MSSL Estonia WH OÜ
Consolidated Financial Statements

Beginning:	**1 April 2019**
End:	**31 March 2020**
Registry Code	**14194456**
Address	**Harju maakond, Tallinn, Lasnamäe linnaosa, Lõõtsa tn 8, 11415, Estonia**

MSSL Estonia WH OÜ

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MANAGEMENT REPORT

The directors present their annual report and the audited financial statements of the company for the financial year 1.4.2019 – 31.3.2020.

Group information

MSSL Estonia WH OÜ is a private limited company, domiciled in Estonia. The registered office is located at Harju maakond, Tallinn, Lasnamäe linnaosa, Lõõtsa tn 8, 11415, Estonia. The consolidated financial statements comprise financial statements of MSSL Estonia WH OÜ and its subsidiaries (hereinafter collectively referred to as 'Group').

The consolidated financial statements include the parent company and all of its subsidiaries. At the closing date 31 March 2020 Group comprise of 39 companies including the parent company. In the reporting period the Group had holdings in one associate company but none in joint ventures.

Principal activity

Group is a global partner engaged in designing, manufacturing and integrating electrical distribution systems, electronics and related architecture components for the commercial vehicle industry, rolling stock manufacturers and other selected segments.

Statement of directors' responsibilities

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

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;
- 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 Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the regulatory requirements. 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.

Significant developments occurred during the financial year.

Acquisition of Motherson Rolling Stock Systems GB Limited

One of the subsidiaries of the group, Motherson Rolling Stock Systems GB Limited, signed a definitive agreement with Bombardier Transportation (Rolling Stock) UK Ltd. ("Bombardier") on February 28, 2019 and acquired Bombardier's assets in connection with the production and installation of electrical components and systems for applications in the rail industry, comprising among others the manufacturing of wiring harnesses, panel and cabinet build and electromechanical assemblies in Derby, UK. effective form April 01, 2019. The consideration of the transaction is GBP 9.396 million.

Acquisition of Wisetime Oy

On March 06, 2020, the group through one of its step down subsidiary (PKC Group Ltd) additionally acquired 81% shares of Wisetime Oy. The Group already held 19% shares of Wisetime Oy, therefore it now became 100% subsidiary of the Group. Wisetime Oy is a Finnish software company founded in 1991 and has long-term experience in developing industrial Enterprise Resource Planning (ERP) systems. Total consideration of the transaction is EUR 5.331 million including value of exiting share holdings.

Review of business and future developments

<u>Performance</u>

The directors were satisfied with the results for the year and anticipate that the current level of activity will be maintained, therefore allowing the Group to continue to trade successfully for the foreseeable future.

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 Group's active review of market prices both provides protection and maximises opportunities from anticipated price rises.

Key performance indicators

The Group's key performance indicators are as follows:

	1.4.19 to 31.3.20 EUR million	1.4.18 to 31.3.19 EUR million
Revenue	1,188.1	1,188.3
Profit before tax	55.5	36.3

Environment

The Group 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 Group 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 Group'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 Group has invested increasingly in employment training and development and has introduced appropriate incentive and career progression arrangements.

Principal risks and uncertainties

The Group'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

Group is exposed in its operations to different financial risks. Financial risks are managed according to the Group Treasury Policy as approved by the Parent Company's Board of Directors. The Treasury Policy defines the main activities, common management principles, division of responsibilities as well as required control environment for Treasury and related risk management processes to be applied throughout the Group.

The Treasury of Group, organisationally located within Group Finance, provides treasury services and transactions centrally to the companies of Group. The purpose of centralising these functions is effective risk management, cost savings and optimisation of cash flows.

Currency risk

Currency risk is monitored from the perspectives of transaction, translation and economic risk. Transaction risk is related to foreign currency denominated sales and purchases, translation risk to statement of financial position's items, including investments and loans to foreign subsidiaries, and economic risk to the currency distribution of the Group's cost structure in comparison to competitors.

The objective of foreign exchange risk management is to reduce the uncertainty in the Group's profit and loss, cash flows and statement of financial position caused by fluctuations in foreign exchange rates to an acceptable level. Foreign exchange risk management shall not aim to improve profits by actively taking views on the future changes of foreign exchange rates. The main principle is to mitigate the risk first by operative means in the businesses, e.g. through commercial terms in supplier and sales contracts.

Commodity risk

Group's most significant commodity risk relates to copper, which is one of the key components of material costs. Also changes in the prices of oil and other commodities may affect the material costs of Group. Changes in energy prices have no material effect on profit or loss.

The objective of Group is to manage commodity risk primarily by operative means, e.g. through commercial terms with customer and supplier contracts. According to the Treasury Policy of Group, the Group Treasury hedges 25%–75% of the net copper position. The net copper position is the amount of copper in tonnes that remains when the copper contents of fixed price purchases is subtracted from the copper contents of fixed price sales. The Group Treasury uses copper forwards to hedge the copper exposure. Changes in copper prices are transferred to customer prices based on the sales agreements with an average lag of 3-5 months.

Interest rate risk
Changes in interest rate levels affect mainly the fair values of interest-bearing liabilities in the consolidated statement of financial position and related interest payments. The objective of interest rate risk management in Group is to optimise interest expenses and at the same time ensure that changes in interest rates do not cause unpredictable effects on the profit or loss, cash flows or statement of financial position of Group. Interest rate risk is managed by maintaining an optimal balance between the abovementioned objectives. To this end the Treasury of Group uses interest rate swaps and forwards to modify the interest rate fixing term of Group's debt portfolio.

Credit risk
Group's most significant credit risks are related to trade receivables. The age distribution of trade receivables is regularly monitored on the Group level, and in addition the Group companies monitor receivables per customer. The credit quality of new customers is checked and customers are granted standard payment terms only. As a part of cash management Group has some outstanding factoring arrangements in selected countries or with selected customers.

Liquidity risk
The objective of cash and liquidity management is to centralise the management of the cash and other liquid assets of Group and thereby ensure the efficient use of the Group's liquidity while avoiding liquidity risk. The Treasury of Group shall optimise the Group's cash balances to cover the short term outgoing payments plus the liquidity reserve. To manage liquidity risk, the objective is to maintain a sufficient liquidity reserve in all situations.

Capital structure management
Capital structure management covers equity and net debt in the consolidated statement of financial position. The objective of managing the capital structure is to support the Group's business by ensuring normal operating conditions for the businesses and to increase the shareholder's value with a target of gaining maximum return on capital. An optimal capital structure also ensures the optimal capital costs. The capital structure can be affected by dividend distributions, share issues and loan restructurings. The capital structure is continuously monitored by using the gearing ratio.

Impact of COVID-19
With the outbreak of COVID– 19 pandemics at the beginning of Quarter 4 of FY 2019-20 in China and spreading to the rest of the world towards mid- March 2020, production facilities at our plants across the globe were halted in order to ensure the safety of our employees.

In China, the production volumes declined in the early months of Quarter 4 - FY 2019-20 but started to normalize towards the later part of March 2020 as the spread of the virus was contained in China. However, in other geographies, production levels started to decline by March 2020 and as a consequence, our results for the quarter ended March 31, 2020, were adversely affected.

We have been closely monitoring the situation and tracking various governments' response in respective countries to mitigate the impact on business activities as a result of the COVID-19 pandemic. Most of our plants have restarted production by the end of April / May 2020 and it is expected that operations will normalise gradually in line with customer schedules.

Keeping in perspective the changing environment since the onset of COVID-19, the Group has instituted many projects across the globe aimed at cost rationalisation, curtailing non-critical business investments and optimizing working capital to conserve cash and maintain liquidity for the business:

- Governments in various parts of the world have instituted employment protection schemes during the shutdown period where they are bearing a part of the employee costs. We have actively engaged with the governments on these schemes to reduce fixed costs during this period of non-production by implementing payroll flexibility measures.
- Monitoring all capital expenditure and aligning with customer launches.
- Reducing working capital by actively working with our customers
- Working closely with customers for realisation of receivables as well as with the supply chain for a smooth continuity of operations as lockdown restrictions are removed.
- Ensuring upkeep and maintenance of facilities during the lockdown period.

We continue to monitor the situation very closely and work towards getting stronger in this situation.

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Consolidated Statement of Comprehensive Income for the year ended March 31, 2020

EUR 1,000	Notes	For the year ended 31.3.2020	31.3.2019
Revenue	1.1	**1,188,076**	**1,188,258**
Cost of Sales	1.3	-675,207	-695,749
Gross Profit		**512,869**	**492,509**
Other operating income	1.2	3,063	3,514
Employee benefit expenses	1.4	-305,069	-283,081
Depreciation, amortisation and impairment	2.1, 2.3	-65,884	-52,440
Other operating expenses	1.5	-97,774	-115,886
Operating profit		**47,205**	**44,616**
Finance costs	3.3	-15,114	-13,398
Finance income	3.3	400	697
Other income	1.2, 4.3	21,782	2,353
Share of net profit of associate accounted under equity method	2.6	1,179	1,988
Profit before taxes		**55,452**	**36,256**
Income tax expense	1.6	-16,752	-16,181
Profit for the financial year		**38,700**	**20,075**
Other comprehensive income			
Items, that may be reclassified subsequently to profit or loss			
Foreign currency translation differences of foreign operations	3.5	-16,532	7,671
Net gain/ (loss) on Cash flow hedges		-8,316	-108
Items that will not be reclassified to the profit or loss			
Actuarial gains and losses on defined benefit plans		-756	-1,864
Deferred tax on acturial (gain) / loss		286	560
Other comprehensive income for the financial year, net of taxes		**-25,318**	**6,259**
Total comprehensive income for the financial year, net of taxes		**13,382**	**26,334**
Profit attributable to			
Shareholder of the parent company		36,275	16,607
Non-controlling interest		2,425	3,468
Other comprehensive income attributable to			
Shareholder of the parent company		-24,260	6,879
Non-controlling interest		-1,058	-620
Total comprehensive income attributable to			
Shareholder of the parent company		12,015	23,486
Non-controlling interest		1,367	2,848

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Consolidated Statement of Financial Position as at March 31, 2020

EUR 1,000	Notes	As at 31.03.2020	As at 31.03.2019
Assets			
Non-current assets			
Goodwill	2.1, 2.2	239,598	236,011
Property, plant and equipment	2.3	113,879	99,006
Right-of-use assets	2.4	27,820	-
Intangible assets	2.1	200,897	227,025
Available-for-sale financial assets	2.5	48	713
Investment in associate company	2.6	10,504	10,861
Other receivables	2.7	3,068	8,351
Deferred tax assets	1.6	16,622	19,815
Total non-current assets		**612,436**	**601,782**
Current assets			
Inventories	2.8	149,111	134,524
Trade receivables and other receivables	2.9	166,867	186,667
Cash and cash equivalents		91,182	87,228
Total current assets		**407,160**	**408,419**
Total assets		**1,019,596**	**1,010,201**
Equity and liabilities			
Equity			
Issued capital	3.4	3	3
Cash flow hedge reserve		-9,052	-736
Foreign currency translation difference		-33,078	-17,604
Retained earnings		55,525	19,720
Non-controlling interests		30,630	29,263
Total equity		**44,028**	**30,646**
Non-current liabilities			
Interest-bearing financial liabilities	3.2	160,682	622,828
Lease liabilities		21,174	-
Provisions	2.11	8,308	8,295
Other liabilities	2.7	10,686	10,318
Deferred tax liabilities	1.6	20,017	22,304
Total non-current liabilities		**220,867**	**663,745**
Current liabilities			
Interest-bearing financial liabilities	3.2	494,412	76,054
Lease liabilities		7,560	-
Trade payables and other non-interest bearing liabilities	2.10	252,729	239,756
Total current liabilities		**754,701**	**315,810**
Total liabilities		**975,568**	**979,555**
Total equity and liabilities		**1,019,596**	**1,010,201**

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Consolidated Statement of Cash Flows for the year ended March 31, 2020

EUR 1,000	For the year ended 31.3.2020	31.3.2019
Cash flows from operating activities		
Profit before taxation	55,452	36,256
Adjustments for:		
Depreciation, amortisation	65,884	52,440
Interest income	-400	-697
Interest expense	13,111	12,462
Profit on Sale of Fixed Assets	-455	-403
Unrealised foreign exchange loss/ (gain)	-38,700	13,071
Dividend Income	-46	-99
Share of net profit of associate accounted under equity method	-1,179	-1,988
Cash flow before changes in working capital	**93,667**	**111,042**
(Increase)/ Decrease in trade & other receivables	28,732	4,662
(Increase)/ Decrease in inventories	-7,356	-19,269
(Decrease)/Increase in trade and other payables	10,620	26,921
(Decrease)/Increase in provisions	13	9
(Decrease)/Increase in other liabilities	-102	-766
Income tax paid	-20,836	-9,951
Net cash from operating activities (A)	**104,738**	**112,648**
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	- 43,615	-33,508
Proceeds from sale of property, plant and equipment and intangible assets	3,025	1,657
Acquisition of subsidiary shares, net of cash acquired	- 14,419	-
Acquisition of associate company	-	-796
Interest received	400	697
Dividend paid by Associates	1,671	-
Dividends received from investments	46	99
Net cash used in investing activities (B)	**- 52,892**	**-31,851**
Cash flows from financial activities		
Proceeds from minority shareholders	-	494
Proceeds from current/non-current borrowings	52,192	77,743
Repayment of current/non-current borrowings	-85,096	-141,852
Payment towards lease liabilities	-10,264	-
Interest paid	-4,742	-5,653
Net cash used in financial activities (C)	**-47,910**	**-69,268**
Net increase (+) or decrease (-) in cash and cash equivalents (A+B+C)	**3,936**	**11,529**
Cash and cash equivalents at the beginning of the financial year	**87,228**	**75,607**
Effect of exhange rate changes	**18**	**92**
Cash and cash equivalents at the end of the financial year	**91,182**	**87,228**

