

Registered Number: 05074608

MSSL (GB) Limited
Annual Report
Year Ended 31 March 2020

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DIRECTORS AND OTHER INFORMATION

Board of Directors

Vivek Chaand Sehgal (Australian)
Andreas Heuser (German)
Pankaj Kumar Mital (Indian)
Anurag Gahlot (Indian)
Sushil Chandra Tripathi (Indian) (appointed on 01 April 2019)

Registered Office

Albany Road
Gateshead
Tyne & Wear
NE8 3AT
United Kingdom

Bankers

HSBC
110 Grey Street
Newcastle Upon Tyne
NE1 6JG

Citibank
Citigroup Centre 2
25 Canada Square
Canary Wharf
London
E14 5LB
United Kingdom

Registered Number: 05074608

Independent auditors

Ernst & Young LLP
Chartered Accountants
Bedford House
16 Bedford Street
Belfast
BT2 7DT

MSSL (GB) Limited

STRATEGIC REPORT

The directors present their strategic report of the company for the year ended 31 March 2020.

Principal activity

The company's principal activity continues to be the manufacture of vehicle components.

Review of business and future developments

Performance

MSSL GB Caters to Off-Road Segment in UK & Europe and main customers are in Construction, Earthmoving Equipment Segment (OEM / Tier 1). UK Off-Road Segment have decreased by 6% in 2019 followed by additional impact due to COVID-19 in last Quarter of 2019-20. Wherein UK construction and earthmoving equipment in the UK market fell by 12.3% in the last quarter of 2019, which led to sales for the whole of 2019 showing a 6% reduction which reflects on company sales also in 2019-20. The company has been working with customers in 2019 -20 for New Project developments and we are expecting to increase revenue in the coming period based on execution of the projects. The directors were satisfied with the financial results for the year.

Risks

Performance in the vehicle components sector is affected by general economic conditions. The board carries out regular strategic reviews including assessments of competitor activity, market trends and forecasts and customer behaviour. Product availability and price fluctuation are other sectoral risks faced. The security of product supply is monitored by the directors on an ongoing basis with supplier financial strength, product quality and service levels regularly reviewed. The company's active review of market prices both provides protection and maximises opportunities from anticipated price rises.

Key performance indicators

The company's key performance indicators are as follows:

	2020 £'000	2019 £'000
Turnover	11,354	13,287
Profit before tax	20,086	20,800

Environment

The company recognises its corporate responsibility to carry out its operations whilst minimising environmental impacts. The directors' continued aim is to comply with all applicable environmental legislation, prevent pollution and reduce waste wherever possible.

Health and safety

The company is committed to achieving the highest practicable standards in health and safety management and strives to make its premises a safe environment for employees and customers alike.

Human resources

The company's most important resource is its people; their knowledge and experience is crucial to meeting customer requirements. Retention of key staff is critical and the company has invested increasingly in employment training and development and has introduced appropriate incentive and career progression arrangements.

Results

The Profit after tax for the year is £18,627,256 (2019: £19,405,201). The company has net assets of £367,598,065 as at 31 March 2020 (2019: £348,970,809).

STRATEGIC REPORT - continued

Principal risks and uncertainties

The company's key operational and financial risks are set out below along with the risk management policies put in place to mitigate these risks.

Financial risk management

The company's operations expose it to a variety of financial risks that include price risk, foreign exchange risk, credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs. Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Price risk

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equity securities price risk as it holds no listed investments.

Foreign exchange risk

While the greater part of the company's revenues and expenses are denominated in sterling, the company is exposed to some foreign exchange risk in the normal course of business, principally on sales in Indian Rupees and Euros. It is also exposed to risk with regards to its Euro intercompany loans and bank loans. The company regularly reviews exchange risk exposure and considers the need to hedge against potential losses, using forward exchange contracts where necessary.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to individual customers is subject to a limit, which is reassessed regularly by the board. The company has a policy to seek appropriate insurance on major customers.

Liquidity risk

The company maintains short-term debt finance that is designed to ensure the company has sufficient available funds for operations and planned expansions. Further, the company has a committed Rolling Credit facility of €130Mn until September 2023. Amount falling due under this in the current year can be roll forward until the maturity of intercompany loan receivable. Thus there is no effect on company's ability to continue as going concern as sufficient liquidity is available to manage fund position.

