

PT PRICOL SURYA

FINANCIAL STATEMENTS

For The Year Ended

March 31, 2014

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PT. Pricol Surya

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**SURAT PERNYATAAN MANAJEMEN
TENTANG
TANGGUNG JAWAB
ATAS LAPORAN KEUANGAN
UNTUK TAHUN-TAHUN YANG BERAKHIR
PADA 31 MARET 2014 DAN 2013
PT PRICOL SURYA**

**MANAGEMENT'S STATEMENTS
REGARDING
THE RESPONSIBILITY
FOR THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
MARCH 31, 2014 AND 2013
PT PRICOL SURYA**

Manajemen PT Pricol Surya menyatakan bahwa:

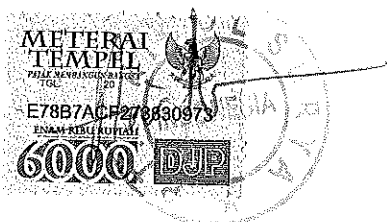
The Management of PT Pricol Surya state that:

1. Kami bertanggung jawab atas penyusunan dan penyajian laporan keuangan.
 2. Laporan keuangan telah disusun sesuai dengan Standar Akuntansi Keuangan Indonesia.
 3. a. Semua informasi dalam laporan keuangan telah dimuat secara lengkap dan benar.
b. Laporan keuangan tidak mengandung informasi atau fakta material yang tidak benar, dan tidak menghilangkan informasi atau fakta material
 4. Bertanggung jawab atas sistem pengendalian internal dalam PT Pricol Surya.
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 PT Pricol Surya.*

Demikian pernyataan ini dibuat dengan sebenarnya *This statement is made truthfully.*

Karawang, 28 May 2014/ May 28, 2014

**Untuk dan atas nama Komisaris dan Direksi/
For and on behalf of Board of Commissioners and Directors**



Magge Ramanathan Anil Kumar
Direktur Utama/ President Director

MSI Global Alliance

MUC Building 6th Floor Jl. TB Simatupang 15
Jakarta 12530 Indonesia
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Report No: RTS-2013.1911

INDEPENDENT AUDITOR'S REPORT

**The Shareholders, Boards of Commissioners and Directors
PT Pricol Surya**

We have audited the accompanying financial statements of PT Pricol Surya, which comprise the statement of financial position as of March 31, 2014, and the statements of comprehensive income, changes in equity, and cash flows for the year then ended, and a 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.

Auditors' responsibility

Our responsibility is to express an opinion on such 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. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether such financial statements are free from material misstatement.

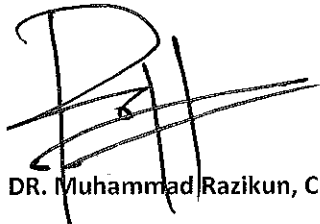
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors 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 of March 31, 2014, and its financial performance and cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards.

KAP Razikun Tarkosunaryo

A handwritten signature in black ink, appearing to be 'DR. MUHAMMAD RAZIKUN', written over a faint grid or background.

DR. Muhammad Razikun, CPA

License of Public Accountant AP.0652

May 28, 2014

PT PRICOL SURYA
STATEMENT OF FINANCIAL POSITION
As of March 31, 2014

(Expressed in thousands Rupiah, unless otherwise stated)

	Notes	2014	2013
ASSETS			
Current Assets			
Cash and cash equivalents	3c, 3d, 3f, 5	5,714,795	16,317,248
Trade receivables	3e, 3g, 4a, 6	24,586,963	24,023,526
Inventories	3h, 7	12,446,075	11,414,370
Prepaid tax	3n, 12a	17,195,366	17,459,442
Other current assets	8	1,385,153	39,267
Total Current Assets		61,328,353	69,253,853
Non Current Assets			
Property, plant and equipment - net	3i, 3j, 4b, 9	41,892,189	40,771,274
Security deposits		-	5,000
Deferred tax assets	3n, 12d	786,146	505,759
Estimated claim tax		2,543,630	-
Total Non Current Assets		45,221,965	41,282,033
TOTAL ASSETS		106,550,318	110,535,886

PT PRICOL SURYA
STATEMENT OF FINANCIAL POSITION
As of March 31, 2014

(Expressed in thousands Rupiah, unless otherwise stated)

