

## **Financial Statements**

# **CG Power Systems Brazil Indústria e Comércio de Equipamentos Elétricos Ltda.**

March 31, 2016 and 2015  
with Independent Auditor's Report



**Building a better  
working world**

# **CG Power Systems Brazil Indústria e Comércio de Equipamentos Elétricos Ltda.**

## Financial statements

March 31, 2016 and 2015

## Contents

Independent auditor's report on financial statements .....	1
Audited financial statements	
Balance sheet .....	3
Statement of operations .....	4
Statement of comprehensive income (loss).....	5
Statement of changes in equity .....	6
Cash flow statement .....	7
Notes to financial statements .....	8



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**A free translation from Portuguese into English of Independent Auditor's Report on Financial Statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil**

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## **Independent auditor's report on financial statements**

To the quota holders and management of

**CG Power Systems Brazil Indústria e Comércio de Equipamentos Elétricos Ltda.**

Sapucaia do Sul - RS

We have audited the accompanying financial statements of CG Power Systems Brazil Indústria e Comércio de Equipamentos Elétricos Ltda. ("Company"), which comprise the balance sheet as at March 31, 2016 and the related statements of operations, of comprehensive income (loss), of changes in equity and of cash flows for the period of 12 months then ended, and a summary of significant accounting practices and other explanatory information.

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

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

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the Company's 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting practices 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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the CG Power Systems Brazil Indústria e Comércio de Equipamentos Elétricos Ltda. as at March 31, 2016, its operating performance and its cash flows for the period of 12 months then ended in accordance with accounting practices adopted in Brazil.

### **Emphasis of matter**

As mentioned in Note 1, the discontinuance of the Company's operations is underway due to a strategic decision by the global headquarters of the Crompton Greaves Group, which controls the Company. The financial statements have been prepared assuming that the Company's operations will be discontinued and including the necessary adjustments for such discontinuance. Our opinion is not qualified in respect of this matter.

Porto Alegre, April 27, 2016

ERNST & YOUNG  
Auditores Independentes S.S.  
CRC-2SP015199/F-6



Guilherme Ghidini Neto  
Accountant CRC-RS 067795/0-5

## CG Power Systems Brazil Indústria e Comércio de Equipamentos Elétricos Ltda.

Balance sheet  
March 31, 2016 and 2015  
(In thousands of Reais)

	Notes	03/31/2016	03/31/2015
Assets			
Current			
Cash and cash equivalents	4	2,758	2,305
Trade accounts receivable	5	1,845	11,175
Inventories	6	-	3,491
Taxes recoverable	7	152	293
Advances to suppliers		1	89
Other current assets		-	40
Total current assets		<u>4,756</u>	<u>17,393</u>
Noncurrent			
Taxes recoverable	7	-	365
		-	365
Property and equipment	8	-	2,066
Intangibles	8	-	24
Total noncurrent assets		<u>-</u>	<u>2,455</u>
Total assets		<u><u>4,756</u></u>	<u><u>19,848</u></u>
Liabilities			
Current			
Trade accounts payable		12	660
Trade accounts payable – related parties	9	10,604	5,406
Related parties	9	54,588	10,668
Salaries, provisions and social contributions		-	348
Advances from customers		-	2,940
Taxes and contributions payable		184	80
Other accounts payable		53	1,534
Total current liabilities		<u>65,441</u>	<u>21,636</u>
Noncurrent			
Related parties	9	-	48,556
Total noncurrent liabilities		<u>-</u>	<u>48,556</u>
Equity			
Authorized capital	10	200	200
Unpaid capital	10	(200)	(200)
Accumulated losses		(60,685)	(50,344)
Total equity		<u>(60,685)</u>	<u>(50,344)</u>
Total liabilities and equity		<u><u>4,756</u></u>	<u><u>19,848</u></u>

See accompanying notes.

