PT AUTOMOTIVE SYSTEMS INDONESIA
A Development Stage Company

BALANCE SHEET
AS OF MARCH 31, 2011
WITH COMPARATIVE FIGURE FOR THE YEAR OF 2010
(Expressed in Indonesian Rupiah)

	Notes	2011	2010
ASSETS			
Current Assets			
Cash and cash equivalents	2a, 3	10.265.354.444	10.781.700.997
Other receivable	4	11.788.216	15.808.486
Prepaid expense	5	22.056.413	-
Prepaid taxes	2c, 11a	1.277.748.170	1.279.307.367
Total Current Assets		11.576.947.243	12.076.816.850
Non Current Assets			
Property, plant and equipment	2b, 6	10.709.354.000	10.709.354.000
Deferred expense – land right, net	7	465.184.724	492.282.860
Deferred tax assets	2c, 11c	912.180.569	736.058.010
Other asset	8	-	-
Total Non Current Assets		12.086.719.293	11.937.694.870
TOTAL ASSETS		23.663.666.536	24.014.511.720
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Other payables	9	-	7.700.000
Accrued expenses	10	19.980.000	20.350.000
Total Current Liabilities		19.980.000	28.050.000
Shareholders' Equity			
Share capital – authorized, issued and fully paid USD 27.009 ordinary shares, with par value of IDR 914.300 (USD 100)	12	24.694.328.700	24.694.328.700
Foreign exchange rate difference on paid in capital		(440.246.700)	(440.246.700)
Retained earnings (deficit)		(610.395.464)	(267.620.280)
Total Shareholders' Equity		23.643.686.536	23.986.461.720
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		23.663.666.536	24.014.511.720

The accompanying notes form an integral part of these financial statements

PT AUTOMOTIVE SYSTEMS INDONESIA
A Development Stage Company

STATEMENTS OF INCOME
FOR THE YEAR ENDED MARCH 31, 2011
WITH COMPARATIVE FIGURE FOR THE YEAR 2010
(Expressed in Indonesian Rupiah)

	Notes	2011	2010
Sales		-	-
Cost of sales		-	-
Gross profit		-	-
Operating and administration expenses	2e, 13	(235.163.215)	(299.606.104)
Operating loss		(235.163.215)	(299.606.104)
Other income (expenses)			
Interest income		183.326.697	82.060.729
Foreign exchange gain (loss) – net	2b	(472.333.180)	(3.000.265.465)
Other income		5.271.955	47.398.000
Loss before income tax		(518.897.743)	(3.170.412.840)
Provision for income tax (expense) benefit			
Current tax	2c, 11b	-	-
Deferred tax	2c, 11c	176.122.559	813.118.343
Net loss		(342.775.184)	(2.357.294.497)

The accompanying notes form an integral part of these financial statements

PT AUTOMOTIVE SYSTEMS INDONESIA
A Development Stage Company

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED MARCH 31, 2011
WITH COMPARATIVE FIGURE FOR THE YEAR 2010
(Expressed in Indonesian Rupiah)

	Share capital	Foreign exchange rate difference on paid in capital	Retained earnings (deficit)	Total
Balance as of March 31, 2009	24.694.328.700	(440.246.700)	2.089.674.217	26.343.756.217
Net loss for the year 2010	-	-	(2.357.294.497)	(2.357.294.497)
Balance as of March 31, 2010	24.694.328.700	(440.246.700)	(267.620.280)	23.986.461.720
Net loss for the year 2011	-	-	(342.775.184)	(342.775.184)
Balance as of March 31, 2011	24.694.328.700	(440.246.700)	(610.395.464)	23.643.686.536

The accompanying notes form an integral part of these financial statements

PT AUTOMOTIVE SYSTEMS INDONESIA
A Development Stage Company

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2011
WITH COMPARATIVE FIGURE FOR THE YEAR 2010
(Expressed in Indonesian Rupiah)