Interest rate risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets primarily relate to cash balances which earn interest at variable rates. Interest bearing liabilities relate to bank loans which pay interest at variable rates. The company does not actively manage its interest rate risk. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

On behalf of the board



Anurag Gahlot
Director

Date: 9th September 2020

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the company for the year ended 31 March 2020.

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- ☐ select suitable accounting policies and then apply them consistently;
- ☐ make judgements and accounting estimates that are reasonable and prudent;
- ☐ state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ☐ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

So far as each of the directors in office at the date of approval of these financial statements are aware:

- ☐ There is no relevant audit information of which the company's auditors are unaware; and
- ☐ They have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Principal activity

The company's principal activity continues to be the manufacture of vehicle components.

Results and dividends

The result for the year is set out in the profit and loss account on page 9. The company did not recommend a dividend during the year (2019: Nil).

Directors

The names of the persons, who were directors at any time during the year ended 31 March 2020 and up to the date of approval of the financial statements, are set out below. Unless indicated otherwise they served as directors for the entire period.

Andreas Heuser - German
Pankaj Kumar Mital - Indian
Anurag Gahlot - Indian
Vivek Chaand Sehgal - Australian
Sushil Chandra Tripathi (Indian) (appointed on 01 April 2019)

DIRECTORS' REPORT - continued

Issue of share capital

During the year the company issued NIL ordinary shares (2019: NIL).

Independent Auditors

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Covid impact:

During FY19-20, the company was able to achieve the financial results in line with other competitors in the industry. The company has evaluated the impact of COVID-19 and concluded that impact is not material based on the current estimates. While evaluating this impact, the company has also considered the possible effects on amount of receivables and assets of the company and expects that the carrying amount of assets will be recovered. The company continues to have a strong cash flow position after meeting all the operating expenses and doesn't require any kind of financial support from the parent company.

Going Concern:

Despite the significant risk associated with COVID-19, no significant risks were identified that give uncertainty about the continuation of operations of the company. The directors of the Company believe that, on the basis of the future business plans & cash flows, they have a reasonable expectation that the Company will continue as a going concern for a period of at least 12 months from the date of signing of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

By order of the board



Anurag Gahlot
Director

Date: 9th September 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MSSL (GB) Limited

Opinion

We have audited the financial statements of MSSL (GB) Limited for the year ended 31 March 2020 which comprise of the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity, and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Emphasis of Matter - Effects of COVID-19

We draw attention to Note 3 and to Note 21 of the financial statements, which describes the economic and social consequences the company is facing as a result of COVID-19 which is impacting financial markets. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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, the directors are 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 ISAs (UK) 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

ERNST & YOUNG LLP

Neil Corry (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Belfast

Date: 10 SEPTEMBER 2020

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2020

	Note	2020 £	2019 (Restated) £
Turnover	5	11,353,779	13,287,495
Cost of sales		(9,665,339)	(11,720,033)
Gross profit		1,688,440	1,567,462
Administrative expenses		(1,457,255)	(1,993,870)
Other operating income	8	118,491	39,200
Operating profit / (loss)	6	349,676	(387,208)
Interest receivable and similar income	9	6,656,056	6,286,496
Interest payable and similar charges	9	(1,564,156)	(634,242)
Dividend income	9	14,644,642	15,534,934
Profit on ordinary activities before taxation		20,086,218	20,799,980
Tax on profit on ordinary activities	10	(1,458,962)	(1,394,779)
Profit for the financial year		18,627,256	19,405,201

Turnover and operating profit / (loss) arose solely from continuing operations. There were no recognised gains or losses other than those dealt with in the profit and loss account and therefore no separate statement of other comprehensive income has been presented.

The notes on pages 12 to 25 are an integral part of these financial statements.