## CG Power Systems Brazil Indústria e Comércio de Equipamentos Elétricos Ltda.

### Statement of operations

12 months period ended March 31, 2016 and 2015

(In thousands of Reais)

	<b>Notes</b>	<b>03/31/2016</b>	<b>03/31/2015</b>
Net operating revenue	11	<b>9,702</b>	22,653
Cost of sales		<b>(9,464)</b>	(21,147)
Gross profit		<b>238</b>	1,506
Operating income (expenses):			
Sales, general and administrative expenses	12	<b>(9,077)</b>	(7,857)
Depreciation and amortization		<b>(177)</b>	(208)
Other operating income (expenses), net	13	<b>1,732</b>	217
Operating loss before financial income (expenses)		<b>(7,284)</b>	(6,342)
Financial income (expenses):			
Financial income	14	<b>19,183</b>	6,320
Financial expenses	14	<b>(22,033)</b>	(22,920)
		<b>(2,850)</b>	(16,600)
Income and social contribution taxes		<b>(207)</b>	-
Loss for the period		<b>(10,341)</b>	(22,942)

See accompanying notes.

## **CG Power Systems Brazil Indústria e Comércio de Equipamentos Elétricos Ltda.**

Statement of comprehensive income (loss)  
12 months period ended March 31, 2016 and 2015  
(In thousands of Reais)

	<u>03/31/2016</u>	<u>03/31/2015</u>
Loss for the period	<b>(10,341)</b>	(22,942)
Other comprehensive income	-	-
Comprehensive income (loss) for the period	<b><u>(10,341)</u></b>	<b><u>(22,942)</u></b>

See accompanying notes.

## CG Power Systems Brazil Indústria e Comércio de Equipamentos Elétricos Ltda.

### Statement of changes in equity

12 months period ended March 31, 2016 and 2015

(In thousands of Reais)

	<b>Authorized capital</b>	<b>Unpaid capital</b>	<b>Accumulated losses</b>	<b>Total</b>
Balances at March 31, 2014	200	(200)	(27,402)	(27,402)
Capital increase	-	-	-	-
Loss for the period	-	-	(22,942)	(22,942)
Balances at March 31, 2015	200	(200)	(50,344)	(50,344)
Capital increase	-	-	-	-
Loss for the period	-	-	(10,341)	(10,341)
Balances at March 31, 2016	<b>200</b>	<b>(200)</b>	<b>(60,685)</b>	<b>(60,685)</b>

See accompanying notes.



## CG Power Systems Brazil Indústria e Comércio de Equipamentos Elétricos Ltda.

### Cash flow statement

12 months period ended March 31, 2016 and 2015

(In thousands of Reais)

	<b>03/31/2016</b>	<b>03/31/2015</b>
Cash flow from operating activities		
Loss for the period	<b>(10,341)</b>	(22,942)
Adjustments to reconcile loss for the period to cash used in operating activities		
Interest and exchange rates on loans	<b>(1,197)</b>	15,188
Property and equipment write-offs	<b>474</b>	31
Depreciation and amortization	<b>177</b>	208
	<b>(10,887)</b>	(7,515)
Changes in assets and liabilities:		
Trade accounts receivable	<b>9,330</b>	4,230
Inventories	<b>3,491</b>	7,768
Taxes recoverable	<b>506</b>	2,215
Advances to suppliers	<b>88</b>	749
Other assets	<b>40</b>	999
Trade accounts payables	<b>(648)</b>	(709)
Trade accounts payables – related parties	<b>1,759</b>	(931)
Salaries, provisions and social contributions	<b>(348)</b>	(2)
Advances from customers	<b>(2,940)</b>	(6,369)
Taxes and contributions payable	<b>104</b>	(139)
Other accounts payable	<b>(1,481)</b>	1,072
Net cash generated/(used) in operating activities	<b>(986)</b>	1,368
Cash flow used in investing activities:		
Additions to property and equipment and intangibles	-	(16)
Sales of property and equipment	<b>1,439</b>	-
Capital increase	-	-
Net cash used in investing activities	<b>(16)</b>	(16)
Cash flow from financing activities:		
Related parties loans taken out	-	-
Net cash provided by financing activities	-	-
Net increase in cash and cash equivalents	<b>453</b>	<b>1,352</b>
Cash and cash equivalents at the beginning of the period	<b>2,305</b>	953
Cash and cash equivalents at the end of the period	<b>2,758</b>	2,305
Net increase/(decrease) in cash and cash equivalents	<b>453</b>	1,352

See accompanying notes.