	2011	2010
Cash flows from operating activities		
Net loss	(342.775.184)	(2.357.294.497)
Adjustment to reconcile income before tax to net cash provided by operating activities:		
Deferred tax	(176.122.559)	(813.118.343)
Amortization deferred expense and other asset	27.098.136	33.321.636
Change in working capital :		
Other receivable	4.020.270	3.355.315
Prepaid expense	(22.056.413)	-
Prepaid taxes	1.559.197	(11.808.099)
Other payables	(7.700.000)	(440.364.220)
Taxes payable	-	(439.398.725)
Accrued expenses	(370.000)	(1.153.034.875)
Net cash flows provided from (used to) operating activities	(516.346.553)	(5.178.341.808)
Net increase/ (decrease) in cash and cash equivalents	(516.346.553)	(5.178.341.808)
Cash and cash equivalents at the beginning of the year	10.781.700.997	15.960.042.805
Cash and cash equivalents at the end of the year	10.265.354.444	10.781.700.997

The accompanying notes form an integral part of these financial statements

(Expressed in Indonesian Rupiah)

1. General

PT AUTOMOTIVE SYSTEMS INDONESIA ("the Company") is a foreign direct investment company established based on Notarial Deed DR. A, Partomuan Pohan, SH., LL.M., No. 9 dated April 12, 2006 which was approved by the Ministry of Law and Human Rights on May 1, 2006 No. C-12416 HT.01.01.TH.2006. Articles of association of the company has been amended based on Notary Deed of DR. A, Partomuan Pohan, SH., LL.M., No. 6, dated May 7, 2009, on duty and authority of the Board of Director and the alteration of the composition of Board of Executive Decision of Extra ordinary Shares Holder General Meeting. The Company obtained the investment approval from the Capital Investment Coordinating Board (BKPM) based on decision letter No. 298/I/PMA/2006 dated March 17, 2006. The last approval from the Capital Investment Coordinating Board (BKPM) based on decision letter No. 60/1/IP/III/PMA/2010 dated March 10, 2010.

The scope of activities comprises producing and marketing on two and three wheels components and spare parts, for Domestic and Export Market.

The composition of the Company's Board of Commissioner and Board of Directors as of March 31, 2011 and 2010 were as follows:

	2011	2010
Commissioner	Mr Kalathur Seshadri	Mr Kalathur Seshadri
President Director	Mr Subramaniam Sampath	Mr Subramaniam Sampath
Director	Mr Anbil Rengaswami Rajagopalan	Mr Anbil Rengaswami Rajagopalan
Director	Mr Raman Umashankar	Mr Raman Umashankar

The number of the Company's employees as of March 31, 2011 and 2010 was nil.

Up to year ended March 31, 2011, the Company was still in development stage.

2. Summary of significant accounting policies

The significant accounting policies that were applied consistently in the preparation of the financial statements for the years ended March 31, 2011 and 2010 were as follows:

a. Basis of preparation of financial statements

The financial statements are prepared based on historical costs concept. The statements of cash flows classify changes in cash and cash equivalents on the basis of operating, investing and financing activities. To meet the definition as cash and cash equivalents, the Company does not consider any of its assets other than cash on hand; cash in bank and deposit/investment with maturity of six months or less as cash equivalents. The statements of cash flows are prepared using the indirect method.

2. Summary of significant accounting policies – *continued*

a. Basis of preparation of financial statements - *continued*

The Company's accounts are maintained in Indonesian Rupiah currency. Whereas transactions denominated in foreign currencies are translated into Indonesian Rupiah at the prevailing rates when transactions are made.

At balance sheet date, balances of monetary assets and liabilities in foreign currencies are translated into Indonesian Rupiah using the prevailing rates at that date. Gains or losses from foreign exchange are charged/credit to current year income. The exchange rate of Indonesian Rupiah to United States Dollar on March 31, 2011 and 2010 respectively were IDR8.709 and IDR9.115 for USD 1.

b. Property, plant, and equipment

Property, plant, and equipment are stated at cost less accumulated depreciation and any impairment in value. All items of property, plant and equipment are initially recorded at cost.

The Company choose to use cost model to measure property, plant and equipment.

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Properties, plant and equipment are depreciated using the straight line method over the estimated useful life of the assets, commencing in the month in which the assets are put into use.

Land was stated at cost and not amortized.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The cost of maintenance and repairs is charged to operations as incurred. Other costs incurred subsequently to add to, replace part of, or service, an item of property, plant and equipment, are recognized as asset if, and only if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

When assets are retired or otherwise disposed of, their carrying values and the related accumulated depreciation and any impairment loss are removed from the accounts and any resulting gain or loss is reflected in the current operations.

c. Taxes

Deferred tax is provided using the liabilities method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax income.

