

Toyoda Gosei Czech, s.r.o.

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2019

Toyoda Gosei Czech, s.r.o.
ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019
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1. The President's Introduction

“The President’s Introduction for the 2018 Fiscal Year”

In 2018, the Company faced many new challenges relating to the general economic situation of constant growth not only in the Czech Republic, but also in the EU. The continuing strong pressure on salary growth coupled with an increased shortage of labour force further exacerbated the decline in profitability compared to prior years. Launching new projects is ever more difficult, which is not only due to recruitment issues, but also the necessity of having work instructions and providing training in multiple languages given the growing number of different nationalities of our employees. In 2018, sales amounted to CZK 4.26 billion, which is similar to the prior year’s performance.

Key Milestones and Projects in 2018:

Safety systems and functional components – During the year, the Company continued in the planned roll-outs of knee-airbag projects for the VW Group directly relating to the production commenced in the prior year. Major projects included the launch of components production for the new Toyota Corolla and Auris models. However, the Company also discontinued a major project during the year, relating to Toyota Avensis. The model was not replaced in the customer’s portfolio. In historical terms, this was a major project with a large volume of components supplied across our divisions.

Weatherstrips (WS) – Key milestones included the commencement of additional Tier2 projects, where the Company supplies a portion of production operations to the fellow subsidiary TG Meteor. These included additional projects for the customer BMW, but newly also for VW and Daimler. Major projects included the launch of production for the Toyota Corolla and Auris models; however, the project faced many difficulties given the increased employee fluctuation and manual difficulty of production. However, the production challenges were not as serious as during the launch of a similar project in the prior year.

The Company also made intensive preparations for new projects. A key project in 2019 will be the new Toyota Yaris, which is produced in Toyota’s French plant and is currently our second biggest project. With the roll-out of the new model, its importance will grow ever further.

In the 2018 fiscal year, the Company reported total sales of safety systems of CZK 2.73 billion (an increase of approx. 2.1% as compared to 2017).

With respect to functional components, products with total sales of CZK 0.48 billion were manufactured and sold (a decrease of 6% as compared to 2017).

The production of sealing components reached total sales of CZK 1.01 billion (an increase of 12% as compared to 2017).

Total sales of LED components amounted to approximately CZK 3.7 million (a decrease of 91% as compared to 2017). As the balance suggests, this activity is being phased out.

The Company also sold production moulds to final customers in the amount of CZK 35.2 million in the 2018 fiscal year (in 2017, sales amounted to CZK 34.2 million).

In late 2018, the number of employees was 1,368, which is comparable to 2017. This is primarily due to the increased productivity and stabilisation of problematic projects. During 2018, the Company continued to work closely with the trade union organisation OS Kovo. Positive communication and understanding were maintained by regular meetings and confirmed when the collective negotiations of conditions for 2019 resulted in an agreement.

The Company also undertakes maximum efforts to minimise the impacts of its activities on the environment. Priorities in this area include emissions released to the atmosphere, and the emissions of all measured pollutants were maintained at last year's levels despite the increase in production. Other priorities include waste management and recycling; in this area, a solution was found once again to recycle or utilise 100 percent of waste.

The Company continues to pursue its goal of becoming Toyoda Gosei's most efficient production unit in Europe.

The Company has no internal development unit.

The Company has no branch or another part of the business abroad, ie outside the Czech Republic.

The Company holds no treasury shares, interim certificates or equity investments, or treasury shares, interim certificates or equity investments of the controlling entity.

2. Report on Related Party Transactions

REPORT ON RELATED PARTY TRANSACTIONS

Toyoda Gosei Czech, s.r.o., registered at Průmyslová 2, 431 51 Klášterec nad Ohří, corporate ID: 26 43 71 71, recorded in the Register of Companies maintained at the Regional Court in Ústí nad Labem, Section C, File 18630 (hereinafter the “**reporting entity**” or “**TGCZ**”), is a member of a business group, within which the relations detailed below exist between the reporting entity and the controlling entities and between the reporting entity and entities controlled by the same controlling entities (hereinafter the “**related parties**”).

This report on relations between the entities specified below was prepared pursuant to Section 82 of Act No. 90/2012 Coll., on Business Corporations, as amended, for the reporting period ended 31 March 2019 (hereinafter the “**reporting period**”).

TGCZ decided not to disclose the amounts of performances related to the listed agreements, for reasons of business secrecy.

The Company is controlled, as standard, by the owner through the General Meeting.

During the reporting period, the reporting entity and the entities listed below entered into the following agreements and adopted or implemented the following legal acts or other measures:

A. STRUCTURE OF THE RELATIONS BETWEEN THE CONTROLLING ENTITY AND THE CONTROLLED ENTITY AND BETWEEN THE CONTROLLED ENTITY AND THE PERSONS CONTROLLED BY THE SAME CONTROLLING ENTITY (manner and means of control)

The controlled entity:

Toyoda Gosei Czech, s.r.o.
Průmyslová 2, 431 51 Klášterec nad Ohří

The main scope of business activities (role) of TGCZ is the production of automotive parts and the purchase and sale of goods.

B. CONTROLLING ENTITIES

TOYODA GOSEI CO., LTD., (“TG”)

Haruhi Nagahata, Kiyosu, Aichi-Prefecture, Japan

Relation to the reporting entity: directly controlling entity – 80%

During the reporting period, the reporting entity sold to the related party the following:

- Products and material based on orders.

During the reporting period, the reporting entity purchased from the related party the following:

- Costs related to product testing based on orders;
- Technical support based on orders;
- Goods and material based on orders;
- Fees from sales based on the license contract;
- Management and coordinator wages based on the contract for the international hiring;
and
- Other low-value supplies.

Toyota Tsusho Corporation, (“TTC”)

9-8, Meieki 4-chome, Nakamura-ku, Nagoya 450-8575, Japan

Corporate ID 1899-01-031731

Relation to the reporting entity: directly controlling entity – 20%

C. OTHER RELATED PARTIES

Toyoda Gosei Europe N.V. (“TGE”)

Planet 2, Unit E 3.0. Leuvensesteenweg 542, 1930 Zaventem, Belgium

Relation to the reporting entity: entity controlled by TG (100%)

During the reporting period, the reporting entity sold to the related party the following:

- IT services; and
- Goods based on orders.

During the reporting period, the reporting entity purchased from the related party the following:

- Technical support and sales support based on contracts; and
- Goods based on orders.

Toyoda Gosei Haiphong Co., Ltd. (“TGHP”)

Land Plot M, Nomura-Haiphong Industrial Zone, Km13, An Duong District, Haiphong City, Vietnam

Relation to the reporting entity: entity controlled by TG (95%) and TTC (5%)

During the reporting period, the reporting entity sold to the related party the following:

- Goods based on orders.

During the reporting period, the reporting entity purchased from the related party the following:

- Administrative costs related to custom proceedings and transport based on orders.

Toyoda Gosei Meteor GmbH (“TG Meteor”)

Ernst-Deger-Strasse 9, 31167 Bockenem, Germany

Relation to the reporting entity: entity controlled by TG (100%)

During the reporting period, the reporting entity sold to the related party the following:

- Goods, material and products based on orders; and
- Support services based on orders.

During the reporting period, the reporting entity purchased from the related party the following:

- Material and goods based on orders;
- Testing services and development based on orders; and
- Packaging based on orders.

Toyoda Gosei North America Corporation (“TGNA”)

1400 Stepheson Highway Troy, Michigan 48083, USA

Relation to the reporting entity: entity controlled by TG (100%)

During the reporting period, the reporting entity sold to the related party the following:

- Fees for bad supplies.

During the reporting period, the reporting entity purchased from the related party the following:

- Material based on orders; and
- Technical support for an information system.

Toyoda Gosei Asia Co., Ltd. ("TGAS")

700/489 Moo 4 Amata Nakorn Industrial Estate, Bangna-trad Highway KM.57, Tambon Bankhao, Amphur Pantong Chonburi 20160, Thailand

Relation to the reporting entity: entity controlled by TG (100%)

Toyoda Gosei (Thailand) Co., Ltd. ("TGT")

700/489 Moo 4 Amata Nakorn Industrial Estate, Bangna Trad Highway KM. 57, Tambon Bankhao, Amphur Pantong, Chonburi 20160, Thailand

Relation to the reporting entity: entity controlled by TGAS (78.5%) and TTC (21.5%)

During the reporting period, the reporting entity sold to the related party the following:

- Goods based on orders.

Toyoda Gosei UK Ltd. ("TGUK")

Bessemer Way Centurion Business Park, Templeborough Rotherham South Yorkshire, S60 1FB UK

Relation to the reporting entity: entity controlled by TG (91.1%) and TTC (8.9%)

During the reporting period, the reporting entity sold to the related party the following:

- Products based on orders; and
- Support IT services based on orders.

During the reporting period, the reporting entity purchased from the related party the following:

- Support services based on orders; and
- Material based on orders.

Toyoda Gosei (Zhangjiagang) Co., Ltd. ("TGZS")

113, Zhonghua Road, Zhangjiagang Free Trade Zone, Jiangsu, Province, 215634, China

Relation to the reporting entity: entity controlled by TG (100%)

During the reporting period, the reporting entity purchased from the related party the following:

- Material based on orders.

