

MSSL WH System (Thailand) Limited
Report and financial statements
31 March 2020



EY Office Limited
33rd Floor, Lake Rajada Office Complex
193/136-137 Rajadapisek Road
Klongtoey, Bangkok 10110
G.P.O.Box 1047, Bangkok 10501, Thailand
Tel: +66 2264 9090
Fax: +66 2264 0789-90
ey.com

บริษัท อัยการอิสระ จำกัด
ชั้น 33 อาคารเลกซ์ดา
193/136-137 ถนนรัชดาภิเษก
คลองเตย กรุงเทพฯ 10110
จ.ป.บ. 1047 กรุงเทพฯ 10501
โทรศัพท์: +66 2264 9090
โทรสาร: +66 2264 0789-90
ey.com

Independent Auditor's Report

To the Shareholders of MSSL WH System (Thailand) Limited

Opinion

I have audited the accompanying financial statements of MSSL WH System (Thailand) Limited (the Company), which comprise the statement of financial position as at 31 March 2020, and the related statements of income and changes in shareholders' equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MSSL WH System (Thailand) Limited as at 31 March 2020 and its financial performance for the year then ended in accordance with Thai Financial Reporting Standards for Non-Publicly Accountable Entities.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

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

Supanee Triyanantakul

Certified Public Accountant (Thailand) No. 4498

EY Office Limited

Bangkok: 29 July 2020

MSSL WH System (Thailand) Limited

Statement of financial position

As at 31 March 2020

			(Unit: Baht)
	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Assets			
Current assets			
Cash and cash equivalents	5	9,911,850	35,375,595
Trade and other receivables	6	170,769,856	102,525,221
Inventories	7	157,564,385	131,506,483
Value added tax receivables		21,280,374	19,824,591
Other current assets		1,082,859	475,884
Total current assets		<u>360,609,324</u>	<u>289,707,774</u>
Non-current assets			
Restricted bank deposits	5	1,001,000	1,001,000
Building leasehold improvement and equipment	8	187,795,949	203,416,317
Deposits		1,387,560	1,433,560
Total non-current assets		<u>190,184,509</u>	<u>205,850,877</u>
Total assets		<u><u>550,793,833</u></u>	<u><u>495,558,651</u></u>

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

MSSL WH System (Thailand) Limited
Statement of financial position (continued)
As at 31 March 2020

		(Unit: Baht)	
	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans from financial institutions	9	80,000,000	117,500,000
Trade and other payables	10	91,645,049	63,841,694
Current portion of long-term loans	11	40,000,000	-
Current portion of long-term loans from related companies	12	50,329,800	41,572,050
Short-term provisions	13	-	2,000,000
Other current liabilities		480,246	2,567,627
Total current liabilities		<u>262,455,095</u>	<u>227,481,371</u>
Non-current liabilities			
Long-term loans - net of current portion	11	110,000,000	100,000,000
Long-term loans from related companies - net of current portion	12	-	49,478,500
Provision for long-term employee benefits	13	5,122,070	3,365,294
Total non-current liabilities		<u>115,122,070</u>	<u>152,843,794</u>
Total liabilities		<u>377,577,165</u>	<u>380,325,165</u>

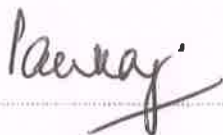
The accompanying notes are an integral part of the financial statements.

MSSL WH System (Thailand) Limited
Statement of financial position (continued)
As at 31 March 2020

(Unit: Baht)

	<u>2020</u>	<u>2019</u>
Shareholders' equity		
Share capital		
Registered		
15,000,000 ordinary shares of Baht 10 each	150,000,000	150,000,000
Issued and fully paid up		
15,000,000 ordinary shares of Baht 10 each	150,000,000	150,000,000
Unappropriated (deficits)	23,216,668	(34,766,514)
Total shareholders' equity	<u>173,216,668</u>	<u>115,233,486</u>
Total liabilities and shareholders' equity	<u>550,793,833</u>	<u>495,558,651</u>

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







Directors

MSSL WH System (Thailand) Limited

Income statement

For the year ended 31 March 2020

		(Unit: Baht)	
	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Sales	14	580,492,202	533,096,801
Cost of sales		(447,964,232)	(422,161,619)
Gross profit		<u>132,527,970</u>	<u>110,935,182</u>
Gain on exchange		1,836,321	1,985,524
Other income		2,426,893	2,274,338
Profit before expenses		<u>136,791,184</u>	<u>115,195,044</u>
Selling expenses		4,709,925	4,047,290
Administrative expenses		63,893,175	53,329,331
Total expenses		<u>68,603,100</u>	<u>57,376,621</u>
Profit before finance cost		<u>68,188,084</u>	<u>57,818,423</u>
Finance cost		(10,204,902)	(9,161,122)
Net profit for the year		<u><u>57,983,182</u></u>	<u><u>48,657,301</u></u>

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

MSSL WH System (Thailand) Limited
Statement of changes in shareholders' equity
For the year ended 31 March 2020