	Notes	2014	2013
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables	3e, 10	65,602,571	48,203,951
Taxes payable	3n, 12b	1,728,345	2,526,512
Other current liabilities	11	2,073,243	584,123
Current maturities of long-term liabilities	13		
Long-term loans		23,196,836	27,474,666
Total Current Liabilities		92,600,995	78,789,251
Long Term Liabilities			
Long-term liabilities - net of current maturities			
Long-term loans	13	1,765,743	4,115,605
Post-employees benefit obligation	3l, 14	3,638,165	2,308,423
Total Long Term Liabilities		5,403,908	6,424,028
TOTAL LIABILITIES		98,004,903	85,213,279
SHAREHOLDERS' EQUITY			
Capital stock - Rp2,020,000 (full amount) or USD 1,000 (full amount) at par value per share			
Authorized, issued and fully paid - 800 shares	15	25,275,000	25,275,000
Foreign exchange differences on paid-in capital	16	(1,022,500)	(1,022,500)
Retained earnings		(15,707,085)	1,070,107
TOTAL SHAREHOLDERS' EQUITY		8,545,415	25,322,607
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		106,550,318	110,535,886

PT PRICOL SURYA
STATEMENT OF COMPREHENSIVE INCOME
For the year ended March 31, 2014

(Expressed in thousands Rupiah, unless otherwise stated)

	Notes	2014	2013
SALES	17	170,307,133	179,614,198
COST OF GOODS SOLD	18, 24	<u>(145,989,501)</u>	<u>(146,842,714)</u>
GROSS PROFIT		24,317,632	32,771,484
OPERATING EXPENSES			
General and administrative	19, 24	<u>(28,327,696)</u>	<u>(24,359,063)</u>
OPERATING PROFIT		(4,010,064)	8,412,421
OTHER INCOME (EXPENSES)			
Gain on forex		(10,987,326)	71,880
Finance income		12,998	27,783
Finance expense		(2,530,790)	(1,783,335)
Other operating gain		457,602	4,040,904
Total Other Income (Expense)		<u>(13,047,515)</u>	<u>2,357,232</u>
PROFIT (LOSS) BEFORE INCOME TAX		<u>(17,057,579)</u>	<u>10,769,653</u>
PROVISION FOR INCOME TAX			
Current tax	11	-	(3,239,301)
Deferred tax benefits	11	280,387	234,454
		<u>280,387</u>	<u>(3,004,847)</u>
NET INCOME (LOSS)		(16,777,192)	7,764,806
OTHER COMPREHENSIVE INCOME (LOSS)			
COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		<u>(16,777,192)</u>	<u>7,764,806</u>

PT PRICOL SURYA
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended March 31, 2014

(Expressed in thousands Rupiah, unless otherwise stated)

	Share Capital	Foreign exchange differences on paid-in capital	Retained Earnings	Total Shareholders' Equity
Balance as of March 31, 2012	15,165,000	(412,500)	(6,694,699)	8,057,801
Paid up capital	10,110,000	(610,000)	-	9,500,000
Total comprehensive income (loss) for the year	-	-	7,764,806	7,764,806
Balance as of March 31, 2013	25,275,000	(1,022,500)	1,070,107	25,322,607
Total comprehensive income for the year	-	-	(16,777,192)	(16,777,192)
Balance as of March 31, 2014	25,275,000	(1,022,500)	(15,707,085)	8,545,415

PT PRICOL SURYA
STATEMENT OF CASH FLOWS
For the year ended March 31, 2014

(Expressed in thousands Rupiah, unless otherwise stated)

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities		
Profit (loss) after tax	(16,777,192)	7,764,806
Adjustments to reconcile profit before tax to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,804,643	4,083,229
Interest expenses	2,530,790	1,783,335
Employee benefit	1,329,742	1,175,391
Interest income	(12,998)	(22,930)
Provision for income tax	(280,387)	3,004,847
Operating cash flows before changes in working capital	<u>(8,405,402)</u>	<u>17,788,678</u>
Changes in working capital		
Trade receivables	(563,437)	5,637,483
Inventories	(1,031,705)	5,092,846
Other current assets	(1,345,887)	490,781
Prepaid taxes	264,077	(6,847,245)
Security deposits	5,000	34,720
Estimated claim for tax refund	-	822,390
Trade payables	17,398,621	(1,737,153)
Other current liabilities	1,489,120	(2,777,145)
Taxes payable	(798,166)	29,124
Payment of income tax	(2,543,628)	(812,674)
Net cash flows provided from operating activities	<u>4,468,591</u>	<u>1,721,803</u>
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(5,925,560)	(5,796,535)
Net cash flows used in investing activities	<u>(5,925,560)</u>	<u>(5,796,535)</u>
Cash Flows from Financing Activities		
Proceeds (payment) from bank loan	(6,627,692)	2,471,521
Proceeds for interest	12,998	22,930
Payment for interest	(2,530,790)	(1,783,335)
Paid up capital	-	9,500,000
Net cash flows provided by (used in) financing activities	<u>(9,145,484)</u>	<u>10,211,116</u>
Net increase (decrease) in cash and cash equivalents	(10,602,453)	6,136,384
Cash and cash equivalents at the beginning of the year	<u>16,317,248</u>	<u>10,180,864</u>
Cash and cash equivalents at the end of the year	<u>5,714,795</u>	<u>16,317,248</u>

PT PRICOL SURYA
NOTES TO FINANCIAL STATEMENTS
For the years ended March 31, 2014

(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 and the published in the State Gazette is still in the legalisation process.

