

PT AUTOMOTIVE SYSTEMS INDONESIA

FINANCIAL STATEMENTS

For The Year Ended March 31, 2017

PT AUTOMOTIVE SYSTEMS INDONESIA
STATEMENTS OF FINANCIAL POSITION
As of March 31, 2017

(Expressed in Rupiah, unless otherwise stated)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	14.366.971.586	14.949.673.577
Prepaid Expense	5	127.611.432	-
Prepaid taxes	3c,7a	-	-
TOTAL CURRENT ASSETS		<u>14.494.583.018</u>	<u>14.949.673.577</u>
NON-CURRENT ASSETS			
Property, plant and equipment	3b,6,	11.147.440.588	11.147.440.588
TOTAL NON-CURRENT ASSETS		<u>11.147.440.588</u>	<u>11.147.440.588</u>
TOTAL ASSETS		<u>25.642.023.606</u>	<u>26.097.114.165</u>
LIABILITIES AND SHAREHOLDER'S EQUITY			
SHORT-TERM LIABILITIES			
Account Payable		-	3.440.000
Accrued expenses		-	83.959.198
Taxes payables	3c,7b	-	-
TOTAL SHORT-TERM LIABILITIES		<u>-</u>	<u>87.399.198</u>
TOTAL LIABILITIES		<u>-</u>	<u>87.399.198</u>
SHAREHOLDERS' EQUITY			
Share capital - authorized, issued and fully paid USD 27.009 ordinary shares, with par value of IDR 914.300 (US \$ 100) 27.009 shares		24.694.328.700	24.694.328.700
Foreign exchange difference on paid in capital		(440.246.700)	(440.246.700)
Retained earnings		1.387.941.606	1.755.632.967
TOTAL SHAREHOLDERS' EQUITY		<u>25.642.023.606</u>	<u>26.009.714.967</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>25.642.023.606</u>	<u>26.097.114.165</u>

PT AUTOMOTIVE SYSTEMS INDONESIA
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended March 31, 2017

(Expressed in Rupiah, unless otherwise stated)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
REVENUE		-	-
COST OF REVENUE		-	-
GROSS PROFIT		-	-
OPERATING EXPENSES			
General and administrative expenses	3d,9	(632.109.676)	(789.326.799)
OPERATING LOSS		<u>(632.109.676)</u>	<u>(789.326.799)</u>
OTHER INCOME (EXPENSES)			
Interest income		217.981.394	349.720.147
Foreign exchange gain - net		46.236.921	222.106.662
Other income	10	200.000	-
		<u>264.418.315</u>	<u>571.826.809</u>
LOSS BEFORE CORPORATE INCOME TAX		<u>(367.691.361)</u>	<u>(217.499.990)</u>
CORPORATE INCOME TAX			
Current tax		-	-
Deferred tax income / expense		-	-
NET INCOME (LOSS)		<u>(367.691.361)</u>	<u>(217.499.990)</u>
OTHER COMPREHENSIVE INCOME		-	-
COMPREHENSIVE LOSS FOR THE YEAR		<u>(367.691.361)</u>	<u>(217.499.990)</u>

PT AUTOMOTIVE SYSTEMS INDONESIA
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
As of March 31, 2017

(Expressed in Rupiah, unless otherwise stated)

	<u>Share capital</u>	<u>Foreign exchange rate difference on</u>	<u>Retained earning (deficit)</u>	<u>Total</u>
Balance as of March 31, 2015	24.694.328.700	(440.246.700)	1.973.132.957	26.227.214.957
Total comprehensive income for the year	-	-	(217.499.990)	(217.499.990)
Balance as of March 31, 2016	24.694.328.700	(440.246.700)	1.755.632.967	26.009.714.967
Total comprehensive income for the year	-	-	(367.691.361)	(367.691.361)
Balance as of March 31, 2017	<u>24.694.328.700</u>	<u>(440.246.700)</u>	<u>1.387.941.606</u>	<u>25.642.023.606</u>

PT AUTOMOTIVE SYSTEMS INDONESIA
STATEMENTS OF CASH FLOW
For the year ended March 31, 2017

(Expressed in Rupiah, unless otherwise stated)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Net loss	(367.691.361)	(217.499.990)
Adjustment to reconcile income before tax to net cash provided by operating activities:		
Deferred tax	-	-
Changes in:		
Other receivable	-	-
Prepaid Expense	(127.611.432)	82.334.342
Prepaid Taxes	-	267.582.844
Other asset - organization expenses	-	-
Account Payable	(3.440.000)	(170.179.317)
Taxes payables	-	(29.271.685)
Accrued Expense	(83.959.198)	83.959.200
Net cash flows provided from operating activities	<u>(582.701.991)</u>	<u>16.925.394</u>
Net Increase (decrease) in cash and cash equivalents	(582.701.991)	16.925.394
Cash and cash equivalents, beginning of the year	<u>14.949.673.577</u>	<u>14.932.748.183</u>
Cash and cash equivalents, end of the year	<u><u>14.366.971.586</u></u>	<u><u>14.949.673.577</u></u>

PT AUTOMOTIVE SYSTEMS INDONESIA
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2017

(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. 298/1/PMA/2006 dated March 17, 2006. The last approval from the Capital Investment Coordinating Board (BKPM) based on decision letter No. 236/1/IP/PMA/2017 dated January 19, 2017.