(Unit: Baht)

	Issued and fully paid-up share capital	Unappropriated (deficits)	Total
Balance as at 1 April 2018	150,000,000	(83,423,815)	66,576,185
Net profit for the year	-	48,657,301	48,657,301
Balance as at 31 March 2019	<u>150,000,000</u>	<u>(34,766,514)</u>	<u>115,233,486</u>
Balance as at 1 April 2019	150,000,000	(34,766,514)	115,233,486
Net profit for the year	-	57,983,182	57,983,182
Balance as at 31 March 2020	<u>150,000,000</u>	<u>23,216,668</u>	<u>173,216,668</u>

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

MSSL WH System (Thailand) Limited

Notes to financial statements

For the year ended 31 March 2020

1. General information

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

2. Basis of preparation

The financial statements have been prepared in accordance with Thai Financial Reporting Standards for Non-Publicly Accountable Entities as issued by the Federation of Accounting Professions and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

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

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

3. Significant accounting policies

3.1 Revenue recognition

Sales of goods

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

Interest income

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

3.2 Cash and cash equivalents

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

3.3 Trade accounts receivable

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

3.4 Inventories

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

3.5 Building leasehold improvement and equipment/Depreciation

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

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

Buildings and leasehold improvement	-	5 - 14 years
Machinery and factory equipment	-	9 - 10 years
Office equipment	-	6 years
Motor vehicles	-	4 years
Computer	-	3 years

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

3.6 Long-term leases

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

3.7 Foreign currencies

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

Gains and losses on exchange are included in determining income.

3.8 Provisions

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

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

For a provision for dismantling and restoring of leased buildings, the Company reserves the provision by determining the condition for returning the leased premises and the cost of dismantling and restoring per square metre, and leased areas. Initial estimated cost of dismantling and removing the assets and restoring leasehold improvement was estimated by the Company's management. The management exercises judgments to determine the reasonableness of this initial estimate.

3.9 Income tax

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

4. Use of accounting estimates

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

5. Cash and cash equivalents

	(Unit: Baht)	
	2020	2019
Cash on hand	153,727	296,448
Cash at bank	10,759,123	36,080,147
	10,912,850	36,376,595
Less: Deposit at bank pledged as collateral	(1,001,000)	(1,001,000)
	9,911,850	35,375,595

As at 31 March 2020, the deposit amount of 1,001,000 Baht (2019: Baht 1,001,000) has been pledged as collateral for bank guarantees as mentioned in Note 15.3.

6. Trade and other receivables

	(Unit: Baht)	
	2020	2019
Trade accounts receivable - third parties	155,142,946	88,516,829
Trade accounts receivable - related companies	11,174,105	8,519,904
Deposit - current portion	3,352,416	4,424,016
Advance to employees	142,808	123,783
Prepaid expenses	957,581	940,689
Total	170,769,856	102,525,221

7. Inventories

	(Unit: Baht)					
	Cost		Reduce cost to net realisable value		Inventories-net	
	2020	2019	2020	2019	2020	2019
Finished goods	16,844,242	10,413,921	(383,281)	(266,904)	16,460,961	10,147,017
Work in process	39,632,671	30,639,652	(475,021)	(804,617)	39,157,650	29,835,035
Raw materials	91,661,951	81,849,406	(2,996,158)	(2,293,404)	88,665,793	79,556,002
Goods in transit	13,279,981	11,968,429	-	-	13,279,981	11,968,429
Total	161,418,845	134,871,408	(3,854,460)	(3,364,925)	157,564,385	131,506,483

During the current year, the Company reduced cost of inventories by Baht 819,131 (2019: Baht 880,132), to reflect the net realisable value. This was included in cost of sales. In addition, the Company reversed the write-down of cost of inventories by Baht 329,596 (2019: Baht 279,843), and reduced the amount of inventories recognised as expenses during the year.

8. Building leasehold improvement and equipment

(Unit: Baht)

	Building and leasehold improvement	Machinery and factory equipment	Office equipment	Motor vehicles	Computer	Assets under installation	Total
Cost							
1 April 2018	9,955,383	48,342,303	1,736,490	5,843,525	2,400,535	384,000	68,662,236
Additions	-	233,422	332,000	-	202,405	175,687,322	176,455,149
31 March 2019	9,955,383	48,575,725	2,068,490	5,843,525	2,602,940	176,071,322	245,117,385
Additions	-	105,256	626,333	-	-	-	731,589
Write-off	(9,955,383)	-	-	-	-	-	(9,955,383)
Transfers in (out)	176,071,322	-	-	-	-	(176,071,322)	-
31 March 2020	176,071,322	48,680,981	2,694,823	5,843,525	2,602,940	-	235,893,591
Accumulated depreciation							
1 April 2018	5,786,343	18,743,193	796,413	5,315,829	2,107,218	-	32,748,996
Depreciation for year	3,122,032	5,003,565	312,532	327,700	186,243	-	8,952,072
31 March 2019	8,908,375	23,746,758	1,108,945	5,643,529	2,293,461	-	41,701,068
Depreciation for year	9,996,746	5,022,730	268,474	199,996	166,006	-	15,653,952
Depreciation on write-off	(9,257,378)	-	-	-	-	-	(9,257,378)
31 March 2020	9,647,743	28,769,488	1,377,419	5,843,525	2,459,467	-	48,097,642
Net book value							
31 March 2019	1,047,008	24,828,967	959,545	199,996	309,479	176,071,322	203,416,317
31 March 2020	166,423,579	19,911,493	1,317,404	-	143,473	-	187,795,949