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Consolidated Statements of Changes in Equity for the year ended March 31, 2020

Particulars EUR 1,000	Note	Issued capital	Cash flow hedge reserve	Foreign currency translation difference	Retained earnings	Equity attributable to shareholders of the parent company	Non-controlling interests	Total equity
Equity as at 1.4.2019		**3**	**-736**	**-17,604**	**19,720**	**1,383**	**29,263**	**30,646**
Net profit for the period		0	0	0	36,275	36,275	2,425	38,700
Other comprehensive income								
Cash flow hedges		0	-8,316	0	0	-8,316	0	-8,316
Foreign currency translation differences of foreign operations		0	0	-15,474	0	-15,474	-1,058	-16,532
Actuarial gains and losses on defined benefit plans		0	0	0	-470	-470	0	-470
Total other comprehensive income		**0**	**-8,316**	**-15,474**	**-470**	**-24,260**	**-1,058**	**-25,318**
Total comprehensive income for the financial year		**0**	**-8,316**	**-15,474**	**35,805**	**12,015**	**1,367**	**13,382**
Change in ownership interest								
Establishment of subsidiary with non-controlling interest	4.4	0	0	0	0	0	0	0
Total equity as at 31.3.2020		**3**	**-9,052**	**-33,078**	**55,525**	**13,398**	**30,630**	**44,028**

Consolidated Statements of Changes in Equity for the year ended March 31, 2019

Particulars EUR 1,000	Note	Issued capital	Cash flow hedge reserve	Foreign currency translation difference	Retained earnings	Equity attributable to shareholders of the parent company	Non-controlling interests	Total equity
Equity as at 1.4.2018		**3**	**-628**	**-25,895**	**4,417**	**-22,103**	**25,921**	**3,818**
Net profit for the period		0	0	0	16,607	16,607	3,468	20,075
Other comprehensive income								
Cash flow hedges		0	-108	0	0	-108	0	-108
Foreign currency translation differences of foreign operations		0	0	8,291	0	8,291	-620	7,671
Actuarial gains and losses on defined benefit plans		0	0	0	-1,304	-1,304	0	-1,304
Total other comprehensive income		**0**	**-108**	**8,291**	**-1,304**	**6,879**	**-620**	**6,259**
Total comprehensive income for the financial year		**0**	**-108**	**8,291**	**15,303**	**23,486**	**2,848**	**26,334**
Other Changes		0	0	0	0	0	-1,497	-1,497
Change in ownership interest								
Establishment of subsidiary with non-controlling interest	4.4	0	0	0	0	0	1,991	1,991
Total equity as at 31.3.2019		**3**	**-736**	**-17,604**	**19,720**	**1,383**	**29,263**	**30,646**

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Notes to the Consolidated financial statements

Basis of Preparation and Accounting Policies

Group information

MSSL Estonia WH OÜ is a private limited company, domiciled in Estonia. The registered office is located at Harju maakond, Tallinn, Lasnamäe linnaosa, Lõõtsa tn 8, 11415, Estonia. MSSL Estonia WH OÜ is the parent company of PKC Group Plc.

Group is a global partner engaged in designing, manufacturing and integrating electrical distribution systems, electronics and related architecture components for the commercial vehicle industry, rolling stock manufacturers and other selected segments. The revenue from operations of the financial year 1.4.2019 – 31.3.2020 totalled EUR 1,188.1 million and the average number of personnel was 25,031. The Group operates in four different continents.

Basis of preparation

The consolidated financial statements of MSSL Estonia WH OÜ are prepared in accordance with the International Financial Reporting Standards (IFRS) in force at March 31, 2020 as adopted by the European Union.

The consolidated financial statements have been prepared on a historical cost basis unless otherwise indicated.

The consolidated financial statements are presented in Euro and all values are rounded to the nearest thousand (€000), except when otherwise indicated.

Accounting policies for the consolidated financial statements

The general accounting policies of the consolidated financial statements are described in this section. Detailed accounting policies and descriptions of decisions based on management's judgement and management's use of estimates are presented later at each item of the financial statements.

At the table below Group's accounting policies for the consolidated financial statements are presented by section. In addition, the related notes and references to the most significant IFRS standards that regulate particular financial statement items are presented in the table below.

Accounting policy	Note	IFRS standard
Operating segments	1.1	IFRS 8, IFRS 15
Other operating income	1.2	IFRS 15
Employee benefit expenses	1.4	IAS 19, IFRS 2
Income taxes, including deferred tax assets and liabilities	1.6	IAS 12
Intangible assets	2.1	IAS 38, IFRS 3
Impairment testing	2.2	IAS 36
Property, plant and equipment	2.3	IAS 16, IAS 23
Right-of-use assets	2.4	IFRS 16
Accociated company	2.5	IFRS 12
Inventories	2.8	IAS 2, IFRS 15
Provisions	2.11	IAS 37
Financial assets and liabilities	3.1	IAS 32, IFRS 9, IFRS 7, IFRS 13
Financial income and expenses	3.3	IAS 32, IFRS 9, IFRS 7
Business combinations	4.3	IFRS 3

Use of estimates

The preparation of the financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the valuation of the reported assets and liabilities and other information, such as contingent assets and liabilities and the recognition of income and expenses in profit or loss. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from the estimates.

The most important items, which require management estimates and assumptions and which may include uncertainty, are impairment testing of goodwill, deferred tax assets of unused tax losses and net realisable value of inventories. Detailed descriptions of decisions based on management's judgement and management's use of estimates are presented later at each item of the financial statements.

The Group's management makes judgements concerning the adoption and application of the accounting policies for the financial statements.

The management has used its judgement in selecting and applying the accounting policies, for example, to the measurement of receivables.

Basis of consolidation

The consolidated financial statements include the parent company and all of its subsidiaries. At the closing date 31 March 2020 Group comprise of 39 companies including the parent company. In the reporting period the Group had holdings in one associate company but none in joint ventures.

All intra-group transactions (income and expenses), assets and liabilities, intra-group margins and equity are eliminated in full in the consolidated financial statements.

Subsidiaries

The consolidated financial statements include the parent company and subsidiaries in which the parent company directly or indirectly have control. Group is considered to have control, when the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The profit for the financial year and items recognised in other comprehensive income are allocated to the owners of the parent company and non-controlling interests and presented in the statement of income and other comprehensive income. Non-controlling interests are presented separately from the equity allocated to the owners of the parent. Comprehensive income is allocated to the owners of the parent company and to non-controlling interests even in situations where the allocation would result in the non-controlling interests' share being negative, unless non-controlling interests have an exemption not to meet obligations which exceed non-controlling interests' investment in the company.

Subsidiaries acquired or established during the period are included in the consolidated financial statements since the Group has obtained the control or until control ceases. Acquisitions of subsidiaries have been accounted for in the consolidated financial statements by using the acquisition method. Accordingly, the identifiable assets and liabilities of the company acquired are measured at fair value at the date of acquisition.

Translation differences of non-euro subsidiaries arising from acquisition cost eliminations and post-acquisition accumulated equity items are recognised in other comprehensive income and presented in equity (item Translation difference). In disposal of a foreign entity, the accumulated translation differences are disclosed in profit or loss as part of the gain or loss on disposal.

The list of Group's subsidiaries at 31.3.2019 is presented in note 4.2 Group Structure.

The consideration transferred includes the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer, measured at their fair values. All acquisition-related costs, with the exception of costs to issue debt or equity securities, are expensed in the periods in which the costs are incurred and the services rendered.

Any contingent consideration is classified as either liability or equity. A contingent consideration classified as liability is remeasured at fair value at the end of each reporting period and the subsequent changes to fair value are recognised in profit or loss. A contingent consideration classified as equity is not remeasured subsequently. The consideration transferred does not include any transactions accounted for separately from the acquisition, which are accounted for in profit or loss in conjunction with the acquisition.

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Associate companies

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Significant influence is presumed to exist when the Group owns over 20 per cent of the voting rights of the company or when the Group otherwise exercises significant influence but does not exercise control.

Associate companies are consolidated in accordance with the equity method. Associated companies are consolidated from the date the company becomes an associate company and divested companies are consolidated until the date of disposal.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Foreign currency transactions

Subsidiaries included in the Group report in their transactions using the currency of the economic operating environment in which the entity primarily operates (functional currency).

The Group companies translate in their accounting foreign currency transactions into their functional currency using the exchange rate of the transaction date. Foreign currency receivables and liabilities are translated into functional currency using the exchange rate of the closing date.

Foreign exchange gains and losses arising from foreign currency transactions and translation of monetary items are reported in profit or loss. Foreign exchange gains and losses on foreign currency loans are included in financial income and expenses, except for exchange differences arising from foreign currency denominated loans which are classified as net investments in foreign subsidiaries. Exchange rate differences of these loans are recognised in items of other comprehensive income and cumulative exchange rate differences are presented as a separate item in the equity until the disposal of the foreign operation, in whole or in part.

Non Monetary items

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Translation of financial statements of foreign subsidiaries

In the consolidated financial statements, the income and expenses of the statements of comprehensive income of foreign subsidiaries are translated into euros at the average exchange rates of the reporting period. Items of the statement of the financial position, excluding the profit of the financial year, are translated to euros at the closing rate of the reporting period. Translation of the profit for the financial year and other comprehensive income using average exchange rates of the reporting period and translation of the items of the statement of the financial position using the closing rate of the reporting period causes translation differences, which are recognised in other comprehensive income and cumulative translation differences are presented as a separate item in equity.

In the consolidated financial statements following exchange rates have been applied:

		Average Rates		Closing Rates	
Country	**Currency**	**31.3.2020**	**31.3.2019**	**31.03.2020**	**31.03.2019**
Brazil	BRL	4.5310	4.3726	5.7402	4.4013
Canada	CAD	1.4776	1.5179	1.5506	1.4968
China	CNY	7.7222	7.7641	7.8094	7.5280
China, HongKong	HKD	8.6834	9.0733	8.5484	8.8048
Mexico	MXN	21.5592	22.3664	26.1542	21.7851
Poland	PLN	4.3002	4.2896	4.5575	4.3039
Serbia	RSD	117.4606	117.9866	117.3375	117.7000
Russia	RUR	71.9875	75.2022	86.4883	73.6620
USA	USD	1.1110	1.1571	1.1029	1.1217

Operating Profit

IAS 1 Presentation of Financial Statements does not define the concept of operating profit. According to the definition used by Group, operating profit is the net amount formed when other operating income is added to the net sales, and the following items are then subtracted from the total: materials and services adjusted for the change in inventories of finished goods and work in progress; the employee benefit expenses; depreciation, amortisation and impairment losses, if any; and other operating expenses. Any other items in profit or loss are shown under operating profit.

New and amended standards applied in the financial year ended

The Group has applied the following new standards or their amendments issued by IASB. Group has adopted each standard and interpretation as of its effective date or, if the effective date is other than the first day of the financial period, as of the beginning of the financial period following the effective date.

Adoptions of other amended standards had no impact on the consolidated financial statements.

IFRS 16 Leasess

(effective for financial years beginning on or after 1 January 2019) In January 2016, the IASB published IFRS 16 Leases, replacing IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease and other interpretations. IFRS 16 abolishes for lessees the previous classification of leasing agreements as either operating or finance leases. Instead, IFRS 16 introduces a single lessee accounting model, requiring lessees to recognize assets for the right to use as well as leasing liabilities for the outstanding lease payments. This means that leases that were previously not reported in the Statement of Financial Position will have to be reported in the future – very similar to the current accounting of finance leases.

According to IFRS 16, a lessee may elect, for leases with a lease term of 12 months or less (shortterm leases) and for leases for which the underlying asset is of low value, not to recognize a right-of-use asset and a lease liability. The lease payments associated with those leases are recognized as an expense on either a straight-line basis over the lease term or another systematic basis.

Right-of-use assets, which are separately shown in the financial statement , are measured at cost less any accumulated depreciation and if necessary any accumulated impairment. The cost of a right-of-use asset comprises the present value of the outstanding lease payments, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset is depreciated to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease liabilities which separately shown in the financial statement are measured initially at the present value of the lease payments. Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing (while affecting other comprehensive income) the carrying amount to reflect the lease payments made.