Toyoda Gosei Star Light (Tianjin) Auto Parts Co., Ltd. ("TJTG")

No.4 Libei Street Sanjing Road Dongli Development Area Tianjin, 300300, China

Relation to the reporting entity: entity controlled by TG (100%)

During the reporting period, the reporting entity purchased from the related party the following:

- Material and other low value performances based on orders.

Toyota Tsusho Europe S.A., organizační složka v České republice ("TTESA CR")

Plzeňská 3185//5b, 150 00 Prague 5, Smíchov, Czech Republic

Relation to the reporting entity: entity controlled by TTESA (100%)

During the reporting period, the reporting entity sold to the related party the following:

- Products and services based on orders; and
- Administration fees related to bad material supplies based on a framework agreement.

During the reporting period, the reporting entity purchased from the related party the following:

- Material and goods based on a framework agreement;
- Services and other low value performances based on orders; and
- Production machinery and equipment based on orders.

Toyota Tsusho Europe S.A., France branch ("TTESA FR")

Parc d' Activité de la Vallée de l'Escaut BP.10 – ZI No. 9 Ouest 59264 Onnaing, France

Relation to the reporting entity: entity controlled by TTESA (100%)

During the reporting period, the reporting entity purchased from the related party the following:

- Logistics and storage services based on a contract.

Toyota Tsusho Europe S.A. Poland ("TTESA PL")

Poland branch, ul. M. Jachimowicza 6, Walbrzych, 58-306 Poland

Relation to the reporting entity: entity controlled by TTESA (100%)

During the reporting period, the reporting entity sold to the related party the following:

- Products based on orders.

TOYOTA TSUSHO PRAHA s.r.o. ("TT Praha")

Obchodní 105, Čestlice, 25170

Relation to the reporting entity: entity controlled by TTC (100%)

During the reporting period, the reporting entity purchased from the related party the following:

- Passenger car repair service based on an order.

Toyota Tsusho Europe NV ("TTESA")

Belgicastraat 13, 1930 Zaventam, Belgium

Relation to the reporting entity: entity controlled by TTC (100%)

The above-mentioned contracts represent the entire list of valid contracts for the period from 1 April 2018 to 31 March 2019. In the year ended 31 March 2019, no other business performances were made or new contracts concluded beyond the scope of this list.

D. RELATED PARTY TRANSACTIONS IN THE YEAR ENDED 31 MARCH 2019

Income Generated with Related Parties

(CZK '000)						
Entity	Relation to the reporting entity	Goods	Products	Services	Other income	Total
TG	Parent company	86	3 135	0	1 514	4 735
TG Meteor	Ultimate parent company	0	88 711	75	13 956	102 742
TGHP	Ultimate parent company	79 323	0	0	0	79 323
TGT	Ultimate parent company	3 282	0	0	0	3 282
TGUK	Ultimate parent company	0	94 083	0	847	94 930
TGE	Ultimate parent company	0	0	0	2 481	2 481
TGNA	Ultimate parent company	0	0	0	64	64
TTESA CR	Ultimate parent company	0	70 339	76	438	70 853
TTESA PL	Ultimate parent company	0	168	0	0	168
Total		82 691	256 436	151	19 300	358 578

Purchases Made from Related Parties

(CZK '000)						
Entity	Relation to the reporting entity	Goods	Products	Services	Other expenses	Total
TG	Parent company	10 380	337 300	196 335	1 479	545 494
TG Meteor	Ultimate parent company	178	26 259	2 518	398	29 353
TGHP	Ultimate parent company	0	0	317	0	317
TJTG	Ultimate parent company	0	2 991	0	14	3 005
TGUK	Ultimate parent company	0	706	14 428	17	15 151
TGE	Ultimate parent company	2 649	0	29 397	0	32 046
TGNA	Ultimate parent company	0	2 542	1 549	5	4 096
TGZS	Ultimate parent company	0	584	0	0	584
TT Praha	Ultimate parent company	0	0	4	0	4
TTESA CR	Ultimate parent company	172	469 199	1 219	863	471 453
TTESA FR	Ultimate parent company	0	0	51	0	51
Total		13 379	839 581	245 818	2 776	1 101 554

Purchases of Tangible Fixed Assets from Related Parties

(CZK '000)		
Entity	Relation to the reporting entity	Intangible and tangible fixed assets
TTESA CR	Ultimate parent company	52 791
TG Meteor	Ultimate parent company	140
Total		52 931

Dividends Paid to Controlling Entities

In the year ended 31 March 2019, the Company paid the following profit shares:

- TG CZK 39.54 million (31 March 2018: CZK 138.53 million)
- TTC CZK 9.89 million (31 March 2018: CZK 34.63 million)

The information is presented net of tax.

E. CONCLUSION

While exercising due care and diligence, the reporting entity is not aware of any related parties other than those disclosed herein. During the reporting period, the reporting entity took or executed no legal acts in the interest of or at the initiative of the related parties other than those described herein. Our review of the legal relations between the reporting entity and the related parties indicates that the reporting entity incurred no detriment in connection with contractual arrangements or legal acts or other measures that the reporting entity adopted or implemented during the reporting period in the interest of or at the initiative of individual related parties. It can also be stated that no disadvantages ensued to the reporting entity arising from these relations.

In Klášterec nad Ohří on 17 May 2019

Toyoda Gosei Czech, s.r.o.



Kazutaka Murakami
Statutory Executive

3. Financial Statements for the Year Ended 31 March 2019

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Name of the Company: Toyoda Gosei Czech, s.r.o.
Registered Office: Průmyslová 2, 431 51 Klášterec nad Ohří –
District of Chomutov
Legal Status: Limited Liability Company
Corporate ID: 264 37 171

Components of the Financial Statements:

Balance Sheet

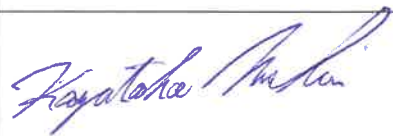
Profit and Loss Account

Statement of Changes in Equity

Cash Flow Statement

Notes to the Financial Statements

These financial statements were prepared on 17 May 2019.

Statutory body of the reporting entity:	Signature
Murakami Kazutaka, Statutory Executive	

BALANCE SHEET full version

Toyoda Gosei Czech, s.r.o.
Corporate ID 264 37 171

As of
31.03.2019
(in CZK thousand)

Průmyslová 2
Kláštorec nad Ohří
District of Chomutov, 43151

		31.03.2019			31.03.2018
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	5 142 389	2 075 106	3 067 283	2 739 935
B.	Fixed assets	3 522 346	2 054 891	1 467 455	1 440 123
<i>B.I.</i>	<i>Intangible fixed assets</i>	<i>141 445</i>	<i>126 238</i>	<i>15 207</i>	<i>16 163</i>
B.I.2.	Valuable rights	138 647	126 238	12 409	15 325
B.I.2.1.	Software	61 620	49 211	12 409	15 260
B.I.2.2.	Other valuable rights	77 027	77 027		65
B.I.5.	Prepayments for intangible fixed assets and intangible fixed assets under construction	2 798		2 798	838
B.I.5.2.	Intangible fixed assets under construction	2 798		2 798	838
<i>B.II.</i>	<i>Tangible fixed assets</i>	<i>3 380 900</i>	<i>1 928 653</i>	<i>1 452 247</i>	<i>1 423 959</i>
B.II.1.	Land and structures	1 204 610	375 619	828 991	794 013
B.II.1.1.	Land	27 235		27 235	27 235
B.II.1.2.	Structures	1 177 375	375 619	801 756	766 778
B.II.2.	Tangible movable assets and sets of tangible movable assets	1 906 597	1 442 523	464 074	455 485
B.II.4.	Other tangible fixed assets	127 438	110 511	16 927	21 769
B.II.4.1.	Perennial crops	7 157	2 379	4 778	5 022
B.II.4.3.	Other tangible fixed assets	120 281	108 132	12 149	16 747
B.II.5.	Prepayments for tangible fixed assets and tangible fixed assets under construction	142 255		142 255	152 692
B.II.5.1.	Prepayments for tangible fixed assets	45 040		45 040	13 877
B.II.5.2.	Tangible fixed assets under construction	97 215		97 215	138 815
<i>B.III.</i>	<i>Non-current financial assets</i>	<i>1</i>		<i>1</i>	<i>1</i>
B.III.3.	Equity investments in associates	1		1	1
C.	Current assets	1 343 956	19 954	1 324 002	1 094 579
<i>C.I.</i>	<i>Inventories</i>	<i>641 739</i>	<i>11 067</i>	<i>630 672</i>	<i>553 677</i>
C.I.1.	Material	363 759	4 052	359 707	319 467
C.I.2.	Work in progress and semifinished goods	30 285		30 285	21 828
C.I.3.	Products and goods	244 594	7 015	237 579	207 052
C.I.3.1.	Products	66 458	4 411	62 047	63 442
C.I.3.2.	Goods	178 136	2 604	175 532	143 610
C.I.5.	Prepayments for inventories	3 101		3 101	5 330
<i>C.II.</i>	<i>Receivables</i>	<i>566 951</i>	<i>8 887</i>	<i>558 064</i>	<i>457 983</i>
C.II.1.	Long-term receivables	521		521	506
C.II.1.5.	Receivables - other	521		521	506
C.II.1.5.4.	Sundry receivables	521		521	506
<i>C.II.2.</i>	<i>Short-term receivables</i>	<i>566 430</i>	<i>8 887</i>	<i>557 543</i>	<i>457 477</i>
C.II.2.1.	Trade receivables	500 305	7 815	492 490	411 330
C.II.2.4.	Receivables - other	66 125	1 072	65 053	46 147
C.II.2.4.3.	State - tax receivables	53 416		53 416	38 493
C.II.2.4.4.	Short-term prepayments made	6 340		6 340	5 046
C.II.2.4.5.	Estimated receivables	2 475		2 475	438
C.II.2.4.6.	Sundry receivables	3 894	1 072	2 822	2 170
<i>C.IV.</i>	<i>Cash</i>	<i>135 266</i>		<i>135 266</i>	<i>82 919</i>
C.IV.1.	Cash on hand	194		194	430
C.IV.2.	Cash at bank	135 072		135 072	82 489
D.	Other assets	276 087	261	275 826	205 233
D.1.	Deferred expenses	10 673		10 673	7 456
D.2.	Complex deferred expenses	45 062		45 062	40 328
D.3.	Accrued income	220 352	261	220 091	157 449

