Peiner Umformtechnik GmbH

(Peine, Germany)

ANNUAL REPORT

for the year ended
31st December 2014

Management report for the 2014 financial year

1. Company principles

Business model

Peiner Umformtechnik GmbH – hereafter referred to as “PUT" – was established in 1922 and has been part of the Sundram Fasteners Ltd. group (SFL for short), Chennai, India, since the beginning of 2006. The latter group was established in 1966 and, besides locations in India, also includes manufacturing companies in Germany, Great Britain and China. SFL is in turn part of the TVS Group, one of India's largest automotive suppliers.

PUT is essentially the production operation of the 3 companies at its location in Peine. Besides large diameter screws for wind turbine generator systems (WTGS) and steel constructions, the company's product range also includes high-quality automotive parts for renowned German car manufacturers and their suppliers.

The logistics (storage and dispatch), client scheduling and distribution and IT and purchasing divisions were outsourced between 2009 and 2011 to TVS Peiner Services GmbH (TVS for short), which was founded especially for this purpose.

PUT Grundstücks GmbH, another subsidiary of SFL, owns the PUT company grounds.

PUT and TVS are 100% owned subsidiaries of SFL. There is no control or profit transfer agreement for these companies.

PUT envisions its future in the market for specialist automobiles. In 2014, 2 new assembly lines were commissioned which will expand and develop the market position of these products. These so-called engineered parts ensure workload over a long period and provide functions for further value added.

Product range and buyer industries

The company's customers are largely found in the automotive (industry), (fastener wholesale) industry and among manufacturers of wind energy plants. While the automotive and trade segments both form a similarly sized share of approx. 43% of sales each, the share of the wind power segment only comprises around 14%.

In the automotive industry, the company is a recognised partner of large OEMs and system suppliers for cost-intensive developments of high-strength fasteners and sophisticated forming parts, partly involving extensive finishing work. The products are used in a wide range of different fields of application within freight and passenger vehicles.

The fastener wholesale customers are supplied with high-strength pre-loadable fittings as per DIN EN 14399-4 and DIN EN 14399-6, as well as high-strength pre-loadable close-tolerance bolt fittings as per DIN EN 14399-8, for delivery to the steel construction industry worldwide, focusing on Germany and Europe. The PEINER brand is the epitome of high product quality in the industry.

This has spread to the WTGS manufacturing industry, where the same and related products are used.

2. Economic report

Macroeconomic and industry environment

Steel and metal processing companies in Germany have increased their production in 2014 by 4.3% compared to the previous year. In the final quarter, the production volume was only just able to surpass the high value from the previous year by 1.7%. After a very good first half of the year, the production capability wavered in the second half of the year. Geo-political uncertainties slowed momentum. Exports significantly braced the economic situation.

In 2014, in a difficult political environment, the industry generated growth and jobs.

Profit situation

The 2014 year under review has seen all the highs and lows of a restructuring.

Among the lows is, first of all, the fact that the planned turnover was not achieved. Both in the "Automotive" and "Wind Power" segments, the targeted sales revenue is considerably lower than the planned turnover. The targeted turnover of €50 million only includes the existing product range which, due to temporarily lacking manufacturing capacities, was also impaired.

The reasons behind the failure to achieve the targeted turnover are, above all, technical problems and customer-related effects in the automotive and wind energy sector which led to delays in production (start of production). As a consequence, the customer orders expected for the 1st half of the year initially led to a marked capacity workload at the end of the year under review.

In the "Automotive" segment, customer-related effects were primarily to blame for the turnover failure. Especially in this segment, considerable expansion investments were made to meet customer demand. Compared to the previous year, business with the OEMs has dropped by approx. 2%.

The "Trade/Distribution" segment has grown by approx. 3% compared to the previous year. However, turnover targets were narrowly missed. Due to general overhauls in production, the segment was not able to react flexibly enough to customer queries.

The "Wind Power" segment had a very pleasant 1st half of 2014 until the major customer lost its own projects and failed to meet the targets of its started projects on time. Admittedly, we only lost 2.2 million euros in turnover compared to the previous year and missed the planned turnover by far for the mentioned reasons. The growth strategy was not realised due to technical but also political uncertainties.

In particular, the material cost rate declined from 61.0% in the previous year to 59.5% due to cost savings.

Personnel expenses rose due to an increase in pay in May 2014 of 2.2% for the increased workforce as compared to the previous year. 12 additional employees for servicing the new equipment were hired and incorporated.

The increase would have been even higher if a restructuring pay agreement had not been agreed between the parties IG Metall and AGV Niedersachen for 2013/2014. In addition, working hours had been reduced from October to December 2014 to match the personnel capacity of the demand situation.

Other operating expenses have been primarily affected - as in the previous year - by higher repair costs as a result of planned maintenance measures. It is thanks to stringent cost management in other areas that other operating expenses were able to remain at a similar level to the previous year.

The period of stagnation in incoming orders in the 2nd half of the year has been put to use by initiating general overhauls in cold forming and in remuneration and staining. After completion of the restructuring in the first half of 2015, the production process will be able to be executed more securely and more energy efficiently and capacity can be expanded.

Due to the investments undertaken in the year under review, depreciation has increased in comparison to the previous year.

The financial result has been burdened by the granting of additional interest based loans by banks and to the partner. At the start of the year however, the partner waived receivables from interest on loans for 2014 amounting to KEUR 291 (KEUR 478 in the previous year). The waiver of receivables from interest on loans is included in the extraordinary result.

The result for the year is still negative. The company's profit situation accordingly continues to be unsatisfactory.

Assets and financial situation

The company’s current assets have increased from 6.9 million euros in the previous year to 7.3 million euros. In accordance with the restructuring concept, additional investments in machinery were made in the year under review. The new assembly lines, started in the previous year, were completed in 2014 and put into operation.

On a positive note, the energy-efficient investments as part of the “heat recovery” project by the federal ministry in favour of the environment, nature conservation and building and response safety (BMUB), are sponsored by the Environmental Innovation Programme. This is a fantastic compliment for this project.

At around 56 %, inventories still make up the largest part of total assets. In particular the raw material stocks for the deferred products in the new business have increased dramatically. The successive depletion is to begin at the end of the year under review. From the 2nd half of the current year, 2015, improved productivity and higher turnover with quasi-constant stock changes can be expected.

The deficit not covered by equity further increased in the year under review due to the net loss. To improve the equity ratio, the partner has increased his subordination statement to 7.2 million euros from 7 million euros previously.

The consequence of the on-going deficit situation is an increasingly strained liquidity situation. The company was only able to meet its obligations to a necessary degree with the partner's support in the form of further loans.

In a letter dated 9 December 2014, the partner has again extended its financing statement and declared that it will provide the company with adequate funds until the end of 2016 and in a manner ensuring that it will always be able to meet its short and medium-term liabilities (letter of comfort).

Loans from credit institutions increased in 2014 from EUR 1.5 million to EUR 8 million. This echoes the financial efforts that we have made in investments in equipment, environmental and labour safety and energy-efficient measures.

The company's liquidity has been supported by factoring in collaboration with CommerzFactoring GmbH as in previous years.

Overall assessment

As described, the development and the sales, assets, financial standing and, in particular, the profit situation, unsatisfactory compared to the previous year. The company was unable to finance itself with internally generated reserves in the year under review. It needed capital from the partner and needed to conclude the restructuring over the course of 2015 in order to sustainably improve the profit situation.

Significant non-financial performance indicators for the company

The company applies the highest quality requirements to the products supplied by it. The production processes and product quality are continuously monitored by means of company certifications, and a sustainable improvement of the achieved standards is permanently striven for. Thus – in addition to the existing quality management certification in accordance with DIN ISO 9001 and ISO/TS 16949, environmental management certificate in accordance with ISO 14001 and occupational safety management in accordance with OHSAS 18000. For the first time we’ve gotten certified in energy management in accordance with DIN EN ISO 50001 and, with this, would like to go further; producing resource consciously and simultaneously saving on costs. In addition to energy, this also affects raw materials and operating funds.