Lease accounting for lessors has been taken over almost identically from IAS 17 into IFRS 16.

The Group has adopted the standard from April 1, 2019 without restating comparative amounts for the March 2019 as permitted by the modified retrospective approach.

The Group as lessee uses the following practical expedients of IFRS 16 at the date of initial application:

- With leases previously classified as operating leases according to IAS 17, the lease liability is measured at the present value of the outstanding lease payments, discounted by the incremental borrowing rate at April 1, 2019. The respective right-of-use asset is generally recognized at an amount equal to the lease liability.
- An impairment review is not performed. Instead, a right-of-use asset is adjusted by the amount of any provision for onerous leases recognized in the Statement of Financial Position at March 31, 2019.
- Regardless of their original lease term, leases for which the lease term ends at the latest on March 31, 2020 were recognized as short-term leases.
- At the date of initial application, the measurement of a right-of-use asset excludes the initial direct costs.
- Current knowledge is given due consideration when determining the lease term if the contract contains options to extend or terminate the lease.

Following impacts were recognised in view of adoption of new standard:

EUR 1,000	31.03.2019	1.04.2019	Change
Property, plant and equipment	99,006	98,813	-193
Right to use assets		35,536	35,536
Interest-bearing financial liabilities	698,882	698,789	93
Lease liabilities		35,436	-35,436

For the year ended March 31, 2020, following amounts were recognised in the consolidated income statement in relation to lease contracts under IFRS 16:

EUR 1,000	31.03.2020
Derecognition of lease expense	10,854
Interest expense on leases	-2,107
Depreciation on Right of Use Assets	-9,668
Net Impact on Profit Before Tax	**-921**

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Interpretation 23 Uncertainty over Income Tax Treatments

The Interpretaion addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Appendix specifically addresses the following:

• Whether an entity considers uncertain tax treatments separately

• The assumptions an entity makes about the examination of tax treatments by taxation authorities

• How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates

• How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Inrerpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities.

1. Items Related to the Profit for the Period

1.1 Operating Segments

MSSL Estonia WH OÜ has only one primary business segment, Wiring Systems, which also includes Group functions and other items.

The Wiring Systems business designs, manufactures and integrates tailored electrical distribution systems and related architecture components, vehicle electronics, wires and cables especially for trucks and buses, light and recreational products, construction equipment and agricultural and forestry equipment. In addition, segment designs and manufactures electrical cabinets, power packs and electrical distribution systems for rolling stock manufacturers. Segment's strengths, mass customisation and the excellent skill to integrate into the customer's operating environment, provide a unique competitive advantage in the market. Product design and effective supply chain management are carried out in close cooperation with customers and in accordance with their requirements. The units of Wiring Systems business are located in Brazil, China, Estonia, Finland, Germany, Lithuania, Mexico, Poland, Russia, Serbia and USA.

Accounting policy of segment information

MSSL Estonia WH OÜ's segment information is consistent with Group's internal reporting and IFRS standards. The Group's reportable segment are consistent with the operating segments. The business of the Group consists of one business area (reporting operating segment), Wiring Systems. The Wiring Systems business is operated in geographical areas where customers are offered the same product concept applied to different local conditions and requirements. The main products of all geographical areas are the wiring systems modules and related architecture components. The customers of the Wiring Systems business are predominantly globally operating companies that make long-term sourcing decisions on the basis of global purchasing volumes.

Internal management reporting is used to monitor the performance of the Wiring Systems business as a whole and on basis of geographical business area. Reporting supports the internal overall target setting and strategic monitoring.

Group's evaluates the financial position and its development as a whole, not based on the results of the geographical business areas. Because the Group's customers predominantly operate globally the reported indicators in a single geographical area do not give a correct picture of the financial situation and the development of the Group's Wiring Systems business.

Due to business model and operative structure, Group's business cannot be divided into separately reported operating segments.

Information about geographical areas

Revenue by market areas is based on customers' geographical locations. Group is active in the following geographical areas: Europe, North America, South America and APAC (Asia and Pacific).

The assets and capital expenditure of geographical areas are based on the locations of the assets, i.e., Europe, North America, South America and APAC (Asia and Pacific).

Revenue recognition policies

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Revenues from the sale of services are recorded with respect to the stage of completion as of the reporting date in relation to the total service to be provided in the course of the transaction. The share of Group's revenue from services is not significant.

Timing of revenue recognition

	31.3.2020	31.3.2019
As a point in time	1,184,444	1,188,258
Over a period of time	3,632	-
Total	**1,188,076**	**1,188,258**

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are, as follows:

	31.3.2020
Within one year	2,440
More than one year	-
Total	2,440

The Group has no long-term projects, for which the percentage-of-completion method was used at the begning of the current and previous financial year.

The table below represents summary of contract assets and liabilities relating to contracts with customers :

	31.3.2020	31.3.2019
Receivables	148,905	169,189
Contract assets	2,175	-
Contract liabilities	0	-

Contract assets are initially recognised for revenue earned from development of tools and secondary equipment as receipt of consideration is conditional on successful completion and acceptance by the customer. Upon completion and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The expected credit loss on contract assets is considered very low and hence no provision for credit loss is recorded in respect of contract assets.

Revenue includes the income of the actual operations measured at fair value and adjusted for discounts given.

	Revenue by geographical location of customer		Non-current assets by location of assets		Capital expenditure	
EUR 1,000	**31.3.2020**	**31.3.2019**	**31.03.2020**	**31.03.2019**	**31.3.2020**	**31.3.2019**
Europe	431,179	426,923	479,899	462,948	19,222	10,830
South America	87,301	69,125	5,221	7,648	1,396	3,716
North America	513,481	532,295	65,977	70,311	11,767	10,111
APAC	156,115	159,915	41,650	32,709	11,230	8,851
Total	**1,188,076**	**1,188,258**	**592,748**	**573,616**	**43,615**	**33,508**

Non-current assets consist of goodwill, intangible assets, property, plant and equipment, right-of-use assets, investment in associate company and available-for-sale financial assets.

Major Customers

EUR 1,000	**31.3.2020**	**% of revenue**	**31.3.2019**	**% of revenue**
Customer 1	166,386	14.0	171,312	14.4
Customer 2	170,074	14.3	134,061	11.3
Customer 3	138,757	11.7	108,923	9.2
Total	**475,217**	**40.0**	**414,296**	**34.9**
Group Revenue	**1,188,076**		**1,188,258**	

1.2 Other Income

Accounting policy

Income related to other than normal business is recognised as other operating income. Such items are, for example, scrap sales and claims received from insurance companies.

Other income includes items such as profit on sale of items of property, plant and equipment and intangible assets, foreign currency exchange differences and government grants.

Government grants, which have been received to compensate realised costs, are recognised as other income through profit or loss over the period to match them with the costs that they are compensating. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets and presented within other income.

Other operating income

EUR 1,000	**31.3.2020**	**31.3.2019**
Scrap Sales	1,962	1,995
Miscellaneous Income	1,101	1,519
Total	**3,063**	**3,514**

Other income

EUR 1,000	**31.3.2020**	**31.3.2019**
Government grants	3,324	1,851
Foreign currency exchange differences	15,755	-
Gain on bargain purchase	2,202	-
investments available for sale	46	99
Profit on Sale of Fixed Assets	455	403
Group Revenue	**21,782**	**2,353**

1.3 Materials and services

EUR 1,000	**31.3.2020**	**31.3.2019**
Purchases during the financial period	674,500	705,328
Change in inventories, increase (+) or decrease (-)	4,867	-3,306
Raw materials and consumables	**679,367**	**702,022**
Increase/decrease in inventories of finished goods and work in progress	-4,160	-6,273
Total	**675,207**	**695,749**

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1.4 Employee Benefit Expenses

Accounting policy

Employee benefits include short-term employee benefits, termination benefits, post-employment benefits and other long-term employee benefits.

Short-term employee benefits

Short-term employee benefits are wages and salaries, fringe benefits, annual leaves and bonuses.

Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year end are treated as short term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the year end.

Termination benefits

Termination benefits are based on the termination of employment rather than employee service. These comprise severances.

Post-employment benefits

Post-employment benefits will be payable after the completion of employment. They comprise pensions or other post-employment benefits, for example, life insurance or health care benefits.

Post-employment benefit arrangements are classified either as defined benefit arrangements or defined contribution arrangements. For defined contribution arrangements, the Group pays fixed contributions to a separate external unit and the Group has no obligation to pay supplementary contributions if the recipient of the contributions is unable to meet the payment of the benefits. Payments to defined contribution arrangements are recognised through profit or loss as incurred.

Defined Benefit arrangement

The liability or asset recognised in the balance sheet in respect of defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The Group's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. They are included in retained earnings in the statement of changes in equity and in the balance sheet. Past service costs are recognised immediately in incomestatement of profit and loss.

Other long-term employee benefits

Group's other long-term employee benefits include, among other things, service year awards and leave benefits based on long-term employment.

Accumulated compensated absences, which are expected to be availed or encashed beyond 12 months from the end of the year end are treated as other long term employee benefits. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds. Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in statement of profit or loss in the period in which they arise. Past-service costs are recognised immediately in incomestatement of profit and loss.

Other personnel expenses

Other personnel expenses include e.g. expenses related to occupational safety, expenses of occupational health care services and workplace dining and transportation arranged by the employer.

Employee Benefit Expenses

EUR 1,000	31.3.2020	31.3.2019
Wages and salaries	276,765	252,157
Defined contribution pension plans	1,376	913
Other personnel expenses	26,928	30,011
Total	**305,069**	**283,081**

Number of personnel

	At the end of the period		Average	
	31.03.2020	31.03.2019	31.3.2020	31.3.2019
Europe	8,301	8,486	8,442	8,340
South America	2,014	2,100	2,068	1,660
North America	10,036	13,614	12,100	13,541
APAC	2,667	2,597	2,421	2,458
Total	**23,018**	**26,797**	**25,031**	**25,999**

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1.5 Other Operating Expenses

Accounting policy
Indirect expenses of operations excluding employee benefit expenses are recognised as other operating expenses.

EUR 1,000	31.3.2020	31.3.2019
Electricity, water and fuel	8,763	8,585
Repairs and Maintenance	21,053	20,930
Consumption of stores and spare parts	3,201	3,727
Conversion charges	6,874	8,026
Lease rent	2,360	12,781
Rates & taxes	1,074	490
Insurance	1,653	1,372
Travelling	7,760	8,004
Freight & forwarding	12,550	17,297
Bad debts/advances written off	-	5
Provision for doubtful debts/advances	308	390
Legal & professional expenses	11,296	6,528
Exchange fluctuation (net)	-	7,168
Miscellaneous expenses	20,882	20,583
Total	**97,774**	**115,886**

1.6 Income Taxes, including Deferred Tax Assets and Liabilities

Accounting policy
Group's income taxes include taxes of Group companies calculated based on the taxable profit for the period, and adjustments for previous periods as well as the change in deferred income taxes. The income taxes are recognised in profit or loss except for the items recognised directly in equity or other comprehensive income.

The Group's current income tax includes taxes of Group companies calculated based on the taxable profit for the period. Taxable profit differs from profit as reported in profit or loss due to the accrual differences and items that are never taxable or tax-deductible. The current tax is measured using the tax rates and laws that have been enacted or substantially enacted by the end of the reporting period.

Deferred taxes are provided using the balance sheet method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit/loss, it is not accounted for. Deferred tax is determined to reflect the expected manner of recovery or settlement and using the tax rates and laws that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax is provided on temporary differences arising from investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group, and it is probable that the temporary difference will not reverse in the foreseeable future.

Use of estimates
Management judgment is required in determining the provision for income taxes and the deferred tax assets. Deferred tax assets are provided on tax losses as well as on temporary differences arising between the tax bases of assets and liabilities, and their carrying amounts in the consolidated financial statements. Deferred tax assets are recognised to the extent that it is probable based on the management judgment that future taxable profit will be available against which the deferred tax asset can be utilised. Amendments in the regulations and practice related to taxation may also have an effect on the management judgment.