# **CG Power Systems Brazil Indústria e Comércio de Equipamentos Elétricos Ltda.**

Notes to financial statements

March 31, 2016 and 2015

(In thousands of Reais, unless otherwise stated)

## **1. Operations**

CG Power Systems Brazil Indústria e Comércio de Equipamentos Elétricos Ltda. ("Company") was created on October 21, 2010, initially under the original name of CG Holdings Ltda. and on May 3, 2011 started to adopt the current corporate name.

The Company was in a pre-operational phase until March 2012, and has incurred in significant expenses with the formation of its headquarters, and also manufacturing unit, in the municipality of Sapucaia do Sul, in the state of Rio Grande do Sul.

Its business plan consisted in the manufacture of electric equipment such as switches, lightning arresters and measuring transducers, among others, as well as preparation and execution of substation engineering and construction projects for the electric system.

The Company incurred a net loss for the 12 months period ended March 31, 2016 of R\$10,220 and, as at that date, its total liabilities exceeded its total assets by R\$60,364.

In view of a scenario of loss for the Company, combined with Brazil's current economic situation, its controlling Group, Crompton Greaves, decided to discontinue its operations in Brazil. The order portfolio has been duly honored, and new orders have been rejected and started to be met by other Group companies. Property and equipment and inventory items have been sold and liabilities to third parties have been substantially settled.

The financial statements at March 31, 2016 have been prepared based on this scenario and assuming that the Company's operations will be discontinued during the year of 2016.

## **CG Power Systems Brazil Indústria e Comércio de Equipamentos Elétricos Ltda.**

Notes to financial statements (Continued)  
March 31, 2016 and 2015  
(In thousands of Reais, unless otherwise stated)

### **2. Basis of preparation and presentation of financial statements**

Company financial statements have been prepared in accordance with accounting practices adopted in Brazil, which comprise the accounting pronouncements, interpretations and guidance issued by the Brazilian Accounting Standards Committee (“CPC”).

In preparing these financial statements, the Company adopted the same accounting practices and calculation methods used in the consolidated financial statements as at March 31, 2015. The Company adopted all the standards, revised standards and interpretations issued by the CPC, in force as at March 31, 2016.

The financial statements have been prepared using the realizable value as a measurement basis due to the process for discontinuance of the Company’s operations, as described in Note 1.

The financial statements have been prepared following different measurement bases used in accounting estimates. The accounting estimates involved in the preparation of the financial statements were based on objective and subjective factors, considering management’s judgment for determining the adequate amounts to be recorded in the financial statements. Significant items subject to these estimates and assumptions include credit risk analysis in determining the allowance for doubtful accounts; as well as other risk analysis in determining other provisions, including provision for contingencies.

Settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to the statistical treatment inherent to the estimation process.

The Company reviews its estimates and assumptions at least once a year. See Note 3.12 for further details on estimates.

Company’s fiscal year ends by December 31 of each year. These financial statements have been prepared for the period of 12 months ended March 31, 2016 to support its parent Company financial statements.

Authorization to complete the preparation of these financial statements was given in the executive board meeting held on April 27, 2016

## **CG Power Systems Brazil Indústria e Comércio de Equipamentos Elétricos Ltda.**

Notes to financial statements (Continued)  
March 31, 2016 and 2015  
(In thousands of Reais, unless otherwise stated)

### **3. Summary of significant accounting practices**

#### **3.1. Determination of profit or loss (P&L)**

Revenues and expenses are recorded on an accrual basis.

##### Sales revenues

Sales revenue is recognized in P&L when its amount can be reliably measured, all risks and rewards of ownership of the products are transferred to the buyer, the Company no longer holds control over or responsibility for the goods sold, and economic benefits are likely to flow to the Company. Service revenue is recognized based on the effective date of the service provision. Revenues are not recognized if there is significant uncertainty as to their collection.