The in-house testing laboratory, which also analyses external products, is accredited in accordance with DIN EN ISO 17025.

Production

In the area of shaping, the company uses automated multi-stage presses for cold forging, while multi-stage presses are also provided for nut-like parts, along with manually operated and automated screw presses for the production of screws or screw-like parts in hot forming. The majority of products cover sizes from M12 to M72. Considerable expenditure has been made in the cold forming area in order to increase the productivity of the facilities and to minimise downtimes.

Threads are made by means of modern thread rolling machines and flat die rollers.

Computerised milling machines, amongst others, are available for the production of mechanical processing.

The products are hardened in process-stable systems using modern heat treatment technologies. The expertise and systems engineering of specialist firms are used in addition to internal anti-corrosion surface coatings. Considerable investments have also been made in this area (remuneration) in order to increase energy efficiency and to reduce energy costs. We expect the first savings in the second half of 2015.

The efficiency coefficient of the entire production in 2015 will depend on how we succeed in increasing production times and the associated press performance.

Staff

In the year under review, the company's workforce amounted to 237 employees on average (prev. year: 234). On the balance sheet date, the workforce amounted to 241 (prev. year 233).

The investments made for expansive reasons have made it necessary to have additional specialist personnel. Up to the middle of 2014 we groomed 12 employees for production. Normal fluctuation restored the level of staff as of the balance sheet date. We are planning a downsizing of 10 employees from production-related and administrative departments for 2015.

Purchasing

The procurement and costs of raw material and unfinished goods are of significant importance for the company's success due to their high share of operating performance, totalling approximately 40 %. During the year under review, the purchase prices were constantly lower in comparison with the previous year. Price increases and reductions are passed on to customers for a multitude of products, partially using pre-defined factors and formulas.

In 2015 we will shift to innovative types of material for a lot of products which should have a positive effect on price for raw material. Furthermore, price increases are not expected for any other raw materials but rather a slight reduction.

Events after the reporting date

There have been no significant events after the end of the year in review that would be worth reporting.

3. Report on Expected Developments

Opportunities and risks for future development

For 2015 we are planning on a moderate growth rate of 8% compared to 2014 and a positive profit before tax in the low single-digit percentage range. These earnings would be a positive conclusion of the company reorganisation, which began in 2012.

Success largely depends on whether we succeed in providing the customer structure in the wind segment on a broader basis. The first customer orders by new customers have already been booked and are able to be successively constructed from the 2nd quarter of 2015. Especially in this segment, global sourcing represents a large advantage to our customers as we would like to make use of our Indian business partner.

A risk that continues to apply in this respect is the considerable pricing pressure.

The framework conditions in the wind power industry are not uncritical in Germany, in particular, given the political concomitant circumstances (EEG apportionment) and the lack of an offshore grid connection.

In the automobile industry, customer-related problems and the subsequent associated delays for new products are solved. A model based on the other one is being adapted to the new products of Peiner Umformtechnik GmbH. The first positive order increases in this segment are slowly becoming visible.

To start with, as a “just-in-time” supplier, we bear the risk of an economic slowdown in this segment and are vulnerable to workload ups and downs.

Given the current order backlog of ca. EUR 21 million and subsequent secured employment for the next three months, we are expecting the improvement of the economic and company-relevant developments to continue. On the basis of this turnover expectation, we expect profit to turn around in 2015.

The investments have also led to an increase in the fixed cost structure which can only be covered by achieving the targeted turnover.

The general overhauls will help us to limit the energy and repair costs. A trouble-free production process during increased productive performance is the cornerstone of success.

The future development of the business will depend heavily on the effectiveness of the plan of sales and the extensive restructuring measures.

Peiner Umformtechnik GmbH, Peine
(Incorporated in Germany)

Balance sheet as of December 31, 2014

ASSETS	31-12-2014 EUR	31-12-2014 EUR	31-12-2013 EUR
A. LONG TERM ASSETS			
I. Intangible assets			
Software	873,00		3.386,00
		873,00	3.386,00
II. Property, Plant and Equipment			
1. Technical equipment, plant and machinery	2.716.063,00		1.359.121,00
2. Other equipment, fixtures, fitting and equipment	2.505.950,00		1.946.306,00
3. Advance payments and plant and machinery in process of construction	877.453,00		2.329.459,00
		6.099.466,00	5.634.886,00
III. Financial assets			
1. Loans to group companies	1.238.000,00		1.240.000,00
2. Other current assets	0,00		785,93
		1.238.000,00	1.240.785,93
		7.338.339,00	6.879.057,93
B. CURRENT ASSETS			
I. Inventories			
1. Raw materials and supplies	2.849.558,23		2.044.270,21
2. Work-in-process	2.683.886,84		4.125.819,55
3. Finished goods and consumptions	6.843.922,75		5.576.749,32
		12.377.367,82	11.746.839,08
II. Accounts receivable and other assets			
1. Accounts receivable from trading	484.005,29		837.239,86
2. Accounts due from affiliated companies	205.036,74		171.083,59
3. Other assets	1.354.553,83		2.179.225,94
		2.043.595,86	3.187.549,39
III. Cash on hand		341.956,54	87.043,92
		14.762.920,22	15.021.432,39
C. DEFERRED CHARGES AND PREPAID EXPENSES		155.984,68	14.266,38
D. DEFICIT NOT COVERED BY EQUITY		7.131.152,69	4.026.447,81
		29.388.396,59	25.941.204,51

LIABILITIES AND SHAREHOLDERS' EQUITY	31-12-2014 EUR	31-12-2014 EUR	31-12-2013 EUR
A. SHAREHOLDERS' EQUITY			
I. Capital subscribed	6.774.617,43		6.774.617,43
II. Capital surplus	1.508.311,05		1.508.311,05
III. Profit carried forward	-12.309.376,29		-9.932.768,58
IV. Net Loss	-3.104.704,88		-2.376.607,71
V. Deficit not covered by equity	7.131.152,69		4.026.447,81
		0,00	0,00
B. PROVISIONS AND ACCRUED LIABILITIES			
1. Provisions for pensions and similar obligation	4.845.187,00		4.854.518,00
2. Other provisions and accrued liabilities	647.862,65		753.790,63
		5.493.049,65	5.608.308,63
C. LIABILITIES			
1. Liabilities against banks	8.002.914,93		1.500.000,00
2. Trade payables	5.110.830,61		9.201.957,91
3. Liabilities towards affiliated companies	10.489.133,02		9.218.800,25
4. Other liabilities	292.468,38		412.137,72
		23.895.346,94	20.332.895,88
		29.388.396,59	25.941.204,51

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Profit- and Loss-Statement for the fiscal year 2014

	2014 EUR	2014 EUR	2013 EUR
1. Net sales		49.991.357,68	52.364.706,79
2. Increase in finished goods and work-in-process		75.311,03	418.672,20
3. Other own work capitalised		39.025,00	135.285,00
4. Other income - therof from currency translation EUR 187.449,39 (previous year EUR 20,10)		1.762.512,75	1.098.860,29
5. Cost of materials			
a) Cost of raw materials, and supplies and purchased goods	24.177.946,40		26.613.165,42
b) Cost of purchased services	5.613.118,99		5.577.868,51
		29.791.065,39	32.191.033,93
6. Gross profit		22.077.141,07	21.826.490,35
7. Personnel expenses			
a) Wages and salaries	11.206.328,96		10.581.516,21
b) Social security, pension and other benefit costs - thereof for pensions EUR 127.672,91 (previous year EUR 167.281,17)	2.307.742,96		2.174.164,89
		13.514.071,92	12.755.681,10
8. Depreciation and amortisation costs and other write-offs on intangible assets, and plant, and equipment		844.852,00	791.248,00
9. Other expenses - therof from currency translation EUR 30.835,45 (previous year EUR 14.456,47)		10.243.539,43	10.296.386,08
10. Operating result		-2.525.322,28	-2.016.824,83
11. Income from other long-term securities and loans - thereof from affiliated companies EUR 44.264,64 (previous year EUR 71.932,00)	44.283,81		72.091,94
12. Other interest and similar income	438,07		0,00
13. Interest and similar expenses, - thereof from affiliated companies EUR 311.007,62 (previous year EUR 477.650,00) - thereof from discounting of provisions EUR 237.762,00 (previous year EUR 245.047,00)	901.240,69		894.648,61
14 Financial result		-856.518,81	-822.556,67
15. Result from ordinary operations		-3.381.841,09	-2.839.381,50
16. Extraordinary earnings	291.342,42		477.650,00
17 Extraordinary expenses	11.382,00		11.382,00
18. Extraordinary result		279.960,42	466.268,00
19. Other taxes		2.824,21	3.494,21
20. Net loss		-3.104.704,88	-2.376.607,71

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Notes for the financial statements for the fiscal year 2014

Preamble

As well as its affiliated companies TVS Peiner Services GmbH and PUT Grundstücks GmbH, Peiner Umformtechnik GmbH is owned by Sundram Fasteners Ltd. Chennai / India.

