PT CG Power Systems Indonesia

Financial statements as of March 31, 2016 and
for the year then ended with independent auditors' report

PT CG POWER SYSTEMS INDONESIA
FINANCIAL STATEMENTS
AS OF MARCH 31, 2016
AND FOR THE YEAR THEN ENDED
WITH INDEPENDENT AUDITORS' REPORT

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STATEMENT OF DIRECTORS
REGARDING THE RESPONSIBILITY FOR THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2016 AND FOR THE YEAR THEN ENDED
PT CG POWER SYSTEMS INDONESIA

On behalf of management of PT CG Power Systems Indonesia (the "Company"), in the opinion of the management of the Company:

1. We are responsible for the preparation and presentation of the financial statements of the Company;
2. The financial statements of the Company as of March 31, 2016 and for the year then ended have been prepared and presented in accordance with Indonesian Financial Accounting Standards;
3. a. All information in the financial statements of the Company have been fully disclosed in a complete and truthful manner;
   b. The financial statements of the Company do not contain false material information or facts, nor do they not omit material information or facts;
4. We are responsible for the internal control system of the Company

We certify the accuracy of this statement.

Jakarta, April 22, 2016
For and on behalf of the Board of Directors,

Jan Prins
President Director

Abhaya Chatterjee
Director and Chief Financial Officer

AVANTHA
GROUP COMPANY

Purwantono, Sungkoro & Surja

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Independent Auditors' Report

Report No. RPC-1208/PSS/2016

The Shareholders and the Boards of Commissioners and Directors
PT CG Power Systems Indonesia

We have audited the accompanying financial statements of PT CG Power Systems Indonesia, which comprise the statement of financial position as of March 31, 2016, and statements of profit or loss and other 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.

Independent Auditors' Report (continued)

Report No. RPC-1208/PSS/2016 (continued)

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PT CG Power Systems Indonesia as of March 31, 2016, and its financial performance and cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards.

Purwantono, Sungkoro & Surja

Deden Riyadi
Public Accountant Registration No. AP.0692

April 22, 2016

PT CG POWER SYSTEMS INDONESIA
STATEMENT OF FINANCIAL POSITION
As of March 31, 2016
(Expressed in United States dollars, unless otherwise stated)

	Notes	2016	2015 (as restated, Note 4)	April 1, 2014/ March 31, 2014 (as restated, Note 4)
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	5	873,320	1,383,888	4,020,890
Accounts receivable, net	6	36,045,343	24,583,794	26,193,019
Unbilled receivables		14,930,071	14,273,895	8,067,340
Costs and estimated earnings in excess of billings, net	7	7,810,550	10,323,237	-
Inventories, net	8	11,792,295	16,067,489	15,252,467
Prepaid tax	10a	1,056,187	2,385,388	1,798,187
Derivative assets	11	94,113	393,129	-
Loans to related parties	27c	47,347,511	45,404,573	43,730,340
Other current assets	9	2,121,405	1,752,408	1,908,713
TOTAL CURRENT ASSETS		122,070,795	116,567,801	100,970,956
NON-CURRENT ASSETS				
Estimated claims of refundable taxes	10b	9,717,721	9,558,000	7,984,982
Fixed assets, net	12	15,171,735	15,290,484	16,250,922
Deposits		148,065	423,305	175,707
Deferred tax assets, net	10f	-	-	404,205
TOTAL NON-CURRENT ASSETS		25,037,521	25,271,789	24,815,816
TOTAL ASSETS		**147,108,316**	**141,839,590**	**125,786,772**
LIABILITIES AND EQUITY				
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	13	26,391,323	25,930,664	19,740,557
Billings in excess of costs and estimated earnings, net	16	330,387	-	2,134,031
Taxes payable	10c	964,467	125,890	1,011,150
Derivative liabilities	11	877,356	98,904	524,516
Advances from customers	14	7,982,117	7,108,326	11,687,784
Advance from a related party	27d	-	1,702,108	-
Accruals and provisions	15	5,160,277	9,065,304	5,717,899
Short term employee benefits		934,188	960,566	674,942
Bank overdraft	17a	1,160,593	3,782,088	-
TOTAL CURRENT LIABILITIES		43,800,708	48,773,850	41,490,879
NON-CURRENT LIABILITIES				
Deferred tax liability, net	10f	928,463	104,393	-
Provision for employee benefits	18	407,512	2,137,866	2,963,248
TOTAL NON-CURRENT LIABILITIES		1,335,975	2,242,259	2,963,248
TOTAL LIABILITIES		**45,136,683**	**51,016,109**	**44,454,127**

The accompanying notes form an integral part of these financial statements.