##### Construction contracts (Mobile substations)

Construction contracts revenues are accounted for based on the percentage of completion, as costs are incurred, and the estimated gross margin of the respective contract.

#### **3.2. Transactions denominated in foreign currency**

The Company's functional currency is the Real, which is also its reporting currency.

Monetary assets and liabilities denominated in foreign currency are translated into the functional currency (Reais), at the exchange rate prevailing at the respective balance sheet date. Gains and losses arising from restatement of these assets and liabilities between the exchange rate in effect at the transaction date and the period closing dates are recognized as financial income or expenses in P&L.

## **CG Power Systems Brazil Indústria e Comércio de Equipamentos Elétricos Ltda.**

Notes to financial statements (Continued)  
March 31, 2016 and 2015  
(In thousands of Reais, unless otherwise stated)

### **3. Summary of significant accounting practices (Continued)**

#### **3.3. Cash and cash equivalents**

Cash equivalents are held by the Company for the purpose of meeting short-term cash commitments rather than for investment or any other purposes. The Company considers cash equivalents a short-term investment readily convertible into a known cash amount and subject to insignificant risk of change in value. Accordingly, an investment normally qualifies as cash equivalent when it is redeemable in the short term, e.g. within three months or less from the investment date.

#### **3.4. Financial instruments**

Financial instruments are only recognized as from the date the Company becomes party to their contractual provisions. Upon initial recognition, financial instruments are recorded at their fair value which includes transactions costs directly attributable to their acquisition or issuance, except for financial assets and liabilities which are measured at fair value through profit or loss, where such costs are directly posted to P&L for the year. Their subsequent measurement takes place at each financial statement closing date according to the rules established for each type of financial asset and liability classification.

Financial assets: the main financial assets recognized by the Company are: cash and cash equivalents, trade accounts receivable and other assets. They are classified into the categories below according to the purpose for which they have been purchased or issued:

- (i) *Financial assets measured at fair value through profit or loss*: these include financial assets held for trading and assets measured upon initial recognition at fair value through profit or loss. They are classified as held for trading if originated for the purpose of sale or repurchase in the short term. Interest, monetary restatement, exchange variation and changes arising from fair value measurement are recognized in P&L, as incurred, under "Financial income or expenses".

## **CG Power Systems Brazil Indústria e Comércio de Equipamentos Elétricos Ltda.**

Notes to financial statements (Continued)  
March 31, 2016 and 2015  
(In thousands of Reais, unless otherwise stated)

### **3. Summary of significant accounting practices (Continued)**

#### **3.4. Financial instruments (Continued)**

- (ii) *Loans and receivables*: non-derivative financial assets with fixed or determinable payments, not traded in active market. After the initial recognition, these are measured at amortized cost by the effective interest rate method, less impairment loss. Interest, monetary restatement, exchange variation and impairment losses, where applicable, are recognized in P&L as financial income, as incurred, based on the effective interest rate method.

Financial liabilities: the financial liabilities recognized by the Company include trade accounts payable, transactions with related parties and other obligations. They are initially stated at fair value and classified into the categories below, according to the nature of financial instruments contracted or issued:

- (i) *Financial liabilities measured at fair value through profit or loss*: these include financial liabilities usually traded before maturity and liabilities initially recognized at FVTPL. Interest, monetary restatement, exchange variation and changes arising from measurement at fair value, as applicable, are recognized in P&L, as incurred, under financial income or expenses.
- (ii) *Financial liabilities not measured at fair value*: non-derivative financial liabilities not usually traded before maturity. After initial recognition these are measured at amortized cost using the effective interest rate method. Interest, monetary restatement and exchange variation, as applicable, are recognized in P&L, as incurred, under “Financial income or expenses”.

#### **3.5. Trade accounts receivable**

These are stated at realizable values. An allowance for doubtful accounts is set up based on a credit analysis in view of the risks involved and is considered sufficient to cover any losses on the collection of receivables.