		31.03.2019	31.03.2018
	TOTAL LIABILITIES & EQUITY	3 067 283	2 739 935
A.	Equity	1 440 580	1 498 551
<i>A.I.</i>	<i>Share capital</i>	970 000	970 000
A.I.1.	Share capital	970 000	970 000
<i>A.II.</i>	<i>Share premium and capital funds</i>	256	256
A.II.2.	<i>Capital funds</i>	256	256
A.II.2.1.	Other capital funds	256	256
<i>A.III.</i>	<i>Funds from profit</i>	51 438	51 438
A.III.1.	Other reserve funds	51 438	51 438
<i>A.IV.</i>	<i>Retained earnings (+/-)</i>	427 427	410 949
A.IV.1.	Accumulated profits or losses brought forward (+/-)	427 427	410 949
A.V.	<i>Profit or loss for the current period (+/-)</i>	-8 541	65 908
B.+C.	Liabilities	1 626 621	1 241 384
B.	Reserves	67 410	62 673
B.IV.	Other reserves	67 410	62 673
C.	Payables	1 559 211	1 178 711
<i>C.I.</i>	<i>Long-term payables</i>	26 266	26 761
C.I.4.	Trade payables	6 403	4 525
C.I.8.	Deferred tax liability	19 863	22 236
<i>C.II.</i>	<i>Short-term payables</i>	1 532 945	1 151 950
C.II.2.	Payables to credit institutions	786 900	546 745
C.II.4.	Trade payables	419 634	295 745
C.II.8.	<i>Other payables</i>	326 411	309 460
C.II.8.3.	Payables to employees	35 438	30 247
C.II.8.4.	Social security and health insurance payables	19 814	16 106
C.II.8.5.	State - tax payables and subsidies	3 180	3 263
C.II.8.6.	Estimated payables	267 971	259 825
C.II.8.7.	Sundry payables	8	19
D.	Other liabilities	82	
D.2.	Deferred income	82	

PROFIT AND LOSS ACCOUNT
structured by the nature of expense method

Toyoda Gosei Czech, s.r.o.
Corporate ID 264 37 171

Year ended
31.03.2019
(in CZK thousand)

Průmyslová 2
Klášterek nad Ohří
District of Chomutov, 43151

		Year ended 31.03.2019	Year ended 31.03.2018
I.	Sales of products and services	4 024 699	3 878 223
II.	Sales of goods	236 818	299 399
A.	Purchased consumables and services	3 391 985	3 481 107
A.1.	Costs of goods sold	164 275	231 489
A.2.	Consumed material and energy	2 722 666	2 649 826
A.3.	Services	505 044	599 792
B.	Change in internally produced inventory (+/-)	-10 075	-10 211
D.	Staff costs	691 293	512 970
D.1.	Payroll costs	508 326	378 674
D.2.	Social security and health insurance costs and other charges	182 967	134 296
D.2.1.	Social security and health insurance costs	175 021	128 957
D.2.2.	Other charges	7 946	5 339
E.	Adjustments to values in operating activities	184 536	134 133
E.1.	Adjustments to values of intangible and tangible fixed assets	172 027	147 404
E.1.1.	Adjustments to values of intangible and tangible fixed assets - permanent	167 580	149 592
E.1.2.	Adjustments to values of intangible and tangible fixed assets - temporary	4 447	-2 188
E.2.	Adjustments to values of inventories	4 613	-10 746
E.3.	Adjustments to values of receivables	7 896	-2 525
III.	Other operating income	62 625	49 973
III.1.	Sales of fixed assets	254	1 220
III.2.	Sales of material	16 309	12 501
III.3.	Sundry operating income	46 062	36 252
F.	Other operating expenses	55 459	52 973
F.1.	Net book value of sold fixed assets		194
F.2.	Material sold	17 752	15 957
F.3.	Taxes and charges	2 022	1 559
F.4.	Reserves relating to operating activities and complex deferred expenses	18 162	13 616
F.5.	Sundry operating expenses	17 523	21 647
*	Operating profit or loss (+/-)	10 944	56 623
VI.	Interest income and similar income	55	230
VI.2.	Other interest income and similar income	55	230
J.	Interest expenses and similar expenses	1 110	851
J.2.	Other interest expenses and similar expenses	1 110	851
VII.	Other financial income	43 416	85 827
K.	Other financial expenses	57 861	68 388
*	Financial profit or loss (+/-)	-15 500	16 818
**	Profit or loss before tax (+/-)	-4 556	73 441
L.	Income tax	3 985	7 533
L.1.	Due income tax	6 358	-7
L.2.	Deferred income tax (+/-)	-2 373	7 540
**	Profit or loss net of tax (+/-)	-8 541	65 908
***	Profit or loss for the current period (+/-)	-8 541	65 908
*	Net turnover for the current period	4 367 613	4 313 652

STATEMENT OF CHANGES IN EQUITY

Year ended
31.03.2019
(in CZK thousand)

Toyoda Gosei Czech, s.r.o.
Corporate ID 264 37 171

Průmyslová 2
Kláštrec nad Ohří
District of Chomutov, 43151

	Share capital	Capital funds	Funds from profit, reserve fund	Accumulated profits or losses brought forward	Profit or loss for the current period	TOTAL EQUITY
Balance at 31 March 2017	970 000	256	51 438	353 231	230 878	1 605 803
Distribution of profit or loss				57 719	-57 719	
Profit shares paid					-173 159	-173 159
Profit or loss for the current period					65 908	65 908
Rounding				-1		-1
Balance at 31 March 2018	970 000	256	51 438	410 949	65 908	1 498 551
Distribution of profit or loss				65 908	-65 908	
Profit shares paid				-49 431		-49 431
Profit or loss for the current period					-8 541	-8 541
Rounding				1		1
Balance at 31 March 2019	970 000	256	51 438	427 427	-8 541	1 440 580

CASH FLOW STATEMENT

Toyota Gosei Czech, s.r.o.
Corporate ID 264 37 171

Year ended
31.03.2019
(in CZK thousand)

Průmyslová 2
Kláštorec nad Ohří
District of Chomutov, 43151

		Year ended 31.03.2019	Year ended 31.03.2018
P.	Opening balance of cash and cash equivalents	82 919	235 851
	<i>Cash flows from ordinary activities (operating activities)</i>		
Z.	Profit or loss before tax	-4 556	73 441
A.1.	Adjustments for non-cash transactions	195 627	147 344
A.1.1.	Depreciation of fixed assets	167 580	149 592
A.1.2.	Change in provisions and reserves	22 280	-1 843
A.1.3.	Profit/(loss) on the sale of fixed assets	-254	-1 026
A.1.5.	Interest expense and interest income	1 055	621
A.1.6.	Adjustments for other non-cash transactions	4 966	
A.*	Net operating cash flow before changes in working capital	191 071	220 785
A.2.	Change in working capital	-105 516	45 220
A.2.1.	Change in operating receivables and other assets	-172 868	117 985
A.2.2.	Change in operating payables and other liabilities	148 960	-73 944
A.2.3.	Change in inventories	-81 608	1 179
A.**	Net cash flow from operations before tax	85 555	266 005
A.3.	Interest paid	-1 093	-851
A.4.	Interest received	55	230
A.5.	Income tax paid from ordinary operations	-10 455	-83 293
A.***	Net operating cash flows	74 062	182 091
	<i>Cash flows from investing activities</i>		
B.1.	Fixed assets expenditures	-206 840	-471 083
B.2.	Proceeds from fixed assets sold	254	1 220
B.***	Net investment cash flows	-206 586	-469 863
	<i>Cash flow from financial activities</i>		
C.1.	Change in payables from financing	234 302	307 999
C.2.	Impact of changes in equity	-49 431	-173 159
C.2.6.	Profit shares paid	-49 431	-173 159
C.***	Net financial cash flows	184 871	134 840
F.	Net increase or decrease in cash and cash equivalents	52 347	-152 932
R.	Closing balance of cash and cash equivalents	135 266	82 919

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

Name of the Company:	Toyoda Gosei Czech, s.r.o.
Registered Office:	Průmyslová 2, 431 51 Klášterec nad Ohří, District of Chomutov
Legal Status:	Limited Liability Company
Corporate ID:	264 37 171

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1. GENERAL INFORMATION

1.1. Incorporation and Description of the Company

Toyoda Gosei Czech, s.r.o. (hereinafter referred to as the “Company”) was established by a Deed of Association as a limited liability company on 21 December 2000 and was incorporated following its registration in the Register of Companies held at the Regional Court in Ústí nad Labem, Section C, File 18630, on 1 March 2001.

