

# **Cramlington Precision Forge Limited**

(Incorporated in United Kingdom)

## **ANNUAL REPORT**

**for the year ended  
December 31, 2018**



**COMPANY INFORMATION**

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<b>Directors</b>	D Bartle N Balakrishnan S J Rose
<b>Secretary</b>	Eversecretary Limited
<b>Company number</b>	04842214
<b>Registered office</b>	Eversheds Central Square South Orchard Street Newcastle upon Tyne NE1 3XX
<b>Auditor</b>	RSM UK Audit LLP Chartered Accountants 1 St. James' Gate Newcastle upon Tyne NE1 4AD

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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The directors present the strategic report for the year ended 31 December 2018.

**Fair review of the business and key performance indicators**

The company is principally engaged in the manufacture and supply of precision forged and machine components for the commercial vehicle sector, delivered into the European and South American Marketplace.

During 2018 the markets continued to show positive growth, up 34% on 2017 and 70% from 2016.

This increased demand in a competitive environment has had a negative impact to the financial result of the Cramlington Precision Forge Ltd (CPFL) business, resulting in the net assets decreasing to £1,400,791.

	2018	2017
	£	£
Turnover	13,111,722	9,759,476
Cost of sales	(11,764,648)	(9,014,282)
Gross profit	1,347,074	745,194

During 2017 the two main commercial vehicle customers for CPFL were both taken control over by a leading automotive organisation. The synergies expected through this merger resulted in CPFL being under significant pricing pressure to stay as a provider to this market. Expected savings through 2018 did not materialize in a difficult environment. This has resulted in significant impact on profit.

Material requirements in high demand and constant increasing prices resulted in limited new opportunities in a global market place.

Increased manpower requirements in a constrained market added pressure to costs, structure and the ability to supply in a growth sector.

Machines at high levels of capacity, needing local support to ensure continuous supply, but at a cost.

The combination of these factors resulted in CPFL having delivery issues to its customer base and in turn exceptionally high transport costs.

The CPFL business has been financially supported through 2018 by its parent company Sundram Fasteners Ltd (SFL) who continue to support the business.

Expectation through 2019 is that the turnover will grow by 5%, a positive situation for the Directors to take action regarding product supply. High demand for European steel is weakening, and dual sourcing projects are ongoing to ensure consistent supply through 2019. Outsourced projects have been initiated to utilize the group skills/facilities. Products from the CPFL portfolio which have poor contribution will be supplied through the parent company in India. This will help with capacity issues on site and reduce the need for external expensive support. Ongoing control of People and Performance, Quality, HS&E, Yield, Sub Contractors and Variable Costs will take priority through our KPI Management Reviews.

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## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### Principal risks and uncertainties

##### *Political risk*

Brexit remains a concern as 98% of the CPFL business is distributed overseas.

Training is ongoing to ensure smooth transiting of product for customs clearance.

Detailed plans are currently ongoing to build stock at our customers facilities in the event of a hard Brexit.

The effects of trade tariffs on products into and out of the UK after a "No deal" Brexit are still under review and will continue to be monitored. This is a risk to the long-term strategy of CPFL and our customers purchasing decisions.

##### *Foreign Exchange Rate Risk*

All sales through the CPFL business are conducted in GBP so no risk to foreign rate exchange is considered. The value of sterling through the Brexit process may affect our competitiveness in the market place.

##### *Cash Flow & Liquidity Risk*

Cash flow through this period has been monitored closely and supported through our parent company.

##### *Credit Risk*

Letters of Support from the Parent Company have been given during this period.

#### Future developments

The company continues to review opportunities in diverse sectors to broaden its portfolio. Good progress is being made with several UK opportunities to develop our forging/manufacturing business, new orders received will grow the business through 2019/2020. The combination of product from CPFL and its parent company in India will enable CPFL to compete in a globally competitive environment.

##### *Health, Safety & Environment*

The company continues to work closely with its workforce to have best practices for its Health and Safety & Environmental policies and procedures. CPFL continues to be registered to ISO 14001 – OHSAS 18001.

##### *Quality*

Quality and the continuous drive to improve are core to the values at CPFL. The company continues to be registered to IATF 16949 and is striving to be approved to the automotive standard VDA6.3 through 2019.

On behalf of the board

D Bartle  
Director

Date: 16/4/19

**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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The directors present their annual report and financial statements for the year ended 31 December 2018.

**Principal activities**

The principal activity of the company continued to be that of the manufacturing of precision forgings.

**Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

D Bartle  
N Balakrishnan  
S J Rose

**Results and dividends**

The results for the year are set out on page 7.

No ordinary dividends were paid (2017: £5,000). The directors do not recommend payment of a final dividend.

**Auditor**

The auditor, RSM UK Audit LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

**Strategic report**

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report.

**Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

D Bartle  
Director

Date: 16/4/19

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## **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018**

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The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRAMLINGTON PRECISION FORGE LIMITED**

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### **Opinion**

We have audited the financial statements of Cramlington Precision Forge Limited (the 'company') for the year ended 31 December 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other Information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.



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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRAMLINGTON PRECISION FORGE LIMITED (CONTINUED)**

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### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 directors 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 directors 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 (UK) 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Steven Cleugh FCCA (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
1 St. James' Gate  
Newcastle upon Tyne  
NE1 4AD  
29/4/19

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	2018 £	2017 £
<b>Turnover</b>	<b>3</b>	13,111,722	9,759,476
Cost of sales		(11,764,648)	(9,014,282)
<b>Gross profit</b>		1,347,074	745,194
Distribution costs		(598,074)	(407,362)
Administrative expenses		(1,615,185)	(1,029,536)
<b>Operating loss</b>	<b>6</b>	(866,185)	(691,704)
Interest payable and similar expenses	<b>7</b>	(38,967)	(616)
<b>Loss before taxation</b>		(905,152)	(692,320)
Tax on loss	<b>8</b>	136,429	147,517
<b>Loss for the financial year</b>		(768,723)	(544,803)

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

	Notes	2018 £	£	2017 £	£
<b>Fixed assets</b>					
Intangible assets	10	121,252		1,623	
Tangible assets	11	2,298,966		2,396,051	
		<u>2,420,218</u>		<u>2,397,674</u>	
<b>Current assets</b>					
Stocks	12	937,758		764,986	
Debtors	13	2,698,866		2,639,798	
Cash at bank and in hand		1,268		935	
		<u>3,637,892</u>		<u>3,405,719</u>	
<b>Creditors: amounts falling due within one year</b>	14	(3,739,831)		(2,793,769)	
<b>Net current (liabilities)/assets</b>		<u>(101,939)</u>		<u>611,950</u>	
<b>Total assets less current liabilities</b>		<u>2,318,279</u>		<u>3,009,624</u>	
<b>Creditors: amounts falling due after more than one year</b>	15	(921,727)		(750,000)	
<b>Provisions for liabilities</b>	18	-		(94,349)	
<b>Net assets</b>		<u>1,396,552</u>		<u>2,165,275</u>	
<b>Capital and reserves</b>					
Called up share capital	21	1,400,000		1,400,000	
Profit and loss reserves	23	(3,448)		765,275	
<b>Total equity</b>		<u>1,396,552</u>		<u>2,165,275</u>	

The financial statements were approved by the board of directors and authorised for issue on 16/4/19 and are signed on its behalf by:

D Bartle  
Director

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	Share capital £	Profit and loss reserves £	Total £
<b>Balance at 1 January 2017</b>		1,400,000	1,315,078	2,715,078
<b>Year ended 31 December 2017:</b>				
Loss and total comprehensive income for the year		-	(544,803)	(544,803)
Dividends	9	-	(5,000)	(5,000)
<b>Balance at 31 December 2017</b>		1,400,000	765,275	2,165,275
<b>Year ended 31 December 2018:</b>				
Loss and total comprehensive income for the year		-	(768,723)	(768,723)
<b>Balance at 31 December 2018</b>		1,400,000	(3,448)	1,396,552

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies

#### Company information

Cramlington Precision Forge Limited (the 'company') is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Eversheds Central Square South, Orchard Street, Newcastle upon Tyne, NE1 3XX.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

#### Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

#### Reduced disclosures

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Sundram Fastners Limited. These consolidated financial statements are available from its registered office, 98A, VII Floor, Dr Radhakrishnan Salai, Mylapore, Chennai, 600 004.