General notes

These Annual Financial Statements were prepared in accordance with Sects. 242 ff. and 264 ff. of the German Commercial Code (HGB) and the relevant provisions of the German Limited Liability Company Act (GmbHG). The provisions for large corporation apply.
The Profit and Loss Statement was prepared under Sect. 277 paragraph 2 of the German Commercial Code (HGB), according to the cost summary format.

The accounting and valuation methods have remained the same as the previous year.

Accounting and valuation principles

Intangible fixed assets acquired are valued at original cost less scheduled depreciation. Scheduled depreciation is carried out on a linear basis over a service life of 3 years.

Tangible assets have been recognised at purchase or production cost and have been written down by means of scheduled depreciations where possible. As well as direct costs, an appropriate proportion of the production overheads and depreciation caused by manufacturing are included in the manufacturing costs. Scheduled depreciation is provided on a straight-line basis over a service life of 7 to 13 years for technical equipment and machines, or 3 to 16 years for factory and office equipment. Depreciable movable fixed assets capable of independent use whose original cost amounts to more than EUR 150.00 and less than EUR 1,000.00 are posted as a collective item and depreciate over a period of 5 years.

Within **financial assets**, loans to affiliated companies and other loans are reported unless they are intended to serve the business permanently. The approach of financial assets occurs at the time of the transfer of economic and legal ownership at cost. Unless assume on the balance sheet date of an expected permanent impairment, write-downs to the lower value to be made. Write-downs to a lower value at the balance sheet date are only charged if the impairment is expected to be permanent.

Inventories are recognised at acquisition and/or production cost or the lower current value.

Raw materials and operating supplies are capitalised at average purchase cost or lower current price; value deductions are applied for unsaleability.

Works **in progress and finished goods** are based on individual calculations based on the latest management accounts, valued at production cost, which includes the direct calculation of material costs and labour costs, and materials overheads.

All cases are assessed without loss, i.e. the estimated sale price deduction is taken for accruing costs and calculated profit.

Trade goods are valued at standard prices or lower market prices.

Appropriate devaluations are applied for all identifiable risks concerning **inventory** which arise from reduced usability or lower replacement costs.

Receivables and other assets are recognised at nominal value. All items carrying risk are taken into account by appropriate individual depreciations; general credit risks were taken into account by lump sum depreciations. Goods credit insurance in place for major customers. Accounts receivable in foreign currencies are shown at the exchange rates current on the date of their origin or the lower average rate at the cutoff date. Cooperation with a reputable factoring company provides the Company with the current supply of liquidity. Claims on the goods credit insurance for the factoring company are assigned for any default in payment.

Cash on hand are carried at their nominal amount.

Prepaid expenses and accrued income relate to expenses prior to the balance sheet date which represent an expense for a certain time after that date. The Reversal is made using the straight-line method in accordance with the economic allocation to the financial year.
The accounting policy choice for disagio was used.

Provisions for pensions and similar obligations are determined on an actuarial basis using the projected unit credit method. The calculation is carried out acc. § 253 paragraph 2 HGB, p.2 and 3 on the basis of the average market interest rate with an assumed maturity of 15 years, which is determined by the the German Federal Bank (Deutsche Bundesbank) under the relevant ordinance and posted monthly. Furthermore, the calculations were a one annual pension increase of 1%. and the 2005 G guideline tables of Dr. Klaus Heubach used.

The voting rights in Sect. 67 paragraph 1 of the Introductory Law to German Commercial Code (EGHGB) were applied when assessing pension provisions, the minimum is charged using this approach.

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The other provisions and accrued liabilities comprises all identifiable risks and contingent liabilities and are registered at the settlement amount based on a prudent commercial assessment. At the determintion of the settlementt amount future price and cost increases were taken into account. Provisions for anniversary obligations are made based on an actuarial report.

Provisions for long-service awards are measured on the basis of actuarial reports prepared. The provisions have been valued by the projected unit credit method on the basis of the Heubeck 2005 G mortality tables as well as the one determined by German Federal Bank (Deutsche Bundesbank) under the relevant ordinance and announced interest rate for an assumed remaining maturity of 15 years.

Liabilities are recognized at their settlement value.

Notes to the balance sheet

Fixed assets

The development of individual fixed asset items is shown in the fixed asset analysis under depreciation.

Financial assets

Loans to affiliated companies concern loans given to PUT Grundstücks GmbH and TVS Peiner Services GmbH. The agreed market interest rates are calculated and paid.

Inventories

	31/12/2014	31/12/2013
	KEUR	KEUR
Raw materials	2,849	2,044
Work in progress	2,684	4,126
Finished goods	6,844	5,577
	12,377	11,747

In addition to normal title retentions, the inventories were ceded as part of joint and several liability as collateral to a bank.

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Receivables and other assets

All accounts due from affiliated companies were trade accounts receivable in the reporting period and in the previous year. Of the receivables from affiliated companies an amount of KEUR 194 has a remaining maturity of more than one year .
The other assets have a residual term of less than one year.

Prepaid expenses

Of the prepaid expenses relate to KEUR 142 (previous year: TEUR 0) disagio from loans granted for the option to recognize gem. § 250 paragraph 3 HGB was used. Line basis over the term of the underlying contract.

Subscribed capital and capital reserve

The share capital remained unchanged at KEUR 6,775, the capital reserve remained unchanged at KEUR 1,508 and relates to other co-payments under German commercial law.

Provisions for pensions and similar obligations

Resulting from the conversion by BilMoG resulting increase in the amount of EUR 125 thousand and was in accordance with the current fiscal year. Article 67 paragraph 1 HGB recorded with other 1/15 as an expense. The resulting shortfall was KEUR 114 on the balance sheet date (previous year KEUR 125).

Other provisions

Other provisions relate mainly to obligations to employees (around 52%, previous year around 37%), provisions for risks from pending transactions (around 40%, previous year around 25%) and provision for outstanding invoices (around 14%, previous year 7%). In the previous year here also include restructuring provisions due to a redundancy package (around 20%, previous year around 35%).

Liabilities

Residual terms and collateral security of liabilities are shown in the breakdown of liabilities.

Breakdown of liabilities in KEUR

Type of liability	Residual term Up to 1 year	Residual term 2 to 5 years	Residual term Over 5 years	Total 31-12-2014	Total 31-12-2013	Secured with
1. Liabilities to banks	2.753	5.250	0	8.003		5.250
(Previous year)	(1.500)	(0)	(0)		(1.500)	(0)
2. Trade payables	5.111	0	0	5.111		0
(Previous year)	(9.202)	(0)	(0)		(9.202)	(0)
3. Liabilities toward affiliated companies	489	0	10.000	10.489		0
(Previous year)	(509)	(0)	(8.710)		(9.219)	(0)
- thereof to shareholder	0	0	10.000	10.000		
(Previous year)	(0)	(0)	(8.710)		(8.710)	(0)
- thereof into subordinated	0	0	7.200	7.200		
(Previous year)	(0)	(0)	(7.000)		(7.000)	(0)
4. Other liabilities	292	0	0	292		0
(Previous year)	(412)	(0)	(0)		(412)	(0)
- thereof for taxes	99	0	0	99		0
(Previous year)	(121)	(0)	(0)		(121)	(0)

Liability to banks are secured by a letter of comfort from Sundram Fasteners Ltd. Chennai / India, a first and exclusive charge over fixed assets and by a residual charge over current assets.