The articles of association, of the Company has been amended several times and most recently was amended by Notarial deed of Dr. A. Partomuan Pohan, S.H., LL.M, No. 315 dated September 21, 2013, concerning changes the Company's Board of Directors. This amendment is in the process of approval from the Ministry of Laws and Human Rights of Republic Indonesia.

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, 2014 is as follows:

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

The Composition of the Company's Commissioners and Board of Directors as of March 31, 2013 is as follows:

President Commissioners	:	Mr. Damotharan Vijay Mohan
Commissioners	:	Mr. Vikram Mohan Mr. Venkatraman Ramakrishnan Mr. Keiji Nakajima
President Director	:	Magge Ramanathan Anil Kumar
Directors	:	Mr. Krishan Kutty Udhaya Kumar

The Number of Company's Employees as of March 31, 2014 and 2013 were 186 and 145 persons (unaudited).

PT PRICOL SURYA
NOTES TO FINANCIAL STATEMENTS
For the years ended March 31, 2014

(Expressed in thousands of Rupiah, unless otherwise stated)

2. NEW/REVISED ACCOUNTING STANDARDS

Followings are new and revised Statements of Financial Accounting Standards ("SFAS") which are to be effective as of January 1, 2015.

- SFAS 1 (2013 Revision): The Presentation of Financial Statements
- SFAS 4 (2013 Revision): Separate Financial Statements
- SFAS 15 (2013 Revision): Investment in Associates and Joint Ventures
- SFAS 24 (2013 Revision): Employees Benefits
- SFAS 65: Consolidated Financial Statements
- SFAS 66: Joint Arrangements
- SFAS 67: Disclosures of Interest in Other Entities
- SFAS 68: Fair Value Measurement

The Company is still evaluating the impact of the implementation of those new and revised standards to the Company's business in the future.

3. THE SIGNIFICANT ACCOUNTING POLICIES

a. Compliance Statements

The Company's Management stated that the financial statements for the year ended March 31, 2014 and 2013 has been prepared in accordance with Indonesian Financial Accounting Standards and comply 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.

PT PRICOL SURYA
NOTES TO FINANCIAL STATEMENTS
For the years ended March 31, 2014

(Expressed in thousands of Rupiah, unless otherwise stated)

3. THE SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Foreign Currency Transaction and Balances

The Company's books and records are maintained in Indonesian Rupiah. Transactions involving foreign currencies are recorded at the rates of exchange prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated into Rupiah at the middle rate of Bank Indonesia at that date. Gains or losses arising from foreign exchange transaction are credited or charged to the statement of comprehensive income in the current period.

	<u>2014</u>	<u>2013</u>
U.S Dollar (USD) 1	11,404.00	9,719.00
Japan Yen (JPY) 1	111.65	103.23
Thailand Baht (THB) 1	-	332.22
Singapore Dollar (SGD) 1	9,049.74	7,816.16
Indian Rupee (INR) 1	186.35	179.54

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.

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
- (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.

(Expressed in thousands of Rupiah, unless otherwise stated)

3. THE SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Financial Assets and Liabilities

According to the Statement of Financial Accounting Standards ("SFAS") No. 50 (Revised 2010) "Financial Instruments: Presentation and Disclosures" and SFAS No. 55 (Revised 2011) "Financial Instruments: Recognition and Measurement" are applicable for financial statements covering periods beginning on or after January 1, 2010. Accounting policies of the Company on financial assets and liabilities is as follows:

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.

(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.

(Expressed in thousands of Rupiah, unless otherwise stated)

3. THE SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Financial Assets and Liabilities (Continued)

1) Financial Assets (continued)

(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".

(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.

(Expressed in thousands of Rupiah, unless otherwise stated)

3. THE SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Financial Assets and Liabilities (Continued)

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.

(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</u>	<u>Years</u>
Building and Factory	5%	20
Factory machinaries	12.5%	8
Factory equipment	25%	4
Office equipment, furniture and fixture	25%	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.