#### Going concern

The company has net current liabilities of £101,939. Notwithstanding this fact, the directors consider that the company will be able to continue in business for the foreseeable future through the continued support of the parent entity. Therefore, the directors have continued to adopt the going concern basis of accounting in preparing the financial statements.

#### Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Revenue from the sale of goods is recognised when goods are shipped and the title has passed.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**Accounting policies (Continued)**

**Research and development expenditure**

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

**Intangible fixed assets other than goodwill**

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Development Costs	33.33% straight line
Software	33.33% straight line

**Tangible fixed assets**

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Land and buildings leasehold	5% straight line
Plant and machinery	3.33% - 10% straight line
Fixtures, fittings and equipment	10% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and it credited or charged to the statement of comprehensive income.

**Stocks**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

**Work in progress**

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

**Cash and cash equivalents**

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.



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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 1 Accounting policies (Continued)

##### **Financial instruments**

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

##### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

##### **Basic financial liabilities**

Basic financial liabilities, including trade and other creditors, bank loans and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

##### **Equity instruments**

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

##### **Taxation**

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**1 Accounting policies (Continued)**

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

**Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

**Retirement benefits**

Contributions in respect of the company's defined contribution pension scheme are charged to the statement of comprehensive income for the year in which they are payable to the scheme. Differences between contributions payable and contributions actually paid in the year are shown as either accruals or prepayments at the year end.

**Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**Foreign exchange**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

**2 Judgements and key sources of estimation uncertainty**

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2018 £	2017 £
<b>Turnover analysed by class of business</b>		
Manufacture of precision forgings	13,111,722	9,759,476
	<u>13,111,722</u>	<u>9,759,476</u>
	2018 £	2017 £
<b>Turnover analysed by geographical market</b>		
United Kingdom	198,743	131,802
Overseas	12,912,979	9,627,674
	<u>13,111,722</u>	<u>9,759,476</u>

#### 4 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2018 Number	2017 Number
Direct	57	49
Management and administration	13	12
	<u>70</u>	<u>61</u>

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	3,000,291	2,411,667
Social security costs	209,900	181,580
Pension costs	124,137	132,849
	<u>3,334,328</u>	<u>2,726,096</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**5 Directors' remuneration**

	2018 £	2017 £
Remuneration for qualifying services	40,914	46,917
Company pension contributions to defined contribution schemes	32,845	32,942
	<u>73,759</u>	<u>79,859</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2017 - 1).

**6 Operating loss**

	2018 £	2017 £
Operating loss for the year is stated after charging/(crediting):		
Exchange losses	2,346	6,568
Fees payable to the company's auditors for the audit of the company's financial statements	10,500	10,000
Depreciation of owned tangible fixed assets	325,052	249,062
Amortisation of intangible assets	1,623	6,488
Cost of stocks recognised as an expense	9,090,683	6,592,143
	<u>9,429,104</u>	<u>13,224,261</u>

**7 Interest payable and similar expenses**

	2018 £	2017 £
Interest on bank overdrafts and loans	33,431	-
Interest payable to group undertakings	4,239	-
Interest on finance leases and hire purchase contracts	1,297	-
Other interest	-	616
	<u>38,967</u>	<u>616</u>

**8 Taxation**

	2018 £	2017 £
<b>Current tax</b>		
Adjustments in respect of prior periods	(42,080)	(34,785)
	<u>(42,080)</u>	<u>(34,785)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(94,349)	(112,732)
	<u>(94,349)</u>	<u>(112,732)</u>
Total tax credit	<u>(136,429)</u>	<u>(147,517)</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**8 Taxation (Continued)**

The total tax credit for the year included in the income statement can be reconciled to the loss before tax multiplied by the standard rate of tax as follows:

	2018 £	2017 £
Loss before taxation	(905,152)	(692,320)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	(171,979)	(133,272)
Tax effect of expenses that are not deductible in determining taxable profit	1,803	954
Adjustments in respect of prior years	(42,080)	(34,785)
Depreciation on assets not qualifying for tax allowances	-	3,182
Other non-reversing timing differences	308	-
Deferred tax adjustments in respect of prior years	-	1,330
Adjustments to deferred tax in respect of tax rates	17,881	15,074
Deferred tax not recognised	22,499	-
Unprovided deferred tax asset in prior year	35,139	-
Taxation credit for the year	(136,429)	(147,517)

**9 Dividends**

	2018 £	2017 £
Interim paid	-	5,000

During the year, no interim dividend (2017: 0.36p per share) was paid to shareholders.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**10 Intangible fixed assets**

	Development Costs	Software	Total
	£	£	£
<b>Cost</b>			
At 1 January 2018	-	88,882	88,882
Additions - separately acquired	121,252	-	121,252
At 31 December 2018	121,252	88,882	210,134
<b>Amortisation and impairment</b>			
At 1 January 2018	-	87,259	87,259
Amortisation charged for the year	-	1,623	1,623
At 31 December 2018	-	88,882	88,882
<b>Carrying amount</b>			
At 31 December 2018	121,252	-	121,252
At 31 December 2017	-	1,623	1,623

Amortisation of software is included in administrative expenses.

**11 Tangible fixed assets**

	Land and buildings leasehold	Plant and machinery	Fixtures, fittings and equipment	Total
	£	£	£	£
<b>Cost</b>				
At 1 January 2018	175,291	3,966,546	212,617	4,354,454
Additions	-	227,967	-	227,967
At 31 December 2018	175,291	4,194,513	212,617	4,582,421
<b>Depreciation and impairment</b>				
At 1 January 2018	96,636	1,755,370	106,397	1,958,403
Depreciation charged in the year	9,948	290,747	24,357	325,052
At 31 December 2018	106,584	2,046,117	130,754	2,283,455
<b>Carrying amount</b>				
At 31 December 2018	68,707	2,148,396	81,863	2,298,966
At 31 December 2017	78,655	2,211,176	106,220	2,396,051

At 31 December 2018, the company had contractual obligations to purchase machinery for £nil (2017: £232,515).



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**12 Stocks**

	2018 £	2017 £
Raw materials and consumables	436,447	247,542
Work in progress	291,087	422,928
Finished goods and goods for resale	210,224	94,516
	<u>937,758</u>	<u>764,986</u>

**13 Debtors**

	2018 £	2017 £
<b>Amounts falling due within one year:</b>		
Trade debtors	2,393,234	2,057,898
Corporation tax recoverable	42,080	-
Other debtors	140,663	408,529
Prepayments and accrued income	122,889	173,371
	<u>2,698,866</u>	<u>2,639,798</u>

**14 Creditors: amounts falling due within one year**

	Notes	2018 £	2017 £
Bank loans and overdrafts	16	1,723,179	906,290
Obligations under finance leases	17	20,220	-
Trade creditors		1,459,516	1,638,330
Other taxation and social security		61,387	53,695
Other creditors		32,400	14,116
Accruals and deferred income		443,129	181,338
		<u>3,739,831</u>	<u>2,793,769</u>

**15 Creditors: amounts falling due after more than one year**

	Notes	2018 £	2017 £
Bank loans and overdrafts	16	250,000	750,000
Obligations under finance leases	17	71,727	-
Amounts due to group undertakings		600,000	-
		<u>921,727</u>	<u>750,000</u>

The balance due to group undertakings represents an unsecured loan extended by the company's parent undertaking and is repayable in full on 16 December 2021. Interest is charged at 2.43% per annum.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**16 Borrowings**

	2018 £	2017 £
Bank loans	750,000	1,000,000
Bank overdrafts	1,223,179	656,290
	<u>1,973,179</u>	<u>1,656,290</u>
Payable within one year	1,723,179	906,290
Payable after one year	250,000	750,000
	<u>1,973,179</u>	<u>1,656,290</u>

Bank loans and overdrafts include a bank loan from HSBC Bank Plc of £750,000 (2017: £1,000,000), accruing interest at LIBOR plus 1.75%, payable in half yearly instalments. The borrowed capital is repayable in 8 instalments of £125,000, starting 6 September 2018 and every three months after this date until the loan is fully repaid on 6 September 2020.