PT CG POWER SYSTEMS INDONESIA
STATEMENT OF FINANCIAL POSITION (continued)
As of March 31, 2016
(Expressed in United States dollars, unless otherwise stated)

	Notes	2016	2015 (as restated, Note 4)	April 1, 2014/ March 31, 2014 (as restated, Note 4)
EQUITY				
Share capital - authorised 20,000 shares (Series A 19,000, Series B 1,000); and fully paid 12,057 shares of Series A and 635 shares of Series B of USD1,000 or Rp1,853,000 per share	20	12,692,000	12,692,000	12,692,000
Hedging reserve	11	(814,588)	(181,611)	(599,623)
Other comprehensive income	21	(964,687)	(1,337,931)	(1,133,199)
Retained earnings				
Appropriated		2,538,400	2,538,400	2,538,400
Unappropriated		88,520,508	77,112,623	67,835,067
TOTAL EQUITY		101,971,633	90,823,481	81,332,645
TOTAL LIABILITIES AND EQUITY		**147,108,316**	**141,839,590**	**125,786,772**

The accompanying notes form an integral part of these financial statements.

PT CG POWER SYSTEMS INDONESIA
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Year Ended March 31, 2016
(Expressed in United States dollars, unless otherwise stated)

	Notes	2016	2015 (as restated, Note 4)
NET REVENUE	22	117,409,391	128,613,594
COST OF REVENUE	23	(93,386,557)	(102,177,465)
GROSS PROFIT		**24,022,834**	**26,436,129**
OPERATING EXPENSES:			
General and administration expenses	25	(6,547,733)	(7,116,617)
Selling and marketing expenses	24	(2,420,464)	(3,303,623)
Foreign exchange (loss)/gain, net		(337,051)	(2,629,675)
Other operating expenses, net	26	(473,518)	(732,392)
Total operating expenses		(9,778,766)	(13,782,307)
OPERATING PROFIT		**14,244,068**	**12,653,822**
OTHER INCOME:			
Interest income		1,484,534	513,126
Final tax on interest income		(908)	(906)
		1,483,626	512,220
Interest expense		(91,768)	(170,840)
Other Income, net		**1,391,858**	**341,380**
PROFIT BEFORE FINAL TAX AND CORPORATE INCOME TAX		**15,635,926**	**12,995,202**
FINAL TAX:			
Final tax from construction		(148,404)	(83,845)
PROFIT AFTER FINAL TAX BEFORE CORPORATE INCOME TAX		**15,487,522**	**12,911,357**
CORPORATE INCOME TAX:			
Current tax expense		(3,379,982)	(3,056,959)
Deferred tax expense		(699,655)	(576,842)
		(4,079,637)	(3,633,801)
PROFIT FOR THE YEAR		**11,407,885**	**9,277,556**
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified to profit or loss:			
Profit/(loss) on remeasurement of defined benefit plans		497,659	(272,976)
Income tax related to other comprehensive income		(124,415)	68,244
		373,244	(204,732)
Cash flow hedges	11	(632,977)	418,012
OTHER COMPREHENSIVE (LOSS)/INCOME		**(259,733)**	**213,280**
TOTAL COMPREHENSIVE INCOME		**11,148,152**	**9,490,836**

The accompanying notes form an integral part of these financial statements.

PT CG POWER SYSTEMS INDONESIA
STATEMENT OF CHANGES IN EQUITY
For the Year Ended March 31, 2016
(Expressed in United States dollars, unless otherwise stated)

				Retained Earning		
	Share capital	**Hedging Reserve**	**Other Reserves**	**Appropriated**	**Un-appropriated**	**Total Equity**
Balance as of March 31, 2014 (as restated, Note 4)	**12,692,000**	**(599,623)**	**(1,133,199)**	**2,538,400**	**67,835,067**	**81,332,645**
Profit for the year	-	-	-	-	9,277,556	9,277,556
Other comprehensive income/(loss) for the year	-	418,012	(204,732)	-	-	213,280
Balance as of March 31, 2015 (as restated, Note 4)	**12,692,000**	**(181,611)**	**(1,337,931)**	**2,538,400**	**77,112,623**	**90,823,481**
Profit for the year	-	-	-	-	11,407,885	11,407,885
Other comprehensive (loss)/income for the year	-	(632,977)	373,244	-	-	(259,733)
Balance as of March 31, 2016	**12,692,000**	**(814,588)**	**(964,687)**	**2,538,400**	**88,520,508**	**101,971,633**

The accompanying notes form an integral part of these financial statements.

