

**MOTHERSON ELECTRICAL WIRES LANKA
(PRIVATE) LIMITED**

FINANCIAL STATEMENTS

31 MARCH 2020

GSM/DS/DM

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF MOTHERSON ELECTRICAL WIRES LANKA (PRIVATE) LIMITED**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Motherson Electrical Wires Lanka (Private) Limited, which comprise the statement of financial position as at 31 March 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2020 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for Small and Medium-Sized Entities ("SLFRS for SMEs").

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards for Small and Medium-Sized Entities ("SLFRS for SMEs"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



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Auditor's responsibilities for the audit of the financial statements

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.



19 May 2020
Colombo

Motherson Electrical Wires Lanka (Private) Limited

STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 USD	2019 USD
Assets			
Non-Current Assets			
Property, Plant and Equipment	4	550,297	769,061
		<u>550,297</u>	<u>769,061</u>
Current Assets			
Inventories	5	1,411,696	1,309,253
Prepayments and Other Receivables	6	397,920	149,912
Amounts Due from Related Parties	7	4,298,966	1,506,272
Short-term Deposits	8	-	4,000,000
Bank Balances and Cash	8	203,654	1,150,842
		<u>6,312,236</u>	<u>8,116,279</u>
Total Assets		<u>6,862,533</u>	<u>8,885,340</u>
Equity and Liabilities			
Equity			
Stated Capital	9	151,814	151,814
Retained Earnings		5,762,735	7,766,241
Total Equity		<u>5,914,549</u>	<u>7,918,055</u>
Non-Current Liabilities			
Employee Defined Benefit Liabilities	10	47,534	43,487
Deferred Tax Liability	17	60,031	88,672
		<u>107,565</u>	<u>132,159</u>
Current Liabilities			
Trade Payables and Other Payables	11	748,482	147,789
Amounts Due to Related Parties	12	36,887	38,934
Income Tax Payable		55,050	648,230
Bank Overdraft	8	-	173
		<u>840,419</u>	<u>835,126</u>
Total Liabilities		<u>947,984</u>	<u>967,285</u>
Total Equity and Liabilities		<u>6,862,533</u>	<u>8,885,340</u>

These Financial Statements are in compliance with the requirements of the Companies Act No.07 of 2007.

[Signature]

Head of Finance

The Board of Directors is responsible for these Financial Statements.

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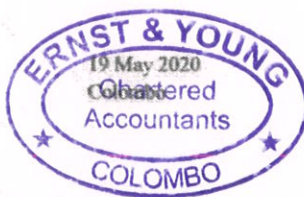
Director

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Director

The accounting policies and notes on pages 07 through 20 form an integral part of the Financial Statements.



STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2020

	Notes	2020 USD	2019 USD
Revenue	13	19,344,427	23,274,762
Cost of Sales		(13,916,241)	(16,580,733)
Gross Profit		5,428,186	6,694,029
Administrative Expenses		(475,927)	(458,248)
Distribution Costs		(169,422)	(157,309)
Operating Profit		4,782,837	6,078,472
Other Income		450	-
Finance Income	14	26,087	12,789
Finance Costs	15	(10,877)	(14,639)
Profit before Tax	16	4,798,497	6,076,622
Income Tax Expense	17	(611,657)	(852,999)
Profit for the year		4,186,840	5,223,623
Other Comprehensive Income			
<i>Other Comprehensive Income not to be Reclassified to Comprehensive Income in Subsequent Periods</i>			
Re-measurement (Loss)/Gain on Employee Defined Benefit Liabilities	10	(1,729)	10,042
Deferred Tax Attributable to Re-measurement of Employee Defined Benefit Liabilities	17	242	(1,406)
Other Comprehensive Income for the year		(1,487)	8,636
Total Comprehensive Income for the year		4,185,353	5,232,259
Basic Earnings per Share	18	2.88	3.59
Dividend per Share	19	4.25	3.09

The accounting policies and notes on pages 07 through 20 form an integral part of the Financial Statements.



STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2020

	Stated Capital USD	Retained Earnings USD	Total USD
Balance as at 01 April 2018	151,814	7,033,982	7,185,796
Profit for the year	-	5,223,623	5,223,623
Other Comprehensive Income	-	8,636	8,636
Total Comprehensive Income	-	5,232,259	5,232,259
Dividend paid - 2018	-	(4,500,000)	(4,500,000)
Balance as at 31 March 2019	<u>151,814</u>	<u>7,766,241</u>	<u>7,918,055</u>
Balance as at 01 April 2019	151,814	7,766,241	7,918,055
Profit for the year	-	4,186,840	4,186,840
Other Comprehensive Income	-	(1,487)	(1,487)
Total Comprehensive Income	-	4,185,353	4,185,353
Dividend paid - 2019	-	(6,188,859)	(6,188,859)
Balance as at 31st March 2020	<u>151,814</u>	<u>5,762,735</u>	<u>5,914,549</u>

The accounting policies and notes on pages 07 through 20 form an integral part of the Financial Statements.



STATEMENT OF CASH FLOWS

Year ended 31 March 2020

	Notes	2020 USD	2019 USD
Operating Activities			
Profit before Tax		4,798,497	6,076,622
Adjustments for:			
Depreciation of Property, Plant and Equipment		230,177	246,398
Gain/ (Loss) on Disposal of Property Plant and Equipment		(450)	5,873
Provision for Obsolete and Slow-moving Inventories		(826)	641
Finance Income	14	(26,087)	(12,789)
Interest Expenses	15	4,446	5,932
Provision for Employee Defined Benefit Liabilities	10	10,228	10,628
Unrealised Exchange Gain	10	(3,294)	(5,682)
Operating Profit before Working Capital Changes		<u>5,012,691</u>	<u>6,327,623</u>
Working Capital Changes:			
Inventories		(101,617)	(128,233)
Prepayments and Other Receivables		(248,008)	(60,752)
Amounts Due from Related Parties		(2,792,694)	879,846
Trade and Other Payables		600,691	(6,468)
Amounts Due to Related Parties		(2,047)	(278,256)
Cash generated from Operations		<u>2,469,016</u>	<u>6,733,760</u>
Interest paid		(4,446)	(5,932)
Finance Income received		26,087	12,789
Employee Defined Benefit Liabilities paid	10	(4,616)	(659)
Income Tax paid		(1,233,236)	(422,220)
Net Cash flows from Operating Activities		<u>1,252,805</u>	<u>6,317,738</u>
Investing Activities			
Acquisition of Property, Plant and Equipment		(11,720)	(65,520)
Proceeds from Disposal of Property, Plant and Equipment		757	522
Net Cash flows used in Investing Activities		<u>(10,962)</u>	<u>(64,998)</u>
Financing Activities			
Dividend paid		(6,188,859)	(4,500,000)
Net Cash flows used in Financing Activities		<u>(6,188,859)</u>	<u>(4,500,000)</u>
Net Increase in Cash and Cash Equivalents		<u>(4,947,015)</u>	<u>1,752,740</u>
Cash and Cash Equivalents at the beginning of the year	8	<u>5,150,670</u>	<u>3,397,929</u>
Cash and Cash Equivalents at the end of the year	8	<u>203,654</u>	<u>5,150,669</u>

The accounting policies and notes on pages 07 through 20 form an integral part of the Financial Statements.



1. CORPORATE INFORMATION

1.1 General

Motherson Electrical Wires Lanka (Private) Limited is a limited liability Company incorporated and domiciled in Sri Lanka. The registered office of the Company and principal place of operations is No. 32 Miles Stone, Pinnalande Estate, Watareka, Padukka.

1.2 Principal Activities and Nature of Operations

The principal activity of the Company was manufacturing, fabricating and assembling automobile wires.

1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent entity is Motherson Sumi Systems Limited, which is incorporated in India.

1.4 Date of Authorization for Issue

The Financial Statements of Motherson Electrical Wires Lanka (Private) Limited for the year ended 31 March 2020 were authorized for issue in accordance with a resolution of the Board of Directors on 19 May 2020.



2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation and Statement of Compliance

The Financial Statements of the Company comprises the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows together with accounting policies and notes.

The Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards for Small and Medium-Sized Entities ("SLFRS for SMEs") issued by the Institute of Chartered Accountants of Sri Lanka, and also in compliance with the requirements of the Companies Act No. 07 of 2007.

The Financial Statements have been prepared on the historical cost basis and presented in US Dollars (USD), which is the Company's functional and presentation currency.

The accounting policies adopted are consistent with those of the previous financial year.