Borrowings are denominated and repaid in pounds sterling, have contractual interest rates that are rates linked to LIBOR and are not leveraged, and do not contain conditional returns or repayment provisions other than to protect the lender against credit deterioration or changes in relevant legislation or taxation.

The agreement contains a negative pledge preventing the company from creating or allowing to subsist and security over any of its assets. The company is also prevented from entering into any sale and leaseback or debt factoring arrangements as a method of raising Financial Indebtedness or of financing the acquisition of an asset.

There is additional security in the form of fixed charges over all freehold and leasehold property, book and other debts, chattels, goodwill and uncalled capital, both at the time of the agreement and in the future. There are also floating charges over all assets and undertakings at the time of the agreement and in the future.

**17 Finance lease obligations**

	2018 £	2017 £
Future minimum lease payments due under finance leases:		
Less than one year	22,752	-
Between one and five years	80,688	-
	<u>103,440</u>	<u>-</u>
Less: future finance charges	(11,493)	-
	<u>91,947</u>	<u>-</u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 6 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**18 Provisions for liabilities**

	Notes	2018 £	2017 £
Deferred tax liabilities	19	-	94,349

**19 Deferred taxation**

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2018 £	Liabilities 2017 £
<b>Balances:</b>		
Accelerated capital allowances	245,372	235,806
Tax losses	(241,311)	(141,457)
Short term timing differences	(4,061)	-
	-	94,349
<b>Movements in the year:</b>		2018 £
Liability at 1 January 2018		94,349
Credit to profit or loss		(94,349)
Liability at 31 December 2018		-

The company has losses of £1,551,882 (2017: £nil) that may be carried forward indefinitely. Deferred tax is not recognised in respect of tax losses of £22,499 (2017: £nil) as it is not certain that they will be recovered against the reversal of deferred tax liabilities or future taxable profits.

**20 Retirement benefit schemes**

	2018 £	2017 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	124,137	132,849

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

Contributions totalling £23,893 (2017: £14,116) were payable to the fund at the year end and are included in other creditors due within one year.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**21 Share capital**

	2018 £	2017 £
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
1,400,000 Ordinary shares of £1 each	1,400,000	1,400,000
	<u>1,400,000</u>	<u>1,400,000</u>

The shares have attached to the full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights on redemption.

**22 Operating lease commitments**

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £	2017 £
Within one year	136,835	168,443
Between one and five years	547,338	547,338
In over five years	325,432	450,863
	<u>1,009,605</u>	<u>1,166,644</u>

**23 Reserves**

**Profit and loss reserves**

Cumulative profit and loss net of distributions to owners.

**24 Capital commitments**

Amounts contracted for but not provided in the financial statements:

	2018 £	2017 £
Acquisition of tangible fixed assets	-	232,515

**25 Controlling party**

Sundram International Limited is the immediate parent.

Sundram Fasteners Limited, a company incorporated in India, is the ultimate parent undertaking and is the smallest and largest group for which consolidated accounts including Cramlington Precision Forge Limited are prepared. The consolidated accounts are available from its registered office, 98A, VII Floor, Dr Radhakrishnan Salai, Mylapore, Chennai, 600 004.

## TRANSLATED FINANCIAL STATEMENTS

### Balance Sheet as at 31 December 2018

Particulars	Note	As at 31 December 2018		As at 31 December 2017	
		GBP	₹	GBP	₹
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	2,417,328	214,924,655	2,387,111	205,840,624
Intangible assets	6	-	-	1,623	139,914
Other non-current assets	7	2,890	256,950	8,939	770,810
		2,420,218	215,181,605	2,397,673	206,751,348
<b>Current assets</b>					
Inventories	8	937,758	83,376,084	764,986	65,964,743
<u>Financial assets</u>					
- Trade receivables	9	2,393,234	212,782,400	2,083,400	179,651,582
- Cash and cash equivalents	10	1,268	112,748	2,103	181,342
Other current assets	7	305,631	27,173,650	581,900	50,177,237
		3,637,891	323,444,883	3,432,389	295,974,904
<b>Total assets</b>		6,058,109	538,626,488	5,830,062	502,726,252
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Equity Share capital	11	1,400,000	124,474,000	1,400,000	120,722,000
Other equity		(3,448)	(306,581)	765,274	65,989,582
<b>Total equity</b>		1,396,552	124,167,419	2,165,274	186,711,582
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
<u>Financial liabilities</u>					
- Borrowings	12	850,000	75,573,500	750,000	64,672,500
- Other financial liabilities	15	71,727	6,377,248	-	-
Deferred tax liabilities (Net)	13	-	-	94,349	8,135,715
		921,727	81,950,748	844,349	72,808,215
<b>Current liabilities</b>					
<u>Financial liabilities</u>					
- Borrowings	12	1,223,179	108,752,869	657,458	56,692,603
- Trade payables	14				
Dues to others		1,459,517	129,765,625	1,825,090	157,377,511
- Other financial liabilities	15	995,748	88,531,972	284,196	24,506,221
Other current liabilities	16	61,386	5,457,855	53,695	4,630,120
<b>Total current liabilities</b>		3,739,830	332,508,322	2,820,439	243,206,455
<b>Total Liabilities</b>		4,661,557	414,459,069	3,664,788	316,014,670
<b>Total equity and liabilities</b>		6,058,109	538,626,488	5,830,062	502,726,252

Notes 1 to 28 form an integral part of these financial statements

This is the balance sheet referred to in our report of even date

**Cramlington Precision Forge Limited,**  
**United Kingdom**  
**TRANSLATED FINANCIAL STATEMENTS**

**Statement of Profit and Loss for the year ended 31 December 2018**

	Note	Year ended 31 December 2018		Year ended 31 December 2017	
		GBP	₹	GBP	₹
Revenue from operations	17	13,111,722	1,193,691,155	9,759,476	821,747,879
Other income	19	-	-	-	-
<b>Total Income</b>		<b>13,111,722</b>	<b>1,193,691,155</b>	<b>9,759,476</b>	<b>821,747,879</b>
<b>Expenses</b>					
Cost of materials consumed	20	4,536,422	412,995,894	3,260,341	274,520,712
Changes in inventories of finished goods, stock-in-trade and work in progress	21	16,133	1,468,722	(187,713)	(15,805,428)
Employee benefits expense	22	3,389,922	308,618,472	2,655,587	223,600,425
Finance costs	23	38,966	3,547,486	-	-
Depreciation and amortization expense	24	320,627	29,189,863	249,501	21,007,985
Other expenses	25	5,714,804	520,275,726	4,474,080	376,717,536
<b>Total expenses</b>		<b>14,016,873</b>	<b>1,276,096,163</b>	<b>10,451,796</b>	<b>880,041,230</b>
<b>Profit (Loss) before exceptional items and tax</b>		<b>(905,152)</b>	<b>(82,405,008)</b>	<b>(692,320)</b>	<b>(58,293,351)</b>
Exceptional item		-	-	-	-
<b>Profit (Loss) before tax</b>		<b>(905,152)</b>	<b>(82,405,008)</b>	<b>(692,320)</b>	<b>(58,293,351)</b>
<b>Tax expense</b>					
a) Current tax	26	-	-	-	-
b) Deferred tax		(94,349)	(8,589,533)	(112,732)	(9,492,034)
c) Adjustment of tax relating to earlier periods		(42,080)	(3,830,963)	(34,785)	(2,928,897)
<b>Total Tax expense</b>		<b>(136,429)</b>	<b>(12,420,496)</b>	<b>(1,477,517)</b>	<b>(12,420,931)</b>
<b>Profit/(loss) for the period</b>		<b>(768,723)</b>	<b>(69,984,511)</b>	<b>(544,803)</b>	<b>(45,872,420)</b>
<b>Other comprehensive income</b>					
i) Items that will be reclassified to profit or loss					
- Exchange variation on foreign currency translation		-	2,753,511	-	(845,751)
- Income tax relating to items that will be reclassified to profit or loss		-	-	-	-
		-	2,753,511	-	(845,751)
<b>Total comprehensive income for the year</b>		<b>(768,723)</b>	<b>(67,231,000)</b>	<b>(544,803)</b>	<b>(46,718,171)</b>
<i>(Comprising Profit and Other Comprehensive Income for the year)</i>					
<b>Earnings per equity share</b>					
Basic (in ₹)		(0.55)	(48.02)	(0.39)	(33.37)
Diluted (in ₹)		(0.55)	(48.02)	(0.39)	(33.37)
No. of Shares		1,400,000	1,400,000	1,400,000	1,400,000

