

**PT PRICOL SURYA**  
**FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED MARCH 31, 2015

## CONTENTS

---

|  | Pages  |
|--|--------|
| <b>DIRECTORS' STATEMENTS</b>                             |        |
| <b>INDEPENDENT AUDITOR'S REPORT</b>                      |        |
| <b>FINANCIAL STATEMENTS</b>                              |        |
| Statements of Financial Positions                        | 1 - 2  |
| Statements Profit or Loss and Other Comprehensive Income | 3      |
| Statements of Changes in Shareholders' Equity            | 4      |
| Statements of Cash Flows                                 | 5      |
| Notes to Financial Statements                            | 6 - 30 |



## **PT. Pricol Surya**

Jl. Permata Raya Lot FF 2 Kawasan Industri KIIC - Karawang Jawa Barat INDONESIA 41361  
Telp.: (+62-21) 8911 9471 - 73 Fax. : (+62-21) 8911 9474 Website : www.pricol.com

### **MANAGEMENT'S STATEMENTS**

#### **REGARDING**

#### **THE RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2015**

#### **PT PRICOL SURYA**

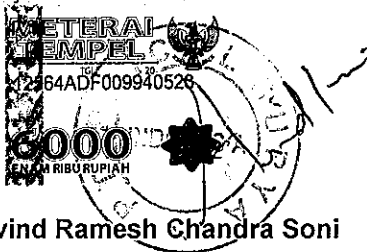
The Management of PT Pricol Surya states that:

1. We are responsible for the preparation and presentation of the financial statements.
2. The financial statements have been prepared and presented in accordance with Indonesian Accounting Financial Standards.
3. a. All information in the financial statements has been disclosed in a complete and truthful manner.  
b. The financial statements do not contain any incorrect information or material fact, nor do they omit information of material fact.
4. We are responsible for internal control of PT Pricol Surya.

This statement is made truthfully.

Karawang, May 4, 2015

**For and on behalf of Board of Directors and Management**



**Arvind Ramesh Chandra Soni**  
President Director

**MSI Global Alliance**

MUC Building 6<sup>th</sup> Floor Jl. TB Simatupang 15  
Jakarta 12530 Indonesia  
Telp: +62 21 788 37111  
Fax: +62 7883666, www.rts.co.id

Report No.: RTS-2014.2801

**INDEPENDENT AUDITOR'S REPORT**

The Shareholders, Boards of Commisioners and Directors

**PT PRICOL SURYA**

We have audited the accompanying financial statements of PT Pricol Surya (the "Company"), which comprise the statement of financial position as at March 31, 2015, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and summary of significant accounting policies and other explanatory information.

**Management's responsibility for the financial statements**

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

**Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor's consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PT Pricol Surya as at March 31, 2015, and its financial performance and its cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards.

**Emphasis of matter**

As discussed in Note 2b to financial statements, In 2015, the Company adopted the Statement of Financial Accounting Standard (PSAK) 24 (Revised 2013), Employee Benefits, and has retrospectively adjusted the accompanying prior years' comparative financial statements for the changes.

**KAP RAZIKUN TARKOSUNARYO**



**Dr. Muhammad Razikun, CPA**

License of Public Accountant AP.0652

May 4, 2015

**PT PRICOL SURYA**  
**STATEMENT OF FINANCIAL POSITION**  
As of March 31, 2015

(Expressed in thousands Rupiah, unless otherwise stated)

|                                     | Notes         | 2015               | 31/3/2014 *)       | 1/4/2013 *)        |
|-------------------------------------|---------------|--------------------|--------------------|--------------------|
| <b>ASSETS</b>                       |               |                    |                    |                    |
| <b>Current Assets</b>               |               |                    |                    |                    |
| Cash and cash equivalents           | 3c, 3d, 3f, 5 | 5,920,634          | 5,714,795          | 16,317,248         |
| Trade receivables                   | 3e, 3f, 3g, 6 | 27,629,383         | 24,586,963         | 24,023,526         |
| Inventories                         | 3h, 7         | 15,308,090         | 12,446,075         | 11,414,370         |
| Prepaid tax                         | 3m, 12a, 24   | 22,683,564         | 17,305,600         | 17,459,442         |
| Other current assets                | 8             | 3,144,422          | 1,385,153          | 39,267             |
| <b>Total Current Assets</b>         |               | <b>74,686,093</b>  | <b>61,438,587</b>  | <b>69,253,853</b>  |
| <b>Non Current Assets</b>           |               |                    |                    |                    |
| Property, plant and equipment - net | 3i, 3j, 4b, 9 | 41,117,921         | 41,892,189         | 40,771,274         |
| Security deposits                   |               | -                  | -                  | 5,000              |
| Deferred tax assets                 | 3m, 12d       | 1,712,375          | 591,022            | 521,144            |
| Estimated claim tax                 |               | 4,614,466          | 2,543,630          | -                  |
| <b>Total Non Current Assets</b>     |               | <b>47,444,762</b>  | <b>45,026,842</b>  | <b>41,297,418</b>  |
| <b>TOTAL ASSETS</b>                 |               | <b>122,130,856</b> | <b>106,465,429</b> | <b>110,551,271</b> |

\*) Restated Note 2b

**PT PRICOL SURYA**  
**STATEMENT OF FINANCIAL POSITION**  
As of March 31, 2015

(Expressed in thousands Rupiah, unless otherwise stated)

|  | Notes       | 2015               | 31/3/2014 *)       | 1/4/2013 *)        |
|--|-------------|--------------------|--------------------|--------------------|
| <b>LIABILITIES AND EQUITY</b>  |             |                    |                    |                    |
| <b>Short-term Liabilities</b>  |             |                    |                    |                    |
| Trade payables   | 3e, 3f, 10  | 79,475,583         | 65,602,571         | 48,203,951         |
| Taxes payable  | 3m, 12b, 24 | 353,831            | 1,838,579          | 2,526,511          |
| Other short-term liabilities   | 11          | 2,307,615          | 2,073,243          | 584,123            |
| Current maturities of long-term liabilities  | 13          |                    |                    |                    |
| Long-term loans  |             | 37,908,960         | 23,196,836         | 27,474,666         |
| <b>Total Current Liabilities</b>   |             | <b>120,045,989</b> | <b>92,711,229</b>  | <b>78,789,251</b>  |
| <b>Long-term Liabilities</b>   |             |                    |                    |                    |
| Long-term liabilities - net of current maturities  |             |                    |                    |                    |
| Long-term loans  | 13          | -                  | 1,765,743          | 4,115,605          |
| Post-employment benefits obligation  | 2b, 3k, 14  | 5,211,398          | 2,857,672          | 2,369,962          |
| <b>Total Long-term Liabilities</b>   |             | <b>5,211,398</b>   | <b>4,623,415</b>   | <b>6,485,567</b>   |
| <b>TOTAL LIABILITIES</b>   |             | <b>125,257,387</b> | <b>97,334,644</b>  | <b>85,274,818</b>  |
| <b>SHAREHOLDERS' EQUITY</b>  |             |                    |                    |                    |
| Capital stock - Rp10,110,000 (full amount)<br>or USD 1,000 (full amount) at par value<br>per share. Authorized, issued and fully-<br>paid- 3,500 and 2,500 shares in 2015 and 2014 | 15          | 35,385,000         | 25,275,000         | 25,275,000         |
| Foreign exchange differences on paid-in capital  | 16          | 609,500            | (1,022,500)        | (1,022,500)        |
| Other component equity   |             | 99,976             | 585,370            | (46,154)           |
| Retained earnings  |             | (39,221,007)       | (15,707,085)       | 1,070,107          |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>  |             | <b>(3,126,531)</b> | <b>9,130,785</b>   | <b>25,276,453</b>  |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |             | <b>122,130,856</b> | <b>106,465,429</b> | <b>110,551,271</b> |

\*) Restated Note 2b

**PT PRICOL SURYA**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
For the year ended March 31, 2015

(Expressed in thousands Rupiah, unless otherwise stated)

|  | Notes | 2015                | 2014 *)             |
|--|-------|---------------------|---------------------|
| <b>SALES</b>                           | 17    | 190,738,519         | 170,307,133         |
| <b>COST OF GOODS SOLD</b>              | 18    | (180,846,166)       | (145,989,501)       |
| <b>GROSS PROFIT</b>                    |       | <u>9,892,353</u>    | <u>24,317,632</u>   |
| <b>OPERATING EXPENSES</b>              |       |                     |                     |
| General and administrative             | 19    | (28,756,888)        | (28,327,696)        |
| <b>OPERATING PROFIT</b>                |       | <u>(18,864,535)</u> | <u>(4,010,064)</u>  |
| <b>OTHER INCOME (EXPENSES)</b>         |       |                     |                     |
| Loss on forex                          |       | (9,188,225)         | (10,987,326)        |
| Finance income                         |       | 23,657              | 12,998              |
| Finance expense                        |       | (4,664,261)         | (2,530,790)         |
| Other operating gain                   |       | 8,219,888           | 457,602             |
| <b>Total Other Expense</b>             |       | <u>(5,608,941)</u>  | <u>(13,047,515)</u> |
| <b>LOSS BEFORE INCOME TAX</b>          |       | <u>(24,473,476)</u> | <u>(17,057,579)</u> |
| <b>PROVISION FOR INCOME TAX</b>        |       |                     |                     |
| Current tax                            | 12c   | -                   | -                   |
| Deferred tax benefits                  | 12d   | 959,555             | 280,387             |
|  |       | <u>959,555</u>      | <u>280,387</u>      |
| <b>NET LOSS</b>                        |       | <u>(23,513,922)</u> | <u>(16,777,192)</u> |
| Other comprehensive income (loss)      | 14    | (647,192)           | 842,032             |
| Related income tax                     | 12    | 161,798             | (210,508)           |
| <b>COMPREHENSIVE LOSS FOR THE YEAR</b> |       | <u>(23,999,316)</u> | <u>(16,145,668)</u> |