The Company is primarily engaged in:

- Foundry work, modelling;
- Production, trade and services not listed in appendices 1 to 3 to the Trade Licensing Act; and
- Production, installation, repairs of electrical machines and appliances, electronic and telecommunication equipment.

The Company’s registered office is located at Průmyslová 2, 431 51 Klášterec nad Ohří, Chomutov region.

The Company’s share capital is CZK 970,000 thousand.

The financial statements of the Company were prepared as of 31 March 2019 for the period of 12 months (hereinafter referred to as the “year ended 31 March 2019”). The prior year’s financial statements of the Company were prepared as of 31 March 2018 for the period of 12 months (hereinafter referred to as the “year ended 31 March 2018”).

The following table shows individuals and corporate entities with an equity interest greater than 20% and the amount of their equity interest:

Owner	Ownership percentage
TOYODA GOSEI CO., LTD., 1, Haruhinagahata, Kiyosu Aichi-Prefecture, 452-8564, Japan	80%
TOYOTA TSUSHO CORPORATION, Toyota Bldg., 9-8, Meieki 4-chrome, Nakamura-ku, Nagoya, 450-8575, Japan	20%
Total	100%

The Company’s primary activities include the manufacture of automotive parts and the purchase and sale of goods.

1.2. Year-on-Year Changes and Amendments to the Register of Companies

During the reporting period, a new statutory executive, Mr Hiroshi Yasuda, was recorded in the Register of Companies. His position originated on 17 October 2018.

1.3. Organisational Structure

- President of the Company
 - Corporate governance
 - Finance (finance department and expense review and planning department)
 - IT (ERP and infrastructure)
 - HR (human resources development department and payroll department)
 - General affairs department (OHS, the environment, building administration)
 - Procurement (commodities procurement and LED system department)
 - Quality and project management
 - Quality and project management in Hall 1 (quality department and inspection department)
 - Quality and project management in Hall 2 (department for quality pursuant to Japanese and European car producers, inspection department)
 - Quality and project management in Halls 3 and 4 (project review department, department for quality pursuant to Japanese and European car producers, inspection department)
 - Quality assurance and metrology department (department focusing on the QMS system, metrology department and supplier quality assurance department)
 - Production administration for the security systems and functional components segment
 - Production administration in Hall 1
 - Production administration in Hall 2
 - Logistics department
 - Production administration for the weatherstrips segment
 - Production administration
 - Shipping department in Hall 3
 - Shipping department in Hall 4
 - TPS department (Toyota's lean manufacturing system)
 - TPS team in Hall 1
 - TPS team in Hall 2
 - TPS team in Hall 3
 - Production in Hall 1
 - Technical department (technical department, maintenance department and mould maintenance department)
 - Production department (security systems and functional components production lines, shipping department)
 - Production in Hall 2
 - Technical department (technical department, maintenance department and mould maintenance department)
 - Production department (security systems and functional components production lines, shipping department)
 - Production in Hall 3
 - Production department (primary-process production and secondary-process production, relating lines)
 - Production in Hall 4
 - Production department (weatherstrips production lines)
 - Technical department for the weatherstrips segment
 - Primary-process technical department (material extrusion department, extrusion development department, mould maintenance and production department, material department)
 - Secondary-process technical department (technical department for Hall 3, technical department for Hall 4, mould maintenance department)
 - Production-technical department (production-technical department for Hall 3, production-technical department for Hall 4, maintenance department)

1.4. Group Identification

The Company is included in the Japanese Toyoda Gosei Corporation Limited Group.

The consolidated financial statements of the Group are available at <http://www.toyoda-gosei.com>.

1.5. Statutory Body

	Position	Time	Name
Statutory body	Statutory executive	Since 15 June 2014	Masahiko Ito
	Statutory executive	Since 10 January 2017	Shoji Okajima
	Statutory executive	Since 1 March 2017	Kazatuka Murakami
	Statutory executive	Since 17 October 2018	Hiroshi Yasuda

2. BASIS OF ACCOUNTING AND GENERAL ACCOUNTING PRINCIPLES

The Company's accounting books and records are maintained and the financial statements were prepared in accordance with Accounting Act 563/1991 Coll., as amended; Regulation 500/2002 Coll. which provides implementation guidance on certain provisions of the Accounting Act for reporting entities that are businesses maintaining double-entry accounting records, as amended; and Czech Accounting Standards for Businesses, as amended.

The accounting records are maintained in compliance with general accounting principles, specifically the historical cost valuation basis, the accruals principle, the prudence concept and the going concern assumption.

These financial statements are presented in thousands of Czech crowns ("CZK").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Tangible Fixed Assets

Tangible fixed assets include assets with an estimated useful life greater than one year and an acquisition cost greater than CZK 5 thousand on an individual basis.

Purchased tangible fixed assets are stated at cost less accumulated depreciation and any recognised impairment losses.

Tangible fixed assets developed internally are valued at direct costs, incidental costs directly attributable to the internal production of assets (production overheads), or alternatively incidental costs of an administrative character if the production period of the assets exceeds one accounting period.

The following tangible fixed assets are stated at replacement cost: tangible fixed assets acquired through donation, tangible fixed assets acquired without consideration on the basis of a contract to purchase a leased asset (accounted for by a corresponding entry in the relevant accumulated depreciation account), fixed assets recently entered in the accounting records (accounted for by a corresponding entry in the relevant accumulated depreciation account), and an investment of tangible fixed assets. The replacement cost is determined based on an expert valuation report prepared by a certified appraiser.

The cost of fixed asset improvements exceeding CZK 40 thousand for the period increases the acquisition cost of the related tangible fixed asset.

Depreciation is charged so as to write off the cost of tangible fixed assets, other than land and assets under construction, over their estimated useful lives, using the straight line method, on the following basis:

	Number of years
Administrative buildings	50
Industrial buildings and halls	30
Infrastructure networks	20
Air-conditioning, EPS, conveyors, etc.	12
Machinery for the production of weatherstrips	10
Machinery for the production of security systems and functional components	8
Other machines and equipment	6
Other furniture and fixtures	6
Servers, computers and peripheral devices	4
Transportation containers	4
Measurement and inspection devices, various instruments and tools	4
Moulds	2
Assets between CZK 5 thousand and CZK 40 thousand	2

Assets held under finance leases are depreciated by the lessor.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the net book value of the asset at the sale date and is recognised through the profit and loss account.

Provisioning

Provisions against tangible fixed assets are created based on the results of inventory taking or, if relevant, supporting documents from technical segments. The Company regularly assesses all indicators that might cause asset impairment and require relevant adjustments in the financial statements.

3.2. Intangible Fixed Assets

Intangible fixed assets include assets with an estimated useful life greater than one year and an acquisition cost greater than CZK 60 thousand on an individual basis.

Intangible fixed assets also comprise software or valuable rights. Software and valuable rights generated internally for the Company's internal needs are not capitalised. Internally generated intangible assets are stated at the lower of internal production costs and replacement cost.

Purchased intangible fixed assets are stated at cost less accumulated amortisation.

The cost of fixed asset improvements exceeding CZK 60 thousand for the period increases the acquisition cost of the related intangible fixed asset.

Amortisation of intangible fixed assets is recorded on a straight line basis over their estimated useful lives as follows:

	Number of years
Software	6
Valuable rights	5

Provisioning

The Company creates provisions against intangible fixed assets based on the results of inventory taking.

3.3. Inventory

The Company measures the inventory using standard prices determined for the particular period.

Internally developed inventory – internally developed semi-finished goods and finished products – are valued at the calculated costs, which primarily consist of the direct costs of production (direct material, direct wages, other direct costs) and the portion of indirect costs relating to production. Financial expenses relating to the use of external funding can be reported as part of the cost of producing the inventory solely if they relate to the period of their production.

Provisioning

Inventories are provisioned in three cases as follows:

- Obsolete inventory (50% against inventory older than six months, 100% for inventory older than 12 months);
- "Dead" inventory (100% against all items based on supporting documents from production administration)
- The balance of final products or goods in stock from finished projects for which no other use is anticipated (in the amount of 100%);
- The amount of final products or goods in stock for items, the standard cost of which is higher than the selling price, in the amount of the difference increased by the estimate of expenses relating to their sales;
- The amount of moulds intended for sale, the acquisition cost of which is higher than the selling price, in the amount of the difference; and
- Inventories older than six months or one year which will, however, be used to produce spare parts when the project is completed are not provided for.