**Notes 1 to 28 form an integral part of these financial statements**

This is the statement of profit and loss referred to in our report of even date



## TRANSLATED FINANCIAL STATEMENTS

### Statements of Changes in Equity for the year ended 31 December 2018

#### A. Equity Share Capital

Particulars	Amount	
	GBP	₹
<b>Balance at 31 December 2016</b>	<b>1,400,000</b>	<b>116,928,000</b>
Foreign Currency Restatement of Opening Balance	-	3,794,000
<b>Balance at 31 December 2017</b>	<b>1,400,000</b>	<b>120,722,000</b>
Foreign Currency Restatement of Opening Balance	-	3,752,000
<b>Balance at 31 December 2018</b>	<b>1,400,000</b>	<b>124,474,000</b>

#### B. Other Equity

Particulars	Reserves and Surplus		Accumulated other comprehensive income		Total	
	Retained Earnings		Foreign currency translation reserve			
	GBP	₹	GBP	₹	GBP	₹
<b>Balances at 31 December 2016</b>	1,315,078	110,105,646	-	(270,381)	1,315,078	109,835,265
<b>Foreign currency translation difference on opening balance</b>	-	3,293,488	-	-	-	3,293,488
Profit (Loss) for the year	(544,803)	(45,872,420)	-	-	(544,803)	(45,872,420)
Other comprehensive income	-	-	-	(845,751)	-	(845,751)
Transferred from Retained earnings to general reserves	-	-	-	-	-	-
Equity Dividend	(5,000)	(421,000)	-	-	(5,000)	(421,000)
<b>Balances at 31 December 2017</b>	<b>765,274</b>	<b>67,105,714</b>	<b>-</b>	<b>(1,116,132)</b>	<b>765,274</b>	<b>65,989,582</b>

Particulars	Reserves and Surplus		Accumulated other comprehensive income		Total	
	Retained Earnings		Foreign currency translation reserve			
	GBP	₹	GBP	₹	GBP	₹
<b>Balances at 31 December 2017</b>	<b>765,274</b>	<b>67,105,714</b>	<b>-</b>	<b>(1,116,132)</b>	<b>765,274</b>	<b>65,989,582</b>
<b>Foreign currency translation difference on opening balance</b>	<b>-</b>	<b>934,837</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>934,837</b>
Profit (Loss) for the year	(768,723)	(69,984,511)	-	-	(768,723)	(69,984,511)
Other comprehensive income	-	-	-	2,753,511	-	2,753,511
Transferred from Retained earnings to general reserves	-	-	-	-	-	-
Equity Dividend	-	-	-	-	-	-
<b>Balances at 31 December 2018</b>	<b>(3,448)</b>	<b>(1,943,960)</b>	<b>-</b>	<b>1,637,379</b>	<b>(3,448)</b>	<b>(306,581)</b>

**Cramlington Precision Forge Limited,**  
**United Kingdom**  
**TRANSLATED FINANCIAL STATEMENTS**

**Cash Flow statement for the year ended 31 December 2018**

	Year ended 31 December 2018		Year ended 31 December 2017	
	GBP	₹	GBP	₹
<b>Cash flows from operating activities</b>				
<b>Profit / (Loss) before tax</b>	(905,152)	(82,405,008)	(692,320)	(58,293,351)
<i>Adjustments to reconcile net income to net cash provided by operating activities</i>				
Depreciation and amortisation	320,625	29,189,721	249,501	21,007,985
Amortisation of leasehold property	6,049	550,701	6,048	509,326
Interest expense (Net)	34,727	3,161,567	-	-
<b>Operating profit before working capital changes</b>	(543,750)	(49,503,019)	(436,771)	(36,776,040)
<b>Adjustments for:</b>				
(Decrease) / increase in trade payables	(365,573)	(27,611,885)	1,010,775	85,107,276
(Decrease) / increase in other current liabilities	719,243	64,853,487	207,253	17,450,726
(Decrease) / increase in other non-current liabilities	71,727	6,377,248		
Decrease / (Increase) in trade receivables	(309,834)	(33,130,818)	(1,302,108)	(109,637,475)
Decrease / (Increase) in inventories	(172,772)	(17,411,341)	(299,436)	(25,212,545)
Decrease / (Increase) in other current assets	318,349	28,982,495		
<b>Cash from / (used) in operating activities</b>	(282,610)	(27,443,835)	(820,287)	(69,068,058)
Direct taxes paid, net	-	-	-	-
<b>Net cash from/ (used) in operating activities before extraordinary item</b>	(282,610)	(27,443,835)	(820,287)	(69,068,058)
Proceeds from insurance company (flood loss)	-	-	-	-
<b>Net cash from / (used) in operating activities</b>	(282,610)	(27,443,835)	(820,287)	(69,068,058)
<b>B. Cash flow from investing activities</b>				
Purchase of assets (including capital work-in-progress and capital advances)	(349,219)	(31,792,898)	(1,001,939)	(84,363,264)
<b>Net cash from / (used) in investing activities</b>	(349,219)	(31,792,898)	(1,001,939)	(84,363,264)
<b>C. Cash flow from financing activities</b>				
Proceeds from long-term borrowings	100,000	10,901,000	750,000	64,672,500
Proceeds from Short-term borrowings	565,721	52,060,266	657,458	56,692,603
Dividend Paid	-	-	(5,000)	(421,000)
Interest paid to banks and others	(34,727)	(3,161,567)	-	-
<b>Net cash generated from financing activities</b>	630,994	59,799,699	1,402,458	120,944,103
<b>D. Net cash flows during the year</b>	(835)	562,966	(419,768)	(32,487,219)
E. Foreign Currency Translation Reserve Impact on cash flows	-	(631,560)	-	(2,566,104)
F. Cash and cash equivalents at the beginning	2,103	181,342	421,871	35,234,665
<b>G. Cash and cash equivalents at the end</b>	1,268	112,748	2,103	181,342
<b>Cash and cash equivalents comprise of:</b>				
Cash on hand	1,268	112,748	935	80,625
Balances with banks in current accounts	-	-	1,168	100,717
<b>Cash and cash equivalents as per note 10</b>	1,268	112,748	2,103	181,342

## TRANSLATED FINANCIAL STATEMENTS

### Notes to financial statements for the year ended 31st December 2018

#### 1 Corporate Information

Cramlington Precision Forge Limited ("CPFL" or "the Company") was incorporated in UK.

The registered office of the Company is situated at Unit 8, Atley Way, North Nelson Ind. Estate, Cramlington, United Kingdom NE23 9WA.

CPFL is in the business of manufacture and sale of precision forged (warm) components for application in heavy vehicles for on-highway and off-highway applications.

#### 2 Basis of Preparation

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) as prescribed by Ministry of Corporate Affairs under Companies (Indian Accounting Standards) Rules, 2015, provisions of the Companies Act 2013, to the extent notified, pronouncements of the Institute of Chartered Accountants of India.

The financial statements of the Company have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Carrying value of Plant, Property and Equipment, Investment Property under the Previous GAAP has been considered as the deemed cost for the purpose of transition to Ind AS.

#### 3 Summary of accounting policies

##### 3.1 Overall considerations

The financial statements have been prepared applying the significant accounting policies and measurement bases summarized below:

##### 3.2 Foreign operations

In the Company's financial statements, all assets, liabilities and transactions in GBP are translated into INR. The functional currency (GBP) of the Company has remained unchanged during the reporting period.

Assets and liabilities have been translated into INR at the closing rate as at the reporting date. Income and expenses have been translated into INR at the average rate over the reporting period. Exchange differences are charged or credited to Other Comprehensive Income (OCI) and recognized in the currency translation reserve under equity.