(Expressed in thousands of Rupiah, unless otherwise stated)

3. THE SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Leases

Leases, which do not transfer to the Company substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Operating lease payment are recognized as expense in the statements of comprehensive income on straight line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

The Company determines whether an arrangement is, or contains a lease based on the substance of the arrangement is dependent on the use of a specific asset or assets and arrangements convey a right to use the assets.d.

l. Post-Employment Benefits Obligation

The Company held a short-term employee benefits and post-employment benefits.

Short term employee benefits are benefits which are payable within 12 (twelve) months or less from the date of the report. Short term employee benefits include a monthly salary or other benefits. Short term employee benefits are charged as incurred.

In accordance to Indonesian Labor Law No. 13/2003 the Company obliged to pay for post-employment benefits to its employee when they are retire. The benefits calculated primarily based on years of service and the employee's compensation at the completion of employment.

Post-employment benefits are determined using the Projected Unit Credit Method. The accumulated unrecognized actuarial gains and losses that exceed 10% of the greater of the present value of the defined benefit obligations and the fair value of plan assets, is recognized on straight-line basis over the expected average remaining service years of the participating employees. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The employee benefits obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted or unrecognized actuarial gains and losses and unrecognized past service cost, and reduced by the fair value of plan assets.

m. 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

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.

(Expressed in thousands of Rupiah, unless otherwise stated)

3. THE SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Taxation

Current tax expense is determined based on the estimated taxable income for the year computed using prevailing tax rates. Tax is recognized in the consolidated comprehensive statements of income, except to the extent that it relates to items recognized directly to equity.

Deferred income tax is provided on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Currently or substantially enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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

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.

(Expressed in thousands of Rupiah, unless otherwise stated)

4. SOURCE OF ESTIMATION UNCERTAINTY

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, 2014 was Rp41,892,189 (March 31, 2013: Rp40,771,273). Further details are disclosed in Note 9.

PT PRICOL SURYA
 NOTES TO FINANCIAL STATEMENTS
 For the years ended March 31, 2014

(Expressed in thousands of Rupiah, unless otherwise stated)

4. SOURCE OF ESTIMATION UNCERTAINTY

b. Estimates and Assumptions (continued)

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.

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>2013</u>	<u>2012</u>
Cash on hand		
IDR	539	2,955
US Dollar	9,473	23,333
Total Cash	<u>10,012</u>	<u>26,288</u>
Cash in Banks		
<u>Rupiah</u>		
ANZ Panin Bank	5,535	5,707
PT Bank Danamon Indonesia	5,060,383	6,118,975
Bank SBI Indonesia	81,612	2,405
PT Bank International Indonesia	37,930	425,937
<u>US Dollars</u>		
ANZ Panin Bank		
(USD3,047.94; 2012: USD74,494.96)	34,759	724,017
PT Bank Danamon Indonesia		
(USD36,414.90; 2012: USD881,418.79)	415,276	8,566,509
Bank SBI Indonesia		
(USD5,163.59; 2012: USD39,410.63)	58,886	383,032
PT Bank International Indonesia		
(USD912.29; 2012: USD6,623.86)	10,404	64,377
Total Bank	<u>5,704,783</u>	<u>16,290,960</u>
	<u>5,714,795</u>	<u>16,317,248</u>

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

PT PRICOL SURYA
NOTES TO FINANCIAL STATEMENTS
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6. TRADE RECEIVABLES

	<u>2013</u>	<u>2012</u>
Related Party		
Pricol Limited	809,392	-
Subtotal	<u>809,392</u>	<u>-</u>
Third parties		
Denso Corporation Japan	24,891,741	11,935,835
PT Denso Sales Indonesia	5,483,940	2,573,391
PT Banshu Electric Indonesia	2,727,702	-
PT Dharmawan Metal Mekanikal	2,261,723	3,082,246
PT Yamana Indonesia Motor Mfg.	1,232,730	1,308,944
Tata Motors Thailand, Ltd.	1,102,489	1,490,949
Srinisons Wiring System Pvt. Ltd	991,560	-
PT Kawasaki Motor Indonesia	833,347	665,085
PT Space Indonesia	482,255	556,738
PT Leoco Indonesia	477,554	137,577
Vietnam Suzuki Motor Co., Ltd.	382,176	898,616
PT Suzuki Indomobil Motor	366,075	322,453
Suzuki Philipine Incorporated	373,297	-
Thailand Suzuki Motor Co., Ltd	328,557	-
PT Indoprima Gemilang	217,276	-
Other (below Rp200,000, each)	562,964	1,051,693
Subtotal	<u>42,715,385</u>	<u>24,023,526</u>
Total trade receivables	<u>43,524,777</u>	<u>24,023,526</u>
Allowance for doubtful accounts	-	-
Trade receivables - net	<u><u>43,524,777</u></u>	<u><u>24,023,526</u></u>

Provision for doubtful accounts are established when there is objective evidence that outstanding amounts will not be collected. On March 31, 2014 and 2013, the Company believes that all of the receivables outstanding are collectible, and therefore did not create any provisions for doubtful accounts.