2.2 Going Concern

The management at the Parent Company level assessed the impact of Covid 19 on the wire division /company operations and the consequential impact of the appropriateness of the use of the going concern assumption in preparation and presentation of the financial statements of the Company.

The Group has major interest in automotive sector and are engaged in serving components (wire requirement) mainly in India. Although, currently there are some temporary disruptions due to lockdown situation in India, all wire plants owned by the MSSSL (including plant in Sri Lanka) has commenced its operations. Indian Car makers and automotive manufacturers have also restarted their production. Further, we believe the Covid 19 will also bring a need for safe mobility and in turn can result in increase in demand for cars and two wheelers. As such, management is confident that the Company will be able to meet budgeted sales and continue as a going concern in the foreseeable future. Based on the above facts management determined that the use of the going concern basis in the preparation and presentation of the financial statements is appropriate

2.3 Foreign Currency

The Financial Statements of the Company are presented in US Dollars. The primary source of income and expenditure of the Company are in US Dollars and hence it is determined that US Dollars as the functional currency of the Company.

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the Statement of Comprehensive Income. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of the initial transactions.

2.4 Comparative Figures

Certain comparatives figures have been reclassified in order to conform to the presentation for the current period. Such reclassifications were made to improve the quality of presentation and do not affect previously reported profit or equity.



2.5 Property, Plant and Equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation. Subsequent costs are included in the assets carrying amount or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Company and the cost can be reliably measured. Other costs are charged to the Statement of Comprehensive Income during the year in which they are incurred.

Property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of the Company's assets for the calculation of depreciation are as follows:

Leasehold improvements	5 years
Office equipment	3 years
Plant and equipment	6 to 10 years
Computers	3 years
Motor vehicles	4 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount being the higher of their fair value less costs to sell and their value in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Statement of Comprehensive Income in the period the item is derecognised.

The assets residual value, useful lives and methods of depreciation of property, plant and equipment are reviewed at each reporting period end, and adjusted prospectively, if appropriate.

2.6 Inventories

Inventories are valued at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition and are determined as follows:

- Raw material are valued at weighted average costs
- Finished goods and work in progress are valued at weighted average costs, which includes all direct expenditure and appropriate share of production overhead based on normal operating capacity
- Goods-in-transits are valued at actual costs

Provision for inventory obsolescence is estimated on a systematic basis and deducted from the gross carrying value of the inventory.

Net realisable value is based on the estimated selling price in the ordinary course of business less any further costs expected to be incurred on completion and disposal.

2.7 Impairment of Non-Financial Assets

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



2.8 Trade and Other Receivables

Trade and other receivables are stated at original invoice amount less allowance for impairment. An estimate for doubtful accounts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

2.9 Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash on hand and at banks, which are subject to an insignificant risk of changes in value.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash on hand and at banks, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

2.10 Impairment of Financial Assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.11 Trade and Other Payables

Trade and other payables are recognised for amounts to be paid in the future for goods, assets or services received, whether billed by the supplier or not.

2.12 Provisions

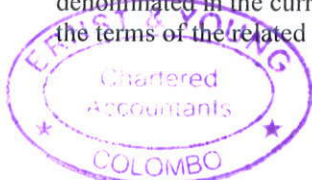
Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

2.13 Employee Benefits

Employee Defined Benefit Plan – Gratuity

Provision has been made in the financial statements for retirement benefit obligations from the first year of service for all employees in conformity with Sri Lanka Accounting Standard (SLFRS for SME Section 28) – Employee Benefits.

The cost of defined benefit plans is determined internally by the management using the projected unit credit method. Projected valuations for defined benefit plans are carried out annually. The discount rate applied in arriving at the present value of the pension liability represents the yield on high quality corporate bonds denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.



Employee Contribution Plan – EPF and ETF

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations. The companies contribute the defined percentages of gross emoluments of employees to the Employees' Provident Fund and to the Employees' Trust Fund respectively, which are externally funded.

2.14 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales taxes.

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of Goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Gains and Losses

Net gains and losses of a revenue nature arising from the disposal of other non-current assets, are accounted in the Statement of Comprehensive Income, after deducting the carrying amount from proceeds on disposal of such assets and the related selling expenses.

Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions, which are not material are aggregated, reported and presented on a net basis.