##### 3.3 Revenue

###### (i) Sale of products

Income of the Company is derived from sale of products and is net of any sales returns, rebates, discounts and trade discounts. Revenue is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership, which normally takes place upon delivery of goods to customers.

###### (ii) Rental Income

The Company also earns rental income from operating leases of its investment properties. Rental income is recognised in accordance with terms of lease.

##### 3.4 Property, plant and equipment

As there is no change in the functional currency as at the date of transition, the Company has elected to adopt the carrying value of Plant, property and equipment under the Previous GAAP as the deemed cost for the purpose of transition to Ind AS. Capital work in

### Notes to financial statements (Contd.)

progress, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

#### (i) Buildings and other equipment

Buildings and other equipment (comprising plant, fittings and furniture, vehicles etc.) are initially recognized at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be of use for company's business purposes. Buildings and other equipment are subsequently measured at cost less accumulated depreciation.

Depreciation is recognized on a straight-line basis, over the useful life of the buildings and other equipments. In respect of these assets, the useful life is detailed below:

Description	Depreciation rate
Buildings	5%
Plant & Equipment	3.33% to 10%
Furniture & Fixtures	10%

#### 3.5 Intangible assets

Intangible assets include Software which are initially recognised at acquisition cost and subsequently amortised over the useful life. Amortisation is recognised on straight line basis at a rate of 33.33%.

#### 3.6 Leases

##### (a) Operating leases

All leases entered into are operating leases.

##### (b) Assets taken on lease

Where the Company is a lessee, payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

#### 3.7 Investment property

Investment properties are recognised initially at cost. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation.

The Company has depreciated assets based on Straight line method as per Schedule II to the Companies Act 2013.

#### 3.8 Financial instruments

##### Recognition, initial measurement and derecognition

Financial assets (other than trade receivables) and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Trade receivables are recognised at their transaction value as the same do not contain significant financing component.

A payable is classified as 'trade payable' if it is in respect of the amount due on account of goods purchased in the normal course of business. They are recognised at their transaction value as the same do not contain significant financing component.

##### Classification and subsequent measurement of financial assets:

For the purpose of subsequent measurement, financial assets are classified and measured based on the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset at:

- Amortised cost
- Fair Value Through Other Comprehensive Income (FVTOCI) or
- Fair Value Through Profit or Loss (FVTPL)

**Notes to financial statements (Contd.)**

All financial assets are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

**3.9 Inventories**

Inventories are valued at lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale. Cost is ascertained on weighted average basis in accordance with the method of valuation prescribed by the Institute of Chartered Accountants of India.

**(a) Raw materials**

Raw materials are valued at cost of purchase net of duties (credit availed w.r.t taxes and duties) and includes all expenses incurred in bringing the materials to location of use.

**(b) Work in progress and Finished Goods**

Work-in-progress and finished goods include conversion costs in addition to the landed cost of raw materials.

**3.10 Income taxes**

Tax expense recognized in the statement of profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates in accordance with tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the liability method on temporary differences between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at reporting date. Deferred taxes pertaining to items recognised in other comprehensive income are disclosed under the same.

Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future tax liability. This is assessed based on the Company's forecast of future earnings, excluding significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

**3.11 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and deposits held at call with banks.

**3.12 Equity, reserves and dividend payments**

Share capital represents the nominal (par) value of shares that have been issued and fully paid up.

Retained earnings includes all current and previous period retained profits.

All transactions with owners are recorded separately within equity.

Dividend paid to equity shareholders is deducted directly from equity component.

**3.13 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

**Notes to financial statements (Contd.)**

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

**Retirement benefits**

Contributions in respect of the company's defined contribution pension scheme are charged to the profit and loss account for the year in which they are payable to the scheme. Differences between contributions payable and contributions actually paid in the year are shown as either accruals or prepayments at the year end.

**Government Grants**

Deferred government grants in respect of capital expenditure are treated as deferred income and are credited to the profit and loss account over the estimated useful life of the assets to which they relate.

**3.14 Accounting for effect of change in foreign exchange rates**

The Assets and Liabilities as at 31st December 2018 has been translated from GBP to Indian Rupees by applying the year end interbank exchange rate of GBP 1 = ₹ 88.91 (2017: GBP 1 = 86.23). The incomes and expenses for the year ended 31st December 2018 has been translated from GBP to Indian Rupees by applying Average interbank exchange rate GBP 1 = ₹ 91.04 (2017: GBP 1 = 84.20). Exchange differences arising out of the translation have been dealt with in accordance with Ind AS 21.

CPFL's Functional Currency is GBP. But these financial statements are presented in Indian Rupees in order to facilitate the preparation of consolidated financial statements by Sundram Fasteners Limited, which is the ultimate holding company of CPFL.

**3.15 Cash flow statement**

Cash flows are reported using the indirect method, whereby profit/(loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future receipts or payments. In the cash flow statement, cash and cash equivalents includes cash in hand, cheques on hand, balances with banks in current accounts and other short-term highly liquid investments with original maturities of 3 months or less, as applicable.

**3.16 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred under finance costs. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to interest costs.

**4. Significant management judgment in applying accounting policies and estimation of uncertainty**

While preparing the financial statements, management has made a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

**4.1 Significant management judgment**

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the financial statements.

## TRANSLATED FINANCIAL STATEMENTS

### Notes to financial statements (Contd.)

#### 4.2 Estimation of uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

#### 4.3 Useful lives of depreciable assets

Management has reviewed its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of assets including I.T assets.

### Notes to financial statements (Contd.)

#### 4.4 Inventories

Management has carefully estimated the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by market-driven changes.

#### 4.5 Current and non-current classification

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle.

### 5 a) PROPERTY, PLANT AND EQUIPMENT

Gross block	TANGIBLE ASSETS							
	Buildings		Plant and Equipment		Furniture and fixtures		Total	
	GBP	₹	GBP	₹	GBP	₹	GBP	₹
<b>As at 31 December 2016</b>	<b>68,812</b>	<b>5,747,178</b>	<b>1,912,439</b>	<b>159,726,906</b>	<b>27,618</b>	<b>2,306,654</b>	<b>2,008,869</b>	<b>167,780,738</b>
Additions	-	-	882,760	76,120,395	119,179	10,276,805	1,001,939	86,397,200
Disposal	-	-	-	-	-	-	-	-
Other Adjustments	-	-	-	-	-	-	-	-
- Exchange variation (Op. Bal restated)	-	186,481	-	5,182,710	-	74,845	-	5,444,035
<b>As at 31 December 2017</b>	<b>68,812</b>	<b>5,933,659</b>	<b>2,795,199</b>	<b>241,030,011</b>	<b>146,797</b>	<b>12,658,304</b>	<b>3,010,808</b>	<b>259,621,974</b>
Additions	-	-	349,219	31,049,061	-	-	349,219	31,049,061
Disposal	-	-	-	-	-	-	-	-
Other Adjustments	-	-	-	-	-	-	-	-
- Exchange variation (Op. Bal restated)	-	184,416	-	7,491,133	-	393,416	-	8,068,965
<b>As at 31 December 2018</b>	<b>68,812</b>	<b>6,118,075</b>	<b>3,144,418</b>	<b>279,570,205</b>	<b>146,797</b>	<b>13,051,720</b>	<b>3,360,027</b>	<b>298,740,001</b>
<b>Accumulated depreciation/ amortisation</b>								
<b>As at 31 December 2016</b>	<b>6,499</b>	<b>542,785</b>	<b>364,193</b>	<b>30,417,399</b>	<b>9,992</b>	<b>834,503</b>	<b>380,684</b>	<b>31,794,687</b>
For the year	3,373	284,011	219,830	18,509,686	19,810	1,667,998	243,013	20,461,695
Other Adjustments	-	-	-	-	-	-	-	-
- Exchange variation (Op. Bal restated)	-	17,612	-	986,963	-	27,077	-	1,031,652
- Restating to Closing rate - CY Depreciation	-	6,847	-	446,255	-	40,214	-	493,316
<b>As at 31 December 2017</b>	<b>9,872</b>	<b>851,255</b>	<b>584,023</b>	<b>50,360,303</b>	<b>29,802</b>	<b>2,569,792</b>	<b>623,697</b>	<b>53,781,350</b>
For the year	3,373	307,082	290,747	26,469,611	24,882	2,265,269	319,002	29,041,963
Other Adjustments	-	-	-	-	-	-	-	-
- Exchange variation (Op. Bal restated)	-	26,457	-	1,565,182	-	79,868	-	1,671,507
- Restating to Closing rate - CY Depreciation	-	(7,185)	-	(619,291)	-	(52,999)	-	(679,475)
<b>As at 31 December 2018</b>	<b>13,245</b>	<b>1,177,610</b>	<b>874,770</b>	<b>77,775,805</b>	<b>54,684</b>	<b>4,861,930</b>	<b>942,699</b>	<b>83,815,345</b>
<b>Net block</b>								
<b>As at 31 December 2017</b>	<b>58,940</b>	<b>5,082,404</b>	<b>2,211,176</b>	<b>190,669,707</b>	<b>116,995</b>	<b>10,088,512</b>	<b>2,387,111</b>	<b>205,840,624</b>
<b>As at 31 December 2018</b>	<b>55,567</b>	<b>4,940,466</b>	<b>2,269,648</b>	<b>201,794,400</b>	<b>92,113</b>	<b>8,189,790</b>	<b>2,417,328</b>	<b>214,924,655</b>