7. INVENTORIES

	<u>2014</u>	<u>2013</u>
Finished goods	929,907	1,940,022
Raw materials	10,226,649	9,474,348
Work in progress	1,289,519	-
	<u>12,446,075</u>	<u>11,414,370</u>

PT PRICOL SURYA
NOTES TO FINANCIAL STATEMENTS
For the years ended March 31, 2014

(Expressed in thousands of Rupiah, unless otherwise stated)

7. INVENTORIES (Continued)

Inventories are covered by insurance against losses from fire and other risk under a policy package with a total insurance coverage amounted to USD1,500,000 as of March 31, 2014 and 2013, respectively, which the management believes is adequate to cover possibilities of loss on insured assets.

As of March 31, 2014 and 2013, 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, 2014 and 2013. 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.

8. OTHER CURRENT ASSETS

	<u>2014</u>	<u>2013</u>
Advances	960,949	-
Prepaid expenses	424,204	39,267
	<u>1,385,153</u>	<u>39,267</u>

9. PROPERTY, PLANT AND EQUIPMENT

	<u>2014</u>			
	<u>Beginning balance</u>	<u>Additions</u>	<u>Deduction</u>	<u>Ending Balances</u>
<u>Acquisitions Costs</u>				
<u>Direct ownership</u>				
Landrights	13,288,380	-	-	13,288,380
Building	19,323,838	609,297	-	19,933,135
Machineries	14,011,550	836,621	-	14,848,171
Office equipment	4,017,627	698,135	-	4,715,762
Factory equipment	7,156,334	3,781,508	-	10,937,842
	<u>57,797,729</u>	<u>5,925,561</u>	-	<u>63,723,290</u>
<u>Accumulated Depreciation</u>				
<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>
Book Value	<u>40,771,273</u>			<u>41,892,189</u>

PT PRICOL SURYA
 NOTES TO FINANCIAL STATEMENTS
 For the years ended March 31, 2014

(Expressed in thousands of Rupiah, unless otherwise stated)

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

	2013			
	Beginning balance	Additions	Deduction	Ending Balances
Acquisitions Costs				
Direct ownership				
Landrights	13,288,380	-	-	13,288,380
Building	18,393,324	930,514	-	19,323,838
Machinery	8,274,884	5,736,666	-	14,011,550
Office equipment	3,918,577	99,050	-	4,017,627
Factory equipment	7,156,334	-	-	7,156,334
Sub Total	51,031,499	6,766,230	-	57,797,729
Construction in Progress	969,695	5,056,549	6,026,244	-
	969,695	5,056,549	6,026,244	-
	52,001,194	11,822,779	6,026,244	57,797,729
Accumulated Depreciation				
Direct ownership				
Building	4,830,410	922,998	-	5,753,408
Machinery	2,422,431	1,305,145	-	3,727,576
Office equipment	2,545,075	400,622	-	2,945,697
Factory equipment	3,145,311	1,454,464	-	4,599,775
	12,943,227	4,083,229	-	17,026,456
Book Value	39,057,967			40,771,273

As of March 31, 2014 and 2013, 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 fire and other risk under a policy package with insurance coverage totalling USD3,424,269 as of March 31, 2014 and 2013, respectively, which the Company's management believes that the insurance coverage is adequate to cover possible losses on property, plant, equipments assets.

PT PRICOL SURYA
NOTES TO FINANCIAL STATEMENTS
For the years ended March 31, 2014

(Expressed in thousands of Rupiah, unless otherwise stated)