\*) Restated Note 2b



**PT PRICOL SURYA**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
For the year ended March 31, 2015

(Expressed in thousands Rupiah, unless otherwise stated)

|  | Share Capital     | Foreign<br>exchange<br>differences on<br>paid-in capital | Other<br>component of<br>equity | Retained<br>Earnings | Total<br>Shareholders'<br>Equity |
|--|-------------------|--|---------------------------------|----------------------|----------------------------------|
| Balance as of March 31, 2013                         | 25,275,000        | (1,022,500)  | (46,154)                        | 1,070,107            | 25,276,453                       |
| Total comprehensive income<br>(loss) for the year *) | -                 | -  | 631,524                         | (16,777,192)         | (16,145,668)                     |
| Balance as of March 31, 2014                         | <u>25,275,000</u> | <u>(1,022,500)</u>                                       | <u>585,370</u>                  | <u>(15,707,085)</u>  | <u>9,130,785</u>                 |
| Paid up capital                                      | 10,110,000        | 1,632,000  | -                               | -                    | 11,742,000                       |
| Total comprehensive income<br>for the year *)        | -                 | -  | (485,394)                       | (23,513,922)         | (23,999,316)                     |
| Balance as of March 31, 2015                         | <u>35,385,000</u> | <u>609,500</u>   | <u>99,976</u>                   | <u>(39,221,007)</u>  | <u>(3,126,531)</u>               |

\*) Restated Note 2b

**PT PRICOL SURYA**  
**STATEMENT OF CASH FLOWS**  
For the year ended March 31, 2015

(Expressed in thousands Rupiah, unless otherwise stated)

|  | 2015                | 2014               |
|--|---------------------|--------------------|
| <b>Cash Flows from Operating Activities</b>  |                     |                    |
| Net loss after tax   | (23,513,922)        | (16,777,192)       |
| Adjustments to reconcile profit before tax to net cash provided by (used in) operating activities: |                     |                    |
| Depreciation and amortization  | 5,940,707           | 4,804,643          |
| Gain on disposal assets  | (192,837)           | -                  |
| Interest expenses  | 4,664,261           | 2,530,790          |
| Employee benefit   | 1,892,214           | 1,329,742          |
| Interest income  | (23,657)            | (12,998)           |
| Provision for income tax   | (959,555)           | (280,387)          |
| Operating cash flows before changes in working capital   | (12,192,788)        | (8,405,402)        |
| Changes in working capital   |                     |                    |
| Trade receivables  | (3,042,419)         | (563,437)          |
| Inventories  | (2,862,015)         | (1,031,705)        |
| Other current assets   | (1,759,269)         | (1,345,887)        |
| Prepaid taxes  | (5,377,964)         | 264,077            |
| Security deposits  | -                   | 5,000              |
| Estimated claim for tax refund   | (2,070,836)         | -                  |
| Trade payables   | 13,873,012          | 17,398,621         |
| Other current liabilities  | 234,372             | 1,489,120          |
| Taxes payable  | (1,484,749)         | (798,166)          |
| Payment of income tax  | -                   | (2,543,629)        |
| Payment of employee benefits   | (185,680)           | -                  |
| <b>Net cash flows provided by (used in) operating activities</b>                                   | <b>(14,868,338)</b> | <b>4,468,592</b>   |
| <b>Cash Flows from Investing Activities</b>  |                     |                    |
| Acquisition of property, plant and equipment   | (5,359,274)         | (5,925,560)        |
| Proceed from disposal assets   | 385,674             | -                  |
| <b>Net cash flows used in investing activities</b>   | <b>(4,973,600)</b>  | <b>(5,925,560)</b> |
| <b>Cash Flows from Financing Activities</b>  |                     |                    |
| Proceeds (payment) from bank loan  | 12,946,381          | (6,627,692)        |
| Proceeds from interest   | 23,657              | 12,998             |
| Payment for interest   | (4,664,261)         | (2,530,790)        |
| Proceeds from paid up capital  | 11,742,000          | -                  |
| <b>Net cash flows provided by (used in) financing activities</b>                                   | <b>20,047,777</b>   | <b>(9,145,484)</b> |
| Net increase (decrease) in cash and cash equivalents   | 205,839             | (10,602,453)       |
| Cash and cash equivalents at the beginning of the year   | 5,714,795           | 16,317,248         |
| Cash and cash equivalents at the end of the year   | <b>5,920,634</b>    | <b>5,714,795</b>   |

## PT PRICOL SURYA

### NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2015

(Expressed in thousands of Rupiah, unless otherwise stated)

#### 1. GENERAL

##### a. Establishment and General Information

PT Pricol Surya (the "Company"), is a foreign direct investment Company established under the framework of Foreign Capital Investment Law No. 1/1967 as amended by Law No. 11/1970. The establishment based on Notary Deed No. 3 dated December 1, 2005 of DR. A, Paromuan Pohan, SH., LL.M., public Notary in Jakarta. This deed was approved by Ministry of Law and Human Rights of Republic Indonesia based on its Decree No. C-34667 HT.01.01.TH.2005 on December 28, 2005 and published in the State of Gazette No. 15 dated February 21, 2006, Supplement No. 1914. The Company obtained the investment approval from the Capital Investment Coordinating Board (BKPM) based on its Decree No. 1141/I/PMA/2005 dated October 13, 2005.

In the adjustment with regulation No. 40 Year 2007 about the Limited Company was done by upper changed in the Company's Statues with the Notary's Tafieldi Nevawan, S.H, No. 32 on May 22, 2008 and was ratified by the Minister of Law and Human Rights Based on its Decree No. AHU-35251.AH.01.02 year 2008 dated June 23, 2008.

The articles of association, of the Company have been amended several times and most recently was amended by Notarial deed of Tafieldi Nevawan, S.H., No. 126 dated March 4, 2015, with respect to changes the Company's Board of Directors. This deed was approved by Ministry of Law and Human Rights of Republic Indonesia based on its Decree AHU-AH.01.03-0014044 dated March 5, 2015.

In accordance with Article 3 of the Company's articles of association, the scope of activities comprises producing and marketing of instrument cluster, oil pumps and fuel sensors for domestic and export market.

The Company domiciled at Karawang, West Java and its plant located at Karawang international Industrial City (KIIC) Jl. Permata Raya Lot FF-2 Karawang Barat, Karawang, West Java, Indonesia.

The Company started its commercial activity on April 11, 2007.

The Composition of the Company's Commissioners and Board of Directors as of March 31, 2015 is as follows:

|                         |   |                                 |
|-------------------------|---|---------------------------------|
| President Commissioners | : | Mr. Damotharan Vijay Mohan      |
| Commissioners           | : | Mr. Vikram Mohan                |
|                         |   | Mr. Keiji Nakajima              |
|                         |   | Mr. Eddy Mulyadi                |
|                         |   | Mr. Krishnan Kutty Udhaya Kumar |
| President Director      | : | Mr. Arvind Ramesh Chandra Soni  |
| Directors               | : | Mr. S.A Gopalakrishnan          |

The Composition of the Company's Commissioners and Board of Directors as of March 31, 2014 is as follows:

|                         |   |                                 |
|-------------------------|---|---------------------------------|
| President Commissioners | : | Mr. Damotharan Vijay Mohan      |
| Commissioners           | : | Mr. Vikram Mohan                |
|                         |   | Mr. Keiji Nakajima              |
|                         |   | Mr. Eddy Mulyadi                |
| President Director      | : | Mr. Magge Ramanathan Anil Kumar |
| Directors               | : | Mr. Krishan Kutty Udhaya Kumar  |

The Number of Company's Employees as of March 31, 2015 and 2014 were 176 and 186 persons, respectively.

**PT PRICOL SURYA**

**NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2015

(Expressed in thousands of Rupiah, unless otherwise stated)

---

**2. NEW/REVISED ACCOUNTING STANDARDS**

**a. Adoption of New/ Revised Accounting Standards**

In the current year, the Company has adopted all of the new and revised standards issued by the Financial Accounting Standard Boards of the Indonesian Institute of Accountants that are relevant to their operations and effective for accounting periods beginning on January 1, 2015. The adoption of these new and revised standards and interpretations has resulted in changes to the Company's accounting policies in the following areas, and affected the financial statement presentation and disclosures for the current or prior years:

- **SFAS 1 (2013 Revision): Presentation of Financial Statements**

The amendments to PSAK 1 introduce new terminology for the statement of comprehensive income. Under the amendments to PSAK 1, the statement of comprehensive income is renamed as a "statement of profit or loss and other comprehensive income". The amendments to PSAK 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to PSAK 1, require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (1) items that will not be reclassified subsequently to profit or loss; and (2) items that may be reclassified subsequently to profit or loss when specific conditions are met.

The application of PSAK 1 impacted the presentation of the other comprehensive income items of the Company's financial statements

- **SFAS 24 (2013 Revision): Employee Benefits**

The amendments to PSAK 24 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of PSAK 24 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the statement of financial position to reflect the full value of the plan deficit or surplus.