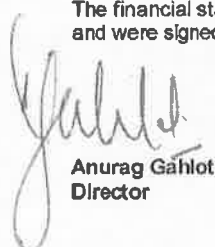
MSSL (GB) Limited

BALANCE SHEET
As at 31 March 2020

	Note	2020 £	2019 (Restated) £
Fixed assets			
Tangible fixed assets	11	15,920	18,216
Financial assets	12	25,379,195	25,379,195
		<u>25,395,115</u>	<u>25,397,411</u>
Current assets			
Stock	13	1,194,550	990,424
Debtors - due within one year	14	390,227,249	3,603,626
Debtors - due after more than one year	14	56,298,146	442,682,748
Cash at bank and in hand		803,548	1,567,302
		<u>448,523,493</u>	<u>448,844,100</u>
Creditors - amounts falling due within one year	15	<u>(106,320,543)</u>	<u>(125,270,702)</u>
Net current assets		<u>342,202,950</u>	<u>323,573,398</u>
Total assets less current liabilities		<u>367,598,065</u>	<u>348,970,809</u>
Creditors - amounts falling due after more than one year	16	<u>-</u>	<u>-</u>
Net assets		<u>367,598,065</u>	<u>348,970,809</u>
Capital and reserves			
Called up share capital	18	227,089,336	227,089,336
Share premium account	18	100,730,918	100,730,918
Profit and loss account		39,777,811	21,150,555
Total equity		<u>367,598,065</u>	<u>348,970,809</u>

The notes on pages 12 to 25 are an integral part of these financial statements.

The financial statements on pages 9 to 25 were approved by the board of directors on 9th September 2020 and were signed on its behalf by:



Anurag Gahlot
Director

MSSL (GB) Limited

STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2020

Note	Called up share capital	Share premium account	Profit and loss account restated	Total equity
	£	£	£	£
Balance as at 01 April 2019	227,089,336	100,730,918	1,745,354	329,565,608
Profit for the financial year as previously reported	-	-	11,964,842	11,964,842
Prior period adjustment (note 3)	-	-	7,440,359	7,440,359
Balance as at 31 March 2019 restated	227,089,336	100,730,918	21,150,555	348,970,809
Profit for the financial year	-	-	18,627,256	18,627,256
Balance as at 31 March 2020	227,089,336	100,730,918	39,777,811	367,598,065

Called up share capital relates to the nominal value of shares issued.

Share premium account includes any premium issued on share capital.

Profit and loss account includes all current year and prior period retained profit and losses.

The notes on pages 12 to 25 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 General information

MSSL (GB) Limited is involved in the sale and manufacture of vehicle components.

MSSL (GB) Limited is a company incorporated and domiciled in the United Kingdom. The address of its registered office is Albany Road, Gateshead, Tyne and Wear, United Kingdom NE8 3AT.

The ultimate parent company of MSSL (GB) Limited is Motherson Sumi Systems Limited, which is a company registered in India and listed on the National Stock Exchange of India and is the parent company of the smallest and largest group to consolidate these financial statements. Copies of Motherson Sumi Systems Limited consolidated financial statements can be obtained from the Secretary, Motherson Sumi Systems Limited, Unit 705, C Wing, ONE BKC, G Block, Bandra Kurla Complex, Bandra East, Mumbai – 400051, Maharashtra, India.

The directors consider Motherson Sumi Systems Limited, a company incorporated in India, as the company's ultimate controlling party.

2 Statement of compliance

The individual financial statements of MSSL (GB) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements are prepared on the going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date. It also requires the directors to exercise their judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement, or areas where assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed in note 4.

(b) Prior Period Adjustment:

The prior period adjustment referred to in these financials relates to dividend income received last year for £7,843,000 from its wholly owned subsidiary, MSSL Consolidated Inc. During the prior year this was accounted for as the refund of share application money and accordingly was recorded as a reduction in the cost of investment. Subsequently it was determined, in view of US Laws, any distribution of cash from MSSL Consolidated Inc. should first be considered as dividends to the extent there is sufficient tax retained earnings, and then return of capital. Hence this has now been corrected in the books of accounts as of 31 March 2020. Accordingly, Investments have now been re-instated by £7,843,000 and the same amount being presented as dividend income in the profit and loss account. In addition, withholding tax of £402,641 has been charged to the profit and loss account and recorded as a liability at year end.

(c) Going concern

Despite the significant risk associated with COVID-19, no significant risks were identified that give uncertainty about the continuation of operations of the company. The directors of the Company believe that, on the basis of the future business plans & cash flows, they have a reasonable expectation that the Company will continue as a going concern for a period of at least 12 months from the date of signing of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

3 Summary of significant accounting policies - continued

(d) Disclosure exemptions for qualifying entities under FRS 102

The company has taken advantage of the following disclosure exemptions in the preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- Exemption from the requirement of FRS 102 paragraph 33.7 to disclose key management personnel compensation in total.
- The requirement of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- The requirement of Section 7 Statement of Cash Flows;
- The requirement of Section 3 Financial Statement Presentation paragraph 3.17(d);
- The requirement of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- The requirement of Section 33 Related Party Disclosures paragraph 33.7

(e) Exemption from Consolidation

In accordance with Section 401 of the Companies Act 2006, no group financial statements have been prepared as the company is a wholly owned subsidiary of Motherson Sumi Systems Limited, a company incorporated in India, whose financial statements are prepared in a manner equivalent to the EU 7th Directive.