10. TRADE PAYABLES

	<u>2014</u>	<u>2013</u>
<u>Related party</u>		
Pricol Limited	15,948,279	17,534,941
Pricol Asia Pte Ltd	2,468,199	1,282,908
Johnson Control Pricol Pvt. Ltd.	622,107	241,164
Pricol Cargo Ltd	690,920	15,232
Pricol Travel Limited	63,304	-
Pricol Ltd	1,159	988
Sub Total	<u>19,793,968</u>	<u>19,075,233</u>
<u>Third parties:</u>		
PT Banshu Electric Indonesia	6,355,438	-
PT Indoprima Gemilang	4,460,192	-
Herriot International PTE, Ltd.	3,649,280	1,865,664
PT Honoris Industry	3,187,980	3,357,092
PT Leoco Indonesia	3,045,100	299,071
PT Zephyr Indonesia	2,746,866	-
PT Preshion Engplas	1,504,863	783,212
PT Tamano Indonesia	1,416,446	-
PT Indonesia Hanshin Electric	1,347,646	1,047,420
PT Sarana Gemilang Utama	1,261,488	512,574
PT Laser Metal Mandiri	1,138,110	-
PT Naga Pacific	889,689	576,716
PT Classic Stripes Indonesia	718,020	-
PT SBP Indonesia	635,499	691,600
PT Space Indonesia	622,703	1,346,339
Toshiba Lighting Hong Kong Ltd	564,498	634,165
Qtech Hongkong Limited	550,019	521,374
PT Yeong Shin Indonesia	490,585	388,168
PT Dharmawan Metal Mekanikal	469,429	6,661,977
PT Banshu Rubber Indonesia	378,692	135,886
PT Adyawinsa Dinamika Karawang	369,844	-
PT Sumber Teknik Sentosa	359,474	-
PT Sagatekindo Sejati	300,690	227,263
Shanghai Bingfeng Instrument Plastic	290,802	929,999
PT Alpha Integrated	274,040	529,488
Sundaram Dynacast	267,348	-
PT San Tsen Dai	243,815	-
CV AGP Technology	242,900	-
PT Katolec Indonesia	223,233	801,854
Srinison Wiring System Pvt Ltd	201,178	-
PT Global - Pak Indonesia	201,171	373,978
Other (below Rp200,000, each)	7,401,563	7,444,879
Sub Total	<u>45,808,603</u>	<u>29,128,718</u>
	<u>65,602,571</u>	<u>48,203,951</u>

PT PRICOL SURYA
NOTES TO FINANCIAL STATEMENTS
For the years ended March 31, 2014

(Expressed in thousands of Rupiah, unless otherwise stated)

11. OTHER CURRENT LIABILITIES

	<u>2014</u>	<u>2013</u>
Accrued expense	2,073,243	584,123
	<u>2,073,243</u>	<u>584,123</u>

12. TAXATION

a. Prepaid taxes

	<u>2014</u>	<u>2013</u>
Value Added Tax	17,195,366	17,459,442
	<u>17,195,366</u>	<u>17,459,442</u>

b. Taxes payable

	<u>2014</u>	<u>2013</u>
Income Tax Article 21	-	74,832
Income Tax Article 23	30,731	17,224
Income Tax Article 26	1,075,008	-
Income Tax Article 25	609,919	-
Income Tax Article 29	-	2,434,456
Income Tax Article 4 (2)	12,688	-
	<u>1,728,345</u>	<u>2,526,512</u>

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, 2014 and 2013, are as follows:

	<u>2014</u>	<u>2013</u>
Profit (loss) before income tax	(17,057,579)	10,769,653
Permanent differences		
Non-deductible expenses:		
Employee costs	68,471	96,320
Entertainment	147,114	207,681
Rate, taxes and licenses	495,652	864,038
Donation	27,553	108
Communication expenses	44,879	58,505
Membership subscription	10,850	6,200
Participation fee	5,700	16,883
Rounding of difference	(2,121)	-
	<u>(16,257,361)</u>	<u>1,249,735</u>

PT PRICOL SURYA
 NOTES TO FINANCIAL STATEMENTS
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(Expressed in thousands of Rupiah, unless otherwise stated)

12. TAXATION (Continued)

c. Current tax

	2014	2013
Temporary differences		
Depreciation	(208,194)	(237,576)
Employee benefit expenses	1,329,742	1,175,391
	<u>1,121,548</u>	<u>937,815</u>
Estimated taxable income	(15,135,812)	12,957,203
Estimated income tax (25%)	-	3,239,301
Tax credit:		
Income Tax Article 22	(915,222)	(799,625)
Income Tax Article 25	(1,628,408)	(5,219)
Estimated tax payable (tax claim)	<u>(2,543,630)</u>	<u>2,434,456</u>

d. Deferred Tax Assets

	March 31, 2013	Credited to statements of comprehensive income	March 31, 2014
Depreciation	(71,347)	(52,048)	(123,395)
Employee benefits	577,106	332,436	909,541
	<u>505,759</u>	<u>280,387</u>	<u>786,146</u>
		Credited to statements of comprehensive income	
	March 31, 2012	March 31, 2013	
Depreciation	(11,953)	(59,394)	(71,347)
Employee benefit	283,258	293,848	577,106
	<u>271,305</u>	<u>234,454</u>	<u>505,759</u>

e. Administration

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. This objection is still in the process until the audit fieldwork complete.