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, 2017 and 2016 were as follows

Commissioner	: Mr. Kalathur Seshadri
President Director	: Mr. Subramaniam Sampath
Director	: Mr. Subhasis Dey
Director	: Mr. Raman Umashankar

The number of the Company’s employees as of March 31, 2017 and 2016 was nol.

2. CHANGES TO THE STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS AND INTERPRETATIONS OF FINANCIAL ACCOUNTING STANDARDSSUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following standards and interpretation issued and effective for the financial year beginning on or after January 1, 2016 are as follows:

a. Standards and interpretations issued and effective

The following standards and interpretation issued and effective for the financial year beginning January 1, 2016 are as follows:

Standard

- PSAK 110 (revised 2015): Accounting for Sukuk.
- PSAK 70: Accounting for Assets and Liabilities related to Tax Amnesty.

Improvements:

- PSAK 5: Operating Segments,
- PSAK 7: Related Party Disclosures,
- PSAK 13: Investments Property,
- PSAK 16: Property, Plant and Equipment,
- PSAK 19: Intangible Assets,
- PSAK 22: Business Combination,

2. CHANGES TO THE STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS AND INTERPRETATIONS OF FINANCIAL ACCOUNTING STANDARDSSUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Standards and interpretations issued and effective (Continued)

- PSAK 25: Accounting Policies, Changes in Accounting Estimates and Errors,
- PSAK 53: Share-based Payments, and
- PSAK 68: Fair Value Measurement.

Amendments to standards and interpretation which are effective for periods beginning on or after January 1, 2016, with retrospective application are as follows:

- PSAK 4: Separate Financial Statements about Equity Method in Separate Financial Statements,
- PSAK 15: Investment Entities: Applying the Consolidation Exception,
- PSAK 24: Defined Benefit Plans: Employee Contributions,
- PSAK 65: Consolidation Financial Statements about Investment Entities: Applying the Consolidation Exception,
- PSAK 67: Disclosures of Interest in Other Entities about Investment Entities: Applying the Consolidation Exception, and
- ISAK 30: Levies

The amendments to standards effective for periods beginning on or after January 1, 2016, with amendments to be applied prospectively are as follows:

- PSAK 16: Property, Plant and Equipment about Clarification of Acceptable Methods of Depreciation and Amortization,
- PSAK 19: Intangible Asset about Clarification of Acceptable Methods of Depreciation and Amortization, and
- PSAK 66: Joint Arrangements about Accounting for Acquisitions of Interests in Joint Operation.

New, improvements and amendments to standards and interpretations mentioned above will not have significant impact on presentation and amounts reported in the financial statements.

b. Standards and interpretations in issue not yet effective

Amendments to standard and interpretation effective for periods beginning on or after January 1, 2017, with early application permitted are amendments to PSAK 1: Presentation of Financial Statements about Disclosure Initiative and ISAK 31: Interpretation, Scope Interpretation of PSAK 13: Investment property.

Standard and amendment to standard effective for periods beginning on or after January 1, 2018, with early application permitted are PSAK 69: Agriculture and Amendments to PSAK 16: Property, Plant and Equipment about Agriculture: Bearer Plants.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Compliance with Financial Accounting Standards.

The accompanying financial statements have been prepared in accordance with Indonesian Financial Accounting Standards, which comprise the Statements of Financial Accounting Standards (PSAK) and interpretations of Financial Accounting Standards (ISAK) issued by the Board of Financial Accounting Standards of the Indonesian Institute of Accountants (DSAK – IAI).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The significant accounting policies that were applied consistently in the preparation of the financial statements for the years ended March 31, 2017 and 2016 were as follows:

a. Basis of preparation of financial statement

The financial statement were prepared & presented on a going concern basis based on Indonesian financial accounting standard. The financial statements of the Company prepared based on accrual basic with historical cost concept, except for certain accounts which are measured on the basis as described in the relevant notes herein. The statements of cash flows represent cash received and disbursement which are classified into operating, investment and financing activities. The statements of cash flows are prepared using the indirect method.

The Company's accounts are maintained in Indonesian Rupiah currency which is the functional and reporting 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, 2017 and 2016 respectively were IDR13.321 and IDR13.276 for USD1.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. 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.