PT CG POWER SYSTEMS INDONESIA
STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2016
(Expressed in United States dollars, unless otherwise stated)

	Notes	2016	2015 (as restated, Note 4)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before corporate income tax expense		15,635,926	12,995,202
Adjustments to reconcile profit before corporate income tax expense to net cash provided by/(used in) operating activities:			
Depreciation expense	12	1,820,618	1,667,263
Interest expense		91,768	170,840
Provision for employee benefits	18	928,543	810,826
Reversal for decline in value of inventory	8	(17,356)	(100,922)
Loss on disposal of fixed assets		10,464	48,997
Unrealized foreign exchange loss		1,474,954	1,289,607
Interest income		(1,483,626)	(512,220)
		18,461,291	16,369,593
Changes in operating assets and liabilities:			
Accounts receivables		(11,922,035)	1,148,739
Unbilled receivables		(656,176)	(6,206,555)
Costs and estimated earnings in excess of billings		2,512,687	(10,323,237)
Billings in excess of cost and estimated earnings		330,387	(2,134,031)
Inventories		3,321,497	(714,100)
Prepaid taxes		1,329,201	(587,201)
Derivatives, net		444,491	(400,729)
Other current assets		602,056	156,305
Estimated claim for refundable tax and tax assessments under appeal		(155,896)	(445,390)
Deposits		275,240	(247,598)
Accounts payable		(558,774)	5,170,674
Taxes payable		473,968	35,127
Advances from customers		873,791	(4,579,458)
Advances from a related party		(1,702,108)	1,702,108
Accruals and provisions		(3,905,027)	3,346,499
Short term employee benefit		(26,378)	285,624
Cash generated from operations		(8,763,076)	(13,793,223)
Corporate income tax paid		(3,062,933)	(5,187,913)
Employee benefit paid	18	(115,839)	(249,896)
Contribution to plan assets		(2,040,434)	(1,468,976)
Net cash provided by/(used in) operating activities		**4,479,009**	**(4,330,415)**

The accompanying notes form an integral part of these financial statements.

PT CG POWER SYSTEMS INDONESIA
STATEMENT OF CASH FLOWS (continued)
For the Year Ended March 31, 2016
(Expressed in United States dollars, unless otherwise stated)

	Notes	2016	2015 (as restated, Note 4)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisitions of fixed assets	12	(1,714,054)	(838,368)
Loans to related parties		(1,942,938)	(1,210,791)
Interest received		1,483,626	48,778
Proceeds from sale of fixed assets		1,721	82,546
Net cash used in investing activities		**(2,171,645)**	**(1,917,835)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Interest paid		(196,437)	(170,840)
(Decrease)/increase in bank overdraft		(2,621,495)	3,782,088
Net cash (used in)/provided by financing activities		**(2,817,932)**	**3,611,248**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(510,568)**	**(2,637,002)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,383,888	4,020,890
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	**873,320**	**1,383,888**

The accompanying notes form an integral part of these financial statements.

(Expressed in United States dollars, unless otherwise stated)

1. GENERAL

PT CG Power Systems Indonesia, (the “Company”), was established under the name of PT Pauwels Trafo Asia within the framework of the Foreign Investment Law No. 1 of 1967 as amended by law No. 11 of 1970 based on Notarial Deed No. 47 of Irawati Marzuki Arifin, S.H., dated November 20, 1990. The Deed of Establishment was approved by the Minister of Justice of the Republic of Indonesia in Decision Letter No. C2-181O.HT.01.92 dated February 25, 1992.

The Company's Articles of Association have been amended several times, most recently by Notarial Deed No. 148 of Sutjipto, SH., M.Kn. dated August 25, 2011, to approve the appointment of the Company’s Board of Commissioners and Directors for a period of five years. This change was approved by the Minister of Law and Human Rights of the Republic of Indonesia in Decision Letter No. AHU-AH.01.10-31715 dated October 4, 2011.