PT PRICOL SURYA
 NOTES TO FINANCIAL STATEMENTS
 For the years ended March 31, 2014

(Expressed in thousands of Rupiah, unless otherwise stated)

12. TAXATION (Continued)

e. Administration (Continued)

- 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 the taxation laws of Indonesia, companies submit tax returns on the basis of self-assessment. For fiscal year 2007 and earlier years, the Directorate General of Taxes ("DGT") may assess or amend taxes within ten years from the time the tax becomes due, or until the end of 2013, whichever is earlier. New rules are applicable to fiscal year 2008 and subsequent years stipulating that the DGT may assess or amend taxes within five years from the time the tax becomes due.

13. BANK LOAN

	<u>2014</u>	<u>2013</u>
ICICI Bank, Singapore Branch	-	3,725,813
PT Bank Danamon Indonesia Tbk	23,196,836	27,864,459
	<u>23,196,836</u>	<u>31,590,272</u>
Current maturities of long-term bank loan		
ICICI Bank, Singapore Branch	-	(3,725,813)
PT Bank Danamon Indonesia Tbk	(21,431,093)	(23,748,854)
	<u>(21,431,093)</u>	<u>(27,474,666)</u>
Long Term bank loan - net of non-current maturities		
PT Bank Danamon Indonesia Tbk	1,765,743	4,115,605

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:

- a. 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.
- b. Inventories on behalf of PT Pricol to guarantee value for Rp7,565,000,000
- c. MD 100% same currency (TCM) on behalf Debtor or other party in accordance with Bank Danamon
- d. Corporate Guarantee on behalf Pricol Limited

The Company obtained term loan facility from ICICI Bank, Singapore Branch, with credit limit of USD3,100,000, and bears interest rate at 5,8% p.a. The loan is secured by the Company plant and machinery and Corporate guarantee of Pricol Ltd. The corporate guarantee of Pricol, Ltd is also used as collateral in case there is a default in payment. The term loan has been fully paid in May 31, 2013.

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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>2014</u>	<u>2013</u>
Funded status		
Present value of net obligation	2,857,672	2,369,962
Unrecognized pass service cost - non vested	-	-
Unrecognized actuarial gain or (loss)	780,493	(61,539)
Obligation at March 31	<u><u>3,638,165</u></u>	<u><u>2,308,423</u></u>

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

	<u>2014</u>	<u>2013</u>
Obligation at April 1	2,308,423	1,133,032
Expense recognized during the year	1,329,742	1,175,391
Actual benefit payment	-	-
Obligation at March 31	<u><u>3,638,165</u></u>	<u><u>2,308,423</u></u>

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

	<u>2014</u>	<u>2013</u>
Current service cost	1,175,695	1,095,737
Interest cost	154,047	79,654
recognized actuarial (gain) or loss	-	-
	<u><u>1,329,742</u></u>	<u><u>1,175,391</u></u>

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

	<u>2014</u>	<u>2013</u>
Discount rate	8.5%	6.5%
Annual salary increase rate	10.0%	10%
Retirement age (year)	55	55
Employee (persons)	186	145

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15. SHARE CAPITAL

In 2012, as stated in notarial deed of Tafieldi Nevawan, S.H., No. 315 dated September 21, 2012, the Company increased authorized and paid up capital amounting to 1,000 ordinary shares or equivalent to Rp10,110,000,000. The composition of shareholders and their percentage of ownership as of March 31, 2014 and 2013 is as follows:

<u>Shareholders</u>	<u>Number of shares</u>	<u>USD (in thousand)</u>	<u>IDR (In thousand)</u>	<u>Percentage of ownership</u>
Pricol, Ltd	2,499	2,499	25,264,890	100%
Pricol Holdings, Ltd	1	1	10,110	0%
	<u>2,500</u>	<u>2,500</u>	<u>25,275,000</u>	<u>100%</u>

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 fund 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

	<u>2014</u>	<u>2013</u>
Export	111,741,674	114,510,763
Domestic	58,565,459	65,103,435
	<u>170,307,133</u>	<u>179,614,198</u>