**Cramlington Precision Forge Limited,**  
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**TRANSLATED FINANCIAL STATEMENTS**

**Notes to financial statements (Contd.)**

**6 INTANGIBLE ASSETS**

**Gross block**

**Technical Know-How**

GBP

₹

**As at 31 December 2016**

**20,507**

**1,712,745**

Additions

-

-

Disposal

-

-

Other Adjustments

- Exchange variation (Op. Bal restated)

-

**55,574**

**As at 31 December 2017**

**20,507**

**1,768,319**

Additions

-

-

Disposal

-

-

Other Adjustments

- Exchange variation (Op. Bal restated)

-

**54,959**

**As at 31 December 2018**

**20,507**

**1,823,278**

**Accumulated depreciation / amortisation**

**As at 31 December 2016**

**12,396**

**1,035,350**

For the year

**6,488**

**546,290**

Impairment for the year

-

-

Deduction on sale or discards

-

-

Other Adjustments

- Exchange variation (Op. Bal restated)

-

**33,594**

- Restating to Closing rate - CY Depreciation

-

**13,171**

**As at 31 December 2017**

**18,884**

**1,628,404**

For the year

**1,623**

**147,758**

Impairment for the year

-

-

Deduction on sale or discards

-

-

Other Adjustments

- Exchange variation (Op. Bal restated)

-

**50,573**

- Restating to Closing rate - CY Depreciation

-

**(3,457)**

**As at 31 December 2018**

**20,507**

**1,823,278**

**Net block**

**As at 31 December 2017**

**1,623**

**139,914**

**As at 31 December 2018**

-

-



## TRANSLATED FINANCIAL STATEMENTS

### Notes to financial statements (Contd.)

	As at 31 December 2018				As at 31 December 2017			
	Long-term		Short-term		Long-term		Short-term	
	GBP	₹	GBP	₹	GBP	₹	GBP	₹
<b>7 OTHER ASSETS</b>								
(Unsecured, considered good)								
Prepaid expenses	-	-	122,889	10,926,021	-	-	173,371	14,949,781
Others	-	-	182,742	16,247,629	-	-	408,529	35,227,456
Unamortised portion of leasehold land	2,890	256,950	-	-	8,939	770,810	-	-
	2,890	256,950	305,631	27,173,650	8,939	770,810	581,900	50,177,237

	As at 31 December 2018				As at 31 December 2017			
	Long-term		Short-term		Long-term		Short-term	
	GBP	₹	GBP	₹	GBP	₹	GBP	₹
<b>8 INVENTORIES</b>								
Raw Materials and components	-	-	436,447	38,804,542	-	-	247,542	21,345,547
Work-in-progress	-	-	291,087	25,880,547	-	-	422,928	36,469,081
Finished Goods	-	-	210,224	18,690,995	-	-	94,516	8,150,115
	-	-	937,758	83,376,084	-	-	764,986	65,964,743

	As at 31 December 2018				As at 31 December 2017			
	Long-term		Short-term		Long-term		Short-term	
	GBP	₹	GBP	₹	GBP	₹	GBP	₹
<b>9 TRADE RECEIVABLES</b>								
(Unsecured, considered good unless otherwise stated)								
Trade receivables	-	-	2,393,234	212,782,400	-	-	2,083,400	179,651,582
	-	-	2,393,234	212,782,400	-	-	2,083,400	179,651,582

	As at 31 December 2018				As at 31 December 2017			
	Long-term		Short-term		Long-term		Short-term	
	GBP	₹	GBP	₹	GBP	₹	GBP	₹
<b>10 CASH AND BANK BALANCES</b>								
Cash and cash equivalents								
Cash on hand	-	-	1,268	112,748	-	-	935	80,625
Balances with banks in current accounts	-	-	-	-	-	-	1,168	100,717
	-	-	1,268	112,748	-	-	2,103	181,342

**Cramlington Precision Forge Limited,**  
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Notes to financial statements (Contd.)

	As at 31 December 2018			As at 31 December 2017		
	Number	GBP	₹	Number	GBP	₹
<b>11 SHARE CAPITAL</b>						
<b>Issued, subscribed and fully paid up</b>						
1,400,000 Common shares of GBP 1 each	1,400,000	(1,400,000)	(124,474,000)	1,400,000	1,400,000	120,722,000
	1,400,000	(1,400,000)	(124,474,000)	1,400,000	1,400,000	120,722,000

a) There were no movement in the share capital during the current and previous year.

b) Shareholders holding more than 5% of the aggregate shares in the Company

	Nos.	% holding	Nos.	% holding
Sundram International Limited, UK (Previously Held by Sundram Fasteners Limited, Chennai)	1,400,000	100.00%	1,400,000	100.00%
	1,400,000	100%	1,400,000	100%

c) Rights, preferences, restrictions

**Equity shares**

The Company has only one class of equity shares having a par value of GBP 1 per share. Each holder of equity share is entitled to one vote per share. The Company declares and pays dividends in GBP. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

d) Dividends

**Interim dividend declared and paid (for 31 December 2018/2017)**

GBP 0.36 per share (31 December 2017: GBP 0.90 per share)

As at 31 December 2018		As at 31 December 2017	
GBP	₹	GBP	₹
-	-	5,000	421,000
-	-	5,000	421,000

## TRANSLATED FINANCIAL STATEMENTS

### Notes to financial statements (Contd.)

12 BORROWINGS	As at 31 December 2018				As at 31 December 2017			
	Long-term		Short-term		Long-term		Short-term	
	GBP	₹	GBP	₹	GBP	₹	GBP	₹
<b>a) Secured</b>								
Term loan from banks (refer note below)	750,000	66,682,500	-	-	1,000,000	86,230,000	-	-
Bank Overdrafts (refer note below)			1,223,179	108,752,869			657,458	56,692,603
	750,000	66,682,500	1,223,179	108,752,869	1,000,000	86,230,000	657,458	56,692,603
Less: Current maturities of long term borrowings	500,000	44,455,000	-	-	250,000	21,557,500	-	-
<b>Total</b>	<b>250,000</b>	<b>22,227,500</b>	<b>1,223,179</b>	<b>108,752,869</b>	<b>750,000</b>	<b>64,672,500</b>	<b>657,458</b>	<b>56,692,603</b>
<b>b) Unsecured</b>								
Working Capital Loans - from related parties (refer note below)	600,000	53,346,000	-	-	-	-	-	-
	600,000	53,346,000	-	-	-	-	-	-
<b>Total</b>	<b>850,000</b>	<b>75,573,500</b>	<b>1,223,179</b>	<b>108,752,869</b>	<b>750,000</b>	<b>64,672,500</b>	<b>657,458</b>	<b>56,692,603</b>
<b>c) Term loan from banks include</b>								
i) An outstanding term loan from a bank amounts to GBP 0.75 million, equivalent to ₹ 6.66 Crores (December 31, 2017: GBP 1 million, equivalent to ₹ 8.62 Crores), repayable in 8 equal installments, starting on September 6, 2018 and every three months after this date until the loan is fully repaid on September 6, 2020. The agreement contains a negative pledge preventing the company from creating or allowing to subsist and security over any of its assets. The company is also prevented from entering into any sale and leaseback or debt factoring arrangements as a method of raising Financial Indebtedness or of financing the acquisition of an asset. There is additional security in the form of fixed charges over all freehold and leasehold property, book and other debts, chattels, goodwill and uncalled capital, both at the time of the agreement and in the future. There are also floating charges over all assets and undertakings at the time of the agreement and in the future. The interest rate is linked to Libor + agreed spread p.a.								
ii) The Company has working capital facilities of GBP 1,223,179 equivalent to ₹ 10.88 Crores (December 31, 2017: GBP 6,57,458 equivalent to ₹ 5.67 Crores) carrying interest rate being base rate + agreed spread p.a.								
iii) The balance due to related party represents an unsecured loan extended by the company's parent undertaking and is repayable in full on 16 December 2021. Interest is charged at 2.43% per annum.								