The following new and revised standards have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions or arrangements:

- SFAS 4 (2013 Revision): Separate Financial Statements
- SFAS 15 (2013 Revision): Investment in Associates and Joint Ventures
- SFAS 46 (2014 Revision): Income Taxes
- SFAS 48 (2014 Revision): Impairment of Assets
- SFAS 50 (2013 Revision): Financial Instruments: Presentation
- SFAS 55 (2014 Revision): Financial Instruments: Recognition and Measurement
- SFAS 60 (2014 Revision): Financial Instruments: Disclosures
- SFAS 65: Consolidated Financial Statements
- SFAS 66: Joint Arrangements
- SFAS 67: Disclosures of Interest in Other Entities
- SFAS 68: Fair Value Measurement

**PT PRICOL SURYA****NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2015

(Expressed in thousands of Rupiah, unless otherwise stated)

**2. NEW/REVISED ACCOUNTING STANDARDS (continued)****b. Restatement of accounts in the financial statements**

In the current year, the Company adopted PSAK 24 (revised 2013), Employee Benefits. The amendments to PSAK 24 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of PSAK 24 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus.

Losses are immediately recognized through other comprehensive income rather than applying corridor approach, where accumulated unrecognized actuarial gains and losses that exceed 10% of the present value of the defined benefit obligations is recognized on the straight-line basis over the expected average remaining working lives of the participating employees. Secondly, the recognition of past service cost is accelerated, rather than being amortized on a straight-line basis over the average period until the benefits become vested for unvested benefits.

Management of the Company has reviewed past service costs and unamortized actuarial gain or loss as at April 1, 2014/ March 31, 2013 and March 31, 2014 in line with the requirements of PSAK 24 (revised 2013). As a result of applying the transitional provisions within the revised standard, the Company has identified changes in the following items in the statement of financial position as at April 1, 2014/ March 31, 2013 and March 31, 2014:

|  | 31-Mar-14           |                     | 31-Mar-13           |                    |
|--|---------------------|---------------------|---------------------|--------------------|
|  | Before Restatements | After Restatements  | Before Restatements | After Restatements |
| Deferred tax asset                       | 786,146             | 591,022             | 505,759             | 521,144            |
| <b>Total Assets</b>                      | <b>106,550,318</b>  | <b>106,465,429</b>  | <b>110,535,886</b>  | <b>110,551,271</b> |
| Post-employment benefits obligation      | 3,638,165           | 2,857,672           | 2,308,423           | 2,369,962          |
| <b>Total Liability</b>                   | <b>98,004,903</b>   | <b>92,711,229</b>   | <b>85,213,279</b>   | <b>85,274,818</b>  |
| Other component equity                   | -                   | 585,370             | -                   | (46,154)           |
| Retained earnings                        | (15,707,085)        | (15,707,085)        | 1,070,107           | 1,070,107          |
| <b>Total Equity</b>                      | <b>8,545,415</b>    | <b>9,130,785</b>    | <b>25,322,607</b>   | <b>25,276,453</b>  |
| Net profit (loss)                        | <b>(16,777,192)</b> | <b>(16,777,192)</b> |                     |                    |
| Other comprehensive income               | -                   | 842,032             |                     |                    |
| Related income tax                       | -                   | (210,508)           |                     |                    |
| <b>Other comprehensive loss</b>          | <b>-</b>            | <b>631,524</b>      |                     |                    |
| Comprehensive income (loss) for the year | <b>(16,777,192)</b> | <b>(16,145,668)</b> |                     |                    |

**PT PRICOL SURYA**

**NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2015

(Expressed in thousands of Rupiah, unless otherwise stated)

**3. THE SIGNIFICANT ACCOUNTING POLICIES**

**a. Compliance Statements**

The Company's management stated that the financial statements for the year ended March 31, 2015 have been prepared in accordance with the Indonesian Financial Accounting Standards and are compliant with all the requirements.

The financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and reporting practices generally accepted in countries and jurisdictions other than Indonesia.

**b. Basis of Preparation of Financial Statements**

The financial statements consist of statement of financial position, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows and notes to the financial statements.

The financial statements are prepared based on going concern basis. The financial statements, except for statements of cash flows have been prepared on historical costs concept and accrual basis.

Statement of cash flows presents the sources and uses of cash and cash equivalents on the basis of operating, investing and financing activities. Operating cash flows statement prepared using the indirect method.

The Company's functional currency is Rupiah. The reporting currency used in the preparation of these financial statements is Indonesian Rupiah. All figures presented in the notes to the Company's financial statements represent in the thousand amounts, unless otherwise stated.

**c. Foreign Currency Transaction and Balances**

The Company's books and records are maintained in Indonesian Rupiah as a functional currency. Transactions involving foreign currencies are recorded in Rupiah based on the rates of exchange prevailing at the time the transactions are made. At statements of financial position date, monetary assets and liabilities denominated in foreign currencies are adjusted to Rupiah to reflect Bank Indonesia's middle rates of exchange at such date. The resulting gains or losses are credited or charged to current year's operation.

The exchange rate used at reporting date are as follows:

|                          | <u>31-Mar-15</u> | <u>31-Mar-14</u> |
|--------------------------|------------------|------------------|
| U.S Dollar (USD) 1       | 13,084.00        | 11,404.00        |
| Japan Yen (JPY) 1        | 108.95           | 111.65           |
| Thailand Baht (THB) 1    | 401.84           | -                |
| Singapore Dollar (SGD) 1 | 9,508.04         | 9,049.74         |
| Indian Rupee (INR) 1     | 209.62           | 186.35           |

**d. Cash and Cash Equivalents**

Cash and cash equivalents comprise of cash on hand and in bank, and time deposits with a maturity of less than 3 (three) months which are neither pledged as a collateral nor restricted.

**PT PRICOL SURYA**

**NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2015

(Expressed in thousands of Rupiah, unless otherwise stated)

---

**3. THE SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**e. Related Parties Transactions and Balances**

The Company enter into transactions with related parties as defined in accordance with SFAS 7 (2010 Revision) "Related party disclosures".

Related parties represents a person or an entity who is related to the reporting entity:

- (a) A person or a close member of the person's family is related to a reporting entity if that person:
  - i. has control or joint control over the reporting entity;
  - ii. has significant influence over the reporting entity; or
  - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity;
- (b) An entity is related to a reporting entity if any of the following conditions applies:
  - i. the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - ii. one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - iii. both entities are joint ventures of the same third party;
  - iv. one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - v. the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
  - vi. the entity is controlled or jointly controlled by a person identified in (a);
  - vii. a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);

The nature of transactions and balances of accounts with related parties are disclosed in the notes to financial statements.

**f. Financial Assets and Liabilities**

**1) Financial Assets**

Financial assets are classified into the categories of (i) financial assets at fair value through profit or loss, (ii) loans and receivables, (iii) held-to-maturity financial assets and (iv) available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

**(i) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets classified as held for trading. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing it in the near term and for which there is evidence of a recent actual pattern of short term profit taking.

**PT PRICOL SURYA**

**NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2015

(Expressed in thousands of Rupiah, unless otherwise stated)

**3. THE SIGNIFICANT ACCOUNTING POLICIES (continued)**

**f. Financial Assets and Liabilities (Continued)**

**1) Financial Assets (continued)**

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus transaction costs and subsequently measured at amortized cost using the effective interest rate method. Loans and receivables consist of net investment in finance leases, other receivables and other assets.

(iii) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity, other than:

- a) those that the Company upon initial recognition designates as at fair value through profit or loss;
- b) those that the Company designates as available for sale; and
- c) those that meet the definition of loans and receivables.

These are initially recognized at fair value including transaction costs and subsequently measured at amortized cost, using the effective interest rate method.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognized at fair value, plus transaction costs, and measured subsequently at fair value with gains and losses being recognized in the statement of changes in equity, except for impairment losses and foreign exchange gains and losses, until the financial assets are derecognized. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognized in the statement of changes in equity is recognized in the income statement. However, interest is calculated using the effective interest rate method, and foreign currency gains or losses on monetary assets classified as available-for-sale are recognized in the current year statement of income.

**2) Financial Liabilities**

The Company classifies its financial liabilities into the categories of (i) financial liabilities at fair value through profit or loss and (ii) financial liabilities measured at amortized cost.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are financial liabilities classified as held for trading. A financial liability is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing it in the near term and for which there is evidence of a recent actual pattern of short term profit taking.

Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial liabilities are included in "foreign exchange gain/loss".



**PT PRICOL SURYA**

**NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2015

(Expressed in thousands of Rupiah, unless otherwise stated)

---

**3. THE SIGNIFICANT ACCOUNTING POLICIES (continued)**

**f. Financial Assets and Liabilities (Continued)**

**2) Financial Liabilities (continued)**

**(ii) Financial liabilities measured at amortized cost**

Financial liabilities that are not classified as at fair value through profit and loss fall into this category and are measured at amortized cost. Financial liabilities measured at amortized cost are other payables, accrued expenses, loans and bonds.

**3) Fair Value Estimation**

The Company uses widely recognized valuation models for determining fair values of non-standardized financial instruments of lower complexity, such as coal swaps, fuel swaps and forward contracts. For these financial instruments, inputs into models are generally market observable.

The fair value of financial instruments that are not traded in active markets are determined by using valuation techniques. The Company uses discounted cashflow methods and makes assumptions that are based on market conditions existing at each balance sheet date which are used to determine fair value for the financial instruments.

**g. Trade Receivables and Allowance for Doubtful Accounts**

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost, less provision for doubtful accounts.

Provision for doubtful accounts are established when there is objective evidence that outstanding amounts will not be collected. Doubtful accounts are written-off during the period in which they are determined to be not collectible.