## CG Power Systems Brazil Indústria e Comércio de Equipamentos Elétricos Ltda.

Notes to financial statements (Continued)  
March 31, 2016 and 2015  
(In thousands of Reais, unless otherwise stated)

### 3. Summary of significant accounting practices (Continued)

#### 3.6. Taxation

##### Sales taxes

Sales and service revenues are subject to the taxes and social contributions below, at the following statutory rates:

<u>Taxes and contributions</u>	<u>Acronym</u>	<u>Rate</u>
Social integration program	PIS	1.65%
Contribution on Gross Revenue for Social Security Financing	COFINS	7.6%
Federal VAT Tax	IPI	5% to 15%
State VAT Tax	ICMS	4% to 17%

These charges are recorded as sales deductions in the statement of operations. Credits deriving from non-cumulative PIS/COFINS are recorded as a deduction from the cost of sales in P&L.

##### Current income and social contribution taxes

Income taxes comprise both income and social contribution taxes. Income taxes comprise both income and social contribution taxes. Income tax is calculated at a rate of 15%, plus a surtax of 10% on taxable profit exceeding R\$ 240 over the fiscal year, whereas social contribution tax is computed at a rate of 9% on taxable profit, both recognized on an accrual basis; therefore additions to book income of temporarily nondeductible expenses or exclusions of temporarily nontaxable profit upon determination of current taxable profit generate deferred tax assets or liabilities. Tax prepayments or recoverable taxes are stated as current and noncurrent assets, based on expected realization.

## **CG Power Systems Brazil Indústria e Comércio de Equipamentos Elétricos Ltda.**

Notes to financial statements (Continued)  
March 31, 2016 and 2015  
(In thousands of Reais, unless otherwise stated)

### **3. Summary of significant accounting practices (Continued)**

#### **3.7. Provisions**

##### **i. General considerations**

Provisions are recognized when the Company has a present obligation (legal or constructive) arising from past events, the settlement of which is likely to result in an outflow of economic benefits, and for which a reliable estimate can be made. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is stated in the statement of operations, net of any reimbursement.

##### **ii. Provision for tax, civil, and labor risks**

Provisions are recognized for all contingencies in connection with legal proceedings for which it is likely that a cash outflow will be required to settle the contingency/obligation and a reasonable estimate can be made.

Assessment of the likelihood of loss includes analysis of available evidence, hierarchy of laws, available case law, latest court decisions and their relevance in the legal system, as well as the opinion of external legal advisors.

Provisions are revised and adjusted considering changes in existing circumstances, such as the applicable statute of limitations, tax audit conclusions, or additional exposures identified based on new court issues or rulings.



## **CG Power Systems Brazil Indústria e Comércio de Equipamentos Elétricos Ltda.**

Notes to financial statements (Continued)  
March 31, 2016 and 2015  
(In thousands of Reais, unless otherwise stated)

### **3. Summary of significant accounting practices (Continued)**

#### **3.7. Provisions (Continued)**

##### ii. Provision for tax, civil, and labor risks (Continued)

At March 31, 2016 and 2015 the Company was not a party to any judicial process with probability of loss, as such, no provision for legal claims were recorded on those dates.

#### **3.8. Significant accounting judgments, estimates and assumptions**

##### Judgments

Preparation of the financial statements by the Company requires that management make professional judgments, estimates and assumptions that impact the amounts presented in revenues, expenses, assets and liabilities, in addition to disclosure of contingent liabilities on the financial statements date. Uncertainties regarding such assumptions and estimates may lead to the need to make significant adjustments, in future periods, to the book value of the impacted asset or liability.

##### Accounting estimates and assumptions

The main assumptions concerning the sources of uncertainty in future estimates and other important sources of uncertainty in estimates on the balance sheet date, involving significant risk of causing a significant adjustment to the book value of the assets and liabilities in the next financial year are discussed below:

##### *Fair value of financial instruments*

When the fair value of financial assets and liabilities stated in the balance sheet cannot be obtained in active markets, it will be determined using valuation techniques, including the discounted cash flow method. These methods use observable market data, whenever possible; otherwise, a given judgment call is required in order to determine the fair value. Judgment includes considerations about the data used, such as liquidity risk, credit risk and volatility.