3.4. Receivables

Upon origination, receivables are stated at their nominal value as subsequently reduced by appropriate provisions for bad amounts. Provisions are also created against unbilled supplies based on a self-billing contract with the customer, ie against items that were not included by the customer in its billing. Provisions against receivables are recognised if doubts exist as to their recoverability.

Provisioning

Based on an analysis of the maturity of receivables, the Company creates a 50% provision against receivables past due between 180 to 365 days, while receivables past due for more than 365 days are provisioned in full. Provisions against intercompany receivables are only created in exceptional situations. In determining the provisioning charges, the Company also refers to the status of court proceedings, the financial health of the debtor, opinions from legal counsel, etc.

3.5. Trade Payables

Trade payables are stated at their nominal value.

3.6. Loans

Loans are stated at their nominal value.

The portion of long-term loans maturing within one year from the balance sheet date is included in short-term loans.

Interest is included in the profit or loss for the period.

All borrowing costs are recorded to the profit and loss account in the period in which they are incurred.

3.7. Reserves

Reserves are intended to cover future risks or expenditure, the nature of which is clearly defined and which are likely to be incurred, but which are uncertain as to the amount or the date on which they will be utilised.

The Company recognises reserves for warranties, where it undertakes to participate in covering the costs incurred on delivering faulty components or addressing complaints made during the warranty period. The calculation is based on the monitoring of the development of defects reported by customers which is conducted by the Quality Control Department and the aggregate production of the reporting period. The maximum warranty repair period is five years after the relevant component is delivered to a customer. For that period, the Company maintains the reserves. After five years, the previously maintained and undrawn reserve is released.

The Company also recognises a non-tax deductible reserve for outstanding vacation days on a monthly basis by reference to the proportional part of the total entitlement to the number of vacation days and the average assessment bases. Furthermore, the Company accounts for reserves for repairs of tangible fixed assets, for contingent liabilities arising from legal disputes or for employee benefits.

In the year ended 31 March 2013, the Company started creating accounting reserves for employee benefits as a result of the current employment policy and the number and structure of the Company's employees.

3.8. Foreign Currency Translations

Transactions denominated in foreign currencies during the year are translated using the daily exchange rate of the Czech National Bank.

At the balance sheet date, financial assets, short-term receivables and payables denominated in a foreign currency are translated using the effective exchange rate promulgated by the Czech National Bank as of that date. Any resulting foreign exchange rate gains and losses are recorded as the current year's financial expenses or revenues as appropriate.

3.9. Finance Leases

A finance lease is the acquisition of a tangible fixed asset such that, over or after the contractual lease term, ownership title to the asset transfers from the lessor to the lessee; pending the transfer of title, the lessee makes lease payments to the lessor for the asset that are charged to expenses.

If a finance lease contains an initial lump-sum payment, the lump-sum payment is accrued as an asset and released as an expense over the life of the lease.

Leasehold improvements are depreciated over the lease term. Following the transfer of ownership title of the leased asset to the lessee, the cost of improvements is added to the value of acquired assets and the depreciation of this increased amount continues.

3.10. Operating Leases

Operating leases represent a short-term or long-term lease when the lessee returns the leased asset to the lessor once the lease expires. No contractual claim exists regarding the potential transfer of the leased asset to the lessee's possession.

TGCZ holds assets under operating leases. Related costs are charged to operating expenses under 'Services' based on invoices received from the individual lessors. Payables are recorded as trade payables and divided into short-term and long-term payables.

3.11. Taxation

3.11.1. Depreciation of Fixed Assets for Tax Purposes

Depreciation of fixed assets is calculated using the straight line method for tax purposes.

3.11.2. Current Tax Payable

The tax currently payable is based on taxable profit for the reporting period. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using the tax rates that have been enacted by the balance sheet date.

3.11.3. Deferred Tax

Deferred tax is accounted for using the balance sheet liability method.

Under the liability method, deferred tax is calculated at the income tax rate that is expected to apply in the period when the tax liability is settled or the asset realised.

The balance sheet liability method focuses on temporary differences which are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount that will be deductible for tax purposes in the future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is charged or credited to the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset and reported on an aggregate net basis in the balance sheet, except when partial tax assets cannot be offset against partial tax liabilities.

3.12. Government Grants

Grants received to offset costs are recognised as other operating and financial income over the period necessary to match them with the related costs. Grants received to acquire tangible and intangible fixed assets and technical improvements and grants towards interest expenses added to the cost are deducted in reporting their cost or internal cost. Grants received for the creation of jobs are posted to income when the Company reaches the required number of employees.

3.13. Revenue Recognition

Revenues are recognised in line with the delivery terms concluded with the customer, i.e. when goods are delivered and accepted by the customer, and when goods are shipped out of stock and title has passed to the customer. Revenues are reported net of discounts and VAT.

Revenues from services are recognised when services are rendered and are reported net of discounts and VAT.

3.14. Use of Estimates

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Management of the Company believes that the estimates and assumptions used will not significantly differ from the actual results and outcomes in the following reporting periods.

3.15. Year-on-Year Changes in Valuation, Depreciation or Accounting Policies

No year-on-year change in the accounting policy was determined.

3.16. Cash Flow Statement

The cash flow statement is prepared using the indirect method. Cash equivalents include current liquid assets easily convertible into cash in an amount agreed in advance. Cash and cash equivalents can be analysed as follows:

	(CZK thousand)	
	31 March 2019	31 March 2018
Cash on hand and cash in transit	194	430
Cash at bank	135 072	82 489
Total cash and cash equivalents	135 266	82 919

Cash flows from operating, investment and financial activities presented in the cash flow statement are not offset. The change in the balance of received loans is reported in line C.1. 'Change in payables from financing' of the cash flow statement.

3.17. Summary of Used Abbreviations with Related Parties

Zkratka	Subjekt	Země
TJTG	Toyoda Gosei Star Light (Tianjin) Auto Parts Co., Ltd.	Čína
MTG	Minda TG Rubber Pvt Ltd.	Indie
TG	TOYODA GOSEI Co. Ltd.	Japonsko
TGE	Toyoda Gosei Europe N.V.	Belgie
TGEJ	TG Higashi Nihon Co., Ltd.	Japonsko
TGHP	Toyoda Gosei Haiphong Co., Ltd.	Vietnam
TG Meteor	Toyoda Gosei Meteor GmbH	Německo
TGNA	Toyoda Gosei North America Corporation	USA
TGRT	Toyoda Gosei Rubber (Thailand) Co.,Ltd.	Thajsko
TGT	Toyoda Gosei Thailand Co., Ltd.	Thajsko
TGUK	Toyoda Gosei UK Ltd.	Velká Británie
TGZS	Toyoda Gosei (Zhangjiagang) Co., Ltd.	Čína
TT Praha	Toyota Tsusho Praha, s.r.o.	Česká Republika
TTESA CR	Toyota Tsusho Europe S.A., organizační složka v České republice	Česká Republika
TTESA FR	Toyota Tsusho Europe S.A., Onnaing	Francie
TTESA PL	Toyota Tsusho Europe S.A. Oddział w Polsce	Polsko
WTG	Waterville TG Inc.	Kanada
Abbreviation	Entity	Country
TJTG	Toyoda Gosei Star Light (Tianjin) Auto Parts Co., Ltd.	China
MTG	Minda TG Rubber Pvt Ltd.	India
TG	TOYODA GOSEI Co. Ltd.	Japan
TGE	Toyoda Gosei Europe N.V.	Belgium
TGEJ	TG Higashi Nihon Co., Ltd.	Japan
TGHP	Toyoda Gosei Haiphong Co., Ltd.	Vietnam
TG Meteor	Toyoda Gosei Meteor GmbH	Germany
TGNA	Toyoda Gosei North America Corporation	USA
TGRT	Toyoda Gosei Rubber (Thailand) Co.,Ltd.	Thailand
TGT	Toyoda Gosei Thailand Co., Ltd.	Thailand
TGUK	Toyoda Gosei UK Ltd.	United Kingdom
TGZS	Toyoda Gosei (Zhangjiagang) Co., Ltd.	China
TT Praha	Toyota Tsusho Praha, s.r.o.	Czech Republic
TTESA CR	Toyota Tsusho Europe S.A., organisational branch in the Czech Republic	Czech Republic
TTESA FR	Toyota Tsusho Europe S.A., Onnaing	France
TTESA PL	Toyota Tsusho Europe S.A. Oddział w Polsce	Poland
WTG	Waterville TG Inc.	Canada

4. ADDITIONAL INFORMATION ON THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

4.1. Fixed Assets

4.1.1. Intangible Fixed Assets

Overview of principal balances:

Major items include software used for communicating with customers and the ERP system which is subject to regular assessment. Uncapitalised intangible assets include a data centre virtualisation platform with a high degree of accessibility and communication for all applications and services, which should significantly aid the Company in optimising the provision of IT services. Furthermore, they include software that will enable the Company to work with major data sources: at present, it is creating various data models and setting the logic.