2. Summary of significant accounting policies – *continued*

c. Taxes - *continued*

Under the taxation laws of Indonesia, the company submits tax returns on a self assessment basis. The tax authorities may assess or amend the amount of tax payables within five years from the date of the tax became due. Amendments to the company's taxation obligations are recorded when an assessment is received or, if appealed against are recorded when the results of the appeal is determined. Deferred tax are recognised for accumulated tax losses carried forward to extend that realisation of the tax benefit through the future taxable income is probable.

d. Transactions with related parties

The Company uses Statement of Financial Accounting Standards (SAK) No. 7, "Related Party Disclosures", to maintain the transactions between the Company and its related parties. Following are considered as related parties:

i. Company by using one or more intermediaries, control or controlled by, or under the same control (including holding companies, subsidiaries and fellow subsidiaries)

ii. Associated Company

iii. Individual who owns, direct or indirectly, a voting rights in reporting company and have significant influence, and close-relative family of that person (close-relative family means persons whom could be expected to influence or influenced by the person mentioned before in their transactions with the reporting company).

iv. Main employees, who are persons that have rights and responsible in reporting company activities which consists of board of commissioners, directors and managers, also their close-relative family.

v. Company where a substantial interest in voting rights, direct or indirect by all the persons whom mentioned in (iii) or (iv) or by every person who owns a significant influence at the company. These included all the companies owned by the board of commissioners, directors or the main stockholders from the reporting company and the companies which have the same main employee with the reporting company.

e. Expenses

Expenses are recognised based on accrual basis. Expenditures for pre-operating are capitalized to extend the expenditures will give benefit in the future and will be amortized starting from the establishment date.

(Expressed in Indonesian Rupiah)

3. Cash and cash equivalents

	2011	2010
Bank IDR	135.042.187	233.773.222
Bank USD	202.052.257	293.552.775
Time deposit USD	9.928.260.000	10.254.375.000
	10.265.354.444	10.781.700.997

4. Other Receivable

	2011	2010
Accrued interests of time deposit USD	11.788.216	15.808.486
	11.788.216	15.808.486

5. Prepaid Expense

	2011	2010
Estate service fee – PT Harapan Anang Bakri & Sons	22.056.413	-
	22.056.413	-

6. Property, plant and equipment

	2011	2010
Cost :		
Land	10.709.354.000	10.709.354.000
	10.709.354.000	10.709.354.000

7. Deferred expense – land right

	2011	2010
Land right at cost	596.159.048	596.159.048
Less: Accumulated amortization	(130.974.324)	(103.876.188)
	465.184.724	492.282.860

Deferred expense – land right was expenditure related to acquiring legal right of the land that would be amortized in 22 years.

(Expressed in Indonesian Rupiah)

8. Other asset

	2011	2010
Deferred cost – organization expenses	-	6.223.500
Less : Amortization	-	(6.223.500)
	-	-

9. Other payables

	2011	2010
Third parties	-	7.700.000
	-	7.700.000

10. Accrued expenses

	2011	2010
Professional fee	19.980.000	20.350.000
	19.980.000	20.350.000

11. Taxation

	2011	2010
a. Prepaid taxes		
Value added tax	1.276.757.367	1.279.307.367
Income tax article 23	990.803	-
	1.277.748.170	1.279.307.367

b. Corporate income tax calculation

Reconciliation between profit before corporate income tax as shown in the statements of income and the Company's estimated taxable income for the years ended March 31, 2011 and 2010 were as follows:

	2011	2010
Income (loss) before corporate income tax	(518.897.743)	(3.170.412.840)
Temporary differences	(38.212.711)	(121.941.627)
Permanent differences	(182.382.192)	(82.060.729)
Income (loss) after reconciliation	(739.492.646)	(3.374.415.195)
Tax loss carried forward compensation	-	-
Taxable income (loss)	(739.492.646)	(3.374.415.195)
Rounding for calculation income tax	(739.492.000)	(3.374.415.000)
Corporate income tax	-	-

(Expressed in Indonesian Rupiah)

11. Taxation - *continued*

c. Deferred tax

Deferred tax was provided using the liability method, for all temporary differences arising from differences between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates were used to determine deferred tax.