**h. Inventories**

Inventories are carried at the lower of cost and net realizable value. Cost is determined by the weighted average method. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

A provision for obsolete and slow moving inventory is determined on the basis of estimated future usage or sale of individual inventory items. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amounts of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as reduction in the amount of inventories recognized as expense in the period in which the reversal occurs.

**i. Property, Plant and Equipment**

Property, plant and equipment are recorded initially at cost, which comprises its purchase price and any cost directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by management, and also include the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. The cost of self-constructed assets is determined using the same principles as for an acquired asset. Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

**PT PRICOL SURYA**

**NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2015

(Expressed in thousands of Rupiah, unless otherwise stated)

**3. THE SIGNIFICANT ACCOUNTING POLICIES (continued)**

**i. Property, Plant and Equipment (continued)**

Depreciation is applied from the date the assets are put into service or when the assets are ready for service. Depreciation does not cease when the assets become idle or is retired from active use unless the asset is fully depreciated. Fully depreciated assets are retained the accounts until they are no longer in use and no further charge for depreciation is made in respect of those assets.

All property, plant and equipment are depreciated using the straight-line method, over their respective estimated useful lives as follows:

|   | <u>Depreciation rate</u> | <u>Years</u> |
|---|--------------------------|--------------|
| Building and Factory                    | 5.0%                     | 20           |
| Factory machinaries                     | 12.5%                    | 8            |
| Factory equipment                       | 25.0%                    | 4            |
| Office equipment, furniture and fixture | 25.0%                    | 4            |

The residual values, useful lives and depreciation method are reviewed at each reporting date to ensure that such residual values, useful lives and depreciation method are consistent with the expected pattern of economic benefits from those assets.

Subsequent expenditures such as replacement and major inspection are added to the carrying amount of the asset when it is probable that future economic benefits will flow to the Company and the cost of the item can be measure reliably. The carrying amount of those parts that are replaced or any remaining carrying amounts of the cost of the previous inspection is derecognized. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred.

When assets are retired or otherwise disposed of, their carrying values and the related accumulated depreciation are eliminated from the financial statements, and the resulting gains and loss on the disposal of fixed assets are recognized in the statements of comprehensive income.

**j. Impairment of non-financial assets**

The Company's property, plant and equipment and intangible assets are tested for impairment whenever events of change in circumstances indicate that the carrying amount may not be recoverable.

For purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use.

**k. Post-Employment Benefits Obligation**

The Company provides defined post-employment benefits to their employees in accordance with Labor Law No.13/2003. No funding has been made to the defined benefit plans.

The cost of providing post-employment benefits is determined using the Projected Unit Credit Method. Remeasurement comprising the actuarial gains or losses is reflected immediately in the statements of financial position with a change or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in other components of equity and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment.

**PT PRICOL SURYA**

**NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2015

(Expressed in thousands of Rupiah, unless otherwise stated)

---

**3. THE SIGNIFICANT ACCOUNTING POLICIES (continued)**

**k. Post-Employment Benefits Obligation (continued)**

The benefit obligation recognized in the statements of financial position represents the present value of the defined benefit obligation.

When the curtailment or settlement occurs, any resulting gain or loss is charged to statements of profit or loss and other comprehensive income.

**l. Revenue and Cost Recognition**

Revenue is recognized to the extent that is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

- (i) Sale of goods – Revenue is recognized when the risks and rewards of ownership of the goods have passed to the buyer, i.e. generally when the goods are delivered to the customers.
- (ii) Interest income – Revenue is recognized as the interest accrues taking into account the effective yield of the asset.

Revenue is measured by reference to the fair value of consideration received or receivable by the Company for goods supplied.

Expenses are recognized upon utilization for the service or at the date they are incurred.

**m. Non-final Income Tax**

Current tax expense in the statements of profit or loss and other comprehensive income is determined on the basis of taxable income for the period computed in accordance with the prevailing tax rules and regulations.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences and fiscal losses to the extent that it is probable that taxable income will be available in future periods against which the deductible temporary differences and fiscal losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on the tax rates (and tax laws) that have been enacted, or substantively enacted, by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the consequences that would follow from the manner in which the Company and its subsidiaries expect, at the end of the reporting period, to recover or settle the carrying amount of their assets and liabilities.

The carrying amount of deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company and its subsidiaries intend to settle their current tax assets and current tax liabilities on a net basis.

**PT PRICOL SURYA**

**NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2015

(Expressed in thousands of Rupiah, unless otherwise stated)

---

**3. THE SIGNIFICANT ACCOUNTING POLICIES (continued)**

**m. Non-final Income Tax (continued)**

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside of profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside of profit or loss, or where they arise from the initial accounting for a business combination. In case of a business combination the tax effect is included in the accounting for business combination.

Adjustments to taxation obligation are recorded when an assessment is received, or, if appealed, when the result of the appeal are determined.

**n. Final Income Tax**

Tax expense on revenues subject to final tax is recognized proportionately based on the revenue recognized in the period. The difference between the final tax paid and current tax expense in the consolidated statements of profit or loss and other comprehensive income is recognized as prepaid tax or tax payable. Prepaid final tax is presented separately from final tax payable.

Deferred tax is not recognized for the difference between the financial statement carrying amounts of assets and liabilities and their respective tax bases if the related revenue is subject to final tax.

**o. Segment Information**

A business segment information is a distinguishable information of business component producing particular products or services that has different characteristic of risks and returns with the other business components. The Company operates and manage the business in single segment which utilizes the existing plants and infrastructures.

**4. SOURCE OF ESTIMATION UNCERTAINTY**

**a. Judgements**

The preparation of financial statements, in conformity with Indonesian Financial Accounting Standards, requires management to make estimations and assumptions that affect amounts reported therein. Due to inherent uncertainty in making estimates, actual results reported in future periods may differ from those estimates.

The following judgements are made by management in the process of applying the accounting policies that have the most significant effects on the amounts recognized in the financial statements:

**Classification of Financial Assets and Financial Liabilities**

The Company determine the classifications of certain assets and liabilities as financial assets and financial liabilities by judging if they meet the definition set forth in SFAS 55 (2011 Revision). Accordingly, the financial assets and financial liabilities are accounted for in accordance with the Company's accounting policies disclosed in Note 3.

**PT PRICOL SURYA**

**NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2015

(Expressed in thousands of Rupiah, unless otherwise stated)

---

**4. SOURCE OF ESTIMATION UNCERTAINTY (continued)**

**a. Judgements (continued)**

**Allowance for Impairment Loss of Trade Receivables**

The Company evaluates specific accounts where it has information that certain customers are unable to meet their financial obligations. In these cases, the Company use judgement, based on available facts and circumstances, including but not limited to, the length of its relationship with the customer and the customer's current credit status based on any available third party credit reports and known market factors, to record specific provisions for customers against amounts due to reduce its receivable amounts that the Company expect to collect. These specific provisions are re-evaluated and adjusted as additional information received affects the amounts of allowance for doubtful accounts.

**b. Estimates and Assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year/ period are disclosed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions as they occur.

**Employee Benefits**

The determination of the obligations and cost of employee benefits liabilities is dependent on its selection of certain assumptions used by the independent actuaries in calculating such amounts. Those assumptions include among others, discount rates, annual salary increase rate, annual employee turn-over rate, disability rate, retirement age and mortality rate. Actual results that differ from the assumptions which effects are more than 10% of the defined benefit obligations are deferred and being amortized on a straight-line basis over the expected average remaining service years of the qualified employees. While the Company believe that its assumptions are reasonable and appropriate, significant differences in the actual results or significant changes in the assumptions may materially affect its estimated liabilities for pension and employee benefits and net employee benefits expense.

**Depreciation of Property, Plant and Equipment**

Property, Plant and Equipment are depreciated using the straight-line method over their estimated useful lives. Management properly estimates the useful lives of these fixed assets to be within 4 to 20 years. These are common life expectancies applied in the industries where the Company conducts its businesses. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised. The net carrying amount of the Company fixed assets as of March 31, 2015 was Rp41,117,921 (March 31, 2014: Rp41,892,189). Further details are disclosed in Note 9.

**Financial Instruments**

The Company carries certain financial assets and liabilities at fair values, which requires the use of accounting estimates. While significant components of fair value measurement were determined using verifiable objective evidences, the amount of changes in fair values would differ if the Company utilized different valuation methodology. Any changes in fair values of these financial assets and liabilities would affect directly the profit or loss.

**PT PRICOL SURYA**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended March 31, 2015

(Expressed in thousands of Rupiah, unless otherwise stated)

**4. SOURCE OF ESTIMATION UNCERTAINTY (continued)**

**b. Estimates and Assumptions (continued)**

**Income Tax**

Significant judgement is involved in determining provision for corporate income tax. There are certain transactions and computation for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognize liabilities for expected corporate income tax issues based on estimates of whether additional corporate income tax will be due.