4.2. Tangible Fixed Assets

Cost

	(CZK thousand)					
	Balance at 31 March 2017	Additions	Disposals	Balance at 31 March 2018	Additions	Disposals
Land	25 059	2 176	0	27 235	0	0
Structures	824 455	253 080	116	1 077 419	101 170	1 214
Tangible movable assets						
- <i>Machines and equipment</i>	1 647 461	168 670	10 066	1 806 065	102 804	73 288
- <i>Vehicles</i>	1 824	0	284	1 540	0	110
- <i>Furniture and fixtures</i>	14 677	79	2 085	12 671	6 662	1 613
- <i>Sundry tangible fixed assets</i>	41 375	9 658	4 858	46 175	10 923	5 232
Other tangible fixed assets and perennial crops	98 645	25 087	0	123 732	8 010	4 304
Tangible fixed assets under construction	169 197	425 976	456 358	138 815	189 409	231 009
Prepayments for tangible fixed assets	16 269	0	2 392	13 877	39 810	8 647
Total	2 838 962	884 726	476 159	3 247 529	458 788	325 417
						3 380 900

Accumulated Depreciation

	(CZK thousand)					
	Balance at 31 March 2017	Additions	Disposals	Balance at 31 March 2018	Additions	Disposals
Land	0	0	0	0	0	0
Structures	276 035	34 721	115	310 641	66 008	1 030
Tangible movable assets						
- <i>Machines and equipment</i>	1 284 068	90 137	10 066	1 364 139	75 612	49 772
- <i>Vehicles</i>	1 787	17	284	1 520	17	107
- <i>Furniture and fixtures</i>	8 119	1 007	1 937	7 189	3 492	1 577
- <i>Sundry tangible fixed assets</i>	36 011	6 919	4 812	38 118	8 119	4 227
Other tangible fixed assets and perennial crops	93 573	8 390	0	101 963	12 851	4 303
Total	1 699 593	141 191	17 214	1 823 570	166 099	61 016
						1 928 653

Net Book Value

	(CZK thousand)	
	Balance at 31 March 2018	Balance at 31 March 2019
Land	27 235	27 235
Structures	766 778	801 756
Individual movable tangible assets		
- <i>Machines and equipment</i>	441 926	445 602
- <i>Vehicles</i>	20	0
- <i>Furniture and fixtures</i>	5 482	8 616
- <i>Sundry tangible fixed assets</i>	8 057	9 856
Other tangible fixed assets and perennial crops	21 769	16 927
Tangible fixed assets under construction	138 815	97 215
Prepayments for tangible fixed assets	13 877	45 040
Total	1 423 959	1 452 247

The Company created a provision against tangible movable assets in the amount of CZK 4,447 thousand in the year ended 31 March 2019. In the year ended 31 March 2018, CZK 2,188 thousand was released.

The balance sheet value of the provision against tangible movable assets increased to CZK 6,384 thousand as of 31 March 2019 (compared to CZK 1,936 thousand as of 31 March 2018).

In the year ended 31 March 2019, major additions to assets primarily include new machines for the production of plastic components, new production lines in Hall 2 relating to projects for the VW Group and new machinery relating to new projects in Hall 4. The Company also assessed technologies in order to achieve greater efficiency, and a new porter's lodge in Hall 1 underwent the final inspection, which also constituted a major investment and addition to assets. In respect of IT, the Company invested in an automated production data collection device, and replaced and purchased a great number of phones, notebooks, computers and peripheral devices.

In the years ended 31 March 2019 and 2018, the Company acquired tangible assets which were directly expensed in the amounts of CZK 1,789 thousand and CZK 2,108 thousand, respectively. These assets comprise low value tangible assets consisting of other movable assets and sets of movable assets with an estimated useful life exceeding one year. These assets are excluded from fixed assets and are expensed on one-off basis.

The main disposal of tangible assets in the year ended 31 March 2019 includes unused machinery and equipment. Other disposals included obsolete transportation containers and software no longer in use.

Interest was not capitalised as part of the cost of tangible fixed assets.

4.2.1. Assets Held under Finance and Operating Lease Agreements

Finance Leases with Subsequent Purchase

Description	Total lease value	Payments made at 31 March 2018	Payments made at 31 March 2019	(CZK thousand)
				Due in following years
Total cars and machinery	11 930	11 626	11 913	17

The above figures are net of VAT if input VAT recovery is possible.

Operating Leases

Description	Date of inception	Date of expiration	Total lease value	(CZK thousand)	
				Payments made in the year ended 31 March 2018	Payments made in the year ended 31 March 2019
Handling technology	01/2010 – 03/2019	05/2019 – 02/2024	25 329	11 123	12 987
Cars	06/2015 – 07/2018	06/2019 – 07/2022	14 316	5 463	8 243
Machinery	11/2015 – 03/2019	04/2022 – 10/2023	13 213	1 467	1 904

The above figures are net of VAT if input VAT recovery is possible.

4.3. Inventory

	(CZK thousand)	
	Balance at 31 March 2019	Balance at 31 March 2018
Material	363 759	322 649
Work in progress	30 285	21 828
Products	66 458	65 996
Goods	31 570	29 871
Goods – moulds intended for sale	146 566	114 457
Prepayments made for inventory	3 101	5 330
Provisions	-11 067	-6 454
Total	630 672	553 677

The increase in the balance of material was owing to high demand on the part of our customers: since January 2019, sales of products have reached historic highs, which goes hand in hand with the fact that the Company has more material in stock. The high balance of moulds intended for sale includes instruments already in use yet in respect of which the final approval of compensation had yet to be given by the customer (the instruments were not used for production in the previous year). Nevertheless, it also includes instruments which have yet to be used in production (a majority is related to a new project for Toyota whose large-scale production will commence in Q2/2020).

In the years ended 31 March 2019 and 2018, the provisions against inventory of products were created in the balance sheet amounts of CZK 4,411 thousand and CZK 2,554 thousand, and the provisions against inventory of goods amounted to CZK 2,604 thousand and CZK 718 thousand, respectively. The provision against material was recognised in the amount of CZK 4,052 thousand (31 March 2018: CZK 3,182 thousand). The increase in the provision against goods was due to the expected future liquidation of purchased LED lighting, for which there is, unfortunately, no demand on the market.

4.4. Receivables**4.4.1. Long-Term Receivables**

Since 2006, the Company has provided loans to its employees. The long-term portion of these loans amounts to CZK 3 thousand and CZK 71 thousand as of 31 March 2019 and 31 March 2018, respectively.

The Company paid recoverable deposits related to the lease of residential premises. As of 31 March 2019, the value of the deposits amounts to CZK 518 thousand (31 March 2018: CZK 435 thousand).

4.4.2. Short-Term ReceivablesAging of Trade Receivables

							(CZK thousand)	
Year ended 31 March	Category	Before due	Past due				Total past due	Total
			1 – 90 days	91 – 180 days	181 days – 2 years	2 years and more		
2019	Gross	459 585	30 702	1 896	7 730	392	40 720	500 305
	Provisions	0	0	0	7 449	366	7 815	7 815
	Net	459 585	30 702	1 896	281	26	32 905	492 490
2018	Gross	389 910	21 010	284	591	441	22 326	412 236
	Provisions	0	0	0	-474	-432	-906	-906
	Net	388 910	21 010	284	117	9	21 420	410 330

Receivables typically mature within one to three months, depending on the customer.

Intercompany Receivables

Entity	(CZK thousand)	
	Balance at 31 March 2019	Balance at 31 March 2018
Short-term receivables		
<u>Trade</u>		
<i>In the Toyoda Gosei group</i>		
TGUK	6 520	9 089
TG Meteor	31 950	7 439
TGE	777	1 953
TGHP	3 481	7 484
TGNA	60	54
TGT	25	24
WTG	1	1
MTG	0	4
<i>In the Toyota Tsusho group</i>		
TTESA PL	0	21
TTESA CR	18 405	3 515
<i>From companies with controlling influence</i>		
TG	1 258	2 045
<u>From accruals and deferrals (accrued income)</u>		
<i>In the Toyoda Gosei group</i>		
TGE	0	2 420
Total short-term intercompany receivables and accrued income	62 477	34 049
Other than intercompany receivables	658 180	535 909
Total short-term receivables and accrued income	720 657	569 958

4.5. Deferrals and Accruals

4.5.1. Temporary Assets

	(CZK thousand)	
	Balance at 31 March 2019	Balance at 31 March 2018
Deferred expenses – lease	7 059	4 284
Deferred expenses – insurance premium	1 525	1 539
Accrued income	220 352	157 722
Provision against accrued income	-261	-273
Complex deferred expenses	45 062	40 328
Deferred expenses – other	2 089	1 633
Total temporary assets	275 826	205 233

Accrued income consists of products and goods purchased by entities with which the Company has a self-billing agreement in place. The balance includes items of sale orders that were not invoiced by the customer based on this agreement as of 31 March 2019. The year-on-year increase resulted from orders from Toyota Motor Europe NV/SA, with supplies to the customer accounting for more than 90% of the whole balance.