(f) Foreign currency

(i) Functional and presentation currency

The company financial statements are presented in pound sterling. The company's functional and presentation currency is the pound sterling.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'finance (expense)/ income'. All other foreign exchange gains and losses are presented in the profit and loss account within 'Other operating (losses)/gains'.

(g) Revenue recognition

(i) Turnover

Turnover is the amount of revenue derived from the provision of goods falling within the company's ordinary activities after deduction of trade discounts and value-added tax. For the company turnover comprises sales of vehicle components.

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes.

The company bases its estimate of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The company recognises turnover when (a) the significant risks and rewards of ownership of the goods have been transferred to the buyer; (b) the company retains no continuing managerial involvement or effective control over the goods; (c) the amount of turnover and costs can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to the each of company's sales channels have been met, as described below. Sales made on a consignment basis are included in stock until risks and rewards are transferred by sale of goods onto third parties by the consignee.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(g) Revenue recognition - continued

(ii) *Other revenue*

The company also earns interest income. Interest income is recognised using the effective interest rate method. Interest income is presented as "interest receivable and similar income" in the profit and loss account.

(h) **Employee benefits**

The company provides a range of benefits to employees, including short term employee benefits such as annual bonus arrangements and paid holiday arrangements and post-employment benefits (in the form of defined contribution pension plans).

(i) *Short term employee benefits*

Short term employee benefits, including paid holiday arrangements and other similar non-monetary benefits, are recognised as an expense in the financial year in which the employees render the related service.

(i) **Income tax**

Income tax expense for the financial year comprises current and deferred tax recognised in the financial year. Income tax expense is presented in the same component of total comprehensive income (profit and loss account or other comprehensive income) or equity as the transaction or other event that resulted in the income tax expense. Current or deferred tax assets and liabilities are not discounted.

(i) *Current tax*

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) *Deferred tax*

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

(j) **Tangible fixed assets**

Tangible fixed assets are carried at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to the location and condition necessary for its intended use, applicable dismantling, removal and restoration costs and borrowing costs capitalised.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies – continued

(j) Tangible fixed assets - continued

(i) Depreciation and residual values

Depreciation on assets is calculated, using the straight line method over their estimated useful lives as follows:

	%	Basis
Leasehold improvements	Over remaining life of lease	
Plant and machinery	25	Straight line
Office equipment	20/50	Straight line
Computer equipment	33/50	Straight line
Motor vehicles	25/33.33	Straight line

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each financial year. The effect of any change in either residual values or useful lives is accounted for prospectively.

(ii) Derecognition

Tangible fixed assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

(k) Leased Assets

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(i) Finance leases

Finance leases transfer substantially all the risks and rewards incidental to ownership to the lessee. At the commencement of the finance lease term the company recognises its right of use and obligation under a finance lease as an asset and a liability at the amount equal to the fair value of the leased asset, or if lower, at the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the company's incremental borrowing rate is used. Incremental and directly attributable costs incurred in negotiating and arranging finance leases are included in the cost of the asset.

Assets under finance leases are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at the end of each financial year.

The minimum lease payments are apportioned between the outstanding liability and finance charges, using the effective interest method, to produce a constant periodic rate of interest on the remaining balance of the liability.

(ii) Operating leases

Operating leases do not transfer substantially all the risks and rewards of ownership to the lessee. Payments under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease.

(l) Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

(m) Investments

Investment in subsidiary undertaking

The company's investment in subsidiaries is carried at historical cost less accumulated impairment losses. Latest financial statement and trading performance of the subsidiary has been considered to assess the carrying value of investment.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies – continued

(n) Stock

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Stocks are recognised as an expense in the financial year in which the related revenue is recognised.

Cost is determined using the first-in, first-out (FIFO) method. Cost comprises the purchase price, including taxes and duties and transport and handling costs directly attributable to bringing the stock to its present location and condition. The cost of manufactured finished goods and work in progress includes raw materials, direct labour and a systematic allocation of direct costs and production overheads (based on normal operating capacity of the production facility).