Interest Income

Interest income is recorded as it accrues using the effective interest method.

Dividend Income

Dividend income is recognized when the Company's right to receive the payments is established.

Others

Other income is recognized on an accrual basis.

2.15 Expenditure Recognition

Expenses are recognized in the Statement of Comprehensive Income on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Statement of Comprehensive Income.

For the purpose of presentation of the Statement of Comprehensive Income, the Directors are of the opinion that "function of expenses" method presents fairly the elements of the Company's performance, and hence such presentation method is adopted.



Finance Costs

Finance costs comprise interest expense on bank overdrafts. Interest expense is recorded as it accrues using the effective interest method.

Operating Leases

Operating lease payments are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Others

Other expenses are recognized on an accrual basis.

2.16 Taxation

Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Taxation

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all temporary differences, except:

- Where the deferred tax liability arises from an asset or liability in a transaction that affects neither the accounting profit nor the taxable profit.

Deferred tax assets are recognized for all deductible differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax assets relating to deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that affects neither the accounting profit nor the taxable profit.

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the deferred tax assets to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the assets are realized or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Deferred tax relating to items recognized outside the Statement of Comprehensive Income is recognized outside the Statement of Comprehensive Income. Deferred tax items are recognized in correlation to the underlying transaction either in the Statement of Comprehensive Income or Statement of Other Comprehensive Income.



Turnover Based Taxes

Turnover based taxes include Value Added Tax, Nation Building Tax and Economic Service Charge. The Company pay such taxes in accordance with the respective statutes.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the reporting date, gross inventories of the Company were USD 1,411,699 (2019: USD 1,309,253) with provision for obsolete and slow-moving inventories amounting to USD 5,016 (2019: 4,190).

Employee Defined Benefit Plan – Gratuity

Provision has been made in the financial statements for retirement benefit obligations from the first year of service for all employees in conformity with Sri Lanka Accounting Standard (SLFRS for SME Section 28) – Employee Benefits.

The cost of defined benefit plans is determined internally by the management using the projected unit credit method. Projected valuations for defined benefit plans are carried out annually. The discount rate applied in arriving at the present value of the pension liability represents the yield on high quality corporate bonds denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Going Concern

The management at the Parent Company level assessed the impact of Covid 19 on the wire division /company operations and the consequential impact of the appropriateness of the use of the going concern assumption in preparation and presentation of the financial statements of the Company.

The Group has major interest in automotive sector and are engaged in serving components (wire requirement) mainly in India. Although, currently there are some temporary disruptions due to lockdown situation in India, all wire plants owned by the MSSL (including plant in Sri Lanka) has commenced its operations. Indian Car makers and automotive manufacturers have also restarted their production. Further, we believe the Covid 19 will also bring a need for safe mobility and in turn can result in increase in demand for cars and two wheelers. As such, management is confident that the Company will be able to meet budgeted sales and continue as a going concern in the foreseeable future. Based on the above facts management determined that the use of the going concern basis in the preparation and presentation of the financial statements is appropriate



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2020

4. PROPERTY, PLANT AND EQUIPMENT

Gross Carrying Amounts	Balance As at 01.04.2019 USD	Additions USD	Disposals USD	Balance As at 31.03.2020 USD
At Cost				
Leasehold Improvements	229,787	-	-	229,787
Office Equipment	40,478	11,720	-	52,198
Plant and Equipment	4,053,373	-	-	4,053,373
Computers	68,061	1,064	-	69,125
Motor Vehicles	77,022	-	(2,098)	74,924
Total Value of Depreciable Assets	4,468,721	12,784	(2,098)	4,479,407
In the Course of Construction				
Capital Work-In-Progress	1,064	-	(1,064)	-
	1,064	-	(1,064)	-
Total Gross Carrying Amount	4,469,785	12,784	(3,162)	4,479,407
Accumulated Depreciation	Balance As at 01.04.2019 USD	Charge for the year USD	Disposals USD	Balance As at 31.03.2020 USD
At Cost				
Leasehold Improvements	179,581	12,618	-	192,199
Office Equipment	29,424	6,582	-	36,006
Plant and Equipment	3,367,588	198,902	-	3,566,490
Computers	58,749	6,041	-	64,790
Motor Vehicles	65,381	6,032	(1,791)	69,623
Total Depreciation	3,700,724	230,177	(1,791)	3,929,108
Net Book Value			31.03.2020 USD	01.04.2019 USD
Leasehold Improvements			37,587	50,206
Office Equipment			16,191	11,054
Plant and Equipment			486,884	685,785
Computers			4,334	9,311
Motor Vehicles			5,301	11,641
			550,297	767,997
Capital Work-In-Progress			-	1,064
			-	1,064
			550,297	769,061