The provision against accrued income represents a provision that was created against unbilled supplies as disclosed in Note 3.4.

4.5.2. Temporary Liabilities and Estimated Payables

	(CZK thousand)	
	Balance at 31 March 2019	Balance at 31 March 2018
Estimated payables – inventory	107 056	123 213
Estimated payables – other	160 915	136 612
Deferred income	82	0
Total temporary liabilities	268 053	259 825

The estimated payable for inventory includes amounts of received material and goods for which the Company had not received invoices as of 31 March 2019.

4.6. Equity

4.6.1. Changes in Equity

Share Capital

There were no changes in the share capital in the year ended 31 March 2019. The share capital amounts to CZK 970,000 thousand as of 31 March 2019.

Reserve Fund

In the year ended 31 March 2019, the Company recognised no reserve fund based on the decision of the General Meeting.

The aggregate amount of the reserve fund was CZK 51,438 thousand as of 31 March 2019.

Retained Earnings and Accumulated Losses

The profit for the year ended 31 March 2018 of CZK 65,908 thousand was approved by the General Meeting in the year ended 31 March 2019. According to the resolution of the General Meeting, 75% of the profit was paid out as a dividend to controlling entities and the remaining 25% was transferred to retained earnings.

The accounting loss for the year ended 31 March 2019 will be transferred to retained earnings or accumulated losses brought forward.

4.7. Reserves

	(CZK thousand)				
	Reserve for outstanding vacation days	Reserve for warranty repairs	Reserve for repairs of tangible fixed assets	Other reserves	Total reserves
Balance at 31 March 2018	12 103	8 355	18 273	23 942	62 673
Charge for reserves	13 741	1 097	0	2 702	17 540
Use of reserves	12 103	0	0	700	12 803
Balance at 31 March 2019	13 741	9 452	18 273	25 944	67 410

4.8. Payables**4.8.1. Aging of Short-Term Trade Payables**

		(CZK thousand)						
Year ended	Category	Before due	Past due					Total past due
31 March			1 – 90 days	91 – 180 days	181 – 360 days	1 – 2 years	2 years and more	Total
2019	Short-term	381 470	30 109	6 682	659	691	23	38 141
2018	Short-term	245 047	43 799	650	3 813	2 424	12	50 698
								419 634
								295 745

Payables typically mature within one or two months. The increase in payables is due to the recognition of a majority of invoices for supplied material that are before their due dates.

As of 31 March 2019, the Company carried due amounts arising from social security, contribution to the governmental employment policy and due amounts arising from the public health insurance which are due in April 2019. Due amounts arising from social security and health insurance and tax payables are before their due dates.

As of the balance sheet date, the Company records no payables with maturities greater than five years.

4.8.2. Intercompany Payables

Entity	(CZK thousand)	
	Balance at 31 March 2019	Balance at 31 March 2018
Short-term payables		
<u>Trade</u>		
<i>In the Toyota Gosei group</i>		
TG Meteor	5 022	3 300
TGUK	2 285	2 450
TGE	2 917	0
<i>In the Toyota Tsusho group</i>		
TTESA CR	55 665	18 977
<i>In associates</i>		
TG	158 058	100 917
<u>From estimated payables</u>		
<i>In the Toyota Gosei group</i>		
TG Meteor	2 061	2 059
TGUK	4 386	1 045
TGNA	441	524
TGE	181	3 334
TGRT	25	24
TGHP	47	7
<i>In the Toyota Tsusho group</i>		
TTESA CR	34 529	25 491
<i>In associates</i>		
TG	57 742	55 779
Total short-term intercompany payables and estimated payables	323 359	213 907
Other than intercompany payables	364 246	341 663
Total short-term payables	687 605	555 570

4.9. Bank Loans

4.9.1. Short-Term Bank Loans and Financial Borrowings

As of 31 March 2019, the Company reports three bank loans totalling CZK 786,900 thousand (31 March 2018: CZK 546,745 thousand).

The bank loan from MUFG Bank (Europe) N.V. of CZK 245,100 thousand is due on 18 April 2019 and is rolled over on a monthly basis; the interest rate has been negotiated to match current market rates.

The bank loan from Sumitomo Mitsui Banking Corporation Europe Limited of CZK 361,200 thousand is due on 18 April 2019 and is rolled over on a monthly basis; the interest rate has been negotiated to match current market rates.

The bank loan from Mizuho Bank Europe N.V. of CZK 180,600 thousand is due on 18 April 2019 and is also rolled over on a monthly basis; the interest rate has been negotiated to match current market rates.

4.10. Income Taxation

4.10.1. Deferred Tax

The deferred tax asset is analysed as follows:

Deferred Tax Arising from

	(CZK thousand)	
	Balance at 31 March 2019	Balance at 31 March 2018
Deferred tax arising from differences in net book values of fixed assets	-39 673	-38 040
Deferred tax arising from reserves for warranties	1 796	1 587
Deferred tax arising from the provision against inventory	2 103	1 226
Deferred tax arising from the provision against receivables	1 702	155
Deferred tax arising from the reserve for repairs of tangible fixed assets	3 472	3 472
Deferred tax arising from the reserve for outstanding vacation days	2 611	2 300
Deferred tax arising from the reserve for employee benefits	4 869	4 406
Deferred tax arising from other reserves	3 259	2 658
Total	-19 863	-22 236

As of 31 March 2019, the Company assessed the individual temporary differences which served as a basis for calculating deferred tax, and based on the sum of deferred taxes for the individual differences, the Company recognised a tax liability in the amount of CZK 19,863 thousand (31 March 2018: CZK 22,236 thousand).

4.11. Details of Income by Principal Activity

	Year ended 31 March 2019			Year ended 31 March 2018		
	In- country	Cross- border	Total	In- country	Cross- border	Total
Goods – safety components	68 191	113 761	181 952	75 427	134 229	209 656
Goods – moulds and tools	25 589	9 567	35 156	6 258	21 311	27 569
Goods – functional parts	0	6 500	6 500	0	4 800	4 800
Goods – weatherstrips	0	9 448	9 448	0	14 745	14 745
Goods – optoelectronic parts	3 762		3 762	5 263	37 366	42 629
Sales of goods	97 542	139 276	236 818	86 948	212 451	299 399
Sale of products – safety components	849 025	1 693 205	2 542 230	823 182	1 652 497	2 475 679
Sale of products – functional parts	61 874	415 591	477 465	69 701	440 193	509 894
Sale of products – weatherstrips	59 444	944 352	1 003 796	58 996	831 749	890 745
Sale of products – optoelectronic parts	0	0	0	0	37	37
Other services	655	553	1 208	536	1 332	1 868
Total sales of products and services	970 998	3 053 701	4 024 699	952 415	2 925 808	3 878 223

4.12. Related Party Transactions

4.12.1. Income Generated with Related Parties

Year Ended 31 March 2019

(CZK thousand)						
Entity	Relation to the Company	Goods	Products	Services	Other income	Total
TG	Parent company	86	3 135	0	1 514	4 735
TG Meteor	Ultimate parent company	0	88 711	75	13 956	102 742
TGHP	Ultimate parent company	79 323	0	0	0	79 323
TGT	Ultimate parent company	3 282	0	0	0	3 282
TGUK	Ultimate parent company	0	94 083	0	847	94 930
TGE	Ultimate parent company	0	0	0	2 481	2 481
TGNA	Ultimate parent company	0	0	0	64	64
TTESA CR	Ultimate parent company	0	70 339	76	438	70 853
TTESA PL	Ultimate parent company	0	168	0	0	168
Total		81 691	256 436	151	19 300	358 578

Year Ended 31 March 2018

(CZK thousand)						
Entity	Relation to the Company	Goods	Products	Services	Other income	Total
TG	Parent company	0	7 093	0	2 955	10 048
TG Meteor	Ultimate parent company	859	27 348	0	2 773	30 980
TGHP	Ultimate parent company	56 221	0	0	0	56 221
TGT	Ultimate parent company	295	0	0	0	295
TGUK	Ultimate parent company	1 121	81 090	33	110	82 354
TGE	Ultimate parent company	2 420	0	0	1 237	3 657
TGNA	Ultimate parent company	0	0	5	184	189
TTESA CR	Ultimate parent company	0	74 470	87	814	75 371
TTESA PL	Ultimate parent company	469	171	0	0	640
Total		61 385	190 172	125	8 073	259 755

4.12.2. Purchases from Related Parties

Year Ended 31 March 2019

(CZK thousand)						
Entity	Relation to the Company	Goods	Products	Services	Other expenses	Total
TG	Parent company	10 380	337 300	196 335	1 479	545 494
TG Meteor	Ultimate parent company	178	26 259	2 518	398	29 353
TGHP	Ultimate parent company	0	0	317	0	317
TJTG	Ultimate parent company	0	2 991	0	14	3 005
TGUK	Ultimate parent company	0	706	14 428	17	15 151
TGE	Ultimate parent company	2 649	0	29 397	0	32 046
TGNA	Ultimate parent company	0	2 542	1 549	5	4 096
TGRT	Ultimate parent company	0	0	0	0	0
TGZS	Ultimate parent company	0	584	0	0	584
TGEJ	Ultimate parent company	0	0	0	0	0
TT Praha	Ultimate parent company	0	0	4	0	4
TTESA CR	Ultimate parent company	172	469 199	1 219	863	471 453
TTESA FR	Ultimate parent company	0	0	51	0	51
Total		13 379	839 581	245 818	2 776	1 101 554