Changes in the assumptions about these factors could affect the reported fair value of financial instruments.

# CG Power Systems Brazil Indústria e Comércio de Equipamentos Elétricos Ltda.

Notes to financial statements (Continued)  
March 31, 2016 and 2015  
(In thousands of Reais, unless otherwise stated)

## 3. Summary of significant accounting practices (Continued)

### 3.8. Significant accounting judgments, estimates and assumptions (Continued)

#### Accounting estimates and assumptions (Continued)

##### *Taxes*

There are uncertainties regarding the interpretation of complex tax regulations and the amount and timing of future taxable profits. Given the extensive international trading relationships, in addition to the long-term nature and complexity of existing contractual instruments, the differences between actual results and the assumptions used, or future changes in such assumptions, could lead to the need for future adjustments to tax revenues and expenses already recorded. The Company set up provisions considering reasonable estimates for possible consequences of tax audits by tax authorities to which it is subordinated. The amount of such provisions is based on several factors, among which is the past tax audit experience and the different interpretations of current tax legislation by the taxpayer and by the related tax authority. Such differences in interpretations may regard a number of matters, based on the conditions prevailing in the jurisdiction to which the Company is subject.

### 3.9. Cash flow statements

Cash flow statements were prepared under the indirect method and are presented in accordance with accounting pronouncement CPC 03 (R2) - Cash Flow Statement, issued by the CPC.

## 4. Cash and cash equivalents

	<u>03/31/2016</u>	<u>03/31/2015</u>
Cash	1	1
Banks	2,757	2,304
	<u>2,758</u>	<u>2,305</u>

## 5. Trade accounts receivable

	<u>03/31/2016</u>	<u>03/31/2015</u>
Trade accounts receivable in the domestic market	1,845	6,096
Construction contracts	-	5,079
	<u>1,845</u>	<u>11,175</u>

## CG Power Systems Brazil Indústria e Comércio de Equipamentos Elétricos Ltda.

Notes to financial statements (Continued)  
 March 31, 2016 and 2015  
 (In thousands of Reais, unless otherwise stated)

### 5. Trade accounts receivable (Continued)

For the 12 months period ended March 31, 2015, no allowance for doubtful accounts was recognized, as the amount receivable was mainly represented by invoices not overdue, and no loss on realization is expected.

At March 31, 2016 and 2015, trade accounts receivable overdue and falling due are as follows:

	<u>03/31/2016</u>	<u>03/31/2015</u>
Overdue		
1 to 90 days	1,751	4,183
91 to 180 days	38	89
More than 180 days	49	-
Total overdue	<u>1,838</u>	<u>4,272</u>
Falling due	7	6,903
Total	<u>1,845</u>	<u>11,175</u>

### 6. Inventories

	<u>03/31/2016</u>	<u>03/31/2015</u>
Raw materials	-	2,107
Goods in process	-	190
Finished goods	-	426
Imports in transit	-	552
Inventories held by third parties	-	216
	<u>-</u>	<u>3,491</u>

During the year, the Company honored the commitments assumed with its customers, and afterwards the remaining balance of inventories was allocated to foreign related parties at book value.

### 7. Taxes recoverable

	<u>03/31/2016</u>	<u>03/31/2015</u>
ICMS	152	365
PIS / COFINS	-	218
IRRF	-	41
IPI	-	34
INSS	-	-
Total	<u>152</u>	<u>658</u>
Current	152	293
Noncurrent	-	365

## CG Power Systems Brazil Indústria e Comércio de Equipamentos Elétricos Ltda.

Notes to financial statements (Continued)

March 31, 2016 and 2015

(In thousands of Reais, unless otherwise stated)