Income taxes

EUR 1,000	31.3.2020	31.3.2019
Income taxes for the financial year	15,394	15,905
Adjustments for prior years	1,265	-97
Changes in deferred taxes	93	373
Total	**16,752**	**16,181**

Deferred tax assets 2019-2020

EUR 1,000	31.03.2019	Recognised through profit or loss	Recognised through other comprehensive income	Exchange rate differences, reclassifications and other changes	31.03.2020
Property, plant and equipment and intangible assets	1,943	-701	-	906	2,148
Inventories	498	-115	-	-30	353
Employee benefits	2,428	-1,332	286	1,818	3,200
Provisions and other accruals	3,821	-790	-	-613	2,418
Unabsorbed depreciation and Tax losses	8,925	-2,192	-	-2,210	4,524
Other temporary differences	2,200	215	2,406	-842	3,980
Total deferred tax assets	**19,815**	**-4,915**	**2,692**	**-970**	**16,622**

Deferred tax liabilities 2019-2020

EUR 1,000	31.03.2019	Recognised through profit or loss	Recognised through other comprehensive income	Exchange rate differences, reclassifications and other changes	Addition on account of Business Combination	31.03.2020
Property, plant and equipment and intangible assets	4,555	-1,203	-	-1,194	1,554	3,712
Inventories	-1,616	956	-	-1,283	-	-1,943
Employee benefits	-164	92	-	-114	0	-186
Provisions and other accruals	-622	238	-	-99	-	-483
Unabsorbed depreciation and Tax losses	-180	0	-	180	-	-
Other temporary differences	20,331	-4,905	-	3,491	-	18,917
Total deferred tax liabilities	**22,304**	**-4,822**	**-**	**981**	**1,554**	**20,017**

Deferred tax assets 2018-2019

EUR 1,000	31.3.2018	Recognised through profit or loss	Recognised through other comprehensive income	Exchange rate differences, reclassifications and other changes	31.03.2019
Property, plant and equipment and intangible assets	1,257	-383	-	1,069	1,943
Inventories	488	-98	-	108	498
Employee benefits	2,219	-670	-	879	2,428
Provisions and other accruals	2,821	-755	-	1,755	3,821
Unabsorbed depreciation and Tax losses	11,706	-1,762	-	-1,019	8,925
Other temporary differences	1,281	-435	-	1,354	2,200
Total deferred tax assets	**19,772**	**-4,103**	**-**	**4,146**	**19,815**

Deferred tax liabilities 2018-2019

EUR 1,000	Addition due to business combination*	Recognised through profit or loss	Recognised through other comprehensive income	Exchange rate differences, reclassifications and other changes	31.3.2018
Property, plant and equipment	5,362	-885	-	78	4,555
Inventories	-526	314	-	-1,404	-1,616
Employee benefits	-	32	-	-196	-164
Provisions and other accruals	-172	121	-	-571	-622
Unabsorbed depreciation and Tax losses	-	35	-	-215	-180
Other temporary differences	17,130	-4,093	560	6,734	20,331
Total deferred tax liabilities	**21,794**	**-4,476**	**560**	**4,426**	**22,304**

*Refer note 4.3 for addition due to business combination

Tax losses at the end of the financial year

EUR million	Tax losses 31.03.2020	Tax losses 31.03.2019	Deferred tax asset recognised on the statement of financial position 31.03.2020	Deferred tax asset recognised on the statement of financial position 31.03.2019	Deferred tax asset not recognised on the statement of financial position** 31.03.2020	Deferred tax asset not recognised on the statement of financial position** 31.03.2019
Losses without expiration date	98.9	100.8	3.5	6.1	88.5	24.2
Losses with expiration date	27.3	84.4	1.0	3.0	22.5	15.2
Total	**126.2**	**185.2**	**4.5**	**9.1**	**111.0**	**39.4**

**The deferred tax asset not recognised on the statement of financial position relates to tax loss carry-forwards whose future utilisation is uncertain.

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2. Operating Assets and Liabilities

2.1 Intangible Assets

Accounting policy

Goodwill

Goodwill arising from a business combination is recognised as the excess of the aggregate of the consideration transferred, the amount of any noncontrolling interests in the acquiree and any previously held equity interests in the acquiree, over the Group's share of the fair value of the identifiable net assets acquired. Goodwill is not amortised but is tested annually for the impairment. Possible impairment losses are recognised in profit or loss immediately as incurred. For the purposes of impairment testing goodwill is allocated to cash-generating units.

Customer relationships

Existing customer relationships are recognised at fair value at the date of acquisition.

Other intangible assets

Intangible assets are initially recognised in the statement of financial position at acquisition cost if their cost can be determined reliably and it is probable that they will bring economic benefits for the Group. The cost of an intangible asset comprises the purchase price and all costs that can be directly attributed to preparing an asset for its intended use. Other intangible assets in the Group include patents and software licenses among others.

Intangible assets that have limited useful lives are amortised on a straight-line basis in the statement of comprehensive income during their known or estimated useful lives. Amortisation is commenced when asset is available for use. An asset which is not yet available for use is tested annually for impairment.

Intangible assets' acquisitions in progress

Software projects under preparation and implementation are presented under acquisitions in progress.

Amortisation periods for intangible assets

Other intangible assets	3-5 years
Customer relationships	5-10 years

Amortisation ceases when an intangible asset is classified as held for sale.

Research and development costs

Research costs are recognised in profit or loss.

If development costs meet certain capitalisation criteria, they are presented in the statement of financial position under Other intangible assets and are amortised over their useful lives. All the Group's development costs are expensed as there is insufficient indication of future economic benefits in the development phase of projects.

Intangible assets as at March 31, 2020

EUR 1,000	Goodwill	Customer relationships & contracts	Software	Other intangible assets	Intangible assets acquisition in progress	Total
Acquisition cost 1.4.2019	**236,011**	**267,725**	**8,995**	**9,142**	**461**	**522,334**
+/- Currency translation differences	93	-697	-266	-622	-	-1,492
+ Additions	-	-	538	-	752	1,290
+ Business combinations	3,494	7,709	19	-	-	11,222
+ /- Reclassifications	-	-	1,159	-	-1,159	0
Acquisition cost 31.3.2020	**239,598**	**274,737**	**10,445**	**8,520**	**54**	**533,354**
Accumulated amortisation and impairments 1.4.2019	**0**	**51,020**	**5,645**	**2,633**	**0**	**59,298**
+/- Currency translation differences	-	-206	-211	-330	-	-747
+ Amortisation	-	31,372	1,762	1,174	-	34,308
Accumulated amortisation and impairments 31.3.2020	**0**	**82,186**	**7,196**	**3,477**	**-**	**92,859**
Carrying amount 31.3.2020	**239,598**	**192,551**	**3,249**	**5,043**	**54**	**440,495**

Intangible assets as at March 31, 2019

EUR 1,000	Goodwill	Customer relationships	Software	Other intangible assets	Intangible assets acquisition in progress	Total
Acquisition cost 1.4.2018	**236,353**	**278,298**	**6,840**	**9,377**	**0**	**530,868**
+/- Currency translation differences	-342	4,434	411	-235	164	4,432
+ Additions	-	-	278	-	861	1,139
- Disposals	-	-	-5	-	0	-5
+ /- Reclassifications	-	-	564	-	-564	0
+ /- Other changes	-	-15,007	907	-	0	-14,100
Acquisition cost 31.3.2019	**236,011**	**267,725**	**8,995**	**9,142**	**461**	**522,334**
Accumulated amortisation and impairments 1.4.2018	**0**	**32,211**	**1,828**	**1,516**	**0**	**35,555**
+/- Currency translation differences	-	3,009	259	-79	-	3,189
+ Accumulated amortisation on disposals and reclassifications	-	-15,007	994	-	-	-14,013
+ Amortisation	0	30,807	2,564	1,196	-	34,567
Accumulated amortisation and impairments 31.3.2019	0	51,020	5,645	2,633	-	59,298
Net carrying amount 31.3.2019	**236,011**	**216,705**	**3,350**	**6,509**	**461**	**463,036**

2.2 Impairment Testing

Accounting policy

The principles of impairments of intangible assets

The Group assesses at least annually whether there is any indication that an asset may be impaired. If any such indication exists, the asset's recoverable amount is estimated. In addition, goodwill and unfinished intangible assets are tested for impairment annually regardless of any indication of impairment. An impairment loss is recognised when an asset's carrying amount exceeds its recoverable amount.

An impairment loss is immediately recognised in profit or loss. The impairment loss of a cash-generating unit is recognised first as a reduction of the carrying amount of any goodwill allocated to the unit and then proportionally as a reduction of unit's other assets. The useful life of the asset to be amortised is reassessed at the recognition of the impairment loss. Recognition of an impairment loss reduces Group's profit and thus equity, but it has no effect on the consolidated statement of cash flows.

A previously recognised impairment loss for assets other than goodwill is reversed in a subsequent period if there has been a significant positive change in the estimates used to determine an asset's recoverable amount. An impairment loss can be reversed to the amount that would have been the carrying value of the asset, had no impairment loss been recognised. An impairment loss for goodwill is not reversed under any circumstances.

Use of estimates

The execution of the annual impairment test has required management to make assumptions and estimates to measure the recoverable amounts of the cash-generating units.

Allocation of goodwill

For impairment testing purposes the Group has allocated goodwill of EUR 239.6 million to the cash-generating units. The Group consists of one business area (reporting operating segment), Wiring Systems.

Determination of cash flows

The Group performs the annual impairment testing of goodwill during the last quarter of each financial year. An impairment test of a cash-generating unit is performed by comparing its recoverable amount to its carrying amount. The recoverable amount is the cash generating unit's fair value less costs of disposal or its value in use, whichever is higher. For goodwill testing purposes the recoverable amount is based on value in use which is determined by discounted future net cash flows.

The expected future net cash flows consist of two components: 5-year financial forecasts made by the business management and extrapolated cash flows after the forecast period (so called terminal value). The net sales and profitability estimates used in the forecasts are based on customer-specific estimates, future outlooks and previous experience. Estimates related to long-term profitability aim to take into account a normalised, sustainable level of profitability. Terminal value growth rate, 1.5 %-point, used in the calculations reflects both expected growth and inflation of each cash-generating unit's area in the long term, and is not expected to exceed the forecasted long-term growth of the industry.

The discount rate used to determine the recoverable amount is the weighted average cost of capital (WACC). Discount rates are determined separately for each cash-generating unit, reflecting the impact of different businesses and different countries on the expected return of equity. In the determination of the weighted average cost of capital (WACC), the target debt to equity ratio and the effect of indebtedness to the cost of equity have been taken into account. WACC used are in range 8% to 15%.

The impairment test performed indicates that the recoverable amounts of Group's cash-generating units exceed the respective carrying amounts including goodwill and there is no need for goodwill impairment.

The Group has prepared sensitivity analysis assuming that the average operating profit (EBIT) level would decrease during the forecast period and thereafter, or, the terminal value growth would decrease, or that the discount rate would increase. The recoverable amounts of all cash-generating units still exceeded their carrying values.

2.3 Property, Plant and Equipment

Accounting policy

Property, plant and equipment are measured at original acquisition cost less accumulated depreciation and impairment losses. The original purchase price of the acquisition is composed of direct expenditure incurred.

Borrowing costs are activated into acquisition cost of asset, if the asset meets the conditions set under IAS 23 standard. During the reporting and comparison period the Group did not have such assets.

Subsequent costs are added to the carrying amount of the asset only if there is sufficient evidence that they bring future economic benefits for the Group and if their cost can be determined reliably.

Assets are depreciated on a straight-line basis during their estimated useful lives. Land areas are not depreciated.

Depreciation periods for items of property, plant and equipment

Buildings and constructions	5–20 years
Machinery and equipment	3–10 years
Other tangible assets	5 years

The estimated useful lives and residual values of assets are reviewed at the end of each financial year, and if they differ significantly from previous estimates, depreciation periods are adjusted accordingly.

Depreciation of property, plant and equipment ceases when an asset is classified as held for sale.

Gains from sales of items of property, plant and equipment are included in other income and losses from sales in other operating expenses.

Impairments of property, plant and equipment

The Group assesses at least annually whether there is any indication that an item of property, plant and equipment may be impaired. The review is in practise carried out based on pool of assets. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is the asset's fair value less costs of disposal or its value in use, whichever is higher. The recoverable amount is based on the discounted estimated future net cash flows at the time of review. An impairment loss is recognised when an asset's carrying amount exceeds its recoverable amount. An impairment loss is recognised immediately in profit or loss and it is included in Depreciation, amortisation and impairment in comprehensive income. The useful life of the asset to be depreciated is reassessed at the recognition of the impairment loss.

An impairment loss is reversed in a subsequent period if there has been a significant positive change in the estimates used to determine an asset's recoverable amount. An impairment loss can be reversed to the amount that would have been the carrying value of the asset, had no impairment loss been recognised.