**Cramlington Precision Forge Limited,**  
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**TRANSLATED FINANCIAL STATEMENTS**

**Notes to financial statements (Contd.)**

	As at 31 December 2018				As at 31 December 2017			
	Long-term		Short-term		Long-term		Short-term	
	GBP	₹	GBP	₹	GBP	₹	GBP	₹
<b>13 Deferred tax liability, net</b>								
The breakup of net deferred tax liability is as follows:								
Deferred tax liability arising on account of :								
Timing difference between depreciation/ amortisation as per financials and depreciation as per tax	-	(252,855)	-	-	94,349	7,574,525	-	-
Foreign exchange fluctuation -Restatement of Opening balance	-	252,855	-	-	-	561,190	-	-
<b>A</b>	-	-	-	-	94,349	8,135,715	-	-
Less: Deferred tax asset								
Minimum Alternate Tax Credit Entitlement	-	-	-	-	-	-	-	-
Provision for employee benefits	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
<b>B</b>	-	-	-	-	-	-	-	-
<b>Net deferred tax liability (A-B)</b>	-	-	-	-	94,349	8,135,715	-	-

**Amount recognised in**

	01 January 2018		Recognised in Other comprehensive Income		Recognised in Statement of Profit and loss		31 December 2018	
	GBP	₹	GBP	₹	GBP	₹	GBP	₹
Deferred tax liability arising on account of :								
Timing difference between depreciation/ amortisation as per financials and depreciation as per tax	94,349	8,135,714	-	-	(94,349)	(8,388,570)	-	(252,855)
Foreign exchange fluctuation -Restatement of Opening balance	-	-	-	-	-	252,855	-	252,855
Less: Deferred tax asset								
Provision for employee benefits	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
<b>Total</b>	94,349	8,135,714	-	-	(94,349)	(8,135,714)	-	-
	01 January 2017		Recognised in Other comprehensive Income		Recognised in Statement of Profit and loss		31 December 2017	
	GBP	₹	GBP	₹	GBP	₹	GBP	₹
Deferred tax liability arising on account of :								
Timing difference between depreciation/ amortisation as per financials and depreciation as per tax	207,081	17,295,405	-	-	(112,732)	(9,720,880)	94,349	7,574,525
Foreign exchange fluctuation -Restatement of Opening balance	-	-	-	-	-	561,190	-	561,190
Less: Deferred tax asset								
<b>Total</b>	207,081	17,295,405	-	-	(112,732)	(9,159,691)	94,349	8,135,714

Notes to financial statements (Contd.)

	As at 31 December 2018				As at 31 December 2017			
	Long-term		Short-term		Long-term		Short-term	
	GBP	₹	GBP	₹	GBP	₹	GBP	₹
<b>14 TRADE PAYABLES</b>								
Dues to others	-	-	1,459,517	129,765,625	-	-	1,825,090	157,377,511
	-	-	1,459,517	129,765,625	-	-	1,825,090	157,377,511
	As at 31 December 2018				As at 31 December 2017			
	Long-term		Short-term		Long-term		Short-term	
	GBP	₹	GBP	₹	GBP	₹	GBP	₹
<b>15 OTHER FINANCIAL LIABILITIES</b>								
<b>Others</b>								
Current maturities of term loans from banks (Secured)	-	-	500,000	44,455,000	-	-	250,000	21,557,500
Interest accrued but not due	-	-	4,239	376,889				
Non statutory dues	71,727	6,377,248	491,509	43,700,083	-	-	34,196	2,948,721
	71,727	6,377,248	995,748	88,531,972	-	-	284,196	24,506,221
<b>16 OTHER CURRENT LIABILITIES</b>								
Statutory dues	-	-	61,386	5,457,855	-	-	53,695	4,630,120
	-	-	61,386	5,457,855	-	-	53,695	4,630,120

**Cramlington Precision Forge Limited,**  
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**TRANSLATED FINANCIAL STATEMENTS**

**Notes to financial statements (Contd.)**

	Year ended 31 December 2018		Year ended 31 December 2017	
	GBP	₹	GBP	₹
<b>17 REVENUE FROM OPERATIONS</b>				
<b>Sales of Products</b>				
Domestic Sales	29,930	2,724,871	35,486	2,987,921
Export Sales	12,886,860	1,173,219,775	9,614,049	809,502,926
	12,916,791	1,175,944,646	9,649,535	812,490,847
<b>Other Operating Revenue (Refer Note 18)</b>	194,931	17,746,509	109,941	9,257,032
<b>Revenue from operations (Net)</b>	13,111,722	1,193,691,155	9,759,476	821,747,879
<b>18 OTHER OPERATING REVENUE</b>				
Scrap Sales	194,931	17,746,509	109,941	9,257,032
	194,931	17,746,509	109,941	9,257,032
<b>19 OTHER INCOME</b>				
Miscellaneous Income	-	-	-	-
	-	-	-	-
<b>20 COST OF RAW MATERIALS AND COMPONENTS CONSUMED</b>				
Opening stock of raw materials and components	247,542	21,345,547	135,819	11,343,564
Add : Exchange rate fluctuation on account of average rate transferred to currency translation reserve	-	1,190,677	-	92,357
Add : Purchases during the year	4,725,328	430,193,846	3,372,064	283,927,828
Less : Exchange rate fluctuation on account of average rate transferred to currency translation reserve	-	929,633	-	(502,510)
Less: Closing stock of raw materials and components	436,447	38,804,542	247,542	21,345,547
	4,536,422	412,995,894	3,260,341	274,520,712
<b>21 CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS</b>				
<b>A. Opening Stock</b>				
Work-in-progress	422,928	36,469,081	240,492	20,085,907
Finished goods	94,516	8,150,115	89,239	7,453,232
Less: Excise duty on finished goods	-	-	-	-
Add / (Less): Exchange rate fluctuation on account of average rate transferred to currency translation reserve	-	2,488,906	-	224,217
	517,444	47,108,102	329,731	27,763,356
<b>B. Closing Stock</b>				
Work-in-progress	291,087	25,880,547	422,928	36,469,081
Finished goods	210,224	18,691,040	94,516	8,150,115
Less: Excise duty on finished goods	-	-	-	-
Add / (Less): Exchange rate fluctuation on account of average rate transferred to currency translation reserve	-	(1,067,793)	-	1,050,412
	501,311	43,503,794	517,444	45,669,608
<b>Net (increase) / decrease in inventories</b>	16,133	1,468,722	(187,713)	(15,805,428)