4. CASH AND CASH EQUIVALENTS

	<u>2017</u>	<u>2016</u>
IDR:		
Bank of Tokyo Mitsubishi	7.500.967	12.470.931
Bank SBI Indonesia	405.880.440	115.265.152
USD:		
Bank of Tokyo Mitsubishi	7.457.895	7.432.701
Bank SBI Indonesia	158.897.284	410.044.793
Time deposit USD	13.787.235.000	14.404.460.000
	<u>14.366.971.586</u>	<u>14.949.673.577</u>

5. PREPAID EXPENSES

	<u>2017</u>	<u>2016</u>
Estate service fee – PT Harapan Anang Bakri & Sons	79.611.432	-
PT Multi Utama Consultindo	48.000.000	-
	<u>127.611.432</u>	<u>-</u>

6. PROPERTY, PLANT AND EQUIPMENT

		2017			
		Beginning balance	Addition	Reduction	Ending balance
Cost					
Land		11,147,440.588	-	-	11,147,440.588
Accumulated Depreciation					
Land		-	-	-	-
Book Value		11,147,440.588			11,147,440.588
		2016			
		Beginning balance	Addition	Reduction	Ending balance
Cost					
Land		11,147,440.588	-	-	11,147,440.588
		11,147,440.588	-	-	11,147,440.588
Accumulated Depreciation					
Land		-	-	-	-
		-	-	-	-
Book Value		11,147,440.588			11,147,440.588

7. TAXATION

a. Prepaid taxes

	2017	2016
Value Added Tax		-
		-

b. Tax payable

	2017	2016
Income Tax Article 23		-
Income Tax Article 29		-
	-	-

7. TAXATION (Continued)

c. 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, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Income (loss) before corporate income tax	(367.891.361)	(217.499.990)
Correction		
Temporary differences	-	-
Permanent differences	(215.483.095)	(305.193.267)
Income (loss) after reconciliation	(583.374.456)	(522.693.257)
Tax loss carried forward compensation	-	-
Taxable income (loss)	(583.374.456)	(522.693.257)
Corporate income tax	-	-
Less : Prepaid tax	-	-
Corporate income tax under (over) paid	-	-

8. SHAREHOLDERS' EQUITY

The composition of the Company's shareholders as of March 31, 2017 and 2016 were as follows:

Shareholders	2016 & 2017			Percentage of ownership
	number of share	USD	Nominal Value 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%

9. OPERATING EXPENSES

	<u>2017</u>	<u>2016</u>
Estate service fee	369.189.181	334.742.934
Professional fee	214.391.960	112.734.400
Other Tax	45.957.716	339.828.104
Bank charges	2.411.707	1.979.429
Stamp duty	159.112	41.932
	632.109.676	789.326.799

10. OTHER INCOME (EXPENSES)

	<u>2017</u>	<u>2016</u>
Interest Income	217,981,394	349,720,147
Gain On Foreign Exchange	1,298,304,397	2,195,171,577
Loss On Foreign Exchange	(1,252,067,476)	(1,973,064,915)
Other Income - AP write off	200,000	-
	<u><u>264,418,315</u></u>	<u><u>571,826,809</u></u>

11. NATURE AND TRANSACTION WITH RELATED PARTIES

Nature of related parties consist was as follow:

<u>Company</u>	<u>Nature of related parties</u>
India Nippon Electrical Limited (INEL)	Shareholder

12. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following table sets out the carrying value and estimated fair value of the Company's financial instruments as of March 31, 2017:

	<u>Carrying value</u>	<u>Fair value</u>
A. Financial assets		
Cash and cash equivalents	14,366,971,586	14,366,971,586
Other receivables	-	-
B. Financial liabilities		
Account payable	-	-
Accrued expenses	-	-

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. The fair values of the financial assets and liabilities are presented at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. The following methods and assumptions are used to estimate the fair value of each class of financial instruments.

a. Current financial assets and liabilities.

Current financial instruments with remaining maturities of one year or less approximate their carrying amounts due to their short-term nature.

b. Non-current financial instruments.

The fair value of other non-current assets can not be measured reliably since no fixed realization period, therefore valuation method is not practice to be done. Whereas the fair value of loan from shareholders are measured by discounting future cash flows using applicable rates from observable current market transactions for instruments with similar terms, credit risk and remaining maturities.

13. GOING CONCERN

The Company has never started any production since it did not get any purchase order which satisfies economic of scale condition. The management of the Company has declared to liquidate the Company and cease its operation and activities since the date of Extraordinary General Meeting of Shareholders (EGMS) on April 6, 2016 but then cancelled the decision and has an intention to start the operation once it gets sufficient order from potential buyer.

14. 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, 2017 which have been completed on April 20, 2017.