The deferred tax effect was calculated with maximum income tax rate of 25% for 2011 and 2010 as follows:

	2011			
	Beginning Deferred tax asset (liabilities)	Income	Expense	Ending Deferred tax asset (liabilities)
Land right	(107.545.740)	-	8.750.441	(116.296.181)
Fiscal loss year 2010	843.603.750	-	-	843.603.750
Fiscal loss year 2011	-	184.873.000	-	184.873.000
	736.058.010	184.873.000	8.750.441	912.180.569

	2010			
	Beginning Deferred tax asset (liabilities)	Income	Expense	Ending Deferred tax asset (liabilities)
Land right	(77.060.333)	-	30.485.407	(107.545.740)
Fiscal loss year 2010	-	843.603.750	-	843.603.750
	(77.060.333)	843.603.750	30.485.407	736.058.010

12. Shareholders' equity

	2011 and 2010			
Shareholders	Number of share	Nominal value		Percentage of ownership
		USD	IDR	
India Nippon Electrical Ltd.	27.000	2.700.000	24.686.100.000	99.97%
Lucas-TVS Ltd.	9	900	8.228.700	0.03%
	27.009	2.700.900	24.694.328.700	100,00%

(Expressed in Indonesian Rupiah)

13. Operating expenses

	2011	2010
Estate service fee	91.363.545	161.791.352
Professional fee	58.714.490	64.742.450
Other tax	50.588.485	30.221.780
Amortization of land right	27.098.136	27.098.136
Visa and immigration fee	6.097.560	-
Bank charges	1.065.767	9.366.016
Mailing and delivery	174.857	-
Stamp duty	60.375	162.870
Amortization of organization expenses	-	6.223.500
	235.163.215	299.606.104

14. Nature and transaction with related parties

Nature of related parties consist was as follow:

Company	Nature of related parties
India Nippon Electrical Limited (INEL)	Shareholder

15. Revised statements of financial accounting standards

The following standards and interpretations standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2011 or later periods, but the Company has not early adopted them:

a. SFAS 01 (Revised 2009) – Presentation of Financial Statements,
b. SFAS 02 (Revised 2009) – Statements of Cash Flows,
c. SFAS 04 (Revised 2009) – Consolidated and Separate Financial Statements,
d. SFAS 05 (Revised 2009) – Operating Segments,
e. SFAS 07 (Revised 2010) – Related Party Disclosures,
f. SFAS 10 (Revised 2009) – The effects of Changes in Foreign Exchange Rates,
g. SFAS 12 (Revised 2009) – Interest in Joint Ventures,
h. SFAS 15 (Revised 2009) – Investment in Associates,
i. SFAS 19 (Revised 2010) – Intangible Assets,
j. SFAS 22 (Revised 2010) – Business Combinations,
k. SFAS 23 (Revised 2010) – Revenue,
l. SFAS 25 (Revised 2009) – Accounting Policies, Changes in Accounting Estimates and Errors,
m. SFAS 48 (Revised 2009) – Impairment of Assets,
n. SFAS 57 (Revised 2009) – Provisions, Contingent Liabilities and Contingent Assets,
o. SFAS 58 (Revised 2009) – Non Current Assets Held for Sale and Discontinued Operations,

15. Revised statements of financial accounting standards - *continued*

p. Interpretation of SFAS 07 (Revised 2009) – Consolidation of Special Purpose Entities,
q. Interpretation of SFAS 09 – Changes in Existing Decommissioning, Restoration and Similar Liabilities,
r. Interpretation of SFAS 10 – Customer Loyalty Programs,
s. Interpretation of SFAS 11 – Distribution of Non-Cash Assets to Owners,
t. Interpretation of SFAS 12 – Jointly Controlled Entities: Non-monetary Contributions by Ventures,
u. Interpretation of SFAS 13 – Hedges of a Net Investment in a Foreign Operation,
Interpretation of SFAS 14 – Intangible Assets – Web Site Costs.

16. Date of completion of preparation of the financial statements

The Company's management was responsible for the presentation and disclosures of the financial statements for the year ended March 31, 2011 which have been completed on April 21, 2011.