The Company started commercial operations in March 1993. The Company engages in the manufacturing, marketing and maintenance of power transformers and sells its products to domestic and international markets, including Australia, New Zealand, Saudi Arabia, Africa, North America and Southeast Asia. The Company also engages in the field of engineering, procurement and construction service in relation with the electricity transformers. The Company’s plant and head office are located in Cileungsi, Bogor, West Java.

As at March 31, 2016, the Company has 483 permanent employees (2015: 453 permanent employees) (unaudited).

The composition of the Board of Commissioners and Board of Directors as of March 31, 2016 and 2015 are as follows:

	2016	**2015**
President Commissioner	Mr. Jean-Michel Aubertin	Mr. Jean-Michel Aubertin
Commissioners	Mr. Venkatesh Vaidyanathapuram Ramamoorthy	Mr. Trilochan Sar
	Mr. Syahril Anwar	Mr. Syahril Anwar
President Director	Mr. Jan Prins	Mr. Jan Prins
Directors	Mr. Abhaya Bhushan Chatterjee	Mr. Abhaya Bhushan Chatterjee
	Mr. Hukumchand Lakhotiya	Mr. Paolo Ruggero Damiani

Based on Notarial Deed No. 1 of Aryanti Artisari, S.H., M. Kn., dated January 6, 2016, which was acknowledged by the Minister of Justice and Human Rights through his letter No. AHU-AH.01.03-0000672 dated January 6, 2016, Mr. Trilochan Sar resigned as commissioner and replaced by Mr. Venkatesh Vaidyanathapuram Ramamoorthy. In addition, Mr. Paolo Ruggero Damiani resigned as director and replaced by Mr. Hukumchand Lakhotiya.

The financial statements were completed and authorized for issuance by the Company’s management on April 22, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation of The Financial Statements

The financial statements have been prepared in accordance with Indonesian Financial Accounting Standards (“SAK”), which comprise of the Statements of Financial Accounting Standards (“PSAK”) and the Interpretations Financial Accounting Standards (“ISAK”) issued by the Financial Accounting Standards Board of the Indonesian Institute of Accountants.

The financial statements have been prepared using the accrual basis, and the measurement basis used is historical cost, except for certain accounts which are measured on the basis as described in the related accounting policies.

The statement of cash flow is prepared based on the indirect method by classifying cash flows on the basis of operating, investing and financing activities using the indirect method.

The Company's financial statements are presented in US Dollars which is the functional currency of the Company.

The financial reporting period of the Company is April 1 - March 31.

b. Foreign Currency Transactions and Balances

Transaction in foreign currencies are initially recorded by the Company at their respective functional currency rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at rates of exchange at the reporting date.

The exchange rates used as of March 31, 2016 and 2015 are as follows (in full amount):

	2016	2015
Rupiah/US Dollar 1	13,266	13,080
New Zealand Dollar/US Dollar 1	0.69	0.75
Euro/US Dollar 1	1.14	1.07
Singapore Dollar/US Dollar 1	0.74	0.73
Australian Dollar/US Dollar 1	0.77	0.76
Great Britain Poundsterling/US Dollar 1	1.44	1.48
Swedian Kroner/US Dollar 1	0.12	0.12
France Swiss/US Dollar 1	1.04	1.03

c. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and in banks, short-term deposits with original maturities of three months or less, at the time of placements and not restricted as to use.

d. Accounts Receivable

Accounts receivable are stated at original invoice amount less an allowance for impairment. The accounting policy for allowance for impairment as of March 31, 2016 and 2015 is described in Note 2e.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Financial Instruments

a. Financial Assets

Initial recognition and measurement

Financial assets within the scope of PSAK No. 55 (Revised 2014) are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Company determine the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluate this designation at each financial year-end.

When financial assets are initially recognized, they are measured at fair value, plus, in the case of financial assets not at fair value through statement of profit or loss and other comprehensive income, directly attributable transaction costs.

The Company's financial assets include cash and cash equivalents, trade receivable, unbilled receivable, other receivables and loans to related parties which fall under the loans and receivables category.

The Company's financial assets also consist of derivative assets which are classified under financial assets at fair value through profit or loss.

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in the statement of profit or loss and other comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Derivative assets are subsequently measured at fair value (Note 2f).