4.1 During the period, the Company acquired property, plant and equipment to the aggregate value of USD 12,784 (2019: USD 74,982). Cash/Bank payments amounting to USD 12,784 (2019: USD 65,520) were made during the period for purchase of property, plant and equipment.

4.2 Property, plant and equipment includes fully depreciated assets having gross carrying amounts of USD 2,549,896 (2019: USD 2,183,729) and continue to be in use by the Company.

4.3 The building have been constructed on a leasehold land under an operating lease from D.P.S Global (Private) Limited for a period of 5 years commencing from 01 January 2019. The Company expensed USD 64,660 per annum as lease rental.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2020

5. INVENTORIES	2020 USD	2019 USD
Raw Materials	298,473	696,807
Work in Progress	761,318	380,297
Finished Goods	292,981	71,573
Goods in Transit	63,114	165,592
	<u>1,415,886</u>	<u>1,314,269</u>
Provision for Obsolete and Slow-moving Inventories	(4,190)	(5,016)
	<u>1,411,696</u>	<u>1,309,253</u>

Movements in the provision for obsolete and slow-moving inventories are as follows:

At 1 April	5,016	4,375
Provided during the year	(826)	641
As at 31 March	<u>4,190</u>	<u>5,016</u>

6. PREPAYMENTS AND OTHER RECEIVABLES	2020 USD	2019 USD
Deposits and Advances	344,296	103,890
Prepayments	4,875	5,904
Other Receivables	48,749	40,118
	<u>397,920</u>	<u>149,912</u>

7. AMOUNTS DUE FROM RELATED PARTIES		2020 USD	2019 USD
Trade Receivables	Relationship		
Kyungshin Industrial Motherson Limited	Affiliate	4,112,551	1,409,947
Motherson Sumi Systems Limited	Parent	186,415	92,576
Motherson Sumi Electric Wires, Bangalore ("A Division of Motherson Sumi Systems Limited")		-	3,749
		<u>4,298,966</u>	<u>1,506,272</u>
		<u>4,298,966</u>	<u>1,506,272</u>

Transactions with related parties are disclosed in Note 23.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2020

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows include the following statement of financial position amounts:

	2020 USD	2019 USD
Favourable Cash and Cash Equivalent Balances		
Cash on Hand	528	442
Bank Balances	203,126	1,150,400
Bank Balances and Cash	203,654	1,150,842
Short-term Deposits	-	4,000,000
	203,654	5,150,842
Unfavourable Cash and Cash Equivalent Balances		
Bank Overdraft	-	(173)
Total Cash and Cash Equivalents for the purpose of Cash Flow Statement	203,654	5,150,669

9. STATED CAPITAL

	2020 Number	2019 Number	2020 USD	2019 USD
Fully Paid Ordinary Shares	1,456,202	1,456,202	151,814	151,814

10. EMPLOYEE DEFINED BENEFIT LIABILITIES

	2020 USD	2019 USD
At the beginning of the year	43,487	49,242
Current Service Cost	6,494	6,294
Interest Cost	3,734	4,334
Actuarial Loss/(Gain)	1,729	(10,042)
Benefits paid	(4,616)	(659)
Exchange Gain	(3,294)	(5,682)
At the end of the year	47,534	43,487

Following principal assumptions were used in determining employee defined benefit liabilities:

	2020	2019
Future salary increases	10.50%	11%
Discount rate	9.99%	11.24%



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2020

11. TRADE AND OTHER PAYABLES

	2020 USD	2019 USD
Accrued Expenses	4,695	6,042
Trade Payables	640,992	86,903
Other Payables	102,795	54,844
	<u>748,482</u>	<u>147,789</u>

12. AMOUNTS DUE TO RELATED PARTIES

		2020 USD	2019 USD
Other Payables	Relationship		
Sumitomo Wiring Systems Limited, Japan	Affiliate	1,392	16,323
Motherhood Sumi InfoTech and Design Limited	Affiliate	5,667	281
Motherhood Air Travel Agencies Limited	Affiliate	937	827
Motherhood Sumi Electric Wires, Noida ("A Division of Motherhood Sumi Systems Limited")	Affiliate	-	3,239
Motherhood Auto Limited	Affiliate	1,263	-
Edcol Global Pte. Limited	Affiliate	1,968	743
Motherhood Sumi Systems Limited, GmbH	Affiliate	25,660	17,521
		<u>36,887</u>	<u>38,934</u>

Transactions with related parties are disclosed in Note 23.