9. Short-term loans from financial institutions

Short-term loans from financial institutions represented loan in Thai Baht, which are due on 7 May 2020 (2019: Due on 6 August 2019) and bear interest at the rate of 2.56% per annum (2019: 3.07% per annum).

10. Trade and other payables

(Unit: Baht)

	2020	2019
Trade payables - third parties	38,907,191	45,288,332
Trade payables - related companies	45,521,155	15,397,854
Other payables - third parties	510,880	459,526
Other payables - related companies	1,864,800	341,396
Accrued expenses	4,841,023	2,354,586
Total	91,645,049	63,841,694

11. Long-term loans

Long-term loans from banks comprise credit facilities totalling Baht 250 million (2019: 250 million) on which interest is charged at rates based on BIBOR plus 1.45% per annum. Full settlement of these loans is to be made within November 2023. The loans are guaranteed by Motherson Sumi Systems Limited ("the Guarantor").

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

As at 31 March 2020, the long-term credit facilities of the Company which have not yet been drawn down amounted to Baht 100 million. (2019: 150 million)

12. Long-term loans from related companies

	(Unit: Baht)	
	2020	2019
Long-term loans from related companies	50,329,800	91,050,550
Less: Current portion	(50,329,800)	(41,572,050)
Long-term loans, net of current portion	-	49,478,500

As at 31 March 2020, long-term loans from related companies consist of loans amounting to Baht 17,500,000 bearing interest at the rate of 3.00% per annum and due within 30 June 2020; and amounting to USD 1,000,000, bearing interest at the rate of LIBOR plus 1.5% per annum and due within 20 March 2021.

As at 31 March 2019, long-term loans from related companies consist of loans amounting to Baht 17,500,000 bearing interest at the rate of 3.00% per annum and due on 30 June 2020; and amounting to USD 1,300,000 and USD 1,000,000, bearing interest at the rate of LIBOR plus 1.5% per annum and due within September 2019 and March 2021, respectively.

13. Provisions

	(Unit: Baht)		
	Long-term employee benefits	Dismantling and restoring of leased buildings	Total
At 1 April 2018	2,169,354	-	2,169,354
Increase during the year	1,195,940	2,000,000	3,195,940
At 31 March 2019	3,365,294	2,000,000	5,365,294
Increase during the year	1,756,776	-	1,756,776
Utilised	-	(1,760,515)	(1,760,515)
Reversal of provisions	-	(239,485)	(239,485)
At 31 March 2020	5,122,070	-	5,122,070
2020			
Non-current	5,122,070	-	5,122,070
	5,122,070	-	5,122,070
2019			
Current	-	2,000,000	2,000,000
Non-current	3,365,294	-	3,365,294
	3,365,294	2,000,000	5,365,294

Long-term employee benefits

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

Dismantling and restoring of leased buildings

The Company recognised a provision for dismantling of leasehold improvement. The Company is committed to restoring the construction thereon before returning the leased buildings to the lessor.

14. Promotional privileges

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

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

(Unit: Baht)

	Promoted operations		Non-promoted operations		Total	
	2020	2019	2020	2019	2020	2019
Sales						
Domestic sales	404,098,647	349,327,005	1,413	-	404,100,060	349,327,005
Export sales	166,547,417	172,572,389	9,844,725	11,197,407	176,392,142	183,769,796
Total sales	570,646,064	521,899,394	9,846,138	11,197,407	580,492,202	533,096,801

15. Commitments and contingent liabilities

15.1 Capital commitments

As at 31 March 2020, the Company had capital commitments of approximately JPY 0.5 million (2019: Baht 9 million), relating to acquisition of equipment (2019: relating to the construction of factory buildings and acquisition of machinery).

15.2 Operating lease commitments

The Company has entered into several lease agreements in respect of the lease of land and factory. The terms of the agreements are generally between 2 to 15 years.

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

(Unit: Baht)

	As at 31 March	
	2020	2019
Payable:		
In up to 1 year	2,948,180	6,834,696
In over 1 and up to 5 years	9,642,720	9,642,720
In over 5 years	19,687,220	22,097,900

15.3 Guarantees

As at 31 March 2020, there were outstanding bank guarantees of approximately Baht 1,200,327 issued by a financial institution on behalf of the Company in respect of electricity and duty of the Customs Department (2019: Baht 1,200,327).

16. Approval of financial statements

These financial statements were authorised for issue by authorised directors of the Company on 29 July 2020.