Year Ended 31 March 2018

		(CZK thousand)			
Entity	Relation to the Company	Goods	Products	Services	Other expenses
TG	Parent company	3 065	291 044	203 214	505
TG Meteor	Ultimate parent company	97	13 009	3 178	1
TGHP	Ultimate parent company	0	0	317	0
TJTG	Ultimate parent company	0	0	0	0
TGUK	Ultimate parent company	4 514	734	12 748	320
TGE	Ultimate parent company	442	211	40 109	0
TGNA	Ultimate parent company	0	15 456	1 487	0
TGRT	Ultimate parent company	0	273	0	0
TGZS	Ultimate parent company	0	0	0	0
TGEJ	Ultimate parent company	0	0	7 439	0
TT Praha	Ultimate parent company	0	0	0	0
TTESA CR	Ultimate parent company	2 031	450 840	996	362
TTESA FR	Ultimate parent company	0	0	190	0
Total		10 149	771 567	269 678	1 188
					1 052 582

4.12.3. Purchases and Sales of Fixed Assets and Financial Assets with Related Parties**Sales**

In the year ended 31 March 2019, the Company sold no assets to related parties.

In the year ended 31 March 2018, the Company sold hardware of CZK 138 thousand to the related party TGE.

Purchases**Year Ended 31 March 2019**

		(CZK thousand)
Entity	Relation to the Company	Intangible and tangible FA
TGNA	Ultimate parent company	0
TG Meteor	Ultimate parent company	140
TGUK	Ultimate parent company	0
TTESA CR	Ultimate parent company	52 791
TG	Parent company	0
Total		52 931

Year Ended 31 March 2018

		(CZK thousand)
Entity	Relation to the Company	Intangible and tangible FA
TGNA	Ultimate parent company	100
TG Meteor	Ultimate parent company	6 288
TGUK	Ultimate parent company	45 180
TTESA CR	Ultimate parent company	41 505
TG	Parent company	45
Total		93 118

4.13. Consumed Purchases

		(CZK thousand)
	Year ended 31 March 2019	Year ended 31 March 2018
Consumed material	2 667 996	2 608 833
Consumed energy	54 670	40 993
Costs of goods sold	164 275	231 489
Total consumed purchases	2 886 941	2 881 315

4.14. Services

	(CZK thousand)	
	Year ended 31 March 2019	Year ended 31 March 2018
Repairs and maintenance	12 167	13 217
Travel expenses	5 461	5 420
Representation costs	608	958
Telephone, Internet	1 246	1 165
Low value intangible assets put into use	303	31
Rental	13 708	17 888
Leasing	5 055	797
Storage fees	2 211	2 033
Marketing support	29 579	38 630
Freight costs except for inventory	32 754	53 905
Royalties (licence fees)	156 929	154 136
International hiring of foreign labour	32 033	32 902
Audit services, legal and tax advisory	3 588	3 721
Training of employees	2 481	1 789
Waste disposal	4 227	3 010
Technical support from TG	345	20 270
Warranty repairs	1 051	1 075
Mediation of workers via agencies	104 017	136 931
IT Support	13 320	13 356
Other services	83 961	98 558
Total	505 044	599 792

Other services primarily include customer services, engineering services, cleaning, security services, translation services, company health care, advertising and others.

4.15. Fee to the Statutory Auditor

	(CZK thousand)	
	Year ended 31 March 2019	Year ended 31 March 2018
Costs of the statutory financial statements audit	1 665	1 308
Total	1 665	1 308

4.16. Change in Reserves and Provisions Relating to Operating Activities and Complex Deferred Expenses

	(CZK thousand)	
	Year ended 31 March 2019	Year ended 31 March 2018
Change in other reserves	4 737	779
Change in provisions	16 956	-15 459
Complex deferred expenses	13 425	12 837
Total	35 118	-1 843

Provisions were increased owing to the rise in the balance of obsolete inventory and the recognition of a provision against a major trade receivable. The provision against movable assets relating to idle machinery was also increased.

The change in reserves involves an increase in the reserve for employee benefits and a minor increase was also recorded in respect of the reserve for guarantees and outstanding vacation days.

4.17. Other Operating Income

	(CZK thousand)	
	Year ended 31 March 2019	Year ended 31 March 2018
Grants received to offset costs	0	10 093
Sundry operating income	46 062	26 159
Total operating income	46 062	36 252

Sundry operating income includes contractual fines. It also includes the sale of waste disposal, compensation from employees and insurance companies, IT support, compensations from customers for customers for transportation, packaging repairs, development and testing.

4.18. GrantsSummary Outline of the Grant Balances

	(CZK thousand)		
Purpose	Total grant	Drawn in the year ended 31 March 2019	Drawn as of 31 March 2018
New positions	10 000	0	10 000
Total	10 000	0	10 000

The drawing of the grants is reflected in "Other operating income".

In the year ended 31 March 2018, the Company received a grant arising from the "Material support for the creation of new jobs" provided based on an agreement within investment incentive no. 196/1V/2018. This grant was provided by the Czech Employment Office with its registered office at Prague 7. In the year ended 31 March 2018, a total of CZK 10 million was drawn.

The Company received no grants during the year ended 31 March 2019.

4.19. Other Operating Expenses

	(CZK thousand)	
	Year ended 31 March 2019	Year ended 31 March 2018
Gifts	274	90
Other penalties and fines	62	6
Insurance	6 691	5 228
Liquidation of old inventory	6 103	12 326
Other	4 393	3 997
Total other operating expenses	17 523	21 647

4.20. Other Financial Income

	(CZK thousand)	
	Year ended 31 March 2019	Year ended 31 March 2018
Foreign exchange rate gains	43 416	85 827
Interest	55	0
Total	43 471	85 827

4.21. Other Financial Expenses

	(CZK thousand)	
	Year ended 31 March 2019	Year ended 31 March 2018
Foreign exchange rate losses	57 341	67 802
Interest	1 110	851
Sundry financial expenses	520	586
Total	58 971	69 239

5. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

5.1. Staff Costs and Number of Employees

The following tables summarise the average recalculated number of the Company's employees and managers for the years ended 31 March 2019 and 2018:

Year Ended 31 March 2019

	Number of staff	Payroll costs	Social security and health insurance	Other costs	(CZK thousand) Total staff costs
Staff	1 368	508 326	175 021	7 946	691 293
Total	1 368	508 326	175 021	7 946	691 293

Year Ended 31 March 2018

	Number of staff	Payroll costs	Social security and health insurance	Other costs	(CZK thousand) Total staff costs
Staff	1 217	378 674	128 957	5 339	512 970
Total	1 217	378 674	128 957	5 339	512 970

The number of employees is based on the recalculated headcount.

The current Company's statutory executives work for the Company under the programme for international hiring of labour. The members of the management bodies received no deposits, advance payments, borrowings or loans.

6. OFF BALANCE SHEET COMMITMENTS

Guarantees Received and Provided

As of 31 March 2019, the Company records a due payment bank guarantee in the aggregate amount of CZK 13,000 thousand from MUFG Bank (Europe) NV, organisational branch in the Czech Republic. Based on a letter of guarantee, the Company is liable for the payment of all debt incurred during customs transactions.

Legal Disputes

As of 31 March 2019, the Company was involved in no legal dispute the outcome of which would significantly impact the Company.

Environmental Liabilities

An environmental audit of the Company on the basis of the ISO 14001 certificate was completed as of 31 March 2019. Pursuant to the outcome of the audit, the Company's management believes that the Company is not exposed to any contingent liabilities pertaining to damage caused by prior activities or liabilities related to the prevention of potential future damage.

7. POST BALANCE SHEET EVENTS

No events occurred subsequent to the balance sheet date that would have a significant impact on the financial statements.

4. Audit Report

INDEPENDENT AUDITOR'S REPORT

To the Partners of Toyoda Gosei Czech, s.r.o.

Having its registered office at: Klášterec nad Ohří, Průmyslová 2, District of Chomutov, 43151

Opinion

We have audited the accompanying financial statements of Toyoda Gosei Czech, s.r.o. (hereinafter also the "Company") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as of 31 March 2019, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Toyoda Gosei Czech, s.r.o. as of 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application guidelines. Our responsibilities under this law and regulation 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 Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information in the Annual Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Statutory Executives are responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

Responsibilities of the Company's Statutory Executives for the Financial Statements

The Statutory Executives are responsible for the preparation and fair presentation of the financial statements in accordance with accounting regulations applicable in the Czech Republic and for such internal control as the Statutory Executives determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 the above law or regulation, 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 the Statutory Executives.
- Conclude on the appropriateness of the Statutory Executives' 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 the Statutory Executives 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.

In Prague on 17 May 2019

Audit firm:

Deloitte Audit s.r.o.
registration no. 079



Statutory Auditor:

Ladislav Šauer
registration no. 2261