Liabilities to affiliated companies concern trade payables in an amount of KEUR 489 (previous year KEUR 509). Liabilities to shareholders relate solely granted loans..

Other financial obligations

Other financial obligations amount to the following. In detail, the following items are related to these obligations:

Other financial obligations from rental and leasing contracts amount to the following.

	KEUR
für 2015	1,235
für 2016	862
für 2017	733
für 2018	673
für 2019	383
für 2020	0
Total	3,886

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Financial obligations from rental and lease agreements to affiliated companies amount to KEUR 2,328.

Furthermore, payment obligations for supplier orders amount to KEUR 8,998.

In addition, there are commitments to Sundram Fasteners Ltd. Chennai / India from waiver of interest payment on loans and debtor warrants in the amount of KEUR 967.

Other transactions not included in the balance sheet

Type	ammount KEUR	Zweck
genuine factoring	1,870	economic reasons

An agreement on a genuine factoring was closed for the first time with a factoring enterprise for select customers in the financial year 2009. The advantages of the factoring consist in the safeguarding of the regular supply with liquidity.

Notes to the profit and loss account

Sales revenue

	2014		2013	
	KEUR	%	KEUR	%
- **By sector**				
Standard components	20.244	40,5	18.984	36,3
Automotive parts	29.367	58,7	33.011	63,0
Other revenues	380	0,8	370	0,7
	49.991	100,0	52.365	100,0
- **By region**				
Domestic	34.101	68,2	34.483	65,9
Abroad	15.890	31,8	17.882	34,1
	49.991	100,0	52.365	100,0

Extraordinary income

Extraordinary earnings includes exclusively income from derecognised liabilities due to the receivables waiver of loans interest 2014 issued by the shareholder.

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Extraordinary expenses

Extraordinary expenses result solely from the addition to provisions for pensions and similar obligations due to exercising the voting rights of Sect. 67 of the Introductory Law to German Commercial Code (EGHGB).

Other information

Audit fees

The total fees of the auditors for the financial year amounted to EUR 32,000.00 for audit services and EUR 3,000.00 for tax consulting services.

Management

Ralf Venema, Hamm

Total remuneration for the Board of Management

Pension provisions for former members of management and their surviving dependents amounted to KEUR 1,3405 on 31 December 2014.

Employees

Average number of employees during the financial year.

	2014	2013
Industrial workers	195	184
Clerical staff	46	49
	241	233

Group relations

The sole shareholder is Sundram Fasteners Ltd., Chennai, India. The Company is included in the consolidated accounts of the Sundram Group, Chennai, India. The consolidated financial accounts can be obtained there.

Peine, March 17, 2015

gez. Ralf Venema

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Peiner Umformtechnik GmbH, Peine
(Incorporated in Germany)

Statement of fixed assets for the period January 1 to December 31, 2014

	At cost					Accumulated depreciation				Net book value	
	01-01-2014 EUR	Additions EUR	Disposals EUR	Transfers EUR	31-12-2014 EUR	01-01-2014 EUR	Additions EUR	Disposals EUR	31-12-2014 EUR	31-12-2014 EUR	31-12-2013 EUR
I. Intangible assets											
Software	280.917,24	0,00	0,00	0,00	280.917,24	277.531,24	2.513,00	0,00	280.044,24	873,00	3.386,00
II. Property, Plant and Equipment											
1. Technical equipment, plant and machinery	29.909.579,99	317.220,59	380.257,99	1.625.396,63	31.471.939,22	28.550.458,99	585.675,22	380.257,99	28.755.876,22	2.716.063,00	1.359.121,00
2. Other equipment, fixtures, fitting and equipment	10.488.207,59	119.565,41	72.419,88	696.742,37	11.232.095,49	8.541.901,59	256.663,78	72.419,88	8.726.145,49	2.505.950,00	1.946.306,00
3. Advance payments and plant and machinery in process of construction	2.329.459,00	870.133,00	0,00	-2.322.139,00	877.453,00	0,00	0,00	0,00	0,00	877.453,00	2.329.459,00
	42.727.246,58	1.306.919,00	452.677,87	0,00	43.581.487,71	37.092.360,58	842.339,00	452.677,87	37.482.021,71	6.099.466,00	5.634.886,00
III. Financial assets											
1. Other current assets to affiliated companies	1.240.000,00	100.000,00	102.000,00	0,00	1.238.000,00	0,00	0,00	0,00	0,00	1.238.000,00	1.240.000,00
2. Other current assets	785,93	19,17	805,10	0,00	0,00	0,00	0,00	0,00	0,00	0,00	785,93
	1.240.785,93	100.019,17	102.805,10	0,00	1.238.000,00	0,00	0,00	0,00	0,00	1.238.000,00	1.240.785,93
	44.248.949,75	1.406.938,17	555.482,97	0,00	45.100.404,95	37.369.891,82	844.852,00	452.677,87	37.762.065,95	7.338.339,00	6.879.057,93

The English translation of the financial statements is just a courtesy translation. In all cases the German version shall prevail.

The English translation of the auditors report is just a courtesy translation. In all cases the German version shall prevail

Audit Opinion

We have audited the financial statements of PEINER Umformtechnik GmbH, Peine for the business year from January 1, 2014 until December 31, 2014 as exhibited in the attached version. We have issued the following opinion on the financial statement and management report:

“We have audited the annual financial statement – comprising the balance sheet, profit and loss statement and notes to the annual financial statements, together with the bookkeeping system, and management report of PEINER Umformtechnik GmbH, Peine, for the fiscal year from January 1 to December 31, 2014. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company’s management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] and the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

The English translation of the auditors report is just a courtesy translation. In all cases the German version shall prevail

Our audit has not led to any reservations.

In our opinion, based on the knowledge acquired during the audit, the annual financial statement complies with the legal requirements and gives a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as whole provides view of the Company´s position an suitably present the opportunities and risks of future development.

Without qualifying our opinion we draw the attention to the statement of the passages in the management report. In the section "Assets and financial position" as well as the passage " Summary statement on the economic situation " is stated that the that the solvency of the society only could be got by further financing measures and the shareholder has obliged himself with a financing promise to equip the society financially so that this is able to fulfill her liabilities in due time until the end of 2016 any time."

March 26, 2015

BDO AG
Wirtschaftsprüfungsgesellschaft

gez. Dr. Haferkorn	gez. ppa. Heesch
Dr. Haferkorn Wirtschaftsprüfer (Public Auditor)	ppa. Heesch Wirtschaftsprüfer (Public Auditor)