13. REVENUE

	2020 USD	2019 USD
Export Sales	19,343,224	23,268,788
Local Sales	1,203	5,974
	<u>19,344,427</u>	<u>23,274,762</u>

14. FINANCE INCOME

	2020 USD	2019 USD
Interest Income from Short Term Deposits	26,087	12,769
Exchange rate fluctuation	-	20
	<u>26,087</u>	<u>12,789</u>

15. FINANCE COSTS

	2020 USD	2019 USD
Bank Charges	6,431	8,707
Interest Expenses on Bank Overdraft	2,450	5,932
Interest on long term Borrowing	1,996	-
	<u>10,877</u>	<u>14,639</u>



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2020

16. PROFIT BEFORE TAX

Profit before tax is stated after charging all expenses including the following:

	2020 USD	2019 USD
<i>Included in Cost of Sales:</i>		
Cost of Material Consumed	13,037,674	15,690,072
Employee Benefits including the following:	115,506	111,793
- Employee Defined Benefit Liabilities - Gratuity	3,375	4,020
- Defined Contribution Plan Costs - EPF and ETF	6,234	7,894
Depreciation	208,421	223,109
Royalty	28,544	16,323
<i>Included in Administrative Expenses:</i>		
Employee Benefits including the following:	237,830	236,299
- Employee Defined Benefit Liabilities - Gratuity	6,852	6,606
- Defined Contribution Plan Costs - EPF and ETF	12,658	12,717
Professional Charges	47,924	32,101
Depreciation	21,755	23,289
Auditors Remuneration	7,465	7,968
Loss on Disposal of Property, Plant and Equipment	-	5,873
Legal Fees	132	3,487

17. INCOME TAX EXPENSES

17.1 The major components of income tax expense for the year ended 31 March are as follows:

Statement of Comprehensive Income

Current Income Tax

Current Income Tax Expense	701,080	876,987
Over / Under Adjustment	(61,024)	-
	<u>640,056</u>	<u>876,987</u>

Deferred Income Tax

Deferred Taxation Charge/ (Reversal)	(28,399)	(23,988)
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Income Tax Expense recognised in Statement of Comprehensive Income

	<u>611,657</u>	<u>852,999</u>
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Statement of Other Comprehensive Income

Deferred Tax attributable to re-measurement of Employee Defined Benefit Liabilities	(242)	1,406
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Deferred Tax (Reversal)/Charge recognised in Statement of Other Comprehensive Income

	<u>(242)</u>	<u>1,406</u>
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17.2 Reconciliation between Current Tax Expense and Accounting Profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial year ended 31 March are as follows:

Profit before Tax	4,798,497	6,076,622
Disallowable Expenses	240,876	262,898
Allowable Expenses	(57,745)	(100,864)
Taxable Business Income	<u>4,981,628</u>	<u>6,238,656</u>

Other Sources of Income

Interest Income	26,087	12,769
Taxable Other Income	<u>26,087</u>	<u>12,769</u>

Income Tax at 14% on Taxable Business Income

697,428

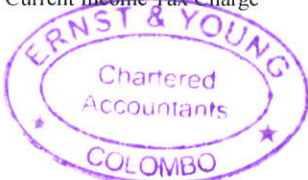
Income Tax at 14% on Taxable Other Income

3,652

Current Income Tax Charge

701,080

876,987



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2020

17. INCOME TAX EXPENSE (Contd...)

17.3 Deferred Tax Liability

	Statement of Financial Position		Statement of Comprehensive Income	
	2020 USD	2019 USD	2020 USD	2019 USD
Accelerated Depreciation for Tax Purposes	66,686	94,760	(28,074)	(23,388)
Employee Defined Benefit Liabilities	(6,655)	(6,088)	(567)	806
Deferred Tax Charge			(28,641)	(22,582)
Net Deferred Tax Liability	60,031	88,672		
Deferred Tax Charge/(Reversal) during the year recognised in the Statement of Comprehensive Income			(28,399)	(23,988)
Deferred Tax (Reversal)/Charge during the year recognised in the Statement of Other Comprehensive Income			(242)	1,406
			(28,641)	(22,582)