**5. CASH AND CASH EQUIVALENTS**

|                                     | <u>2015</u>      | <u>2014</u>      |
|-------------------------------------|------------------|------------------|
| <b>Cash on hand</b>                 |                  |                  |
| IDR                                 | 10,336           | 539              |
| US Dollar                           | 3,965            | 9,473            |
| <b>Total Cash</b>                   | <u>14,301</u>    | <u>10,012</u>    |
| <b>Cash in Banks</b>                |                  |                  |
| <u>Rupiah</u>                       |                  |                  |
| ANZ Panin Bank                      | 5,363            | 5,535            |
| PT Bank Danamon Indonesia           | 1,798,906        | 5,060,383        |
| Bank SBI Indonesia                  | 3,256            | 81,612           |
| PT Bank International Indonesia     | 1,629,925        | 37,930           |
| <u>US Dollars</u>                   |                  |                  |
| ANZ Panin Bank                      |                  |                  |
| (USD32,521.38; 2014: USD3,047.94)   | 425,510          | 34,759           |
| PT Bank Danamon Indonesia           |                  |                  |
| (USD128,462.98; 2014: USD36,414.90) | 1,680,799        | 415,276          |
| Bank SBI Indonesia                  |                  |                  |
| (USD27,218.26; 2014: USD5,163.59)   | 356,124          | 58,886           |
| PT Bank International Indonesia     |                  |                  |
| (USD492.99; 2014: USD912.29)        | 6,450            | 10,404           |
| <b>Total Bank</b>                   | <u>5,906,333</u> | <u>5,704,783</u> |
|                                     | <u>5,920,634</u> | <u>5,714,795</u> |

Cash deposited with banks earned interest at the respective bank rates.

**6. TRADE RECEIVABLES**

|                             | <u>2015</u>    | <u>2014</u>    |
|-----------------------------|----------------|----------------|
| <b><u>Related Party</u></b> |                |                |
| Pricol Limited              | 115,396        | 809,392        |
| <b>Subtotal</b>             | <u>115,396</u> | <u>809,392</u> |

**PT PRICOL SURYA****NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2015

(Expressed in thousands of Rupiah, unless otherwise stated)

**6. TRADE RECEIVABLES (continued)**

|                                    | <u>2015</u>              | <u>2014</u>              |
|------------------------------------|--------------------------|--------------------------|
| <b>Third parties</b>               |                          |                          |
| Denso Corporation Japan            | 10,938,434               | 5,953,927                |
| PT Krama Yudha Tiga Berlian Motors | 3,795,609                | -                        |
| PT Denso Sales Indonesia           | 2,706,820                | 5,483,940                |
| PT Dharmawan Metal Mekanikal       | 2,226,372                | 2,261,723                |
| PT Yamana Indonesia Motor Mfg.     | 1,908,120                | 1,232,730                |
| Srinisons Wiring System Pvt. Ltd   | 1,298,027                | 991,560                  |
| PT Sripri wiring System            | 1,203,447                | -                        |
| PT Banshu Electric Indonesia       | 1,063,969                | 2,727,702                |
| PT Indoprima Gemilang              | 1,058,822                | 217,276                  |
| PT Leoco Indonesia                 | 960,978                  | 477,554                  |
| PT Kawasaki Motor Indonesia        | 643,725                  | 833,347                  |
| Thailand Suzuki Motor Co., Ltd     | 472,233                  | 328,557                  |
| PT Koti                            | 359,760                  | 163,410                  |
| PT Space Indonesia                 | 318,851                  | 482,255                  |
| Suzuki Philipine Incorporated      | 304,062                  | 373,297                  |
| Tata Motors Thailand, Ltd.         | 9,710                    | 1,102,489                |
| PT Suzuki Indomobil Motor          | 5,466                    | 366,075                  |
| Vietnam Suzuki Motor Co., Ltd.     | -                        | 382,176                  |
| Other (below Rp200,000, each)      | 617,653                  | 399,554                  |
| <b>Subtotal</b>                    | <u>29,892,058</u>        | <u>23,777,573</u>        |
| <b>Total trade receivables</b>     | <b>30,007,454</b>        | <b>24,586,965</b>        |
| Allowance for doubtful accounts    | <u>(2,378,071)</u>       | <u>-</u>                 |
| <b>Trade receivables - net</b>     | <u><b>27,629,383</b></u> | <u><b>24,586,965</b></u> |

Based on review of the collectibility of the individual trade receivable accounts at the end of the year, management believes that the allowance for doubtful accounts is sufficient to cover losses from non-collection of these accounts.

**7. INVENTORIES**

|                  | <u>2015</u>              | <u>2014</u>              |
|------------------|--------------------------|--------------------------|
| Finished goods   | 1,163,003                | 929,907                  |
| Raw materials    | 13,084,418               | 10,226,649               |
| Work in progress | 1,060,669                | 1,289,519                |
|                  | <u><b>15,308,090</b></u> | <u><b>12,446,075</b></u> |

Inventories are covered by insurance against losses from earthquake and all risk under a policy package with a total insurance coverage amounted to USD3,000,000 and USD1,500,000 as of March 31, 2015 and 2014, respectively, which the management believes is adequate to cover possibilities of loss on insured assets.

As of March 31, 2015 and 2014, inventories were pledged as collateral for bank loans (see notes 13).

The Company did not create a provision for inventories obsolescence as of March 31, 2015 and 2014. Obsolete or unsaleable inventories items are identified and directly expense during the year-end stock count. Based on the Company's agreement with its suppliers and customers, inventories that are obsolete or that do not meet the quality requirements cannot be sold to other parties and cannot be sold to suppliers.

**PT PRICOL SURYA**

**NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2015

(Expressed in thousands of Rupiah, unless otherwise stated)

**8. OTHER CURRENT ASSETS**

|                  | 2015             | 2014             |
|------------------|------------------|------------------|
| Advances         | 2,522,375        | 960,949          |
| Prepaid expenses | 622,047          | 424,204          |
|                  | <u>3,144,422</u> | <u>1,385,153</u> |

**9. PROPERTY, PLANT AND EQUIPMENT**

|                                 | 2015              |                  |                 |                   |
|---------------------------------|-------------------|------------------|-----------------|-------------------|
|                                 | Beginning balance | Additions        | Deductions      | Ending Balances   |
| <b>Acquisitions Costs</b>       |                   |                  |                 |                   |
| <u>Direct ownership</u>         |                   |                  |                 |                   |
| Landrights                      | 13,288,380        | -                | -               | 13,288,380        |
| Building                        | 19,933,135        | 37,965           | -               | 19,971,100        |
| Machineries                     | 14,848,172        | 425,710          | -               | 15,273,881        |
| Office equipment                | 4,715,762         | 131,548          | -               | 4,847,310         |
| Factory equipment               | 10,937,842        | 4,764,051        | 166,100         | 15,535,792        |
|                                 | <u>63,723,290</u> | <u>5,359,274</u> | <u>166,100</u>  | <u>68,916,463</u> |
| <b>Accumulated Depreciation</b> |                   |                  |                 |                   |
| <u>Direct ownership</u>         |                   |                  |                 |                   |
| Building                        | 6,739,927         | 990,874          | 22,967          | 7,707,834         |
| Machinery                       | 5,470,681         | 1,797,004        | 75,611          | 7,192,074         |
| Office equipment                | 3,456,393         | 583,273          | -               | 4,039,666         |
| Factory equipment               | 6,164,099         | 2,569,556        | (125,313)       | 8,858,968         |
|                                 | <u>21,831,101</u> | <u>5,940,707</u> | <u>(26,735)</u> | <u>27,798,542</u> |
| <b>Book Value</b>               | <u>41,892,189</u> |                  |                 | <u>41,117,921</u> |

|                                 | 2014              |                  |           |                   |
|---------------------------------|-------------------|------------------|-----------|-------------------|
|                                 | Beginning balance | Additions        | Deduction | Ending Balances   |
| <b>Acquisitions Costs</b>       |                   |                  |           |                   |
| <u>Direct ownership</u>         |                   |                  |           |                   |
| Landrights                      | 13,288,380        | -                | -         | 13,288,380        |
| Building                        | 19,323,838        | 609,297          | -         | 19,933,135        |
| Machinery                       | 14,011,550        | 836,621          | -         | 14,848,172        |
| Office equipment                | 4,017,627         | 698,135          | -         | 4,715,762         |
| Factory equipment               | 7,156,334         | 3,781,508        | -         | 10,937,842        |
| Sub Total                       | <u>57,797,729</u> | <u>5,925,561</u> | -         | <u>63,723,290</u> |
| <b>Accumulated Depreciation</b> |                   |                  |           |                   |
| <u>Direct ownership</u>         |                   |                  |           |                   |
| Building                        | 5,753,408         | 986,519          | -         | 6,739,927         |
| Machinery                       | 3,727,576         | 1,743,105        | -         | 5,470,681         |
| Office equipment                | 2,945,697         | 510,696          | -         | 3,456,393         |
| Factory equipment               | 4,599,775         | 1,564,325        | -         | 6,164,099         |
|                                 | <u>17,026,456</u> | <u>4,804,645</u> | -         | <u>21,831,101</u> |
| <b>Book Value</b>               | <u>40,771,273</u> |                  |           | <u>41,892,189</u> |



**PT PRICOL SURYA****NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2015

(Expressed in thousands of Rupiah, unless otherwise stated)

**9. PROPERTY, PLANT AND EQUIPMENT (continued)**

As of March 31, 2015 and 2014, the Company did not recognize any asset impairment and believed that there were no circumstances that would give rise to asset impairment. Property, plant, equipment are used as collateral for bank loans (see note 13).

Property, plant, equipment are covered by insurance against losses from earthquake and other risk under a policy package with insurance coverage totalling USD8,075,707 and USD3,424,269 as of March 31, 2015 and 2014, respectively, which the Company's management believes that the insurance coverage is adequate to cover possible losses on property, plant, equipments assets.