At the end of each financial year, stocks are assessed for impairment. If an item of stock is impaired, the identified stock is measured at its selling price less costs to complete and sell and the resulting impairment loss is recognised in profit or loss. Where a reversal of the impairment loss is recognised the impairment loss is reversed, up to the original impairment loss, and is recognised in profit or loss.

(o) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities. Cash and cash equivalents are initially measured at transaction price and subsequently measured at amortised cost.

Bank deposits which have original maturities of more than three months are not cash and cash equivalents and are presented as current asset investments.

(p) Provisions and contingencies

(i) Provisions

Provisions are liabilities of uncertain timing or amount.

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the best estimate of the amount required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are reviewed at the end of each financial year and adjusted to reflect the current best estimate of the amount required to settle the obligation. The unwinding of the discount is recognised as a finance cost in profit or loss, presented as part of interest payable and similar charges in the financial year in which it arises.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

(ii) Contingencies

Contingent liabilities, arising as a result of past events, are not recognised as a liability because (i) it is not probable that the company will be required to transfer economic benefits in settlement of the obligation or the amount cannot be reliably measured at the end of the financial year. Possible but uncertain obligations are not recognised as liabilities but are contingent liabilities. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies – continued

(q) Financial Instruments

The company has chosen to adopt Sections 11 and 12 of FRS102 in respect of financial instruments:

(i) *Financial assets*

Basic financial assets, including trade and other debtors, amounts due from group companies, cash and cash equivalents and short term deposits, are initially recognised at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. Where the arrangement constitutes a financing transaction the resulting financial asset is measured at the present value of the future receipts discounted at a market rate of interest for a similar debt instrument.

At the end of each financial year financial assets measured at amortised cost are assessed for objective evidence of impairment. If there is objective evidence that a financial asset measured at amortised cost is impaired an impairment loss is recognised in profit or loss. The impairment loss is the difference between the financial asset's carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate.

If, in a subsequent financial year, the amount of an impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised the previously recognised impairment loss is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment loss not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the financial asset has been transferred to another party who has the practical ability to unilaterally sell the financial asset to an unrelated third party without imposing additional restrictions.

(ii) *Financial liabilities*

Basic financial liabilities, including trade and other creditors, bank loans, loans from fellow group companies and preference shares, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction. Where the arrangement constitutes a financing transaction the resulting financial liability is initially for a similar debt instrument. Where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade and other creditors, bank loans, loans from fellow group companies, preference shares and financial liability from arrangements which constitute financing transactions are subsequently carried at amortised cost, using the effective interest method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as due within one year if payment is due within one year or less. If not, they are presented as falling due after more than one year. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies – continued

(r) Share Capital

Equity shares are recognised at the proceeds received and presented as share capital and share premium. Incremental costs directly attributable to the issue of new equity shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(s) Distributions to equity shareholders

Dividends and other distributions to the Company's equity shareholders are recognised as a liability in the financial statements in the financial year in which the dividends and other distributions are approved by the shareholders.

4 Critical accounting judgements and estimation uncertainty

Estimates and judgements made in the process of preparing the entity financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgement in applying the entity's accounting policies

No judgements, apart from those involving estimates, made by the directors has had significant effect on the amounts recognised in the entity financial statements.

(b) Critical accounting estimates and assumptions

The directors make estimates and assumptions concerning the future in the process of preparing the entity financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Impairment of debtors

The directors make an assessment at the end of each financial year of whether there is objective evidence that a trade or other debtor is impaired. When assessing impairment of trade and other debtors, the directors consider factors including the current credit rating of the debtor, the age profile of outstanding invoices, recent correspondence and trading activity, and historical experience of cash collections from the debtor. Impairment is only made to the extent that the loss is not covered by credit insurance. See notes 6 and 14 for the net carrying amount of the debtors and the impairment loss (if any), recognised in the financial year.

(ii) Impairment of intercompany debtors

The directors make an assessment at the end of each financial year of whether there is objective evidence that intercompany debtor is impaired. When assessing impairment, the directors consider latest financial statement of the group company. See note 14 for the net carrying amount of the debtors and the impairment loss (if any), recognised in the financial year.