Property, plant and equipment as at March 31, 2020

EUR 1,000	Land areas	Buildings and Consructions	Machinery and equipment	Other tangible assets	Advance payments and constructions in progress	Total
Acquisition cost 1.4.2019	**3,825**	**15,400**	**107,954**	**7,640**	**10,896**	**145,715**
+/- Currency translation differences	-323	-1,189	-2,192	-913	-527	-5,144
+ Additions	669	10,239	8,146	1,117	22,155	42,326
+ Business combinations	0	0	554	323	-	877
- Disposals	-850	-933	-1,410	-656	-	-3,849
+ /- Reclassifications	835	4,916	14,878	755	-21,384	0
+ /- Reclassifications on account of IFRS 16	0	0	-336	-117	-	-453
Acquisition cost 31.3.2020	**4,156**	**28,433**	**127,594**	**8,149**	**11,140**	**179,472**
Accumulated amortisation and impairments 1.4.2019	**0**	**342**	**43,567**	**2,800**	**0**	**46,709**
+/- Currency translation differences	-	-434	-237	-697	-	-1,368
+ Accumulated amortisation on disposals and reclassifications	-	-686	-112	-481	-	-1,279
+ /- Reclassifications on account of IFRS 16	-	-	-184	-76	-	-260
+ Depreciation	-	2,073	17,753	1,965	-	21,791
Accumulated amortisation and impairments 31.3.2020	**0**	**1,295**	**60,787**	**3,511**	**0**	**65,593**
Carrying amount 31.3.2020	**4,156**	**27,138**	**66,807**	**4,638**	**11,140**	**113,879**

Property, plant and equipment as at March 31, 2019

EUR 1,000	Land areas	Buildings and Consructions	Machinery and equipment	Other tangible assets	Advance payments and constructions in progress	Total
Acquisition cost 1.4.2018	**4,206**	**16,029**	**63,629**	**6,756**	**6,135**	**96,755**
+/- Currency translation differences	-381	-376	5,029	-304	58	4,026
+ Additions	-	461	6,869	1,318	23,721	32,369
- Disposals	-	-13	-2,806	-422	-	-3,241
+ /- Reclassifications	-	951	17,775	292	-19,018	0
+ /- Other changes	-	-1,652	17,458	0	-	15,806
Acquisition cost 31.3.2019	**3,825**	**15,400**	**107,954**	**7,640**	**10,896**	**145,715**
Accumulated amortisation and impairments 1.4.2018	**0**	**1,150**	**9,640**	**1,272**	**0**	**12,062**
+/- Currency translation differences	-	-598	3,906	-258	-	3,050
+ Accumulated amortisation on disposals	-	-	0	-	-	
and reclassifications	-	-	-1,732	-257	-	-1,989
+/- Other changes	-	-1,652	17,365	-	-	15,713
+ Depreciation	-	1,442	14,388	2,043	0	17,873
Accumulated amortisation and impairments 31.3.2019	**0**	**342**	**43,567**	**2,800**	**0**	**46,709**
Net carrying amount 31.3.2019	**3,825**	**15,058**	**64,387**	**4,840**	**10,896**	**99,006**

In addition property, plant and equipment include assets leased under finance leases as follows:

EUR 1,000	Machinery & equipment 31.03.2019
Carrying amount at the beginnig	767
+/- Changes	-109
- Depreciation and impairment	-163
Carrying amount at the end	**495**

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2.4 Right-of-use assets

Accounting policy

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost less any accumulated depreciation and if necessary any accumulated impairment. The cost of a right-of-use asset comprises the present value of the outstanding lease payments, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset is depreciated to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Impairments of right-of-use assets

The Group assesses the recoverability of the carrying value of right-of-use assets at each reporting date. If events or changes in circumstances indicate that the carrying value may be impaired, an impairment loss is recognised in profit or loss and it is included in Depreciation, amortisation and impairment.

An impairment loss is reversed in a subsequent period if there has been a significant positive change in the estimates used to determine an asset's recoverable amount. An impairment loss can be reversed to the amount that would have been the carrying value of the asset, had no impairment loss been recognised.

Right-of-use assets as at March 31, 2020

EUR 1,000	Buildings and Consructions	Machinery and equipment	Other tangible assets	Total
Recognised on April 01, 2019	**34,552**	**270**	**521**	**35,343**
+/- Currency translation differences	3,459	4	-2	3,461
+ Additions	1,300	111	413	1,824
- Disposals, reclassifications and change in value due to change in agreements	-3,738	-345	-247	-4,330
+ /- Reclassifications on account of IFRS 16	0	336	117	453
Acquisition cost 31.3.2020	**35,573**	**376**	**802**	**36,751**
Accumulated amortisation				
+/- Currency translation differences	-632	-60	-27	-719
+ Accumulated amortisation on disposals and reclassifications	-123	-229	-43	-395
+ /- Reclassifications on account of IFRS 16	0	184	76	260
+ Depreciation	9,218	222	345	9,785
Accumulated amortisation and impairments 31.3.2020	**8,463**	**117**	**351**	**8,931**
Carrying amount 31.3.2020	**27,110**	**259**	**451**	**27,820**

2.5 Available-for-sale financial assets

Available-for-sale financial assets are mainly investments in unlisted shares. These are valued at cost less impairment as the fair value cannot be reliably determined.

EUR 1,000	31.03.2020	31.03.2019
Available-for-sale financial assets	48	713
Total	**48**	**713**

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2.6 Investment in associate company

EUR 1,000	31.03.2020	31.03.2019
Investment in associated companies	10,861	8,076
Share of profit for the financial year	1,179	1,988
Dividend	-1,671	0
Currency translation differences	135	797
Investment in associated companies at the end	**10,504**	**10,861**

More information about associated company can be found in note 4.5.

2.7 Non-Current Other Receivables and Liabilities

EUR 1,000	31.03.2020	31.03.2019
Other receivables	3,068	8,351
Total	**3,068**	**8,351**

Non-current other receivables include receivables related to customer long term assets, advaces and indemnification assets.

EUR 1,000	31.03.2020	31.03.2019
Other liabilities	10,686	10,318
Total	**10,686**	**10,318**

Non-current other liabilities include liabilities related to long term employee benefits and indemnification liabilities which have a corresponding indemnification asset.

2.8 Inventories

Accounting policy

Inventories are measured at acquisition cost or the net realisable value, whichever is lower. Raw material costs comprise all purchase costs including freight costs. Cost of finished goods and work in progress includes, in addition to raw material expenses, direct labour and other direct expenses and also a proportion of indirect expenses of production.

In Group acquisition cost is determined on the basis of the weighted average cost formula. The net realisable value is the selling price less estimated costs of completion and selling the product.

Use of estimates

Group regularly reviews inventories for obsolescence and turnover, and for a possible reduction in net realisable value below cost, and recognises obsolescence when necessary. Such reviews require estimates of future demand for products. Possible changes in these estimates may cause adjustments in inventory valuation in future periods.

EUR 1,000	31.03.2020	31.03.2019
Raw materials and supplies	94,719	86,022
Work in progress	17,319	18,422
Finished goods	31,147	22,800
Other inventories	5,926	7,280
Total	**149,111**	**134,524**

2.9 Trade Receivables and Other Receivables

Accounts receivable arise when the Group delivers products and services directly to a customer.

Prepayments and accrued income is income, of which no payment has been received.

Other receivables include e.g. value added tax related receivables.

Current tax assets include taxes receivable related to the income of the year.

EUR 1,000	31.03.2020	31.03.2019
Trade receivables	148,905	169,189
Other receivables	9,563	8,408
Prepayments and accrued income	7,051	7,999
Current tax assets	1,348	1,071
Total	**166,867**	**186,667**

Other receivables and prepayments and accrued income consist of following items

EUR 1,000	31.03.2020	31.03.2019
from employee benefits	1,432	411
from other operating expenses	2,341	3,345
from financial items	-	1,620
from value added tax	8,372	7,796
from taxes	622	1,573
from unbilled revenue	1,338	-
from other items	2,509	1,662
Total	**16,614**	**16,407**

2.10 Trade Payables and Other Non-Interest Bearing Liabilities

Trade payables are liabilities arisen from the received goods including raw materials, supplies, outsourced services and related items.

Advances received include, for example, the advance payments of undelivered products or services received from customers.

Accruals and deferred income include

- Payments received from such income that is realised on an accrual basis in future financial years, unless recognised into advances received.
- Accrued expenses which are not paid, unless recognised into trade payables.
- Future expenses and losses, unless recognised into provisions or deducted from the carrying value of the asset.

Other liabilities include e.g. value added tax related liabilities.

Current tax liabilities include taxes payable related to the income of the year.

EUR 1,000	31.03.2020	31.03.2019
Trade payables	164,857	168,371
Advances received	374	13
Other liabilities	41,305	20,582
Accruals and deferred income	39,363	40,062
Current tax liabilities	6,830	10,728
Total	**252,729**	**239,756**

Other liabilities and accruals and deferred income consist of following items

EUR 1,000	31.03.2020	31.03.2019
from employee benefits	20,619	24,783
from other operating expenses	21,925	14,469
from financial items	18,743	14,198
Derivative financial instruments (Refer Note 3.1)	12,159	-
from value added tax	5,433	4,452
from taxes	1,789	2,742
Total	**80,668**	**60,644**

2.11 Provisions

Accounting policy

A provision is recognised in the consolidated statement of financial position when the Group has a present legal or constructive obligation arising as a result of a past event, the obligation is likely to entail future expenses, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the costs necessary to settle the obligation. If a reimbursement can be obtained from a third party for part of the obligation, the reimbursement is treated as a separate asset when it is practically certain that such reimbursement will be received.

A restructuring provision is recognised only if a detailed and formal plan has been prepared and those affected by it have been informed of its main features. A provision is not recognised on expenditure associated with the Group's continuing operations.

Additional information about provision for pension expenses is presented in note 1.4 Employee Benefit Expenses.

A warranty provision is recognised when a product, which contains a warranty clause, is sold. The warranty provision is estimated on the basis of past experience of warranty costs. The warranty cost history in the period under review and in the comparison period did not require recognition of a warranty provision.

Provisions do not include any restructuring costs.

Use of estimates

The Group is a defendant in some court cases arising from its business operations. A provision is recorded when an unfavourable result is probable and the loss can be determined with reasonable certainty. The final result can differ from these estimates. There are no such provisions.

	Other provisions	
EUR 1,000	**31.03.2020**	**31.03.2019**
Provisions at the beginning	8,295	8,286
+/- Currency tranlation differences	-3	-1
+ Additions	16	10
Provisions at the end	**8,308**	**8,295**

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3. Capital Structure and Financial Expenses

3.1 Classification, Accounting and Valuation Principles, Carrying Amounts and Fair Values of Financial Assets and Liabilities by Valuation Categories

Accounting policy

Classification, accounting and valuation principles

The principles Group applies in classifying, recognising, derecognising and valuing of financial assets and liabilities are presented below.

The financial assets of Group are classified into the following categories:

• Financial assets at fair value through profit and loss
• Available-for-sale financial assets
• Loans and other receivables

The classification of financial assets takes place on the basis of their purpose at initial recognition. The criteria for classification is re-evaluated on each closing date. Transaction costs are included in the initial carrying amount of the financial asset for assets which are not recognised at fair value through profit and loss. All purchases and sales of financial assets are recognised on the trade date. Trade date is the date when Group commits to purchase or sell the asset. Financial assets are derecognised when Group has lost the contractual rights to the cash flow of the financial asset or when the risks and rewards of ownership have been substantially transferred outside Group.

The financial liabilities of Group are classified into the following categories:

• Financial liabilities at fair value through profit and loss
• Financial liabilities at amortised cost (other financial liabilities)

Transaction costs are included in the original carrying amount of financial liabilities at amortised cost. Financial liabilities are classified as current unless Group has an unconditional right to defer settlement of the liability for at least 12 months after end of the reporting period. Group derecognises a financial liability (or part of it) only when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired.

Fair value hierarchy

A number of Group's accounting policies and disclosures require the measurement of fair values. For Group this applies primarily to financial assets and liabilities.

For financial instruments that are measured in the statement of financial position at fair value, IFRS requires disclosure of fair value measurements by level of the fair value measurement hierarchy. The fair value hierarchy is based on the source of inputs used in determining fair values (used in the valuation techniques) as follows:

• Level 1: fair values are based on quoted price in active markets for identical assets or liabilities
• Level 2: fair values are based on market rates and prices, discounted future cash flows etc.
• Level 3: for assets and liabilities in level three, there is no reliable market source available and thus fair value measurement cannot be based on observable market data.
When measuring the fair value of an asset or a liability, Group uses observable market data to the extent possible.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets which have been designated in this category or which have not been classified in any other category. Unless the intention is to sell them within 12 months of the end of the reporting period, they are included in non-current assets.

Group's investments in other companies are classified as financial assets available-for-sale. Equity investments in unlisted companies are included in this category.

Since in the absence of functioning markets the fair value of these investments cannot be determined reliably, they are measured at acquisition cost less any impairment. Thus these investments are classified in the fair value hierarchy to level 3. Group has no intention for now to dispose of these investments.

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Trade receivables and other receivables

Trade receivables and other receivables are non-derivative financial assets with fixed or determinable payment dates that are not quoted in active markets. They arise when Group provides goods or services directly to a debtor. Trade receivables and other receivables are carried in the consolidated statement of financial position at amortised cost using the effective interest rate method. Trade receivables and other receivabless are included in non-current assets, except for maturities less than 12 months after the closing date. Non-current trade receivables and other receivables are presented under trade receivables and other receivables in the consolidated statement of financial position.

Group utilises selectively client and/or country specific factoring arrangements when it is considered beneficial for example due to long payment terms. Sold trade receivables are derecognised only up to the amount for which the risks and benefits have been transferred outside Group. The carrying amounts of trade receivables and other receivables are equal to their fair values, as the effect of discounting cash flows is not relevant considering their maturity.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and similar investments. These investments include highly liquid investments with an original maturity of three months or less from the acquisition date.

Financial Instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:
- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortised cost

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

a. The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
b. Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

This category is the most relevant to the group. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss. This category generally applies to trade and other receivables.