**10. TRADE PAYABLES**

|                                    | <u>2015</u>       | <u>2014</u>       |
|------------------------------------|-------------------|-------------------|
| <b><u>Related party</u></b>        |                   |                   |
| Pricol Limited                     | 6,736,498         | 15,949,438        |
| Pricol Asia Pte Ltd                | 16,452,284        | 2,468,199         |
| Johnson Control Pricol Pvt. Ltd.   | -                 | 622,107           |
| Pricol Cargo Ltd                   | 6,237,559         | 690,920           |
| Pricol Travel Limited              | 220,507           | 63,304            |
| <b>Sub Total</b>                   | <u>29,646,848</u> | <u>19,793,968</u> |
| <b><u>Third parties:</u></b>       |                   |                   |
| PT Banshu Electric Indonesia       | 7,292,298         | 6,355,438         |
| PT Indoprima Gemilang              | 5,431,018         | 4,460,192         |
| Herriot International PTE, Ltd.    | 8,792,448         | 3,649,280         |
| PT Honoris Industry                | 4,882,199         | 3,187,980         |
| PT Leoco Indonesia                 | 4,635,502         | 3,045,100         |
| PT DHL Global Forwarding Indonesia | 2,526,297         | -                 |
| PT Indonesia Hanshin Electric      | 1,347,671         | 1,347,646         |
| PT Laser Metal Mandiri             | 1,287,388         | 1,138,110         |
| PT Tamano Indonesia                | 1,220,414         | 1,416,446         |
| PT Pyo Joon Mold Indonesia         | 987,798           | -                 |
| PT Space Indonesia                 | 953,628           | 622,703           |
| PT Alpha Integrated                | 892,098           | 274,040           |
| PT Classic Stripes Indonesia       | 758,283           | 718,020           |
| PT Preshion Engplas                | 658,095           | 1,504,863         |
| PT Dharmawan Metal Mekanikal       | 469,429           | 469,429           |
| PT Zephyr Indonesia                | 429,927           | 2,746,866         |
| Jamsostek                          | 426,551           | -                 |
| Difa Kreasi                        | 390,652           | -                 |
| PT Sarana Gemilang Utama           | 385,125           | 1,261,488         |
| PT Adyawinsa Dinamika Karawang     | 369,844           | 369,844           |

**PT PRICOL SURYA****NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2015

(Expressed in thousands of Rupiah, unless otherwise stated)

**10. TRADE PAYABLES**

|                                      | <u>2015</u>       | <u>2014</u>       |
|--------------------------------------|-------------------|-------------------|
| <b>Third parties:</b>                |                   |                   |
| PT Dae Myung Highness Indonesia      | 347,988           | -                 |
| PT Sripri Wiring Systems             | 341,730           | -                 |
| Srinison Wiring System Pvt Ltd       | 337,698           | 201,178           |
| PT Star Korea Industry               | 265,558           | -                 |
| PT Sagatekindo Sejati                | 183,704           | 300,690           |
| PT Yeong Shin Indonesia              | 119,125           | 490,585           |
| PT Banshu Rubber Indonesia           | 110,275           | 378,692           |
| PT SBP Indonesia                     | 104,201           | 635,499           |
| PT Naga Pacific                      | 33,299            | 889,689           |
| PT Sumber Teknik Sentosa             | 27,786            | 359,474           |
| Toshiba Lighting Hong Kong Ltd       | -                 | 564,498           |
| Qtech Hongkong Limited               | -                 | 550,019           |
| Shanghai Bingfeng Instrument Plastic | -                 | 290,802           |
| Sundaram Dynacast                    | -                 | 267,348           |
| Other (below Rp250,000, each)        | 3,820,703         | 8,312,682         |
| <b>Sub Total</b>                     | <u>49,828,735</u> | <u>45,808,603</u> |
|                                      | <u>79,475,583</u> | <u>65,602,571</u> |

**11. OTHER SHORT-TERM LIABILITIES**

|                  | <u>2015</u>      | <u>2014</u>      |
|------------------|------------------|------------------|
| Accrued expenses | 2,307,615        | 2,073,243        |
|                  | <u>2,307,615</u> | <u>2,073,243</u> |

**12. TAXATION****a. Prepaid taxes**

|                 | <u>2015</u>       | <u>2014</u>       |
|-----------------|-------------------|-------------------|
| Value Added Tax | 22,683,564        | 17,305,600        |
|                 | <u>22,683,564</u> | <u>17,305,600</u> |

**b. Taxes payable**

|                          | <u>2015</u>    | <u>2014</u>      |
|--------------------------|----------------|------------------|
| Income Tax Article 23    | 20,792         | 30,731           |
| Income Tax Article 26    | 123,090        | 1,075,008        |
| Income Tax Article 21    | 209,949        | 110,234          |
| Income Tax Article 25    | -              | 609,919          |
| Income Tax Article 4 (2) | -              | 12,688           |
|                          | <u>353,831</u> | <u>1,838,579</u> |

**PT PRICOL SURYA**

**NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2015

(Expressed in thousands of Rupiah, unless otherwise stated)

**12. TAXATION (Continued)**

**c. Current tax**

A reconciliation between profit before income tax as presented in the statements of comprehensive income and estimate taxable income for the years ended March 31, 2015 and 2014, are as follows:

|   | <u>2015</u>         | <u>2014</u>         |
|---|---------------------|---------------------|
| Profit (loss) before income tax                           | (24,473,476)        | (17,057,579)        |
| <b>Permanent differences</b>                              |                     |                     |
| <b>Non-deductible expenses:</b>                           |                     |                     |
| Employee costs  | 265,258             | 68,471              |
| Entertainment   | 284,222             | 147,114             |
| Rate, taxes and licenses                                  | 412,968             | 495,652             |
| Donation  | 6,835               | 27,553              |
| Communication expenses                                    | 54,298              | 44,879              |
| Membership subscription                                   | 9,610               | 10,850              |
| Participation fee   | 3,000               | 5,700               |
| Sales promotion and samples                               | 96,579              | -                   |
| Sundry expenses   | 583,086             | -                   |
| Garden Expenses   | 250                 | -                   |
| Rounding of difference and loss on scrapping of inventory | 44,069              | (2,121)             |
|   | <u>(22,713,303)</u> | <u>(16,259,482)</u> |
| <b>Temporary differences</b>                              |                     |                     |
| Depreciation  | (246,387)           | (208,194)           |
| Employee benefit expenses                                 | 1,706,534           | 1,329,742           |
| Allowance for doubtful accounts                           | 2,378,071           | -                   |
|   | <u>3,838,218</u>    | <u>1,121,548</u>    |
| <b>Estimated taxable income</b>                           | (18,875,085)        | (15,135,812)        |
| <b>Estimated income tax (25%)</b>                         | -                   | -                   |
| <b>Tax credit:</b>  |                     |                     |
| Income Tax Article 22                                     | (1,257,354)         | (915,222)           |
| Income Tax Article 25                                     | (609,919)           | (1,628,408)         |
| <b>Estimated tax payable (tax claim)</b>                  | <u>(1,867,273)</u>  | <u>(2,543,630)</u>  |

**d. Deferred Tax Assets**

|                                 | <u>March 31, 2014</u> | <u>Credited to<br/>statements of<br/>comprehensive<br/>income</u> | <u>March 31, 2015</u> |
|---------------------------------|-----------------------|---|-----------------------|
| Allowance for doubtful accounts | -                     | 594,518   | 594,518               |
| Depreciation                    | (123,395)             | (61,597)  | (184,992)             |
| Employee benefits               | 909,541               | 426,634   | 1,336,175             |
| Other Comprehensive             |                       |   |                       |
| Income - gain on actuarial      | (195,123)             | 161,798   | (33,325)              |
|                                 | <u>591,023</u>        | <u>1,121,353</u>  | <u>1,712,375</u>      |

**PT PRICOL SURYA**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended March 31, 2015

(Expressed in thousands of Rupiah, unless otherwise stated)

**12. TAXATION (Continued)**

**d. Deferred Tax Assets (continued)**

|   | March 31, 2013 | Credited to<br>statements of<br>comprehensive<br>income | March 31, 2014 |
|---|----------------|---|----------------|
| Depreciation                                      | (71,347)       | (52,048)  | (123,395)      |
| Employee benefit                                  | 577,106        | 332,436   | 909,541        |
| Other Comprehensive<br>Income - gain on actuarial | 15,385         | (210,508)   | (195,123)      |
|   | <u>521,143</u> | <u>69,879</u>   | <u>591,023</u> |

**e. Administration**

In 2014, the Company received several Tax Assessment Letter on fiscal year 2012 as specified below:

- Underpayment Tax Assessment Letter ("SKPKB") of Value Added Tax amounting to Rp7,602,806,250. The Company have fully paid the tax deficiency.
- Overpayment Tax Assessment Letter ("SKPLB") of Value Added Tax for the year ended March 2013 amounting to Rp10,950,529,671. The Company received tax restitution amounting to Rp3,345,236,343. The Company is also in the process of filing an objection to the tax office's on Overpayment Tax Assessment Letter ("SKPLB") No 00028/407/13/055/15. This objection is still in the process until the audit fieldwork complete.
- In 2013, the Company filed an objection to the tax office on SKPLB No. 00124/407/12/055/13 for fiscal year 2011 amounted to Rp1,089,730,099. In 2014, the Company received the decision of objections, the objection granted amounted Rp182,027,574. The Company appealed the amount that are not approved.
- The Company is being audited by the tax office on overpayment of corporate income tax for fiscal year 2013. This tax audit is still in the process until the audit fieldwork complete.