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18. COST OF GOODS SOLD

	<u>2014</u>	<u>2013</u>
Raw material and components		
Beginning	9,474,348	13,575,503
Purchase	116,370,787	119,169,578
Ending	<u>(10,226,649)</u>	<u>(9,474,348)</u>
Raw material used	115,618,486	123,270,733
Direct Labor	17,342,157	15,075,795
Factory overhead	<u>12,018,743</u>	<u>7,504,495</u>
Production cost	144,979,386	145,851,023
Work in process		
Beginning	-	-
Ending	(1,289,519)	-
Finished goods		
Beginning	1,940,022	2,931,713
Ending	<u>(929,907)</u>	<u>(1,940,022)</u>
	<u>145,989,501</u>	<u>146,842,714</u>
	<u>2014</u>	<u>2013</u>
The detail of factory overhead are as follows :		
Depreciation	3,307,430	2,759,609
Water and electricity	957,364	775,848
Repair and maintenance	2,762,066	2,711,169
Freight and forwarding	2,908,367	-
Consumable tools	2,083,516	1,257,869
	<u>12,018,743</u>	<u>7,504,495</u>

19. OPERATING EXPENSES

	<u>2014</u>	<u>2013</u>
Staff Cost	13,395,154	10,082,014
Freight and forwarding	-	2,914,160
Depreciation	1,497,215	1,323,621
Travelling and transportation	2,733,329	1,444,155
Professional charge	8,364,103	2,779,759
Printing and stationery	414,586	780,332
Communication	659,848	1,583,347
Entertainment, advertisement and publicity	226,105	1,495,205
Rates, taxes and license	540,939	1,543,986
Insurance	130,264	16,967
Bank charges	177,057	113,563
Others	189,096	281,954
	<u>28,327,696</u>	<u>24,359,063</u>

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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 for the years March 31, 2014 and 2013 and total transaction with related parties for the years March 31, 2014 and 2013 are as follows:

a. Receivable from related parties

Receivables - Related Parties	Type of transaction	Total Transactions		Balance	
		2014	2013	2014	2013
Pricol Ltd	Purchase material	809,392	-	809,392	-

b. Payables to related parties

Payables - Related Parties	Type of transaction	Total Transactions		Balance	
		2014	2013	2014	2013
Pricol Ltd	Purchase material	8,362,732	10,084,708	15,948,279	17,534,941
Pricol Asia	Purchase material	4,848,758	284,138	2,468,199	1,282,908

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.

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.

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21. FINANCIAL RISK MANAGEMENT (Continued)

a. Credit Risks (continued)

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 Company's customer is dominated by Denso Group, which represents 90% of the Company's total revenue for the year ended March 31, 2013. Management believes that the credit risk is limited as the management has not experienced credit loss from such customer.

The table below illustrates the maximum exposure to credit risk and concentration risk by the Company as of March 31, 2014:

	Coporate	Others	Maximum Exposure
Trade Receivables	24,586,963	-	24,586,963
	24,586,963	-	24,586,963

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.

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

	2014				
	USD (Full Amount)	INR (Full Amount)	SGD (Full Amount)	JPY (Full Amount)	IDR (in thousand)
Assets					
Cash and Cash Equivalent	46,369	-	-	-	528,796
Trade Receivables	1,966,949	3,806,427	-	-	23,140,071
	2,013,318	3,806,427	-	-	23,668,867
Liabilities					
Trade Payables	1,262,901	97,386,936	15,603	1,967,931	32,902,338
Bank Loan	1,352,997	-	-	-	15,429,579
	2,615,898	97,386,936	15,603	1,967,931	48,331,917

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23. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Following is the financial assets and financial liabilities of the Group as of March 31, 2014 and 2013:

	<u>Total</u>	<u>Loans and receivables</u>	<u>Fair value through profit loss</u>	<u>Other financial assets and liabilities</u>
March 31, 2014				
Financial assets				
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>	<u>-</u>	<u>-</u>
Financial Liabilities				
Trade payables	65,602,571	-	-	65,602,571
Other payables	2,073,243	-	-	2,073,243
Bank loan	24,962,579	-	-	24,962,579
	<u>92,638,393</u>	<u>-</u>	<u>-</u>	<u>92,638,393</u>
	<u>Total</u>	<u>Loans and receivables</u>	<u>Fair value through profit loss</u>	<u>Other financial assets and liabilities</u>
March 31, 2013				
Financial assets				
Cash and cash equivalents	16,317,248	16,317,248	-	-
Trade receivables	24,023,526	24,023,526	-	-
	<u>40,340,774</u>	<u>40,340,774</u>	<u>-</u>	<u>-</u>
Financial Liabilities				
Trade payables	48,203,951	-	-	48,203,951
Other payables	584,123	-	-	584,123
Bank loans	31,590,271	-	-	31,590,271
	<u>80,378,344</u>	<u>-</u>	<u>-</u>	<u>80,378,344</u>

24. 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, 2014 had completed on May 28, 2014.