### 8. Property and equipment

	Facilities, furniture and fixtures	Machinery and equipment	Leasehold improvements	Computers and peripherals	Vehicles	Total property and equipment	Total intangibles (software)
Cost:							
March 31, 2014	168	2,247	682	301	107	3,505	68
Additions	-	10	-	4	-	14	2
Write-offs	-	(7)	(682)	-	(53)	(742)	-
March 31, 2015	168	2,250	-	305	54	2,777	70
Additions	-	-	-	-	-	-	-
Write-offs	(168)	(2,250)	-	(305)	(54)	(2,777)	(70)
31 de março de 2016	-	-	-	-	-	-	-
Depreciation and amortization:							
March 31, 2014	(36)	(325)	(682)	(138)	(50)	(1,231)	(29)
Depreciation and amortization for the period	(15)	(99)	-	(63)	(14)	(191)	(17)
Write-offs	-	-	682	-	29	711	-
March 31, 2015	(51)	(424)	-	(201)	(35)	(711)	(46)
Depreciation and amortization for the period	(14)	(89)	-	(53)	(9)	(165)	(12)
Write-offs	65	513	-	254	44	876	58
March 31, 2016	-	-	-	-	-	-	-
Net book value at March 31, 2015	117	1,826	-	104	19	2,066	24
Net book value at March 31, 2016	-	-	-	-	-	-	-
Annual depreciation rates	10%	4,75%	50%	20%	20%		20%

Machinery and equipment were sold for R\$ 1,385, while the remaining property and equipment assets were offered to employees and companies in the same region, sales totaling R\$ 54. These revenues are recognized as other operating income and the corresponding cost, amounting R\$ 1,913, was recorded as other operating expenses.

At March 31, 2016, the Company had no property and equipment or intangible assets.

## CG Power Systems Brazil Indústria e Comércio de Equipamentos Elétricos Ltda.

Notes to financial statements (Continued)  
 March 31, 2016 and 2015  
 (In thousands of Reais, unless otherwise stated)

### 9. Related parties

Transactions with related parties observe the conditions provided for in negotiations made between the parties, substantially corresponding to purchase of products for resale, summarized below:

	<u>03/31/2016</u>	<u>03/31/2015</u>
Current liabilities:		
Trade accounts payable		
Crompton Greaves Ltd. – India	-	1,604
CG Power Systems USA	-	3,802
CG Sales Network	<b>10,604</b>	-
	<u><b>10,604</b></u>	<u>5,406</u>
Loans		
CG Power Systems Belgium	<b>54,588</b>	10,668
	<u><b>65,192</b></u>	<u>16,074</u>
Noncurrent liabilities:		
Loans		
CG Power Systems Belgium	-	47,359
CG Power Systems USA	-	1,197
		<u>48,556</u>
Purchases:		
Crompton Greaves Ltd. - India	<b>3,302</b>	2,677
CG Power Systems USA	-	8
CG Power Systems Indonesia	-	1,275
	<u><b>3,302</b></u>	<u>3,960</u>
Financial expenses:		
CG Power Systems Belgium	-	116
CG Power Systems USA	-	465
	<u>-</u>	<u>581</u>

As of March 31, 2016, loans with CG Power Systems Belgium have original values of US\$ 13,875 thousands (US\$ 13,875 thousands as of March 31, 2015), bearing interests of "Libor" + 2.5% per year.

The Company has been working together with its legal advisors to have its loans capitalized until the end of the first half of 2016, as part of the process for discontinuance of its operations, as mentioned in Note 1.

## CG Power Systems Brazil Indústria e Comércio de Equipamentos Elétricos Ltda.

Notes to financial statements (Continued)  
 March 31, 2016 and 2015  
 (In thousands of Reais, unless otherwise stated)

### 9. Related parties (Continued)

#### Key management personnel compensation

The amounts of key management personnel compensation are represented by short term payments and benefits. The Company did not pay key management personnel compensation in other categories of i) post-employment benefits, ii) long term benefits, iii) labor contract termination benefits and iv) share based remuneration.