In 2013, the Company received several Tax Assessment Letter on fiscal year 2011 as specified below:

- Underpayment Tax Assessment Letter ("SKPKB") of Income Tax Article 21 amounting to Rp19,863,061. The Company have fully paid the tax deficiency.
- Overpayment Tax Assessment Letter ("SKPLB") of Corporate Income tax for the year ended March 2012 amounting to Rp9,535,176,892. The Company have been received tax restitution amounting to Rp9,470,638,784. The Company is also in the process of filing an objection to the tax office's by Overpayment Tax Assessment Letter ("SKPKB") No 00124/407/12/055/13.
- Underpayment Tax Assessment Letter ("SKPKB") of Value Added Tax for period April 2011 until December 2011 amounting to Rp490,988,526. The Company have fully paid the tax deficiency.
- Underpayment Tax Assessment Letter ("SKPKB") of Value Added Tax for period January 2012 until February 2012 amounting to Rp276,564,328. The Company paid tax deficiency amounting to Rp6,745,328.
- Tax Collection Letter ("STP") of Value Added Tax amounting to Rp53,170,657.

Under Indonesian taxation laws, the Company submits tax returns on the basis of self assessment, tax losses may be carried forward for a period of five (5) years. The tax authorities may asses or amend taxes within five years from the date when the tax was payable.

**PT PRICOL SURYA****NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2015

(Expressed in thousands of Rupiah, unless otherwise stated)

**13. BANK LOAN**

|  | <u>2015</u>         | <u>2014</u>         |
|--|---------------------|---------------------|
| PT Bank SBI Indonesia                                      | 35,326,800          | -                   |
| PT Bank Danamon Indonesia Tbk                              | 2,582,160           | 23,196,836          |
|  | <u>37,908,960</u>   | <u>23,196,837</u>   |
| <b>Current maturities of long-term bank loan</b>           |                     |                     |
| PT Bank SBI Indonesia                                      | (35,326,800)        | -                   |
| PT Bank Danamon Indonesia Tbk                              | (2,582,160)         | (21,431,093)        |
|  | <u>(37,908,960)</u> | <u>(21,431,093)</u> |
| <b>Long Term bank loan - net of non-current maturities</b> |                     |                     |
| PT Bank Danamon Indonesia Tbk                              | -                   | 1,765,743           |

The Company obtained Open Account facility from PT Bank Danamon Indonesia Tbk, with a plafond of USD2,500,000 or IDR23,750,000,000 and bears interest rate at 6% p.a. for USD or 11% p.a. for IDR ; and term-loan facility with maximum amount of USD1,000,000, for 36 months period and bears interest rate of 6,5% p.a. The loan will be due in May 5, 2015, with the following guarantees:

- Land and buildings with SHGB 00028 and 00313 located in Jl. Permata Raya Lot FF-2 Kawasan Industri KIIC, Desa Simbaya and Puseurjaya, Kecamatan Telukjambe Timur, Karawang on behalf of PT Pricol Surya.
- Inventories on behalf of PT Pricol to guarantee value for Rp7,565,000,000
- MD 100% same currency (TCM) on behalf Debtor or other party in accordance Bank Danamon
- Corporate Guarantee on behalf Pricol Limited

In 2014, the Company obtained Open Account facility from PT Bank SBI Indonesia, with a plafond of USD3,150,000 and bears interest rate at 8% p.a.. The loan will be due 12 (twelve) months after the agreement was signed, with SLBC as guarantees.

**14. POST-EMPLOYMENT BENEFITS OBLIGATION**

The Company has a wholly unfunded defined benefit pension plan covering substantially all of its regulator employees. The Company recognized pension benefit obligations in accordance with Indonesian Labour Law No. 13/2003 dated March 25, 2003. The provision for pension benefit obligations is based on the actuarial report of independent actuary, PT RAS Actuarial Consulting. The method used in the actuarial valuation is the "Projected Unit Credit Method" and the mortality table referred to is Table Mortalita Indonesia II (TMI-II).

The amounts included in the statements of financial position arising from the Company's obligation on provision for post-employment benefits are as follows:

|   | <u>2015</u>      | <u>2014</u>      |
|---|------------------|------------------|
| <b>Funded status</b>                        |                  |                  |
| Present value of net obligation             | 5,211,398        | 2,857,672        |
| Unrecognized pass service cost - non vested | -                | -                |
| <b>Obligation at March 31</b>               | <u>5,211,398</u> | <u>2,857,672</u> |

**PT PRICOL SURYA****NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2015

(Expressed in thousands of Rupiah, unless otherwise stated)

**14. POST-EMPLOYMENT BENEFITS OBLIGATION (continued)**

Movements in the liability recognized in the statements of financial position are as follows:

|   | <u>2015</u>      | <u>2014</u>      |
|---|------------------|------------------|
| Obligation at April 1                                   | 2,857,672        | 2,369,962        |
| Expense recognized during the year                      | 1,892,214        | 1,329,742        |
| Actual benefit payment                                  | (185,680)        | -                |
| Amount recognised in Other Comprehensive Income ("OCI") | 647,192          | (842,032)        |
| Obligation at March 31                                  | <u>5,211,398</u> | <u>2,857,672</u> |

The details of the post-employment benefit expenses recognized in the statements of comprehensive income are as follows:

|  | <u>2015</u>      | <u>2014</u>      |
|--|------------------|------------------|
| Current service cost                             | 1,665,095        | 1,175,695        |
| Interest cost                                    | 227,119          | 154,047          |
| <b>Expense recognise in the income statement</b> | <u>1,892,214</u> | <u>1,329,742</u> |
| <b>Amount recognised at OCI</b>                  |                  |                  |
| Actuarial (gains)/losses                         | 647,192          | (842,032)        |

The estimated liabilities for pension benefits obligations based on the actuarial report have been determined using the following assumptions:

|                             | <u>2015</u> | <u>2014</u> |
|-----------------------------|-------------|-------------|
| Discount rate               | 7.5%        | 8.5%        |
| Annual salary increase rate | 10%         | 10%         |
| Retirement age (year)       | 55          | 55          |
| Employee (persons)          | 176         | 186         |

**15. SHARE CAPITAL**

In 2014, as stated in notarial deed of Tafieldi Nevawan, S.H., No. 200 dated August 26, 2014, the Company increased authorized and paid up capital amounting to 1,000 ordinary shares or equivalent to Rp10,110,000,000 or equivalent to USD1,000,000. The composition of shareholders and their percentage of ownership as of March 31, 2015 and 2014 are as follows:

| Shareholders         | <u>31-Mar-15</u>        |                          |                          | Percentage of ownership |
|----------------------|-------------------------|--------------------------|--------------------------|-------------------------|
|                      | <u>Number of shares</u> | <u>USD (in thousand)</u> | <u>IDR (In thousand)</u> |                         |
| Pricol, Ltd          | 3,499                   | 3,499                    | 35,374,890               | 99.97%                  |
| Pricol Holdings, Ltd | 1                       | 1                        | 10,110                   | 0.03%                   |
|                      | <u>3,500</u>            | <u>3,500</u>             | <u>35,385,000</u>        | <u>100%</u>             |

**PT PRICOL SURYA****NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2015

(Expressed in thousands of Rupiah, unless otherwise stated)

**15. SHARE CAPITAL (continued)**

| Shareholders         | 31-Mar-14        |                   |                   | Percentage of ownership |
|----------------------|------------------|-------------------|-------------------|-------------------------|
|                      | Number of shares | USD (in thousand) | IDR (In thousand) |                         |
| Pricol, Ltd          | 2,499            | 2,499             | 25,264,890        | 99.96%                  |
| Pricol Holdings, Ltd | 1                | 1                 | 10,110            | 0.04%                   |
|                      | <b>2,500</b>     | <b>2,500</b>      | <b>25,275,000</b> | <b>100%</b>             |

Capital Management

The primary objective of the Company's capital management is to ensure that healthy capital ratios are maintained in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, issue new shares or raise debt financing. No changes were made in the objectives, policies or processes during the periods presented.

The Company's policy is to maintain a healthy capital structure in order to secure access to finance at a reasonable cost.

**16. FOREIGN EXCHANGE DIFFERENCES ON PAID UP CAPITAL**

The capital of the Entity is stated in the articles of incorporation in both Indonesian and the United States currencies. Difference on foreign exchange of paid in capital issued represents funds received by the Company as a result of the exchange differential between Indonesia Rupiah (IDR) equivalent to the United States Dollar (USD) as stated in the articles of incorporation and actual exchange rate ruling on the date the foreign currency capital was contributed by the shareholders.