BALANCE SHEET AS AT 31ST DECEMBER 2014

	Note. No.	**Euro As at 31-12-2014**		**₹ As at 31-12-2014**		Euro As at 31-12-2013		₹ As at 31-12-2013	
I EQUITY AND LIABILITIES									
1) Shareholders' Funds									
a) Share Capital	1	**6,774,617**		**519,748,649**		6,774,617		575,496,976	
b) Reserves & Surplus	2	**(13,905,770)**	**(7,131,153)**	**(1,066,850,704)**	**(547,102,055)**	(10,801,065)	(4,026,448)	(917,539,713)	(342,042,737)
2) Non - Curent Liabilities									
a) Long-term borrowings	3	**15,249,915**	**15,249,915**	**1,169,973,473**	**1,169,973,473**	8,710,000	8,710,000	739,905,790	739,905,790
3) Current liabilities									
a) Short - term borrowings	3	**489,133**		**37,526,286**		508,800		43,222,072	
b) Trade payables	4	**5,110,831**		**392,102,924**		9,201,958		781,697,122	
c) Other current liablities	5	**3,045,468**		**233,648,334**		1,912,138		162,434,187	
d) Short - term provisions	6	**5,493,050**	**14,138,482**	**421,426,769**	**1,084,704,313**	5,608,309	17,231,205	476,420,210	1,463,773,591
	Total		**22,257,244**		**1,707,575,731**		21,914,757		1,861,636,644
II ASSETS									
1) Non - Current Assets									
a) Fixed assets									
Tangible assets	7	**5,222,012**		**400,632,812**		3,305,426		280,792,691	
Intangible assets	7	**874**		**66,981**		3,387		287,641	
Capital Work -in- Progress	7	**877,453**		**67,318,194**		2,329,459		197,885,213	
b) Long term loans and advances	11	**1,238,000**	**7,338,339**	**94,979,360**	**562,997,347**	1,240,786	6,879,058	105,403,524	584,369,069
2) Current Assets									
a) Inventories	8	**12,377,368**		**949,591,659**		11,746,839		997,882,233	
b) Trade receivables	9	**484,005**		**37,132,886**		837,240		71,122,689	
c) Cash and cash equivalents	10	**341,957**		**26,234,906**		87,044		7,394,294	
d) Short term loans and advances	11	**1,715,575**	**14,918,905**	**131,618,933**	**1,144,578,384**	2,364,576	15,035,699	200,868,359	1,277,267,575
	Total		**22,257,244**		**1,707,575,731**		21,914,757		1,861,636,644

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST DECEMBER 2014

		Note No.	Euro Year ended 31-12-2014	₹ Year ended 31-12-2014	Euro Year ended 31-12-2013	₹ Year ended 31-12-2013
	INCOME					
I	Revenue From Operations	12	**51,450,441**	**4,150,507,082**	53,409,712	4,186,760,602
II	Other Income	13	**639,493**	**51,587,953**	603,597	47,315,684
III	Total Revenue		**52,089,934**	**4,202,095,035**	54,013,309	4,234,076,286
IV	**Expenses**					
	Cost of Materials & components Consumed	14	**21,465,373**	**1,734,792,528**	24,087,624	1,887,175,638
	(Increase) / Decrease in inventories of FG, WIP & Stock-in-Trade	15	**174,759**	**13,407,532**	(666,244)	(56,596,677)
	Employee benefit expense	16	**13,631,260**	**1,099,633,769**	12,765,035	1,000,644,635
	Finance Costs	17	**951,050**	**76,721,159**	915,990	71,803,960
	Depreciation and amortization expenses		**844,852**	**68,154,211**	791,248	62,025,535
	Other Expenses	18	**18,113,139**	**1,461,186,941**	18,481,389	1,448,746,758
	Total Expenses		**55,180,433**	**4,453,896,140**	56,375,041	4,413,799,849
V	**Profit before tax (III-IV)**		**(3,090,499)**	**(251,801,105)**	(2,361,732)	(179,723,563)
VI	Extraordinary items					
	Extraordinary Expenses		**(11,382)**	**(918,186)**	(11,382)	(892,230)
VII	Profit before tax (V-VI)		**(3,101,881)**	**(252,719,292)**	(2,373,114)	(180,615,793)
VIII	Tax expense :					
	Current Tax		**–**	**–**	–	–
	Other Tax		**(2,824)**	**(227,829)**	(3,494)	(273,909)
IX	**Profit (Loss) for the period (VII-VIII)**		**(3,104,705)**	**(252,947,121)**	(2,376,608)	(180,889,702)

Peiner Umformtechnik GmbH, Peine (Incorporated in Germany)

TRANSLATED FINANCIAL STATEMENTS

CASH FLOW STATEMENT FOR THE YEAR ENDED ON 31ST DECEMBER 2014

	IN EURO Year ended 31-12-2014	IN EURO Year ended 31-12-2014	IN ₹ Year ended 31-12-2014	IN ₹ Year ended 31-12-2014	IN EURO Year ended 31-12-2013	IN EURO Year ended 31-12-2013	IN ₹ Year ended 31-12-2013	IN ₹ Year ended 31-12-2013
A. CASH FLOW FROM OPERATING ACTIVITIES:								
Net Profit before Tax		**(3,101,881)**		**(252,719,292)**		(2,373,114)		(180,615,793)
Adjustments For :								
Depreciation	**844,852**		**68,154,211**		791,248		62,025,535	
Exchange variation - Depreciation			**(3,337,165)**				5,190,191	
Exchange variation on application of AS11			**14,754,133**				(21,000,786)	
Interest expense (Net)	**565,176**		**45,592,779**		344,907		27,037,061	
Loss (Gain) on sale of Assets	**(45,000)**	**1,365,028**	**(3,630,150)**	**121,533,809**	10,025	1,146,180	785,834	74,037,836
Operating Profit before Extraordinary items & Working Capital changes:		**(1,736,853)**		**(131,185,483)**		(1,226,934)		(106,577,957)
Adjustments For Changes in Working Capital :								
(Increase)/Decrease in inventories	**(630,529)**		**(48,374,137)**		(824,969)		(70,080,278)	
(Increase)/Decrease in trade and other receivables	**1,002,235**		**76,891,487**		247,404		21,016,756	
Increase/(Decrease) in Long term loans & Non Current Assets	**2,786**		**213,737**		(696,557)		(59,171,847)	
Increase/(Decrease) in Trade Payables and provisions	**(4,326,056)**	**(3,951,563)**	**(331,894,987)**	**(303,163,900)**	(5,431,979)	(6,706,102)	(461,441,216)	(569,676,585)
Cash Generated From Operations		**(5,688,416)**		**(434,349,383)**		(7,933,036)		(676,254,543)
Taxes paid		**(2,824)**		**(227,829)**		(3,494)		(273,909)
NET CASH FROM OPERATING ACTIVITIES		**(5,691,240)**		**(434,577,212)**		(7,936,530)		(676,528,451)
B. CASH FLOW FROM INVESTING ACTIVITIES :								
Purchase of Fixed Assets		**(2,758,925)**		**(211,664,726)**		(525,843)		(44,669,837)
Proceeds from Sale of Assets		**45,000**		**3,630,150**		25,672		2,246,591
Changes in Capital Work in Progress		**1,452,006**		**111,397,900**		(1,973,430)		(167,640,905)
Interest received		**336,064**		**27,110,307**		549,742		43,093,996
NET CASH USED IN INVESTING ACTIVITIES		**(925,855)**		**(69,526,369)**		(1,923,859)		(166,970,155)
C. CASH FLOW FROM FINANCING ACTIVITIES								
Proceeds From Term Loans (Secured)		**7,773,249**		**596,363,564**		10,718,800		910,551,362
Interest expense		**(901,241)**		**(72,703,087)**		(894,649)		(70,131,057)
NET CASH USED IN FINANCING ACTIVITIES		**6,872,008**		**523,660,477**		9,824,152		840,420,305
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**254,913**		**19,556,896**		(36,237)		(3,078,302)
CASH AND CASH EQUIVALENTS -Opening Balance		**87,044**		**6,678,010**		123,281		10,472,596
CASH AND CASH EQUIVALENTS-Closing Balance		**341,957**		**26,234,906**		87,044		7,394,294
Notes :								
CASH AND CASH EQUIVALENTS include:								
a) Cash and Cheques on hand		**310**		**23,781**		967		82,103
b) With Scheduled Banks:								
Current Account		**341,647**		**26,211,125**		86,077		7,312,191
		341,957		**26,234,906**		87,044		7,394,294

NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

	Euro As at 31-12-2014	₹ As at 31-12-2014	Euro As at 31-12-2013	₹ As at 31-12-2013
1 SHARE CAPITAL				
a. Capital Subscribed				
Share Capital	**6,774,617**	**519,748,649**	6,774,617	575,496,976

b. Reconciliation of number of shares

	As at 31-12-2014			As at 31-12-2013		
Equity Shares	**No. of Shares**	**Value in Euro**	**Value in Rs**	No. of Shares	Value in Euro	Value in Rs
1. Balance at the beginning of the year	–	**6,774,617**	**519,748,649**	–	6,774,617	575,496,976
2. Add : Shares issued during the year	–	–	–	–	–	–
3. Bonus Shares issued during the year	–	–	–	–	–	–
4. Balance at the end of the year	–	**6,774,617**	**519,748,649**	–	6,774,617	575,496,976

c. Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company	As at 31-12-2014		As at 31-12-2013	
Name of the Shareholder	**No. of Shares**	**Shares as % of Total No. of Shares**	No. of Shares	Shares as % of Total No. of Shares
1. Sundram Fasteners Limited, Chennai	–	**100.00**	–	100.00
2. Total No. of Shares of the Company	–	**100.00**	–	100.00

d. Bonus Shares / Buy Back / Shares for consideration other than cash issued during the period of five years immediately preceding the financial year ended 31st December, 2014 :