18. EARNINGS PER SHARE

Basic Earnings per Share

Basic earning per share is calculated by dividing the profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

	2020 USD	2019 USD
Amount used as the Numerator:		
Profit for the year attributable to ordinary shareholders of the Company	4,186,840	5,223,623
Number of Ordinary Shares used as the Denominator:		
Weighted average number of ordinary shares	1,456,202	1,456,202
Basic Earnings per Share	2.88	3.59

19. DIVIDEND PER SHARE

Dividend per share is calculated by considering the dividend paid for the year divided by the number of shares in issue which ranked for those divided.

	2020 USD	2019 USD
Dividend paid	6,188,859	4,500,000
Dividend per Ordinary Share	4.25	3.09

20. CONTINGENCIES AND COMMITMENTS

There were no material contingent liabilities outstanding at the reporting date.

As at reporting date, the Company has following operating lease and other commitments.

The Company has an annual commitment of USD 2,750 as ground rent to the Board of Investment of Sri Lanka.

The Company has to pay 1% royalty charge to Sumitomo Wiring Systems Limited calculated on sales less cost of material applicable to such sales.

The Company has an annual commitment to pay USD 64, 660 as factory rent up to 31 December 2023 and thereafter the rent will be determined under the new terms and conditions.

On 25th February 2019, The Company has submit an appeal against an assessment issued by Department of Inland Revenue Sri Lanka dated on 30th May 2018 in relation to the taxable income for the Y/A 2015/2016. As per the assessment, the tax in default amounted to USD 445,561/- (Rs. 79,964,876/-) and the penalty thereon amounted to USD 226,373/- (Rs. 40,627,243.55). The appeal is valid till 25-02-2021. No provision has been made in these financial statements in respect of the above assessment, as the directors of the Company are confident that there is no likelihood of additional tax payments resulting on the same.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2020

21. ASSETS PLEDGED

There were no assets pledged as at the reporting date. Bank Overdrafts are secured over Plant & Machinery and Debtors.

22. EVENTS AFTER THE REPORTING DATE

There have been no material events occurring after the reporting date that require adjustments to or disclosures in the financial statements.

23. RELATED PARTY DISCLOSURES

Related parties represent the shareholders and key management personnel of the Company and entities controlled or jointly controlled by such parties. Pricing policies and terms of transactions with these related parties are approved by the Company's management.

Related Party Transactions

Transactions with related parties are as follows:

Related Party	Relationship	Nature of Transaction	Transaction Value	
			2020 USD	2019 USD
Kyungshin Industrial Motherhood Limited	Affiliate	Sales of PVC Insulated Wires	16,162,636	19,792,165
Motherhood Sumi Systems Limited	Parent	Sales of PVC Insulated Wires	3,180,587	3,011,821
Motherhood Sumi Electric Wires, Noida ("A Division of Motherhood Sumi Systems Limited")	Affiliate	Sales of PVC Insulated Wires	-	232,950
Motherhood Sumi Electric Wires, Chennai ("A Division of Motherhood Sumi Systems Limited")	Affiliate	Purchases of Raw Materials	(1,286,088)	(1,353,703)
Motherhood Sumi InfoTech and Design Limited	Affiliate	Software Maintenance Fee	(36,790)	(24,878)
Sumitomo Wiring Systems Limited, Japan	Affiliate	Royalty Expense	(28,544)	(16,323)
Motherhood Sumi Systems Limited, GmbH	Affiliate	Insurance Advisory Professional Expense	(26,149)	(17,654)
Motherhood Air Travel Agencies Limited	Affiliate	Air Ticket Charges	(9,239)	(9,028)
Motherhood Auto Limited	Affiliate	Maintenance Support Fee	(1,263)	-
Motherhood Sumi Electric Wires, Noida ("Division of Motherhood Sumi Systems Limited")	Affiliate	Purchase of Spare Parts & Misc Expense	(7,568)	(6,331)
Edcol Global Pte. Limited	Affiliate	Purchase of Spare Parts	(5,789)	(5,832)
Motherhood Sumi Electric Wires, Bangalore ("A Division of Motherhood Sumi Systems Limited")	Affiliate	Sale of Consumable Ink	-	3,749
Motherhood Sumi Electric Wires, Bangalore ("A Division of Motherhood Sumi Systems Limited")	Affiliate	Purchase of Spare Parts	(1,692)	-
MSSL WH System (Thailand) Co. Ltd.	Affiliate	Purchase of Spools	(37,978)	(37,978)