5 Turnover

The turnover is attributable to the principal activity of the company. An analysis of turnover by geographic area is as follows:

	2020 £	2019 £
United Kingdom	4,741,177	4,718,185
Overseas	6,612,602	8,569,310
	<u>11,353,779</u>	<u>13,287,495</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

6 Operating profit / (loss)	2020 £	2019 £
Operating profit / (loss) is stated after charging/(crediting):		
Wages and salaries	1,473,891	1,424,435
Social security costs	148,609	140,254
Pension contributions	28,334	16,598
Staff costs	<u>1,650,834</u>	<u>1,581,287</u>
Depreciation of tangible assets	13,158	10,038
Services provided by the company's auditor		
- Fees payable to current auditors	14,500	18,000
- Fees payable for other services – tax compliance	3,250	3,250
Exchange (profit)/loss	(13,120)	316,210
Operating lease charges	97,360	97,982

7 Employees and directors

(a) Employees

The average number of persons employed by the company (including directors) during the period was:

	2020 Number	2019 Number
Manufacturing	37	37
Administration	16	16
	<u>53</u>	<u>53</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

7 Employees and directors - continued

(b) Directors	2020	2019
	£	£

Directors' remuneration - aggregate emoluments

The cost of directors' emoluments has been borne by other group companies and no recharge is made for these services.

8 Other operating income	2020 £	2019 £
Rent receivable	36,000	36,000
Management fee	72,000	-
Other misc. income	10,491	3,200
	<u>118,491</u>	<u>39,200</u>

9 Interest Income	2020 £	2019 (Restated) £
a) Interest receivable and similar income	6,656,056	6,286,496

b) Interest payable and similar charges	2020 £	2019 £
Interest on bank loans	1,564,156	634,242

c) Dividend received	2020 £	2019 (Restated) £
	14,644,642	15,534,934

10 Tax on profit on ordinary activities	2020 £	2019 (Restated) £
(a) Tax expenses included in profit and loss		
Current Tax:		
Corporate Tax on profit for the year	855,000	992,138
Adjustments in respect of prior year	-	402,641
Withholding tax	603,962	-
Current tax charge for the year	<u>1,458,962</u>	<u>1,394,779</u>
Deferred Tax:		
Total Tax Charge	<u>1,458,962</u>	<u>1,394,779</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

10 Tax on profit on ordinary activities - continued

(b) Reconciliation of tax charge	2020 £	2019 Restated £
Profit on ordinary activities before tax	20,086,218	20,799,980
Profit multiplied by the standard rate of UK 19% (2019: 19%)	3,816,381	3,951,996
Effects of:		
Disallowable expenses	-	-
Losses used on which no deferred tax asset previously recognised	-	(70,016)
Withholding tax	603,962	402,641
Other reconciling differences	(2,961,381)	(2,889,842)
	<u>1,458,962</u>	<u>1,394,779</u>

11 Tangible fixed assets

	Leasehold improvements £	Plant & machinery £	Office & computer equipment £	Motor Vehicles £	Total £
Cost					
At 1 April 2019	49,423	35,497	67,698	16,669	169,287
Additions	-	-	10,862	-	10,862
At 31 March 2020	<u>49,423</u>	<u>35,497</u>	<u>78,560</u>	<u>16,669</u>	<u>180,149</u>
Accumulated depreciation					
At 1 April 2019	49,423	31,330	57,469	12,849	151,071
Charge for the year	-	1,160	8,178	3,820	13,158
At 31 March 2020	<u>49,423</u>	<u>32,490</u>	<u>65,647</u>	<u>16,669</u>	<u>164,229</u>
Net book amount					
At 31 March 2020	<u>-</u>	<u>3,007</u>	<u>12,913</u>	<u>-</u>	<u>15,920</u>
At 31 March 2019	<u>-</u>	<u>4,167</u>	<u>10,229</u>	<u>3,820</u>	<u>18,216</u>

MSSL (GB) Limited
NOTES TO THE FINANCIAL STATEMENTS - continued

12 Financial assets	2020	2019 (Restated)
	£	£
Unlisted investments at cost	25,379,195	25,379,195

(a) Details of shares held by MSSL (GB) Limited at 31 March 2020 are as follows:

Name & address	Nature of Business	Description of Shares held	% of Shares Held
MSSL Consolidated Inc – 8640 East Market Street, Howland Township, Warren OH-44484, United States	Holding Company	Ordinary shares	100
Alphabet de Mexico, S.A. de C.V. Ave. Washington No 3701, Edificio 44, Parque Industrial Las America, Chihuahua, Mexico	Manufacturing	Ordinary shares	100
Alphabet de Mexico de Monclova, S.A. de C.V. – Avenida Adolfo Lopez Mateo 2101, Equine con Avenida, Revolution Mexicana, Monclova, Coahuila, Mexico	Manufacturing	Ordinary shares	100
Alphabet de Saltillo, S.A. de C.V. Prolongacion del Boulevard Isidro Lopez Zertuche No 1950, Ramos Arizpe, Coahuila, México	Manufacturing	Ordinary shares	100
MSSL Wirings Juarez S.A. de CV Ave. Antonio J. Bermudez No 770 Ote., Parque Industrial Antonia J. Bermudez, Cd. Juarez, Chih. Mexico-32470	Shared service Support	Ordinary shares	100
MSSL Estonia WH OU Parnu mnt 15, Kesklinna district Tallinn city, Harju County, Estonia	Holding Company	Ordinary shares	100

13 Stock	2020	2019
	£	£
Raw materials and consumables	386,982	292,343
Work in progress	231,802	283,638
Finished goods and goods for resale	575,766	414,443
	<u>1,194,550</u>	<u>990,424</u>

Stocks are stated after provisions of £869,177 (2019: £757,518).

14 Debtors	2020	2019
(a) Amounts due within one year:	£	£
Trade debtors	1,423,981	1,691,489
Amounts due from group companies	388,678,877	1,670,063
VAT recoverable	56,052	163,507
Corporation tax recoverable	-	-
Prepayments and other debtors	68,339	78,567
	<u>390,227,249</u>	<u>3,603,626</u>

Amounts due from group companies are unsecured and are repayable on demand. Interest of 0.75%+GBP Libor is charged on GBP Loan to MSSL Estonia, interest of 0.75+Euribor is charged on Euro loan to MSSL Estonia and interest of 2.5% + GBP Libor is charged on GBP loan to Motherson Rolling Stock Systems.

NOTES TO THE FINANCIAL STATEMENTS - continued

14 Debtors - continued

(b) Amounts due after more than one year	2020 £	2019 £
Amounts due from group companies	56,298,146	442,682,748

Amounts due from group companies are unsecured, are repayable within 5 years and attracts an interest rate of 0.75% to 2.50% above Euribor/ Libor.

15 Creditors - amounts falling due within one year

	2020 £	2019 (Restated) £
Bank loans	102,986,419	122,232,675
Trade creditors	625,605	652,670
Amounts due to group companies	2,144,655	690,584
Taxation and social security	98,492	1,092,292
Accruals, provisions and other liabilities	465,372	602,481
	<u>106,320,543</u>	<u>125,270,702</u>

Amounts due to group companies for trading are unsecured, interest free and repayable on demand.

The bank loan is guaranteed by group has an interest rate of 0.39%-0.80% above Euribor.

16 Creditors - amounts falling due after more than one year

	2020 £	2019 £
Bank loans	-	-

The bank loan is guaranteed by group has an interest rate of 0.39% above Euribor and is repayable in three years.

17 Financial instruments

The company has the following financial instruments:

	2020 £	2019 £
Financial assets that are debt instruments measured at amortised cost		
- Trade debtors	1,423,981	1,691,489
- Amounts due from group undertakings	444,977,023	444,352,811
	<u>446,401,004</u>	<u>446,044,300</u>
Cash at bank and in hand	<u>803,548</u>	<u>1,567,302</u>
Financial liabilities measured at amortised cost		
- Bank loans	102,986,419	122,232,675
- Trade creditors	625,605	652,670
- Amounts due to group undertakings	2,144,655	690,584
	<u>105,756,679</u>	<u>123,575,929</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

18 Called up share capital	2020	2019
	£	£
Allotted and fully paid		
227,089,336 (2019:227,089,336) ordinary shares of £1 each	227,089,336	227,089,336

In March 2017 the company issued 201,461,836 ordinary shares of £1 each for £302,192,754 which resulted in share premium of £100,730,918.

Dividends

There were no dividends paid during the year (2019: £nil).

A description of each reserve within equity is outlined below:

Profit and loss account

Profit and loss account represents accumulated comprehensive income for the financial year and prior financial years less dividends paid.

Share premium account

Share premium arose on the issue of shares in March 2017 as described above.

19 Financial commitments	2020	2019
	£	£
At year ended 31 March 2020 the company had total commitments under non-cancellable leases expiring as follows:		
In one year or less	68,951	76,064
In more than one year, but not more than five years	58,069	105,258
	127,020	181,322

NOTES TO THE FINANCIAL STATEMENTS - continued

20 Related party disclosure

The company has taken advantage of the exemption in FRS 102 which permits subsidiaries, 100% of whose voting rights are controlled within the group, not to disclose transactions with other wholly owned entities that are part of the group.