(i) Aggregate number of equity shares allotted as fully paid up pursuant to contracts without payment being received in cash : Nil

(ii) Aggregate number of equity shares allotted as fully paid up by way of Bonus Shares : Nil

(iii) Aggregate number of equity shares bought back : Nil

	Euro As at 31-12-2014	₹ As at 31-12-2014	Euro As at 31-12-2013	₹ As at 31-12-2013
2. RESERVES & SURPLUS				
a) Capital Reserves	**1,508,311**	**115,717,624**	1,508,311	128,129,515
	1,508,311	**115,717,624**	1,508,311	128,129,515
b) Surplus in Statement of Profit and Loss				
1. Balance as at the beginning of the year	**(12,309,376)**	**(944,375,341)**	(9,932,768)	(843,778,740)
2. Profit / (Loss) for the year	**(3,104,705)**	**(252,947,121)**	(2,376,608)	(180,889,702)
3. Balance available for appropriation (1 + 2)	**(15,414,081)**	**(1,197,322,461)**	(12,309,376)	(1,024,668,442)
Balance as at the end of the year	**(15,414,081)**	**(1,197,322,461)**	(12,309,376)	(1,024,668,442)
c) Foreign Exchange Translation Reserve / (Asset)				
Foreign exchange reserve / (Asset) arising on account of application of Indian Accounting Standard - 11				
Opening balance as on 01.01.2014		**(21,000,786)**		(14,311,106)
Current year foreign exchange gain / (loss)		**35,754,919**		(6,689,680)
	–	**14,754,133**	–	(21,000,786)
Total Reserves and Surplus (a + b + c)	**(13,905,770)**	**(1,066,850,704)**	(10,801,065)	(917,539,713)

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	Long-term / Non Current				Short-term / Current			
	As at 31-12-2014		As at 31-12-2013		**As at 31-12-2014**		As at 31-12-2013	
	Euro	**₹**	Euro	₹	**Euro**	**₹**	Euro	₹
3. BORROWINGS								
1 Loan from Banks	**5,249,915**	**402,773,473**	–	–	**–**	**–**	–	–
2 Loans from related parties	**10,000,000**	**767,200,000**	8,710,000	739,905,790	**489,133**	**37,526,286**	508,800	43,222,072
	15,249,915	**1,169,973,473**	8,710,000	739,905,790	**489,133**	**37,526,286**	508,800	43,222,072
4. TRADE PAYABLES								
Raw Materials	**–**	**–**	–	–	**5,110,831**	**392,102,924**	9,201,958	781,697,122
	–	**–**	–	–	**5,110,831**	**392,102,924**	9,201,958	781,697,122
5. OTHER LIABILITIES								
1. Current maturities of long-term debt	**–**	**–**	–	–	**2,753,000**	**211,210,160**	1,500,000	127,423,500
2. Other Liabilities	**–**	**–**	–	–	**292,468**	**22,438,174**	412,138	35,010,687
Total	**–**	**–**	–	–	**3,045,468**	**233,648,334**	1,912,138	162,434,187
6. PROVISIONS								
1. Provisions for pension and similar obligations	**–**	**–**	–	–	**4,845,187**	**371,722,747**	4,854,518	412,386,450
2. Other Provisions and accrued liabilities	**–**	**–**	–	–	**647,863**	**49,704,023**	753,791	64,033,760
Total	**–**	**–**	–	–	**5,493,050**	**421,426,769**	5,608,309	476,420,210

7. FIXED ASSET SCHEDULE

	Tangible						Intangible			
	Plant & Machinery		Fixtures, Fittings and Office Equipments		Total		Software		Total	
	Euro	₹	Euro	₹	Euro	Rupees	Euro	₹	Euro	₹
A. Cost of Assets										
As at 31-12-2013	29,909,580	2,540,788,917	10,488,207	890,962,743	40,397,788	3,431,751,659	280,918	23,863,646	40,678,705	3,455,615,305
Additions	1,942,617	149,037,593	816,308	62,627,133	2,758,925	211,664,727	–	–	2,758,925	211,664,727
Sales/Discards	(380,258)	(29,173,393)	(72,420)	(5,556,053)	(452,678)	(34,729,446)	–	–	(452,678)	(34,729,446)
Other Adjustments										
- Exchange difference		(246,125,937)		(86,307,458)	-	(332,433,395)	–	(2,311,671)	–	(334,745,065)
- Borrowing Costs	–	–	–	–	–	–	–	–	–	–
As at 31-12-2014	**31,471,940**	**2,414,527,180**	**11,232,095**	**861,726,364**	**42,704,035**	**3,276,253,544**	**280,918**	**21,551,976**	**42,984,953**	**3,297,805,521**
B. Depreciation / Amortization										
As at 31-12-2013	28,550,459	2,425,332,970	8,541,902	725,625,999	37,092,361	3,150,958,968	277,531	23,576,002	37,369,892	3,174,534,971
Charges for the year	585,675	47,246,420	256,664	20,705,067	842,339	67,951,488	2,513	202,724	844,852	68,154,211
Deduction on sale or discards	(380,258)	(29,173,393)	(72,420)	(5,556,053)	(452,678)	(34,729,446)	–	–	(452,678)	(34,729,446)
Exchange variation (op bal restated)	–	(234,941,730)	–	(70,291,308)	–	(305,233,038)	–	(2,283,805)	–	(307,516,843)
Restating to Closing Rate - CY Depn	–	(2,313,417)	–	(1,013,822)	–	(3,327,239)	–	(9,926)	–	(3,337,165)
As at 31-12-2014	**28,755,877**	**2,206,150,850**	**8,726,145**	**669,469,883**	**37,482,023**	**2,875,620,733**	**280,044**	**21,484,995**	**37,762,067**	**2,897,105,730**
C. Written Down Value										
As at 31-12-2014	**2,716,063**	**208,376,330**	**2,505,949**	**192,256,481**	**5,222,012**	**400,632,811**	**874**	**66,981**	**5,222,886**	**400,699,791**
As at 31-12-2013	1,359,121	115,455,947	1,946,305	165,336,744	3,305,426	280,792,691	3,387	287,644	3,308,813	281,080,335
D. Capital Work-in-Progress										
As at 31-12-2014	**877,453**	**67,318,194**	**–**	**–**	**877,453**	**67,318,194**	**–**	**–**	**877,453**	**67,318,194**
As at 31-12-2013	2,329,459	197,885,213	–	–	2,329,459	197,885,213	–	–	2,329,459	197,885,213

