	6,020	(318)	(173)	5,394	5,847
Raw materials	16,988	12,840	(2,089)	(4,293)	14,899	8,547
Total	33,609	30,358	(5,215)	(5,426)	28,394	24,932

During the current period, the Company reversed the write-down of cost of inventories by Baht 0.2 million (for the year ended 31 December 2018: Baht 3.0 million) and reduced the amount of inventories recognised as expenses.

7. Property, plant and equipment

(Unit: Thousand Baht)

	Land	Buildings and land and building improvement	Machinery and equipment	Furniture, fixtures and equipment	Motor vehicles	Assets under installation	Total
Cost							
1 January 2018	52,581	204,864	829,317	30,871	7,721	1,499	1,126,853
Additions	-	-	-	-	3,711	8,721	12,432
Disposals/ write-off	-	-	-	(4,165)	(2,599)	-	(6,764)
Transfers in (out)	-	1,709	2,448	3,486	-	(7,643)	-
31 December 2018	52,581	206,573	831,765	30,192	8,833	2,577	1,132,521
Additions	-	-	-	22	-	1,014	1,036
Disposals/ write-off	-	-	-	-	(1,534)	-	(1,534)
Transfers in (out)	-	-	2,997	-	-	(2,997)	-
31 March 2019	52,581	206,573	834,762	30,214	7,299	594	1,132,023
Accumulated depreciation							
1 January 2018	-	132,062	683,265	29,575	4,136	-	849,038
Depreciation for the year	-	8,239	25,026	1,007	1,887	-	36,159
Depreciation on disposals/ write-off	-	-	-	(4,165)	(2,198)	-	(6,363)
31 December 2018	-	140,301	708,291	26,417	3,825	-	878,834
Depreciation for the period	-	1,970	5,974	328	470	-	8,742
Depreciation on disposals/ write-off	-	-	-	-	(1,129)	-	(1,129)
31 March 2019	-	142,271	714,265	26,745	3,166	-	886,447
Allowance for diminution in value							
1 January 2018	5,000	7,000	52,000	-	-	-	64,000
31 December 2018	5,000	7,000	52,000	-	-	-	64,000
31 March 2019	5,000	7,000	52,000	-	-	-	64,000
Net book value							
31 December 2018	47,581	59,272	71,474	3,775	5,008	2,577	189,687
31 March 2019	47,581	57,302	68,497	3,469	4,133	594	181,576

As at 31 March 2019, the Company had vehicles under finance lease agreements with net book values amounting to Baht 4 million (31 December 2018: Baht 5 million).

8. Intangible assets

(Unit: Thousand Baht)

	Computer software	Intellectual property	License	Asset under installation	Total
Cost					
1 January 2018	5,124	29,517	31,795	-	66,436
31 December 2018	5,124	29,517	31,795	-	66,436
Additions	-	-	-	2,647	2,647
31 March 2019	5,124	29,517	31,795	2,647	69,083
Accumulated amortisation					
1 January 2018	4,550	12,299	15,590	-	32,439
Amortisation	273	4,217	6,358	-	10,848
31 December 2018	4,823	16,516	21,948	-	43,287
Amortisation	65	1,040	1,568	-	2,673
31 March 2019	4,888	17,556	23,516	-	45,960
Allowance for diminution in value					
1 January 2018	-	6,000	6,000	-	12,000
31 December 2018	-	6,000	6,000	-	12,000
31 March 2019	-	6,000	6,000	-	12,000
Net book value					
31 December 2018	301	7,001	3,847	-	11,149
31 March 2019	236	5,961	2,279	2,647	11,123

9. Trade and other payables

(Unit: Thousand Baht)

	31 March 2019	31 December 2018
Trade payables	179,680	168,677
Other payables	6,895	7,499
Accrued expenses	56,515	70,802
Total	243,090	246,978

10. Liabilities under finance lease agreements

(Unit: Thousand Baht)

	31 March 2019	31 December 2018
Liabilities under finance lease agreements	4,751	5,761
Less: Deferred interest expenses	(455)	(573)
Total	4,296	5,188
Less: Portion due within one year	(1,627)	(2,175)
Liabilities under finance lease agreements - net of current portion	2,669	3,013

The Company has entered into the finance lease agreements with leasing companies for rental of motor vehicles for use in its operation, whereby it is committed to pay rental on a monthly basis. The terms of the agreements are generally between 4 and 5 years. Future minimum lease payments required under the finance lease agreements were as follows:

(Unit: Thousand Baht)

	As at 31 March 2019		
	Less than 1 year	1-5 years	Total
Future minimum lease payments	1,872	2,879	4,751
Deferred interest expenses	(245)	(210)	(455)
Present value of future minimum lease payments	1,627	2,669	4,296

(Unit: Thousand Baht)