Debt instrument at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

a. The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
b. The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the group recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the statement of profit and loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to statement of profit and loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income in statement of profit and loss using the EIR method.

Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the group may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The group has not designated any debt instrument as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

Equity investments

All equity investments in scope of IFRS 9 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies are classified as at FVTPL. For all other equity instruments, the group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The group makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the group decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the group may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

Financial assets and liabilities at fair value through profit and loss

In the consolidated statement of financial position all derivative financial instruments, to which hedge accounting is not applied and which are not financial guarantee contracts, are included in this category. These instruments are classified as held for trading. There are no items in the consolidated statement of financial position that would be classified at initial recognition on the basis of IFRS 9 fair value option to this category or which would be classified upon this category on the basis of continuous trading.

Derivatives are used for hedging risks from fluctuations in currency exchange rates, interest rates and the price of copper. Group uses currency and copper forwards and interest rate swaps in its risk management.

Derivative contracts are recognised initially at fair value and later recognised at fair value at the end of each reporting period. Fair value is determined by using prevailing quoted market rates and applicable valuation methods for each type of derivative as follows:
• The fair value of currency and copper derivatives is determined as the difference of the fair value of the derivatives at the end of the reporting period and the fair value at the time the contract was made.
• The fair value of interest rate swaps is determined as the present value of the related future cash flows.

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Derivatives are classified in the fair value hierarchy on level 2, because their valuation is based on observable market inputs.

Realised and unrealised gains and losses from changes in the fair values of copper derivatives are recognised in profit or loss as incurred since Group does not apply hedge accounting to these instruments.

Hedge accounting is applied to currency derivatives. The impacts on profit or loss arising from changes in the value of interest rate swaps and currency derivatives which are effective hedges, are presented in a manner consistent with the hedged item.

Derivative instruments are included according to their nature in current assets (prepayments and accrued income) or current liabilities (accruals and deferred income) on the consolidated statement of financial position.

At the end of the reporting period 31.3.2020 Group did not have financial instruments at fair value through profit and loss other than derivatives. There were no changes in the valuation principles or methods during the reporting period.

Financial liabilities at amortised cost (other financial liabilities)

Financial liabilities consist of loans taken out by Group, lease liabilities and trade payables. Loans and trade payables are initially recognised at fair value. Lease liabilities are initially recognised at present value of future lease payments. Any transaction costs are included in the historical carrying amount. After initial recognition other financial liabilities are recognised at amortised cost. Any difference between net proceeds received and later amortisations is recognised as interest cost over the loan period using the effective interest method.

The fair values of interest bearing loans are based on present values of future cash flows. The discount rate is the rate that Group would have to pay for an equal loan at the end of the reporting period. The total interest rate consists of a risk-free rate and a company specific risk premium. The carrying amounts of trade payables and other current financial liabilities are equal to their fair values, as the effect of discounting cash flows is not relevant considering their maturity.

Master netting agreements and similar arrangements

Group enters into derivatives' agreements with counterparties following ISDA-agreements. The amounts owed by each counterparty on a single day regarding all transactions outstanding in same currency are aggregated into a single net amount payable by one party to the other. In case of a credit event like default, all outstanding transactions under the agreement are terminated and only one amount is payable to settle all transactions. Derivative assets and liabilities cannot be offset in the consolidated statement of financial position as ISDA-agreements do not meet the criteria for offsetting.

Master netting agreements and similar arrangements

EUR 1,000	**31.03.2020**	**31.03.2019**
Derivative Assets		
Gross amounts of financial assets in the statement of financial position	-	1,856
Related financial instruments that are not offset	-	1,856
Total	**0**	**0**
Derivative liabilities		
Gross amounts of financial liabilities in the statement of financial position	11,799	-
Related financial instruments that are not offset	11,799	-
Total	**0**	**0**

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Classification of financial assets and liabilities by valuation category as at March 31, 2020

EUR 1,000	Financial assets and liabilities through profit or loss	Derivatives under hedge accounting	Trade receivables and other receivables	Available- for-sale financial assets	Financial liabilities measured at amortised cost	Carrying amounts of statement of financial position's items	Fair values of statement of financial position's items	Fair value hierarchy level
Non-current financial assets								
Other non-current financial assets	-	-	-	48	-	48	48	Level 3
Other non-current financial assets	-	-	837		-	837	837	Level 3
Total non-current financial assets	**0**	**0**	**837**	**48**	**0**	**885**	**885**	
Current financial assets								
Trade receivables	-	-	148,905	-	-	148,905	148,905	Level 3
Currency derivatives	-	-	-	-	-	-	-	Level 2
Other current financial assets	-	-	9,563	-	-	9,563	9,563	Level 3
Cash and cash equivalents	-	-	-	-	91,182	91,182	91,182	
Total non-current financial assets	**0**	**0**	**158,468**	**0**	**91,182**	**249,650**	**249,650**	
Total financial assets	**0**	**0**	**159,305**	**48**	**91,182**	**250,535**	**250,535**	
Non-current financial liabilities								
Non-current								
Interest-bearing liabilities	-	-	-	-	160,682	160,682	160,682	Level 3
Lease liabilities	-	-	-	-	21,174	21,174	21,174	Level 3
Total non-current financial liabilities	**0**	**0**	**0**	**0**	**181,856**	**181,856**	**181,856**	
Current financial liabilities								
Current								
Interest-bearing liabilities	-	-	-	-	494,412	494,412	494,412	Level 3
Lease liabilities	-	-	-	-	7,560	7,560	7,560	Level 3
Trade payables and other non-interest bearing liabilities	-	-	-	-	209,611	209,611	209,611	Level 3
Currency derivatives	-	11,799	-	-	-	11,799	11,799	Level 2
Commodity derivatives	360	-	-	-	-	360	360	Level 2
Total current financial liabilities	**360**	**11,799**	**0**	**0**	**711,583**	**723,742**	**723,742**	
Total financial liabilities	**360**	**11,799**	**0**	**0**	**893,439**	**905,598**	**905,598**	

Classification of financial assets and liabilities by valuation category as at March 31, 2019

EUR 1,000	Financial assets and liabilities through profit or loss	Derivatives under hedge accounting	Trade receivables and other receivables	Available- for-sale financial assets	Financial liabilities measured at amortised cost	Carrying amounts of statement of financial position's items	Fair values of statement of financial position's items	Fair value hierarchy level
Non-current financial assets								
Other non-current financial assets	-	-	-	713	-	713	713	Level 3
Total non-current financial assets	**0**	**0**	**0**	**713**	**0**	**713**	**713**	
Current financial assets								
Trade receivables	-	-	169,189	-	-	169,189	169,189	Level 3
Currency derivatives	-	1,856	-	-	-	1,856	1,856	Level 2
Other current financial assets	-	-	8,408	-	-	8,408	8,408	Level 3
Cash and cash equivalents	-	-	-	-	87,228	87,228	87,228	
Total non-current financial assets	**0**	**1,856**	**177,597**	**0**	**87,228**	**266,681**	**266,681**	
Total financial assets	**0**	**1,856**	**177,597**	**713**	**87,228**	**267,394**	**267,394**	
Non-current financial liabilities								
Non-current interest-bearing liabilities	-	-	-	-	622,828	622,828	622,828	Level 3
Total non-current financial liabilities	**0**	**0**	**0**	**0**	**622,828**	**622,828**	**622,828**	
Current financial liabilities								
Current interest-bearing liabilities	-	-	-	-	76,054	76,054	76,054	Level 3
Trade payables and other non-interest bearing liabilities	-	-	-	-	205,512	205,512	205,512	Level 3
Commodity derivatives	-	-	-	-	-	-	-	Level 2
Total current financial liabilities	**0**	**0**	**0**	**0**	**281,566**	**281,566**	**281,566**	
Total financial liabilities	**0**	**0**	**0**	**0**	**904,394**	**904,394**	**904,394**	

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3.2 Interest-Bearing Financial Liabilities

Non-current interest-bearing financial liabilities

EUR 1,000	31.03.2020	31.03.2019
Loans from related parties	160,580	622,789
Loans from financial institutions	102	-
Lease liabilities	-	39
Total	**160,682**	**622,828**

Current interest-bearing financial liabilities

EUR 1,000	31.03.2020	31.03.2019
Loans from related parties	410,365	-
Loans from financial institutions	41,047	11,000
Lease liabilities	-	54
Commercial papers	43,000	65,000
Total	**494,412**	**76,054**

3.3 Financial Income and Costs

Accounting policy

Interest income is recognised using the effective interest method. Dividend income is recognised when Group's right to receive payment has been established.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Finance costs

EUR 1,000	31.3.2020	31.3.2019
Interest expenses		
on long term borrowings	9,273	11,155
on factoring	1,730	1,308
on lease liabilities	2,108	-
Other financial expenses	2,003	935
Total	**15,114**	**13,398**

Finance income

EUR 1,000	31.3.2020	31.3.2019
Other interest income	400	697
Total	**400**	**697**

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3.4 Equity

Issued capital

EUR 1,000	31.03.2020	31.03.2019
Authorised capital	10	10
Issued capital	3	3

Movement in issued capital

EUR 1,000	31.03.2020
As at 1.4.2018	3
Contribution by shareholders	-
As at 31.3.2019	3
Contribution by shareholders	-
As at 31.3.2020	3

The subscription price of a share received by the company in connection with share issues is credited to the share capital. The Company has only one class of equity shares. Each holder of equity is entitled to one vote per share held. The Company declares and pays dividends in Euro. The dividend, if proposed by the Board of Directors, is subject to the approval of the shareholders in the Annual General Meeting.

In the event of liquidation of the Company, the equity shareholders are eligible to receive the remaining assets of the Company, after distribution of all preferential amounts, in proportion to their share holding.

Details of shareholders

EUR 1,000	% Holding 31.03.2020	% Holding 31.03.2019
MSSL (GB) Limited	100%	100%

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3.5 Financial Risk Management

Group is exposed in its operations to different financial risks. Financial risks are managed according to the Group Treasury Policy as approved by the Parent Company's Board of Directors. The Treasury Policy defines the main activities, common management principles, division of responsibilities as well as required control environment for Treasury and related risk management processes to be applied throughout the Group.

The Treasury of Group, organisationally located within Group Finance, provides treasury services and transactions centrally to the companies of Group. The purpose of centralising these functions is effective risk management, cost savings and optimisation of cash flows.

Currency risk

Currency risk is monitored from the perspectives of transaction, translation and economic risk. Transaction risk is related to foreign currency denominated sales and purchases, translation risk to statement of financial position's items, including investments and loans to foreign subsidiaries, and economic risk to the currency distribution of the Group's cost structure in comparison to competitors.

The objective of foreign exchange risk management is to reduce the uncertainty in the Group's profit and loss, cash flows and statement of financial position caused by fluctuations in foreign exchange rates to an acceptable level. Foreign exchange risk management shall not aim to improve profits by actively taking views on the future changes of foreign exchange rates. The main principle is to mitigate the risk first by operative means in the businesses, e.g. through commercial terms in supplier and sales contracts.

The Treasury of Group uses foreign exchange forwards to hedge against transaction risk. Significant certain or highly probable foreign exchange cash flows are hedged from transaction risk a maximum of twelve months forward. Hedging is not executed for currencies, especially in emerging countries, where hedging is expensive or derivatives' markets are underdeveloped. At the end of the reporting period Group had open currency derivatives with a nominal value of EUR 69.4 million (EUR 64.9 million as at 31.3.2019). The Group applies cash flow hedge accounting to currency derivatives. EUR -8.0 million (EUR 0.3 million as at FY2018-19) of the change in the fair value of currency derivatives under hedge accounting was recorded in Equity.

According to Group policy translation risk is not to execute equity hedging due to the fact that the translation risk only very seldom realises while the hedge itself always creates a cash flow cost. Economic risk is managed as a part of the strategy process and strategy implementation.

More information about currencies can be found in note Basis of Preparation and Accounting policies.

Group has translation risk related to profit and loss mainly in USD, PLN, CNY and BRL. According to Group policy this translation risk is not hedged. Group has also significant foreign currency denominated equity and loans classified as net investments, for example in USD, BRL, PLN and CNY. At the end of the financial year net investments to foreign entities had not been hedged.

Below are presented transaction risk positions related to the statement of financial position of the Group's most significant currency pairs, as well as the sensitivity of the Group's pre-tax profit to currency rate changes at the end of the reporting period.