### 10. Equity

At March 31, 2016, the authorized capital, although not paid-in, of R\$200 (R\$200 on March 31, 2015) is represented by 200,000 quotas (100,000 on March 31, 2015), with par value of R\$1.00 each, distributed among the quota holders as follows:

	<u>Quotas</u>	<u>Interest held %</u>
CG Power Systems Belgium N.V	198,000	99.00
CG Holdings Belgium N.V	2,000	1.00
	<u>200,000</u>	<u>100.00</u>

### 11. Net operating revenue

	<u>03/31/2016</u>	<u>03/31/2015</u>
Sales revenue	13,754	22,296
Services revenues	483	1,453
Construction contract	-	5,079
Gross revenue	<u>14,237</u>	<u>28,828</u>
Sales and services taxes	<u>(4,535)</u>	<u>(6,175)</u>
	<u>9,702</u>	<u>22,653</u>

### 12. General and administrative expenses

	<u>03/31/2016</u>	<u>03/31/2015</u>
Personnel expenses	3,319	3,095
Services	806	2,119
Administrative expenses	461	1,122
Expenses with related parties	778	527
Legal services	68	29
Rent	491	647
Taxes and contributions	101	70
Other expenses	<u>3,053</u>	<u>248</u>
	<u>9,077</u>	<u>7,857</u>

## CG Power Systems Brazil Indústria e Comércio de Equipamentos Elétricos Ltda.

Notes to financial statements (Continued)  
March 31, 2016 and 2015  
(In thousands of Reais, unless otherwise stated)

### 13. Other operating income (expenses), net

	<u>03/31/2016</u>	<u>03/31/2015</u>
Sales of property and equipment	1,439	-
Recovery of PIS, COFINS and ICMS credits	39	203
Other operating income	254	14
	<u>1,732</u>	<u>217</u>

### 14. Financial income (expenses)

	<u>03/31/2016</u>	<u>03/31/2015</u>
Financial income:		
Exchange rate fluctuation gain	18,339	1,252
Other financial income	844	5,068
	<u>19,183</u>	<u>6,320</u>
Financial expenses:		
Exchange rate fluctuation loss	(20,548)	(21,228)
Interest and financial expenses on related parties transactions	(1,445)	(1,674)
Banking charges	(40)	(18)
	<u>(22,033)</u>	<u>(22,920)</u>

### 15. Risk management and financial instruments

The Company's financial instruments accounted for in accordance with Technical Pronouncements CPCs 38, 39 and 40, and are represented by cash and cash equivalents, trade accounts receivable, other assets, trade accounts payable, transactions with related parties, and other obligations, which are recorded at cost plus income or charges incurred, which at March 31, 2016 approximate market values, without expected generation of loss.

These instruments are managed through operational strategies aiming at liquidity, profitability and safety. Control policy consists of permanent monitoring of contracted rates versus market rates in effect.

For the period of 12 months ended March 31, 2016 and 2015, the Company had no transactions involving derivative financial instruments.

## CG Power Systems Brazil Indústria e Comércio de Equipamentos Elétricos Ltda.

Notes to financial statements (Continued)  
March 31, 2016 and 2015  
(In thousands of Reais, unless otherwise stated)

### 15. Risk management and financial instruments (Continued)

a) Credit risk

The Company's sales policies are subordinated to credit policies established by management and aim at minimizing any issues arising from customer default. This goal is achieved through the careful selection of customer portfolio that takes into consideration their creditworthiness (credit rating) and the diversification of sales (risk spread).

b) Market value

At March 31, 2016 and 2015, the market value of accounts receivable and payable approximate the amounts stated in the financial statements due to their short-term nature.

c) Foreign currency

The Company is exposed to risks of exchange rate volatility that affects its operations. The liability of the Company is substantially represented by foreign currency loans (Note 10), so that their results are subject to variations due to changes in exchange rates that could have an adverse impact on its cash flows, financial position and financial operations, as shown below:

	<u>03/31/2016</u>	<u>03/31/2015</u>
Liabilities in foreign exchange:		
Trade accounts payables – related parties	<b>(10,604)</b>	(5,406)
Loans granted by related parties	<b>(54,588)</b>	(59,224)
<b>Exchange rate exposure</b>	<b><u>(65,192)</u></b>	<b><u>(64,630)</u></b>