	As at 31 December 2018		
	Less than 1 year	1-5 years	Total
Future minimum lease payments	2,475	3,286	5,761
Deferred interest expenses	(300)	(273)	(573)
Present value of future minimum lease payments	2,175	3,013	5,188

11. Provisions

(Unit: Thousand Baht)

	Product warranty	Price reduction	Long-term employee benefits	Total
At 1 January 2018	12,582	19,094	23,628	55,304
Increase during the year	3,593	17,297	15,313	36,203
Utilised	(1,019)	(2,946)	-	(3,965)
At 31 December 2018	15,156	33,445	38,941	87,542
Increase during the period	703	4,903	4,030	9,636
Utilised	(241)	(2,114)	-	(2,355)
At 31 March 2019	15,618	36,234	42,971	94,823
31 March 2019				
Current	15,618	36,234	-	51,852
Non-current	-	-	42,971	42,971
	15,618	36,234	42,971	94,823
31 December 2018				
Current	15,156	33,445	-	48,601
Non-current	-	-	38,941	38,941
	15,156	33,445	38,941	87,542

Product warranty

Provision is recognised for expected warranty claims on products sold based on past experience of the level of returns.

Price reduction

Provision is recognised for expected discount on products sold to certain customers during the year/period.

Long-term employee benefits

Provision represents the Company's obligations payable to its employees when they reach a retirement age and payable to its employees for long service awards. They are determined based on the employee's age, length of employment services and salary increase rate, among other things.

12. Statutory reserve

According to the Thai Civil and Commercial Code, the Company is required to set aside to a statutory reserve an amount equal to at least 5% of its net profit each time the Company pays out a dividend, until such reserve reaches 10% of its registered share capital. The statutory reserve cannot be used for dividend payment. At present, the statutory reserve has fully been set aside.

13. Income tax

Corporate income tax has been calculated on net profit of BOI-promoted operations eligible for 50% tax and net profit of non-promoted operations, after adding back expenses and deducting income which are disallowable for tax computation purpose.

The Company is not liable to corporate income tax for the period/year due to tax loss brought forward.

14. Promotional privileges

The Company has received promotional privileges from the Board of Investment. Subject to imposed conditions, the privileges include an exemption from corporate income tax on net income from promoted activities for a period of 8 years from the date the promoted operations begin generating revenues and a 50% reduction of corporate income tax on income derived from the promoted operations for a period of 5 years after the corporate income tax exemption period ends. Details of the promotional certificates are as follows.

Promotional certificates No.	Date of certificates	Type of business	The date of first earning operating income
2223(2)/2553	11 November 2010	Manufacturing door panel	5 October 2011
2369(2)/2553	16 December 2010	Manufacturing air duct	19 May 2011
1911(2)/2556	26 June 2013	Manufacturing instrument panel, console assy and plastic trims	13 June 2014
1319(2)/2558	18 March 2015	Manufacturing autoparts e.g. door autoparts	-

The Company's revenues from sales for the period as from 1 January 2019 to 31 March 2019 and for the year ended 31 December 2018 are below shown divided according to promoted and non-promoted operations.

(Unit: Thousand Baht)						
	Promoted operations		Non-promoted operations		Total	
	2019	2018	2019	2018	2019	2018
Sales	62,666	461,093	200,443	574,372	263,109	1,035,465

15. Commitments and contingent liabilities

15.1 Capital commitments

As at 31 December 2018, the Company had capital commitments of approximately Baht 1 million relating to the acquisitions of equipment (31 March 2019: Nil).

15.2 Operating lease and service commitments

The Company has entered into several lease agreements in respect of the leases of warehouses, motor vehicles and equipment, and several service agreements. The terms of the agreements are generally between 1 and 4 years.

Future minimum lease payments required under these operating lease and service contracts were as follows.

	(Unit: Million Baht)	
	31 March 2019	31 December 2018
Payable:		
In up to 1 year	33	42
In over 1 and up to 4 years	24	32

15.3 Long-term service commitments

a) Technical assistance agreements

The Company has technical assistance agreements with three unrelated companies, under which those companies agree to grant rights and furnish certain technological know-how and assistance for the production of certain products specified in the agreements, and the Company is to pay royalty fees at rates stipulated in the agreement. The fees for the current period amounted to approximately Baht 1 million (for the year ended 31 December 2018: Baht 6 million).

b) New product development assistance and administrative services agreements

The Company entered into agreements with the parent company, whereby the parent company agrees to provide assistance with development of new products and administration, with the Company to pay for these services at cost plus 6% and 5%, respectively. The agreement is effective for a period of 3 years, commencing 1 November 2014, and this term will be extended by a further year if neither the parent company nor the Company manifests their intention to terminate the agreement. Fees for the current period amounted to USD 0.5 million, or approximately Baht 15.2 million (for the year ended 31 December 2018: USD 1.78 million, or approximately Baht 58 million).

16. Approval of financial statements

These financial statements were authorised for issue by the Company's authorised director on 5 July 2019.