The company had the following transactions with related parties:

	Creditor		Purchases	
	2020 £	2019 £	2020 £	2019 £
Motherston Air Travel	-	-	-	-
Motherston Info Tech and Design	145	545	9,223	9,746
	<u>145</u>	<u>545</u>	<u>9,223</u>	<u>9,746</u>

21 Events since the end of the financial year

MSSL GB has seen fluctuation in customer demand due to the COVID-19 situation globally, as the UK was in lockdown from 23rd March until 14th April. Manufacturing was allowed to operate as per COVID-19 guidelines during this period. Most of our customers had a minimum 3-week shutdown across April and May based on the furlough scheme applied in the UK. MSSL GB didn't have a complete shutdown, but still had 50% of its' workforce furloughed for a minimum of 3 weeks with the return of employees planned in line with customer re-opening schedules. MSSL GB has followed UK Government guidelines in reference to social distancing rules, along with arranging adequate PPE for employees to provide a safe environment for staff.

The company has noticed a 30-40% impact in schedules in Quarter 1 (Apr 20 – June 20) due to shutdowns or fluctuation in market demand which eventually translated to a postponement of schedules into subsequent quarters. The Company has been monitoring and assessing the possible impacts, mainly in relation to its direct sales and supply chain very closely. In order to mitigate any impact, the company has been reviewing staff requirements very closely and ensuring the phased return of employees to work is in line with Furlough Scheme introduced by UK Government.

The Company has also evaluated the impact of COVID – 19 resulting from (i) the possibility of constraints to fulfil its performance obligations under contracts with customers; (ii) revision of estimations of costs to complete contracts because of additional efforts; (iii) termination or deferment of contracts by customers. The Company has concluded that the impact of COVID – 19 is not material based on these estimates. Due to the nature of the pandemic, the Company will continue to monitor developments to identify significant uncertainties relating to revenue in future periods.

The Company has considered the possible effects that may result from the COVID-19 pandemic on the carrying amounts of Investments and other financial assets. In developing the assumptions relating to the possible future uncertainties as a result of this pandemic, the Company, as at the date of approval of these financial statements has used internal and external sources of information. These included credit reports and related information, economic forecasts, and consensus estimates from market sources on the expected future demand of its products. The impacts of Covid 19 are considered an adjusting event, and the Company has performed analysis on the assumptions used and based on current estimates expects the carrying amount of these assets will be recovered and no impairment has been required.

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2020

	2020	2019 (Restated)
	£	£
Turnover	11,353,779	13,287,495
Cost of sales		
Opening stock	990,424	1,182,917
Purchases	9,123,403	10,848,491
Direct wages	746,062	679,049
	<u>10,859,889</u>	<u>12,710,457</u>
Closing stock	(1,194,550)	(990,424)
	<u>9,665,339</u>	<u>11,720,033</u>
Gross profit	1,688,440	1,567,462
Administrative expenses	(1,457,255)	(1,993,870)
Other operating income		
Rent received and operating income	118,491	39,200
Operating profit / (loss)	<u>349,676</u>	<u>(387,208)</u>
Interest receivable and Dividend income	21,300,698	21,821,430
Interest payable		
Interest on loans	(1,564,156)	(634,242)
Profit before taxation	<u>20,086,218</u>	<u>20,799,980</u>

Pages 26 and 27 are for the directors information only and do not form part of the audited financial statements.

NOTES TO THE DETAILED TRADING AND PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2020

1. Administrative expenses	2020	2019
	£	£
Wages and salaries	896,489	893,424
Staff costs	8,283	8,815
Rates & Taxes	20,585	20,405
Insurance	43,402	39,502
Light and heat	37,970	28,066
Repairs and maintenance	48,449	18,670
Printing, stationery and office expenses	1,832	1,195
Telephone	15,589	13,461
Motor and travel	36,056	30,352
Audit, consultancy and other professional fees	171,850	102,189
(Gain)/loss on foreign currency	(13,120)	316,210
Sundry expenses	54,651	383,415
Depreciation	13,157	10,038
Factory rent	53,041	52,728
Rental accommodation	18,600	18,600
Bank charges	13,355	14,374
Computer and software expenses	11,347	15,772
Hire costs	25,719	26,654
	1,457,255	1,993,870

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