The transactions with related parties are made on ordinary course of business. No corporate guarantees provided to/received from related parties.

Related Party Balances

Amounts due from and due to related parties are disclosed in Notes 7 and 12, respectively.

The Company has not recorded any impairment of receivables relating to amounts due from related parties as at 31 March 2020 (2019: Nil). This assessment is undertaken in each financial period through examining the financial position of the related party and the market in which the related party operates.

Transaction with Key Management Personnel

Key Management Personnel include the Board of Directors of the Company.

No Material transactions have taken place during the year with the key management personnel of the Company.

No material transactions have taken place during the year with the parties/entities in which key management personnel or their close family members have control or jointly control, which require disclosure in these financial statements other than those disclosed above.



MOTHERSON ELECTRICAL WIRES LANKA (PRIVATE) LIMITED

**DETAILED EXPENDITURE STATEMENT
YEAR ENDED 31 MARCH 2020**

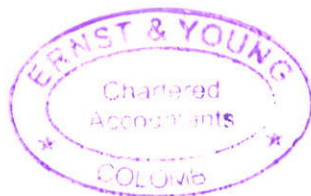
DETAILED EXPENDITURE STATEMENT

Year ended 31 March 2020

STATEMENT I

COST OF SALES

	2020 USD	2019 USD
Cost of Material Consumed	13,037,674	15,690,072
Overhead Expenses		
Salary	60,994	45,427
EPF and ETF	6,234	7,894
Gratuity	3,375	4,020
Bonus and Other Allowances	19,135	14,266
Overtime Expenses	25,768	40,186
Electricity Expenses	174,097	197,950
Depreciation	208,421	223,109
Repair and Maintenance	215,897	153,317
Consumable Stores	47,940	87,573
Factory Rent	64,660	54,636
Royalty	28,544	16,323
Equipment (Moulds & Dies) Expenses	19,725	40,931
Other Expenses (Testing & Others)	2,205	5,029
Uniform Staff	1,572	-
	<u>878,567</u>	<u>890,661</u>
	<u>13,916,241</u>	<u>16,580,733</u>



DETAILED EXPENDITURE STATEMENT

Year ended 31 March 2020

STATEMENT II

ADMINISTRATIVE EXPENSES

	2020 USD	2019 USD
Salary	93,519	94,383
EPF and ETF	12,658	12,717
Gratuity	6,852	6,606
Bonus and Other Allowances	80,492	69,738
Staff Welfare	29,205	35,777
Medical Expenses	8,034	8,907
Staff Rent	4,814	4,960
Training Expenses	208	1,409
Staff Transport	2,048	1,800
Professional Charges	47,924	32,101
Exchange Loss	7,395	-
Computer Maintenance and Software Charges	39,506	27,508
Depreciation	21,755	23,289
Security Charges	23,045	23,576
Vehicle Hire Charges	15,207	18,855
Foreign & Inland Travelling	11,890	20,210
Insurance	15,240	14,293
Repair and Maintenance	1,892	17,803
Audit Fee	7,465	7,968
Telephone Charges	6,858	8,554
Office Expenses	11,223	12,227
Vehicle Repair and Fuel	4,788	5,329
Loss on Disposal of Property, Plant and Equipment	-	5,873
Printing and Stationery	4,969	5,878
Postage and Courier	1,514	3,707
Legal Fee	132	3,487
Other Sundry Expenses	3,097	(24,640)
Service Cost or Conversion Charges	14,197	15,934
	<u>475,927</u>	<u>458,248</u>

STATEMENT III

DISTRIBUTION COST

	2020 USD	2019 USD
Freight and Forwarding	63,152	73,285
Packing Expenses	106,270	84,024
	<u>169,422</u>	<u>157,309</u>