2019-20

Functional currency	**USD**	**BRL**	**EUR**	**EUR**	**PLN**	**CNY**	**CNY**
Foreign currency	**MXN**	**EUR**	**SEK**	**USD**	**EUR**	**USD**	**EUR**
EUR 1,000							
Cash and cash equivalents	-	-	-	112	1,916	448	12
Trade receivables	-	85	-	-	36,450	7	-
Trade payables	-18,345	-539	-559	-430	-21,080	-16	-7
Net position	**-18,345**	**-454**	**-559**	**-318**	**17,286**	**439**	**5**
Hedges	58,996	-	-	-	-	-	-
Open position		**-454**	**-559**	**-318**	**17,286**	**439**	**5**

EUR million	**Change in foreign currency %**							
Sensitivity	+10	-	0.0	0.1	0.0	-1.6	0.0	0.0
	-10	-	-0.1	-0.1	0.0	1.9	0.0	0.0

2018-19

Functional currency	**USD**	**BRL**	**EUR**	**EUR**	**PLN**	**CNY**	**CNY**
Foreign currency	**MXN**	**EUR**	**SEK**	**USD**	**EUR**	**USD**	**EUR**
EUR 1,000							
Cash and cash equivalents	-	-	-	94	3,439	77	19
Trade receivables	-	21	-	1	31,234	74	0
Trade payables	-21,463	-1,361	-744	-588	-25,235	-33	-96
Net position	**-21,463**	**-1,340**	**-744**	**-493**	**9,438**	**118**	**-77**
Hedges	68,074	-	-	-	-	-	-
Open position	-	**-1,340**	**-744**	**-493**	**9,438**	**118**	**-77**

EUR million	**Change in foreign currency %**							
Sensitivity	+10	-	-0.1	0.0	0.0	1.0	0.0	0.0
	-10	-	0.1	0.0	0.0	-0.9	0.0	0.0

Commodity risk

Group's most significant commodity risk relates to copper, which is one of the key components of material costs. Also changes in the prices of oil and other commodities may affect the material costs of Group. Changes in energy prices have no material effect on profit or loss.

The objective of Group is to manage commodity risk primarily by operative means, e.g. through commercial terms with customer and supplier contracts. According to the Treasury Policy of Group, the Group Treasury hedges 25%–75% of the net copper position. The net copper position is the amount of copper in tonnes that remains when the copper contents of fixed price purchases is subtracted from the copper contents of fixed price sales. The Group Treasury uses copper forwards to hedge the copper exposure. Changes in copper prices are transferred to customer prices based on the sales agreements with an average lag of 3-5 months.

Sensitivity of the Group's pre-tax profit arising from financial instruments to changes in the price of copper:

EUR 1,000	**2019-20 Income statement**	**2018-19 Income statement**
+/-10% change in copper price	+/-230	+/-300

Interest rate risk

Changes in interest rate levels affect mainly the fair values of interest-bearing liabilities in the consolidated statement of financial position and related interest payments. The objective of interest rate risk management in Group is to optimise interest expenses and at the same time ensure that changes in interest rates do not cause unpredictable effects on the profit or loss, cash flows or statement of financial position of Group. Interest rate risk is managed by maintaining an optimal balance between the abovementioned objectives. To this end the Treasury of Group uses interest rate swaps and forwards to modify the interest rate fixing term of Group's debt portfolio.

At the end of reporting period the Group did not have any open interest rate derivatives.

Sensitivity of the Group's pre-tax profit arising from financial instruments (excl. factoring) to changes in interest rate at the end of reporting period:

	2019-20	2018-19
EUR 1,000	**Income statement**	**Income statement**
+/- 1% change in market interest rates	-2,500/+700	-1,400/+1,400

Sensitivity calculation does not take into account the impact of negative short term market rates.

Credit risk

Group's most significant credit risks are related to trade receivables. The age distribution of trade receivables is regularly monitored on the Group level, and in addition the Group companies monitor receivables per customer. The credit quality of new customers is checked and customers are granted standard payment terms only. As a part of cash management Group has some outstanding factoring arrangements in selected countries or with selected customers. At the end of the reporting period the outstanding amount of receivables in factoring arrangement was EUR 71.6 million (EUR 71.4 million as at 31.03.2019).

Collaterals are not assumed as security for receivables, and no loans are granted to parties outside the Group. An aging provision of trade receivables is recognised when there is a reasonable risk that Group will not be able to collect all receivables on the original terms. Credit risk associated with investments in the financial markets is minimised by making agreements with counterparties with high credit worthiness and by diversifying investments among several counterparties.

Trade receivables, which were neither past due nor impaired, were EUR 140.9 million at the end of the reporting period. Of these, EUR 66.5 million were from the six largest customers, and the rest was divided between a large number of customers. During the financial period 2019-2020 no receivable was recognised as impaired. No impairments of trade receivables were recognised for the six largest customers during the financial period. The most significant customers of Group are international transportation manufacturers, with which it has longstanding customer relationships. The most significant geographical concentration of credit risk to Group is in North America.

More information about the largest customers and the distribution of net sales can be found in note 1.1 Operating Segments

Age distribution of trade receivables

		2019-20	
EUR million	**Trade Receivables**	**Aging provision**	**Net**
Not yet overdue	124,729	-	124,729
Falling due in 30 days or less	16,192	-	16,192
Due 31-90 days ago	5,946	12	5,934
Due over 90 days ago	3,238	1,188	2,050
Total	**150,105**	**1,200**	**148,905**

		2018-19	
EUR million	**Trade Receivables**	**Aging provision**	**Net**
Not yet overdue	149,364	-	149,364
Falling due in 30 days or less	12,496	-	12,496
Due 31-90 days ago	4,599	-	4,599
Due over 90 days ago	3,664	934	2,730
Total	**170,123**	**934**	**169,189**

Liquidity risk

The objective of cash and liquidity management is to centralise the management of the cash and other liquid assets of Group and thereby ensure the efficient use of the Group's liquidity while avoiding liquidity risk. The Treasury of Group shall optimise the Group's cash balances to cover the short term outgoing payments plus the liquidity reserve. To manage liquidity risk, the objective is to maintain a sufficient liquidity reserve in all situations.

At the end of reporting period cash and cash equivalents totalled EUR 91.2 million (EUR 87.2 million as at March 31, 2019). The Group had also available undrawn credit facilities of EUR 133.1 million (EUR 82.8 million as at March 31, 2019).

Maturity analysis of financial liabilities 2019-2020

EUR 1,000	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Bond repayments							0
Loans from related parties	410,365	8,580	119,000	33,000	-	-	570,945
Repayments of loans from financial institutions	41,047	47	56	-	-	-	41,150
Repayments of commercial papers	43,000	-	-	-	-	-	43,000
Financing costs on loans from related parties	3,130	17,775	4,006	659	-	-	25,570
Financing costs of bonds, loans from financial institutions and commercial papers	167	-	-	-	-	-	167
Total	**497,709**	**26,402**	**123,062**	**33,659**	**-**	**-**	**680,832**
Lease liabilities payments	9,236	7,100	5,269	4,641	3,903	3,559	33,708
Current non-interest-bearing liabilities							
Trade payables	164,857	-	-	-	-	-	164,857
Derivatives	12,159	-	-	-	-	-	12,159
Total	**177,016**	**-**	**-**	**-**	**-**	**-**	**177,016**
Total	**683,961**	**33,502**	**128,331**	**38,300**	**3,903**	**3,559**	**891,556**

Maturity analysis of financial liabilities 2018-2019

EUR 1,000	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Total
Bond repayments	-	-	-	-	-	-	-
Loans from related parties	139,727	414,210	8,852	-	60,000	-	622,789
Repayments of loans from financial institutions	11,000	-	-	-	-	-	11,000
Repayments of commercial papers	65,000	-	-	-	-	-	65,000
Financing costs on loans from related parties	21,352	1,368	1,273	1,217	557	-	25,767
Financing costs of bonds, loans from financial institutions and commercial papers	82	-	-	-	-	-	82
Total	**237,161**	**415,578**	**10,125**	**1,217**	**60,557**	**-**	**724,638**
Finance lease liabilities							
Repayments	54	39	-	-	-	-	93
Financing costs	1	1	-	-	-	-	2
Total	**55**	**40**	**-**	**-**	**-**	**-**	**95**
Current non-interest-bearing liabilities							
Trade payables	168,371	-	-	-	-	-	168,371
Derivatives	0	-	-	-	-	-	-
Total	**168,371**	**-**	**-**	**-**	**-**	**-**	**168,371**
Total	**405,587**	**415,618**	**10,125**	**1,217**	**60,557**	**-**	**893,104**

Capital structure management

Capital structure management covers equity and net debt in the consolidated statement of financial position. The objective of managing the capital structure is to support the Group's business by ensuring normal operating conditions for the businesses and to increase the shareholder's value with a target of gaining maximum return on capital. An optimal capital structure also ensures the optimal capital costs. The capital structure can be affected by dividend distributions, share issues and loan restructurings. The capital structure is continuously monitored by using the gearing ratio.

4. Other Notes

4.1 Related Party Disclosures

The Group's related party comprises the Group companies and members of the parent company's Board of Directors.

During the year the Group entered into transactions, in the ordinary course of business, with related parties. Transactions entered into, include the sale and purchase of goods and services. In addition, financing transactions have been undertaken.

Motherson Sumi Systems Limted, India ("MSSL"), through its subsidiary MSSL (GB) Limited, holds 100% of the voting shares in the Group. As a result, MSSL and their direct and indirect held subsidiaries, except for the companies forming the Group are considered as related parties.

Details of related party transactions for the year ended March 31, 2020

EUR 1,000	Ultimate Parent	Immediate Parent	Fellow Subsidiaries	Other related parties	Total
Revenue	840	-	4,604		5,444
Purchases	105	-	2,372		2,477
Other operating income	6	-	-		6
Other income	-	-	-		-
Other operating expenses	5,396	109	286	982	6,773
Interest expenses	-	7,335	960		8,295

Details of related party balances as at March 31, 2020

EUR 1,000	Ultimate Parent	Immediate Parent	Fellow Subsidiaries	Other related parties	Total
Trade receivables	163	-	977		1,140
Other receivables	412	-	791		1,203
Trade and other payables	6,341	18,080	1,181	73	25,675
Loans payable	-	451,945	119,000		570,945

Details of related party transactions for the year ended March 31, 2019

EUR 1,000	Ultimate Parent	Immediate Parent	Fellow Subsidiaries	Other related parties	Total
Revenue	889	1	3,664	-	4,554
Purchases	74	19	2,314	-	2,407
Other income	-	-	6	-	6
Other operating expenses	22	-	309	1,050	1,381
Interest expenses	-	7,083	1,147	-	8,230

Details of related party balances as at March 31, 2019

EUR 1,000	Ultimate Parent	Immediate Parent	Fellow Subsidiaries	Other related parties	Total
Trade receivables	205	-	729	-	934
Other receivables	749	-	798	-	1,547
Trade and other payables	225	12,359	1,010	57	13,651
Loans payable	-	484,224	138,565	-	622,789

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4.2 Group Structure

Group companies as at March 31, 2020

Company	Principal Activity	Domicile	Holding %	Votes %
MSSL Estonia WH OÜ	Administration	Estonia	100	100
PKC Group Plc	Administration	Finland	100	100
PKC Wiring Systems Oy	Administration	Finland	100	100
PK Cables do Brasil Industria e Comercio Ltda	Manufacturing	Brazil	100	100
PKC Group Canada Inc.	Sales	Canada	100	100
PKC Group APAC Limited	Administration	Hong Kong	100	100
PKC Vehicle Technology (Suzhou) Co. Ltd	Manufacturing	China	100	100
PKC Vehicle Technology (Hefei) Co., Ltd.	Manufacturing	China	50	50
Hubei Zhengao PKC Automotive Wiring Company Ltd	Manufacturing	China	40	40
Jiangsu Huakai-PKC Wire Harness Co., Ltd.	Manufacturing	China	50	50
Shandong Huakai-PKC Wire Harness co., Ltd *)	Manufacturing	China	100	100
Project Del Holding S.à.r.l.	Holding	Luxembourg	100	100
AEES Manufacturera, S. De R.L. de C.V	Administration	Mexico	100	100
Arneses y Accesorios de México, S. de R.L. de C.V.	Manufacturing	Mexico	100	100
Arneses de Ciudad Juarez, S. de R.L. de C.V.	Manufacturing	Mexico	100	100
Asesoria Mexicana Empresarial, S. de R.L. de C.V.	Administration	Mexico	100	100
Cableados del Norte II, S. de R.L. de C.V.	Manufacturing	Mexico	100	100
PKC Group de Piedras Negras, S. de R.L. de C.V.	Manufacturing	Mexico	100	100
PKC Group AEES Commercial, S. de R.L. de C.V.	Sales	Mexico	100	100
Manufacturas de Componentes Eléctricos de México S. de R.L. de C.V.	Manufacturing	Mexico	100	100
PKC Group Mexico S.A. de C.V.	Manufacturing	Mexico	100	100
PKC SEGU Systemelektrik GmbH	Manufacturing	Germany	100	100
PKC Wiring Systems Llc	Manufacturing	Serbia	100	100
TKV-sarjat Oy	Holding	Finland	100	100
PKC Eesti AS	Administration	Estonia	100	100
PKC Group Lithuania UAB	Manufacturing	Lithuania	100	100
PKC Group Poland Sp. z o.o.	Manufacturing	Poland	100	100
OOO AEK	Manufacturing	Russia	100	100
Motherson PKC Harness Systems FZ-LLC	Manufacturing	UAE	100	100
PKC Group USA Inc.	Administration	USA	100	100
AEES Inc.	Administration	USA	100	100
AEES Power Systems Limited Partnership	Manufacturing	USA	100	100
Fortitude Industries Inc.	Manufacturing	USA	100	100
T.I.C.S. Corporation	Holding	USA	100	100
PKC Group Poland Holding Sp. z o.o.	Holding	Poland	100	100
Groclin Luxembourg S.à.r.l.	Holding	Luxembourg	100	100
Kabel Technik Polska Sp. z o.o.	Manufacturing	Poland	100	100
Motherson Rolling Stock Systems GB Limited	Manufacturing	United Kingdom	100	100
Wisetime Oy	Information Technology	Finland	100	100

*) Owned by Jiangsu Huakai-PKC Wire Harness Co., Ltd. 100%

4.3 Business Combinations

(A) Acquisition of Motherson Rolling Stock Systems GB Limited

One of the subsidiaries of the group, Motherson Rolling Stock Systems GB Limited, signed a definitive agreement with Bombardier Transportation (Rolling Stock) UK Ltd. ("Bombardier") on February 28, 2019 and acquired Bombardier's assets in connection with the production and installation of electrical components and systems for applications in the rail industry, comprising among others the manufacturing of wiring harnesses, panel and cabinet build and electromechanical assemblies in Derby, UK. effective form April 01, 2019.