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

		Non Current				Current			
		As at 31-12-2014		As at 31-12-2013		As at 31-12-2014		As at 31-12-2013	
		Euro	₹	Euro	₹	Euro	₹	Euro	₹
8.	**INVENTORIES (Valued at lower of cost and net realizable value)**								
	a Raw Materials and components					**2,849,558**	**218,618,107**	2,044,270	173,658,710
	b Work-in-process					**2,683,887**	**205,907,798**	4,125,820	350,484,245
	c Finished Goods					**6,843,923**	**525,065,753**	5,576,749	473,739,278
	Total					**12,377,368**	**949,591,659**	11,746,839	997,882,233
9.	**TRADE RECEIVABLES (Unsecured, considered good unless stated otherwise)**								
	Outstanding for a period more than six months from the date they are due for payment	–	–	–	–	–	–	–	–
	Other receivables	–	–	–	–	**536,468**	**41,157,863**	986,252	83,781,151
		–	–	–	–	**536,468**	**41,157,863**	986,252	83,781,151
	Less:- Provision for doubtful debts	–	–	–	–	**52,463**	**4,024,977**	149,012	12,658,462
	Allocation with Commerz Factoring	–	–	–	–	–	–	–	–
		–	–	–	–	**484,005**	**37,132,886**	837,240	71,122,689
10.	**CASH AND BANK BALANCES**								
	Cash and Cash Equivalents								
	a) Balances with Bank								
	Commerzbank (e)	–	–	–	–	**337,884**	**25,922,477**	61,649	5,237,025
	Deutsche Bank (e)	–	–	–	–	**917**	**70,335**	21,338	1,812,683
	HSBC, Hamburg	–	–	–	–	**2,846**	**218,313**	3,090	262,482
	b) Cash on hand	–	–	–	–	**310**	**23,781**	967	82,103
		–	–	–	–	**341,957**	**26,234,906**	87,044	7,394,294
11.	**LOANS AND ADVANCES**								
	1 **Loans to Group companies**								
	- TVS Peiner Services GmbH	**438,000**	**33,603,360**	540,000	45,872,460	–	–	–	–
	- PUT Grundstucks GmbH	**800,000**	**61,376,000**	700,000	59,464,300	–	–	–	–
	2 **Accounts due from affiliated companies**								
	- Windbolt GmbH	–	–	–	–	**167,898**	**12,881,142**	152,702	12,971,897
	- PUT Grundstucks GmbH	–	–	–	–	**37,139**	**2,849,276**	18,381	1,561,482
	- Sundram Fasteners Ltd.	–	–	–	–	–	–	–	–
	3 Receivable against employee	–	–	786	66,764	–	–	–	–
	4 Vendors with Debit Balance	–	–	–	–	**20,382**	**1,563,722**	48,530	4,122,534
	5 Input Tax	–	–	–	–	**72,904**	**5,593,203**	603,727	51,285,972
	6 Prepaid Expenses	–	–	–	–	**1,417,252**	**108,731,589**	1,541,236	130,926,473
	Total	**1,238,000**	**94,979,360**	1,240,786	105,403,524	**1,715,575**	**131,618,933**	2,364,576	200,868,359

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

			Euro Year ended 31-12-2014	₹ Year ended 31-12-2014	Euro Year ended 31-12-2013	₹ Year ended 31-12-2013
12.	**REVENUE FROM OPERATIONS**					
	Sale of Products					
	Domestic Sales		**33,404,599**	**2,694,749,002**	33,684,091	2,640,479,031
	Export Sales		**16,108,912**	**1,299,505,970**	18,161,476	1,423,669,008
		Total	**49,513,511**	**3,994,254,972**	51,845,567	4,064,148,039
12A.	**OTHER OPERATING REVENUES**					
	a) Scrap Sales		**477,846**	**38,547,852**	519,140	40,695,143
	b) Other operating income		**122,710**	**9,899,032**	–	–
	c) Income from shared services		**721,686**	**58,218,413**	572,793	44,900,952
	d) Trading receipts		**332,263**	**26,803,666**	190,027	14,896,089
	e) Revenue from appreciation bad debt		**5,630**	**454,206**	25,210	1,976,206
	f) Reimbursement of expenses		**233,998**	**18,876,593**	223,322	17,506,094
	g) Tax clearing costs for car-leasing		**42,796**	**3,452,348**	33,653	2,638,079
		Total	**1,936,930**	**156,252,110**	1,564,145	122,612,563
	Total Revenue from operations		**51,450,441**	**4,150,507,082**	53,409,712	4,186,760,602
13.	**Other Income**					
	Reversal of accruals & prov for impending losses		**58,980**	**4,757,913**	53,163	4,167,414
	Profit on sale of assets		**45,000**	**3,630,150**	672	52,699
	Interest income		**336,064**	**27,110,307**	549,742	43,093,996
	Net Foreign exchange gain(net off loss)		**187,449**	**15,121,542**	20	1,576
	Miscellaneous Income		**12,000**	**968,040**	–	–
		Total	**639,493**	**51,587,953**	603,597	47,315,684
14.	**RAW MATERIALS INCLUDING PACKING MATERIALS CONSUMED**					
	Opening Stock of Raw Material		**2,044,270**	**156,836,411**	1,885,544	160,175,056
	Add: Purchase of materials		**22,270,661**	**1,796,574,224**	24,246,351	1,900,659,293
	Less: Closing Stock of Raw Material		**2,849,558**	**218,618,107**	2,044,270	173,658,710
		Total	**21,465,373**	**1,734,792,528**	24,087,624	1,887,175,638
15.	**(INCREASE)/DECREASE IN INVENTORIES OF FINISHED GOODS, WIP**					
	(A) Inventories at the beginning of the year					
	Work-in-process		**4,125,820**	**316,532,876**	3,487,258	296,239,080
	Finished Goods		**5,576,749**	**427,848,208**	5,549,068	471,387,766
			9,702,569	**744,381,084**	9,036,326	767,626,846
	(B) Inventories at the end of the year					
	Work-in-process		**2,683,887**	**205,907,798**	4,125,820	350,484,245
	Finished Goods		**6,843,923**	**525,065,753**	5,576,749	473,739,278
			9,527,810	**730,973,552**	9,702,569	824,223,523
		Total (A-B)	**174,759**	**13,407,532**	(666,244)	(56,596,677)
16.	**EMPLOYEE BENEFIT EXPENSES**					
	Salaries,Wages,Bonus and Allowances		**11,046,329**	**891,107,357**	10,380,718	813,739,310
	Employees' Provident and Other Funds		**2,307,743**	**186,165,625**	2,174,165	170,431,699
	Staff & Labour welfare expenses		**277,188**	**22,360,787**	210,151	16,473,627
		Total	**13,631,260**	**1,099,633,769**	12,765,035	1,000,644,636

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	Euro Year ended 31-12-2014	₹ Year ended 31-12-2014	Euro Year ended 31-12-2013	₹ Year ended 31-12-2013
17. FINANCE COST				
a) Interest expense	**901,241**	**72,703,086**	894,649	70,131,057
b) Applicable net gain/loss on foreign currency transactions and translation including borrowing cost	**49,809**	**4,018,073**	21,341	1,672,903
Total	**951,050**	**76,721,159**	915,990	71,803,960
18. OTHER EXPENSES				
Stores and Tools consumed	**494,686**	**39,906,344**	484,929	38,013,314
Power & Fuel	**2,327,751**	**187,779,649**	2,466,958	193,383,618
Rent	**1,336,422**	**107,809,181**	1,347,008	105,591,286
Sub-Contract expenses	**8,203,106**	**661,744,542**	8,167,799	640,269,713
Insurance	**217,237**	**17,524,544**	253,337	19,858,984
Repairs & Maintenance - Building	**549,873**	**44,358,275**	576,412	45,184,614
Repairs & Maintenance - Machinery	**1,279,214**	**103,194,201**	1,282,102	100,503,335
Repairs & Maintenance - Others	**821,126**	**66,240,196**	814,693	63,863,341
Remuneration to Auditors	**35,000**	**2,823,450**	37,911	2,971,840
Directors Remuneration	**160,000**	**12,907,200**	198,000	15,521,121
Freight outward	**686,013**	**55,340,645**	643,235	50,422,880
Legal and Professional Charges	**62,686**	**5,056,914**	70,074	5,493,102
Commission on Sales	**1,257,900**	**101,474,793**	1,329,600	104,226,679
Miscellaneous Expenses (Refer Note 18A)	**682,125**	**55,027,008**	809,329	63,442,931
Total	**18,113,139**	**1,461,186,941**	18,481,389	1,448,746,758
18A. MISCELLANEOUS EXPENSES				
Bank charges	**162,944**	**13,144,710**	130,835	10,256,099
Consultancy	**90,936**	**7,335,823**	213,271	16,718,186
Books & periodicals	**4,277**	**345,026**	5,644	442,395
Donation	**–**	**–**	100	7,839
Communication expenses	**5,413**	**436,699**	6,783	531,725
Packing Materials	**85,786**	**6,920,349**	159,329	12,489,710
Training expenses	**255,969**	**20,649,020**	213,936	16,770,333
Advertisement	**4,402**	**355,096**	5,613	439,967
Marketing expenses	**32,894**	**2,653,522**	29,272	2,294,620
Travel & Entertainment	**22,517**	**1,816,462**	33,851	2,653,525
Loss on sale of assets	**–**	**–**	10,697	838,532
Sundry expenses	**16,987**	**1,370,301**	–	–
Total	**682,125**	**55,027,008**	809,329	63,442,931

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

19. NOTES ON ACCOUNTS

1. AS - 2: Valuation of Inventories

Inventories of raw materials, consumables and supplies are valued at the lower of average cost or market value as at the balance sheet date.