## TRANSLATED FINANCIAL STATEMENTS

### Notes to financial statements (Contd.)

	Year ended 31 December 2018		Year ended 31 December 2017	
	GBP	₹	GBP	₹
<b>22 EMPLOYEE BENEFITS EXPENSE</b>				
Salaries and wages	2,994,057	272,578,947	2,321,661	195,483,856
Leave travel assistance	-	-	-	-
Contribution to provident and other funds	334,037	30,410,689	314,429	26,474,922
Staff welfare expenses	61,828	5,628,835	19,497	1,641,647
	<b>3,389,922</b>	<b>308,618,472</b>	<b>2,655,587</b>	<b>223,600,425</b>
<b>23 FINANCE COSTS</b>				
Interest expenses	38,966	3,547,486	-	-
	<b>38,966</b>	<b>3,547,486</b>	<b>-</b>	<b>-</b>
<b>24 DEPRECIATION AND AMORTIZATION EXPENSE</b>				
Depreciation of tangible assets	319,004	29,042,105	243,013	20,461,695
Amortization of intangible assets	1,623	147,758	6,488	546,290
	<b>320,627</b>	<b>29,189,863</b>	<b>249,501</b>	<b>21,007,985</b>
<b>25 OTHER EXPENSES</b>				
Stores and tools consumed	1,102,276	100,351,189	918,042	77,299,136
Power & fuel	502,293	45,728,714	437,008	36,796,074
Rent	216,338	19,695,446	186,582	15,710,204
Rates & taxes [excluding taxes on Income]	55,623	5,063,909	62,502	5,262,668
Insurance	117,200	10,669,886	105,745	8,903,729
Repairs and maintenance				
- Building	39,637	3,608,552	36,913	3,108,075
- Plant & Equipment	411,476	37,460,744	330,203	27,803,093
Sub-contract expenses	2,087,050	190,005,023	1,715,541	144,448,552
Audit fee	10,500	955,920	16,000	1,347,200
Net Foreign exchange loss(net off gain)	2,346	213,624	6,568	553,026
Miscellaneous expenses (Under this head there is no expenditure which is in excess of 1% of Revenue from Operations or ₹ 10 lakhs whichever is higher)	1,170,065	106,522,719	658,976	55,485,779
	<b>5,714,804</b>	<b>520,275,726</b>	<b>4,474,080</b>	<b>376,717,536</b>



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**Notes to financial statements (Contd.)**

	Year ended 31 December 2018		Year ended 31 December 2017	
	GBP	₹	GBP	₹
<b>26 INCOME TAX</b>				
The major components of income tax expense and the reconciliation of expected tax expense based on the domestic effective tax rate of Cramlington Precision Forge Limited at 20% and the reported tax expense in profit or loss are as follows:				
<b>Profit or loss section</b>				
Accounting profit before tax	(905,152)	(82,405,008)	(692,320)	(58,293,351)
<b>Accounting profit before income tax</b>				
i) At UK's statutory income tax rate of 19.00% (31 December 2017: 19.25%)	(171,979)	(16,481,002)	(138,464)	(11,658,670)
Other adjustments	35,550	4,060,505	(9,053)	(762,261)
	(136,429)	(12,420,496)	(147,517)	(12,420,931)
<b>Tax expense comprises of:</b>				
<b>Current income tax:</b>				
Current income tax charge (net of Minimum alternate tax)	-	-	-	-
Adjustments in respect of current income tax of previous year	(42,080)	(3,830,963)	(34,785)	(2,928,897)
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	(94,349)	(8,589,533)	(112,732)	(9,492,034)
<b>Income tax expense</b>	(136,429)	(12,420,496)	(147,517)	(12,420,931)

**Summary of significant accounting policies and other explanatory information**

**27 Related party disclosures**

**Related Parties :**

**(I) Where Control exists:**

**(A) Ultimate Holding Company**

Sundram Fasteners Ltd

**(B) Holding Company**

Sundram International Limited, UK

**(II) Other Related Parties with whom transactions have been entered into during the year :**

**(A) Fellow Subsidiaries**

Sundram Fasteners (Zhejiang) Limited, Republic Of China

Sundram International Inc., Michigan, USA

TVS Upasana Limited, Chennai

Sundram Non Conventional Energy Systems Limited, Chennai

Sundram Precision Components Limited, Chennai

Sundram Fasteners Investments Limited, Chennai.

TVS Infotech Limited, Chennai

TVS Infotech Inc., Michigan, USA

## TRANSLATED FINANCIAL STATEMENTS

### Notes to financial statements (Contd.)

(III) Transactions with related parties referred in (I) and (II) above, in ordinary course of business:

Nature of transaction	Ultimate Holding Company		Holding Company		Fellow Subsidiary Companies	
	GBP	₹	GBP	₹	GBP	₹
<b>Purchases</b>						
Goods and Materials	-	-	-	-	-	-
	-	-	-	-	-	-
Shares by cash	-	-	-	-	-	-
	-	-	-	-	-	-
Value of Shares (allotted in pursuant to sale of subsidiary company's shareholdings)	-	-	-	-	-	-
	-	-	-	-	-	-
<b>Purchases</b>						
Fixed Assets (Intangibles)	-	-	-	-	-	-
	-	-	-	-	-	-
<b>Sales</b>						
Goods and Materials	2,583	235,185	-	-	-	-
	(13,625)	(1,147,225)	-	-	-	-
Shares (Redemption of Preference shares)	-	-	-	-	-	-
	-	-	-	-	-	-
Fixed Assets	-	-	-	-	-	-
	-	-	-	-	-	-
<b>Services</b>						
Rendered	-	-	-	-	-	-
	-	-	-	-	-	-
Received	-	-	-	-	-	-
	-	-	-	-	-	-
<b>Finance</b>						
Inter Corporate Deposit received (Net )	-	-	600,000	53,346,000	-	-
	-	-	-	-	-	-
Interest payable on Inter Corporate Deposit received	-	-	4,239	385,919	-	-
	-	-	-	-	-	-
Loans & Interest receivable write - off	-	-	-	-	-	-
	-	-	-	-	-	-
Dividend Received	-	-	-	-	-	-
	-	-	-	-	-	-
Dividend Paid / Payable - Equity	-	-	-	-	-	-
	-	-	(5,000)	(421,000)	-	-
- Preference	-	-	-	-	-	-
	-	-	-	-	-	-
<b>Others</b>						
Leasing or hire purchase arrangements	-	-	-	-	-	-
Guarantees & Collaterals	-	-	-	-	-	-
	-	-	-	-	-	-
Management contracts, Including deputation of employees	-	-	-	-	-	-
<b>Outstanding balances</b>	83	7,408	-	-	-	-
Due to the Company	(8,000)	(689,840)	-	-	-	-
Due by the Company	-	-	-	-	-	-
	-	-	-	-	-	-

(Previous year figures are in brackets)

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**Notes to financial statements (Contd.)**

28 - DISCLOSURE ON FINANCIAL INSTRUMENT																
Particulars	31-Dec-18						31-Dec-17									
	FVTPL		FVOCI		Amortised Cost		Total		FVTPL		FVOCI		Amortised Cost		Total	
	GBP	₹	GBP	₹	GBP	₹	GBP	₹	GBP	₹	GBP	₹	GBP	₹	GBP	₹
Financial Assets																
Current assets																
Trade receivables	-	-	-	-	2,393,234	212,782,400	2,393,234	212,782,400	-	-	-	-	2,083,400	179,651,582	2,083,400	179,651,582
Cash and Cash equivalents	-	-	-	-	1,268	112,748	1,268	112,748	-	-	-	-	2,103	181,342	2,103	181,342
Total Financial Assets	-	-	-	-	2,394,502	212,895,148	2,394,502	212,895,148	-	-	-	-	2,085,503	179,832,924	2,085,503	179,832,924
Financial Liabilities																
Non-current liabilities																
Borrowings	-	-	-	-	921,727	81,950,748	921,727	81,950,748	-	-	-	-	750,000	64,672,500	750,000	64,672,500
Current liabilities																
Borrowings	-	-	-	-	1,223,179	108,752,869	1,223,179	108,752,869	-	-	-	-	657,458	56,692,603	657,458	56,692,603
Trade payables	-	-	-	-	1,459,517	129,765,625	1,459,517	129,765,625	-	-	-	-	1,825,090	157,377,511	1,825,090	157,377,511
Other financial liabilities	-	-	-	-	995,748	88,531,972	995,748	88,531,972	-	-	-	-	284,196	24,506,221	284,196	24,506,221
Total Financial Liabilities	-	-	-	-	4,600,171	409,001,214	4,600,171	409,001,214	-	-	-	-	3,516,744	303,248,835	3,516,744	303,248,835