Through this, MSSL will expand its supply of electricals and wiring systems to Bombardier Transportation, to cover UK rolling stock projects.

Assets and Liabilities recognized as result of acquisition	EUR 1,000
Property, plant and equipment	696
Intangible assets	6,565
Inventories	7,231
Deferred tax liabilities (net)	-1,313
Net identifiable assets acquired	**13,179**

Calculation of goodwill / (gain on bargain purchase)	EUR 1,000
Purchase consideration	10,977
Net identifiable assets acquired	13,179
Goodwill / (gain on bargain purchase)	**-2,202**

The Group recognised gain on bargain purchase of EUR 2.2 million (GBP 1.88 million) being excess of fair value of identifiable net assets assumed on acquisition over the purchase consideration. The gain has been recognised in the income statement for the year under "Other income"

The acquired business contributed revenues of EUR 53.9 million and net profit of EUR 8.6 million to the group for the period since date of acquisition to March 31, 2020.

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(B) Acquisition of Wisetime Oy

On March 06, 2020, the group through one of its step down subsidiary (PKC Group Ltd) additionally acquired 81% shares of Wisetime Oy. The Group already held 19% shares of Wisetime Oy, therefore it now became 100% subsidiary of the Group.

Wisetime Oy is a Finnish software company founded in 1991 and has long-term experience in developing industrial Enterprise Resource Planning (ERP) systems.

Wisetime now being part of the Group, will provide growth opportunities and enhances Group's diversification into Information technology sector.

Assets and Liabilities recognized as result of acquisition	EUR 1,000
Property, plant and equipment	181
Intangible assets	1,163
Trade receivables	407
Cash and cash equivalents	889
Borrowings	-153
Deferred tax liabilities (net)	-241
Trade payables	-31
Other current liabilities	-378
Net identifiable assets acquired	**1,837**

Calculation of goodwill / (gain on bargain purchase)	EUR 1,000
Purchase consideration	5,331
Net identifiable assets acquired	1,837
Goodwill / (gain on bargain purchase)	**3,494**

The Group had initially recognised goodwill amounting to EUR 3.5 million after provisional fair valuation of its Assets and liabilities, recorded in these consolidated financial statements.

The acquired business contributed revenues of EUR 0.11 million and net profit of EUR 0.05 million to the group for the period since date of acquisition to March 31, 2020. During the period 1.4.2019 to 31.03.2020, revenue and net profit of this new subsidiary was EUR 2.63 million and 0.84 million respectively.

4.4 Established Jiangsu Huakai-PKC Wire Harness Co., Ltd., Shandong Huakai - PKC Wire Harnes Co., Ltd and PKC Vehicle Technology (Hefei) Co., Ltd.

Financial information of subsidiaries Jiangsu Huakai-PKC Wire Harness Co., Ltd., Shandong Huakai - PKC Wire Harnes Co., Ltd. and PKC Vehicle Technology (Hefei) Co., Ltd. which have non-controlling interest, is presented in the following table. Below information is before intra-group balance eliminations.

EUR 1,000	31.03.2020	31.03.2019
Non-controlling interests' holding, %	**50%**	**50%**
Non-current assets	41,263	29,562
Current assets	84,112	87,228
Non-current liabilities	2,617	-
Current liabilities	48,691	50,970
Net assets	**74,067**	**65,820**
Net assets attributable to non-controlling interests	37,033	32,910
Revenue	166,915	148,864
Profit	**4,850**	**6,936**
Net profit allocated to non-controlling interests	2,425	3,468
Net cash from operating activities	-5,046	12,460
Net cash from investment activities	-12,620	-12,812
Net cash used in financing activities	4,905	-4,086
Net increase (+) or decrease (-) in cash and cash equivalents	**-12,761**	**-4,438**

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4.5 Associated company Hubei Zhengao PKC Automotive Wiring Company Ltd.

EUR 1,000	Hubei Zhengao PKC Automotive Wiring Company, Ltd. 31.03.2020	31.03.2019
Owning %	**40%**	**40%**
Non-current assets	3,975	3,880
Current assets	39,609	40,536
Total assets	**43,584**	**44,416**
Non-Current liabilities	2	-
Current liabilities	18,819	17,439
Total liabilities	**18,821**	**17,439**
Revenue	61,878	62,521
Other operating income	133	69
Cost of Sales	-40,927	-41,621
Employee benefit expenses	-11,571	-9,671
Depreciation and amortization	-971	-977
Other operating expenses	-4,028	-3,307
Operating profit	**4,514**	**7,014**
Financial income and expenses	-280	-184
Profit before taxes	**4,234**	**6,830**
Income taxes	-1,278	-1,858
Profit for the period	**2,956**	**4,972**
Share of net profit of associate	1,179	1,988
Investment in associate	10,504	10,861

4.6 Contingent Items and Commitments

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group (e.g. outcome of on-going judicial process). A contingent liability is also a present obligation, which probably does not require payment obligation or the amount of the obligation cannot be measured with sufficient reliability. At the end of the financial year 31 March 2020 Group contingent liabilities of EUR 1.2 million (EUR 1.0 million as at March 31, 2019) relating to labor case matters and outstanding unexpired amount of capital commitment commitments of EUR 1.2 million (EUR 2.5 million as at March 31, 2019) net of advances.

4.7 Estimation of uncertainties relating to the global health pandemic from COVID-19 (COVID-19)

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

The Group has considered the possible effects that may result from the pandemic relating to COVID-19 on the carrying amounts of receivables, unbilled revenues, goodwill and intangible assets. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of this pandemic, the Group, as at the date of approval of these financial statements has used internal and external sources of information including credit reports and related information, economic forecasts and consensus estimates from market sources on the expected future demand of its products. The Group has performed analysis on the assumptions used and based on current estimates expects the carrying amount of these assets will be recovered. The impact of COVID-19 on the Group's financial statements may differ from that estimated as at the date of approval of these consolidated financial statements.

4.8 Events after the Financial Year

The group's management is not aware of any significant events occurring after 31 March 2020.

4.9 Rounding off

Amounts appearing as zero "0" in financial statements are below the rounding off norm adopted by the group.

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5.1 Non-Consolidated Statements of Comprehensive Income

The parent company's non-consolidated primary financial statements are presented in Note-5 because it is required by the Estonian Accounting Law and is not a required part of the consolidated financial statements prepared under International Financial Reporting Standards as adopted by the European Union. These unconsolidated primary financial statements do not constitute the Parent's separate financial statements as defined in IAS27 (Consolidated and Separate Financial Statements).

EUR 1,000	For the year ended 31.3.2020	31.3.2019
Revenue		
Dividend Income	20,507	16,887
	20,507	**16,887**
Other operating expenses	-33	-7,737
Operating profit	**20,474**	**9,150**
Finance costs	-7,103	-7,408
Other income	11,292	-
Profit before taxes	**24,663**	**1,742**
Net profit for the financial period	**24,663**	**1,742**
Total comprehensive income for the financial period	**24,663**	**1,742**

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5.2 Non-Consolidated Statement of Financial Position of Parent

EUR 1,000	As at 31.03.2020	As at 31.03.2019
Assets		
Non-current assets		
Investment in subsidiary	570,997	570,997
Total non-current assets	**570,997**	**570,997**
Current assets		
Cash and cash equivalents	1,226	1,153
Total current assets	**1,226**	**1,153**
Total assets	**572,223**	**572,150**
Equity and liabilities		
Equity		
Issued capital	3	3
Retained earnings	22,672	-1,991
Total equity	**22,675**	**-1,988**
Non-current liabilities		
Interest-bearing financial liabilities	127,580	561,627
Total non-current liabilities	**127,580**	**561,627**
Current liabilities		
Interest-bearing financial liabilities	403,609	-
Other non-interest bearing liabilities	18,359	12,511
Total non-current liabilities	**421,968**	**12,511**
Total liabilities	**549,548**	**574,138**
Total equity and liabilities	**572,223**	**572,150**

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5.3 Non-Consolidated Statements of Cash Flows of Parent

for the year ended March 31, 2020

EUR 1,000	For the year ended 31.3.2020	31.3.2019
Cash flows from operating activities		
Profit before taxation	24,663	1,742
Adjustments for:		
Dividend Income	-20,507	-16,887
Finance Costs	7,103	7,408
Unrealised foreign exchange loss/(gain)	-11,293	7,730
Net cash from operating activities (A)	**-34**	**-7**
Cash flows from investing activities		
Dividends received from investments	20,507	16,887
Net cash used in investing activities (B)	**20,507**	**16,887**
Cash flows from financial activities		
Proceeds from non-currrent borrowings	0	8,544
Repayment of current/non-current borrowings	-19,565	-24,555
Interest paid and other financial expenses	-836	-989
Net cash used in financial activities (C)	**-20,400**	**-17,000**
Net increase (+) or decrease (-) in cash and cash equivalents (A+B+C)	**73**	**-120**
Cash and cash equivalents at the beginning of the financial year	**1,153**	**1,273**
Cash and cash equivalents at the end of the financial year	**1,226**	**1,153**

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5.4 Non-Consolidated Statements of Changes in Equity of Parent

EUR 1,000	Share capital	Retained earnings	Total equity
Equity as at 1.4.2019	**3**	**-1,991**	**-1,988**
Net profit for the period	-	24,663	24,663
Total other comprehensive income	-	-	-
Total comprehensive income for the financial year	**-**	**24,663**	**24,663**
Total equity as at 31.3.2020	**3**	**22,672**	**22,675**

EUR 1,000	Share capital	Retained earnings	Total equity
Equity as at 1.4.2018	**3**	**-3,733**	**-3,730**
Net profit for the period	-	1,742	1,742
Total other comprehensive income	-	-	-
Total comprehensive income for the financial year	**-**	**1,742**	**1,742**
Total equity as at 31.3.2019	**3**	**-1,991**	**-1,988**

The Parent's adjusted non-consolidated equity as at March 31, 2020 is as follows

EUR 1,000	As at 31.3.2020	31.3.2019
Non-consoidated equity of the Parent	22,675	**-1,988**
Carrying value of subsidiaires, joint ventures and associates in the Non-Consolidated balance sheet of the Parent (minus)	570,997	570,997
Carrying value of subsidiaires, joint ventures and associates under the equity method of accounting (plus)	561,720	574,368
Total	**13,398**	**1,383**

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Signatures of the Management Board to the Annual Report 2019-20

We hereby confirm the correctness of the information presented in the Annual Report 2019-20 of the consolidated group of MSSL Estonia WH OÜ:

Gaya Nand Gauba

Member of the Management Board

24 September 2020

Building a better working world

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Translation of the Estonian Original

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of MSSL ESTONIA WH OÜ

Opinion

We have audited the consolidated financial statements of MSSL ESTONIA WH OÜ and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 March 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

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 consolidated financial statements*" section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (including International Independence Standards) (Estonia), and we have fulfilled our other ethical responsibilities in accordance with the requirements of code of ethics.

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

Other information

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

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 September 2020

Olesia Abramova
Authorised Auditor's number 561
Ernst & Young Baltic AS
Audit Company's Registration number 58

Proposal for profit allocation

The Management Board of MSSL Estonia WH OÜ proposes to the General Meeting of Shareholders to distribute the profit as follows

EUR 1,000

Total distributable profit as of 31.3.2020	35,805
Transfer to legal mandatory reserve	-
Dividend distribution	-
Profit brought forward	19,720
Retained earnings as of 31.3.2020	55,525

Gaya Nand Gauba

Member of the Management Board

24 September 2020

Sales revenue distribution according to EMTAK

2019-20 sales revenue divided according to EMTAK codes is as the following

EUR 1,000	1.4.19 to 31.3.20	1.4.18 to 31.3.19
Total Revenue	-	-