Finished goods and work in process are valued at production cost on the basis of individual product costing derived from the current cost accounting records. In addition to direct cost of materials, direct labor and other special direct costs, production costs include production and material overheads.

In all cases, valuation is based on net realizable value, i.e. the cost to complete and a reasonable profit margin is deducted from the expected sales prices.

Merchandise is recorded at the lower of cost or market value as on the balance sheet date.

Adequate allowances are provided for all identifiable inventory valuation risks resulting from reduced usability and lower replacement costs.

2. AS 3: Cash Flow statements

Cash Flow statement has been attached to the Balance Sheet and Statement of Profit and Loss.

3. AS 5 : Net profit or loss for the period, prior period items and changes in accounting policies

Prior Period items

Particulars	EURO As at / Year ended 31-Dec-14	₹ As at / Year ended 31-Dec-14
a) Prior Period Expenses	16,945	1,366,962
b) Prior Period Income	12,000	968,040

4. Depreciation Accounting

Depreciation is provided under the Written Down Value Method in accordance with the German Tax Laws.

Property, plant and equipment are depreciated in accordance with their estimated useful lives on the basis of the maximum allowable tax depreciation rates.

Intangible assets having a limited life are amortized over a period of 3 years under the Straight Line Method.

5. Accounting for Fixed Assets

Property, plant and equipment are capitalized at acquisition or production cost which includes taxes, duties and other identifiable direct expenses incurred upto the date the asset is put to use. The cost of self-constructed assets includes direct costs as well as a proportionate share of overheads and construction-related depreciation expenses.

Purchased intangible assets are capitalized at acquisition cost.

6. AS 11: Accounting for effects in foreign exchange rates

The Balance Sheet as at 31st December 2014 has been translated from Euro to Indian Rupees by applying the year end inter-bank exchange rate of EURO 1 = ₹ 76.72 (2013 EURO 1 = ₹ 84.95). The financial statements have been compiled so as to have them properly drawn up in accordance with the requirements of the Indian Companies Act, 2013 in the manner so required. The financial statements prepared in accordance with Sections 242 and 264 of the German Commercial Code as well as in accordance with the relevant provisions of the German Limited Liability Companies Act and as audited by their auditors has been the basis of the translation and presentation.

Income and Expenditure

Income and expense items have been translated at average exchange rates prevailing during the year EURO 1 = ₹ 80.67 (previous year EURO 1 = ₹ 78.39);

Exchange differences arising out of the translation have been dealt with in accordance with AS 11.

7. **As - 18: Related Party Transactions**

Related Parties:

(I) Where Control exists:

A) Holding Company

Sundram Fasteners Limited, Chennai

NOTES ON ACCOUNTS (Contd.)

(II) Other Related Parties

A) Fellow Subsidiaries

Cramlington Precision Forge Ltd., Northumberland, United Kingdom
Sundram RBI Sdn. Bhd., Pandan Indah, Malaysia
Upasana Engineering Limited, Chennai
Sundram Non Conventional Energy Systems Ltd., Chennai
Sundram International Inc., Michigan, USA
Sundram Bleistahl Limited, Chennai
Sundram Fasteners (Zheijiang) Limied, People's Republic of China
TVS Peiner Services GmbH, Peine, Germany
PUT Grundstucks GmbH, Peine, Germany
Sundram Fasteners Investments Limited, Chennai
TVS Infotech Limited, Chennai
TVS Infotech Inc., Michigan, USA

(III) Transactions with related parties

Particulars	**EURO**	**₹**	EURO	₹
	As at / Year ended 31-Dec-14	**As at Year ended 31-Dec-14**	As at / Year ended 31-Dec-13	As at / Year ended 31-Dec-13
A) Purchase of goods:				
Holding Company	**388,565**	**31,345,546**	122,107	9,571,970
Fellow Subsidiaries				
a) Upasana Engineering Limited	**7,264**	**586,019**	3,146	246,615
b) Sundram Fasteners (Zhejiang) Ltd	**143,441**	**11,571,406**	78,188	6,129,161
c) WindBolt GmbH	**2,498**	**201,504**	–	–
B) Services Received				
Holding Company	**–**	**–**	–	–
Fellow Subsidiaries				
a) TVS Peiner Services GmbH	**5,139,592**	**414,610,853**	5,197,850	407,459,436
C) Outstanding balances Due to the Company				
Holding Company	**–**	**–**	–	–
Fellow Subsidiaries				
a) PUT Grundstucks GmbH	**837,139**	**64,225,276**	718,381	61,025,782
b) TVS Peiner Services GmbH	**438,000**	**33,603,360**	540,000	45,873,000
c) WindBolt GmbH	**167,898**	**12,881,142**	152,702	11,970,324
D) Outstanding balances Payable by the company				
Holding Company	**10,206,974**	**783,079,065**	8,757,751	686,520,101
Fellow Subsidiaries				
a) TVS Peiner Services GmbH	**262,494**	**20,138,506**	408,923	34,738,032
b) Sundram Fasteners (Zhejiang) Ltd	**–**	**–**	52,126	4,086,160
E) Interest received				
Holding Company	**–**	**–**	–	–
Fellow Subsidiaries				
a) TVS Peiner Services GmbH	**45,583**	**3,677,204**	35,274	2,765,129
b) PUT Grundstucks GmbH	**26,191**	**2,112,862**	36,658	2,873,628
F) Rent paid:				
Holding Company	**–**	**–**	–	–
Fellow Subsidiaries				
a) PUT Grundstucks GmbH	**664,071**	**53,570,612**	667,414	52,318,240

NOTES ON ACCOUNTS (Contd.)

8. **AS - 19: Leases**

The Company has entered into renting and leasing contracts, which are in the nature of operating leases as defined in the Accounting Standard - AS 19 in respect of leases, prescribed by the Institute of Chartered Accountants of India. The renting and leasing contracts will terminate between 2010-2019.

a) Future minimum lease payments under non-cancelable operating leases in respect of lease agreements entered into:

Year	EURO 31-Dec-14	₹ 31-Dec-14
- for 2015	1,235,000	94,749,200
- for 2016	862,000	66,132,640
- for 2017	733,000	56,235,760
- for 2018	673,000	51,632,560
- for 2019	383,000	29,383,760

b) Lease payments recognized in the statement of Profit and Loss Account, in respect of operating lease agreements entered into:

Particulars	EURO 31-Dec-14	₹ 31-Dec-14
Lease rent	**1,336,422**	**107,809,181**

c) Significant leasing arrangements:

The Company has entered into rent and leasing contracts in respect of buildings, machinery and equipment, other office equipment and vehicles.

These contracts are renewable for further period or periods on terms and conditions mutually agreed between the parties. Variations in the lease rentals are made in the event of a change in the basis of computation of lease rentals by the lessor.

9. **AS 20: Earnings Per Share**

The Capital of the Company is not divisible into shares of a specific denomination. Hence it is not possible to compute the earnings per share and consequently no disclosure has been made.

10. Accruals for pensions and early retirement obligations are determined on the basis of actuarial principles in accordance with Sec. 6a of the German Income Tax Act.

11. For other significant accounting policies refer to the audited financial statements of Peiner Umformtechnik GmbH.

12. Figures for the previous year have been re-grouped, wherever necessary to conform to current year classification.