**17. SALES**

|          | 2015               | 2014               |
|----------|--------------------|--------------------|
| Export   | 114,114,900        | 111,741,674        |
| Domestic | 76,623,619         | 58,565,459         |
|          | <b>190,738,519</b> | <b>170,307,133</b> |

**18. COST OF GOODS SOLD**

|                             | 2015               | 2014               |
|-----------------------------|--------------------|--------------------|
| Raw material and components |                    |                    |
| Beginning                   | 10,226,649         | 9,474,348          |
| Purchase                    | 147,575,974        | 116,370,787        |
| Ending                      | (13,084,418)       | (10,226,649)       |
| <b>Raw material used</b>    | <b>144,718,205</b> | <b>115,618,486</b> |
| Direct Labor                | 18,273,575         | 17,342,157         |
| Factory overhead            | 17,858,632         | 12,018,743         |
| <b>Production cost</b>      | <b>180,850,412</b> | <b>144,979,386</b> |

**PT PRICOL SURYA**

**NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2015

(Expressed in thousands of Rupiah, unless otherwise stated)

**18. COST OF GOODS SOLD (continued)**

|                 | <u>2015</u>               | <u>2014</u>               |
|-----------------|---------------------------|---------------------------|
| Work in process |                           |                           |
| Beginning       | 1,289,519                 | -                         |
| Ending          | (1,060,669)               | (1,289,519)               |
| Finished goods  |                           |                           |
| Beginning       | 929,907                   | 1,940,022                 |
| Ending          | (1,163,003)               | (929,907)                 |
|                 | <u><u>180,846,166</u></u> | <u><u>144,699,982</u></u> |

|   | <u>2015</u>              | <u>2014</u>              |
|---|--------------------------|--------------------------|
| The detail of factory overhead are as follows : |                          |                          |
| Depreciation                                    | 4,366,559                | 3,307,430                |
| Water and electricity                           | 1,162,309                | 957,364                  |
| Repair and maintenance                          | 1,517,918                | 2,762,066                |
| Freight and forwarding                          | 10,807,245               | 2,908,367                |
| Consumable tools                                | 4,601                    | 2,083,516                |
|   | <u><u>17,858,632</u></u> | <u><u>12,018,743</u></u> |

**19. OPERATING EXPENSES**

|  | <u>2015</u>              | <u>2014</u>              |
|--|--------------------------|--------------------------|
| Staff cost                                 | 16,106,671               | 13,395,154               |
| Depreciation                               | 1,574,147                | 1,497,215                |
| Travelling and transportation              | 2,057,121                | 2,733,329                |
| Professional charge                        | 6,945,928                | 8,364,103                |
| Printing and stationery                    | 251,766                  | 414,586                  |
| Communication                              | 544,713                  | 659,848                  |
| Entertainment, advertisement and publicity | 485,809                  | 226,105                  |
| Rates, taxes and license                   | 412,968                  | 540,939                  |
| Insurance                                  | 28,529                   | 130,264                  |
| Bank charges                               | 211,248                  | 177,057                  |
| Others                                     | 137,988                  | 189,096                  |
|  | <u><u>28,756,888</u></u> | <u><u>28,327,696</u></u> |

**20. RELATED PARTIES BALANCES AND TRANSACTIONS**

In running its business activities, the Company has made transactions and financial records with its related party. The significant transactions are as follows:

Trade receivables to related parties balance and accounts payable to related parties balance and total transaction with related parties for the years March 31, 2015 and 2014 are as follows:

**a. Receivable from related parties**

| Receivables - Related Parties | Type of transaction | Total Transactions |         | Balance Outstanding |         |
|-------------------------------|---------------------|--------------------|---------|---------------------|---------|
|                               |                     | 2015               | 2014    | 2015                | 2014    |
| Pricol Ltd                    | Sales               | 115,396            | 809,392 | 115,396             | 809,392 |



**PT PRICOL SURYA****NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2015

(Expressed in thousands of Rupiah, unless otherwise stated)

**20. RELATED PARTIES BALANCES AND TRANSACTIONS (continued)****b. Payables to related parties**

| Payables - Related Parties | Type of transaction | Total Transactions |           | Balance Outstanding |            |
|----------------------------|---------------------|--------------------|-----------|---------------------|------------|
|                            |                     | 2015               | 2014      | 2015                | 2014       |
| Pricol Ltd                 | Purchase material   | 7,639,639          | 8,362,732 | 6,736,498           | 15,948,279 |
| Pricol Asia                | Purchase material   | 41,711,727         | 4,848,758 | 16,452,284          | 2,468,199  |

**21. FINANCIAL RISK MANAGEMENT**

Considering that good risk management practice implementation could better support the performance of the Company, hence the risk management would always be an important supporting element for the Company in running its business. The target and main purpose of the implementation of risk management in the Company is to maintain and protect the Company through managing the risk of losses, which might arise from its various activities as well as maintaining risk level in order to match with the direction already established by the management of the Company.

The Company has exposed to the following risks from financial instruments, such as: credit risk, market risk and liquidity risk.

z

**a. Credit Risks**

Credit risk is the risk of suffering financial loss, should any of the Company's customers fail to fulfil their contractual obligations to the Company. Credit risk is primarily attributable to its cash and cash equivalents, trade and other receivables. The Company places its cash and cash equivalents with reputable financial institutions, while trade and other receivables are entered with mostly done by cooperating with business partners who have a good reputation and through engagement or contract to mitigate the credit risk.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for impairment losses represents the Company's exposure to credit risk.

The table below illustrates the maximum exposure to credit risk and concentration risk by the Company as of March 31, 2015:

|                   | Corporate  | Others | Maximum Exposure |
|-------------------|------------|--------|------------------|
| Trade receivables | 27,629,383 | -      | 27,629,383       |
|                   | 27,629,383 | -      | 27,629,383       |

**b. Market Risks**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, such as interest rate, currency and price. Market risk is attributable to the Company is currency risk, since the Company entered into transactions in foreign currency and has financial assets and liabilities denominated in foreign currencies.

The risk management applied by the Company in relation to the market risk is through selling to EOM.

**PT PRICOL SURYA****NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2015

(Expressed in thousands of Rupiah, unless otherwise stated)

**21. FINANCIAL RISK MANAGEMENT (Continued)****c. Liquidity Risks**

Liquidity risk is the risk of suffering loss from the gap between receipt and expenditures that may decrease the Company's ability to meet its obligations as they fall due.

The risk management applied by the Company in relation to the liquidity risk is through working capital requirement due to huge project coming.

**22. MONETARY ASSETS AND LIABILITIES IN FOREIGN CURRENCIES**

|                          | 2015                 |                      |                      |                      |                      |
|--------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|                          | USD<br>(Full Amount) | INR<br>(Full Amount) | SGD<br>(Full Amount) | JPY<br>(Full Amount) | IDR<br>(in thousand) |
| <b>Assets</b>            |                      |                      |                      |                      |                      |
| Cash and cash equivalent | 188,999              | -                    | -                    | -                    | 2,472,848            |
| Trade receivables        | 168,282              | 198,280              | -                    | -                    | 2,201,998            |
|                          | <u>357,281</u>       | <u>198,280</u>       | <u>-</u>             | <u>-</u>             | <u>4,674,846</u>     |
| <b>Liabilities</b>       |                      |                      |                      |                      |                      |
| Trade payables           | 2,083,185            | 77,832,778           | 5,168                | 493,972              | 43,674,659           |
| Bank loan                | 2,897,352            | -                    | -                    | -                    | 37,908,960           |
|                          | <u>4,980,537</u>     | <u>77,832,778</u>    | <u>5,168</u>         | <u>493,972</u>       | <u>81,583,619</u>    |

**23. FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

Following is the financial assets and financial liabilities of the Company as of March 31, 2015 and 2014:

|                              | Total              | Loans and receivables | Fair value through profit loss | Other financial assets and liabilities |
|------------------------------|--------------------|-----------------------|--------------------------------|--|
| <b>March 31, 2015</b>        |                    |                       |                                |  |
| <b>Financial assets</b>      |                    |                       |                                |  |
| Cash and cash equivalents    | 5,920,634          | 5,920,634             | -                              | -                                      |
| Trade receivables            | 27,629,383         | 27,629,383            | -                              | -                                      |
|                              | <u>33,550,017</u>  | <u>33,550,017</u>     | <u>-</u>                       | <u>-</u>                               |
| <b>Financial Liabilities</b> |                    |                       |                                |  |
| Trade payables               | 79,475,583         | -                     | -                              | 79,475,583                             |
| Other payables               | 2,307,615          | -                     | -                              | 2,307,615                              |
| Bank loan                    | 37,908,960         | -                     | -                              | 37,908,960                             |
|                              | <u>119,692,158</u> | <u>-</u>              | <u>-</u>                       | <u>119,692,158</u>                     |

**PT PRICOL SURYA****NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2015

(Expressed in thousands of Rupiah, unless otherwise stated)

**23. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**

|                              | Total             | Loans and<br>receivables | Fair value through<br>profit loss | Other financial<br>assets and liabilities |
|------------------------------|-------------------|--------------------------|-----------------------------------|---|
| <b>March 31, 2014</b>        |                   |                          |                                   |   |
| <b>Financial assets</b>      |                   |                          |                                   |   |
| Cash and cash equivalents    | 5,714,795         | 5,714,795                | -                                 | -   |
| Trade receivables            | 24,586,963        | 24,586,963               | -                                 | -   |
|                              | <u>30,301,759</u> | <u>30,301,759</u>        | -                                 | -   |
| <b>Financial Liabilities</b> |                   |                          |                                   |   |
| Trade payables               | 65,602,571        | -                        | -                                 | 65,602,571                                |
| Other payables               | 2,073,243         | -                        | -                                 | 2,073,243                                 |
| Bank loans                   | 24,962,579        | -                        | -                                 | 24,962,579                                |
|                              | <u>92,638,393</u> | <u>-</u>                 | <u>-</u>                          | <u>92,638,393</u>                         |

**24. RECLASSIFICATION**

Certain accounts in 2014 financial statements have been reclassified to conform with the presentation of 2015 financial statements.

Summary of certain accounts before and after reclassification are as follows:

|               | <u>Before Reclassification</u> | <u>After Reclassification</u> |
|---------------|--------------------------------|-------------------------------|
| Prepaid tax   | 17,195,366                     | 17,305,600                    |
| Taxes payable | 1,728,345                      | 1,838,579                     |

**25. COMPLETION OF THE FINANCIAL STATEMENTS**

The Company's management is responsible for preparation and presentation of the financial statements and for the period ended March 31, 2015 had completed on May 4, 2015.