Derecognition

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when: (1) the rights to receive cash flows from the asset have expired; or (2) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of Financial Assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Financial Instruments (continued)

a. Financial Assets (continued)

Impairment of Financial Assets (continued)

Assets carried at amortized cost

The Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The Company assesses whether objective evidence of impairment exists collectively. If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognized in the statement of profit or loss and other comprehensive income.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount has been charged to the allowance account, the amounts charged are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date. The amount of reversal is recognized in the statement of profit or loss and other comprehensive income.

b. Financial Liabilities

Initial recognition and measurement

Financial liabilities within the scope of PSAK No. 55 (Revised 2014) are classified as financial liabilities at fair value through profit and loss, financial liabilities measured at amortized cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determined the classification of its financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

The Company’s financial liabilities include accounts payable, accruals and short-term loans which are classified under financial liabilities measured at amortized cost.

Derivative liabilities are classified under financial liabilities at fair value through profit and loss. Derivative liabilities are subsequently measured at fair value (Note 2e).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Financial Instruments (continued)

b. Financial Liabilities (continued)

Subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest method, except for derivatives, which are measured at fair value, unless the effect of discounting would be immaterial, in which case they are stated at cost.

For financial liabilities other than derivatives, gains and losses are recognized in the statement of profit or loss and other comprehensive income when the liabilities are derecognized and through the amortization process. Any gains or losses arising from changes in fair value of derivatives are recognized in the statement of profit or loss and other comprehensive income. Net gains or losses on derivatives include exchange differences

Derecognition

A financial liability is derecognized when the obligation specified in the contract is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss and other comprehensive income.

c. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount are reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

d. Fair Value of Financial Instruments

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business at the end of the reporting period. For financial instruments where there is no active market, fair value is determined using valuation techniques permitted by PSAK No. 55 (Revised 2014), such techniques may include using recent arm’s length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis; or other valuation models.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Derivative Financial Instruments and Hedge Accounting

Derivatives are initially recognized at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged The Company designates derivatives as hedges of a particular risk associated with a recognized asset of liability or a highly probable forecast transaction (cash flow hedge).

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the profit or loss within foreign exchange gain/(loss) - net.

Amounts accumulated in equity are recycled in the profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit or loss within foreign exchange gain/(loss) - net.

Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognized immediately in the profit or loss.

g. Related Parties Transactions

The Company conducts transactions with related parties. The definition of related party is in accordance with “PSAK” No. 7 (Revised 2010), “Related Party Disclosures”.

All material transactions with related parties are disclosed in the notes to the Company’s financial statements.

The nature and extent of transactions with related parties are described in Note 27.

h. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined based on the moving average method and includes an appropriate proportion of directly attributable fixed and variable overheads. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

Allowance for decline in value of inventory is determined on the basis of estimated future usage or sale of individual inventory items.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses. Such cost includes the cost of replacing part of the fixed assets when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the fixed assets as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs that do not meet the recognition criteria are recognized in the statement of profit or loss and other comprehensive income as incurred.

Depreciation is computed using the straight-line or double-declining balance methods based on the estimated useful lives or depreciation rates of the assets as follows:

	Years
Straight-line:	
Buildings	25
Machinery and equipment	10 - 20
	Rates
Double declining-balance:	
Transportation equipment	50%
Office furniture, fixtures and equipment	25%

Land is stated at cost and is not depreciated.

An item of fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income in the period the asset is derecognized.

The residual values, useful lives and methods of depreciation of fixed assets are reviewed, and adjusted prospectively if appropriate, at each financial year end.

Construction in progress represents the accumulated costs of materials and other relevant costs up to the date when the asset is complete and ready for use. These costs are reclassified to the respective fixed asset accounts when the asset has been made ready for use.

When the carrying amount of an asset exceeds its estimated recoverable amount, the asset is written down to its estimated recoverable amount, which is determined as the higher of the net selling price or value in use.

j. Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date and whether the fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset. Leases that transfer to the lessee substantially all of the risks and rewards incidental to ownership of the leased item are classified as finance leases. Leases which do not transfer substantially all of the risks and rewards incidental to ownership of the leased item are classified as operating leases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Leases (continued)

The Company as a lessee

i) Under a finance lease, the Company is required to recognize assets and liabilities in its statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Minimum lease payments are required to be apportioned between finance charges and the reduction of the outstanding liability. The finance charges are required to be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are required to be charged as expenses in the periods in which they are incurred. Finance charges are reflected in the financial statement of profit or loss and other comprehensive income. Capitalized leased assets (presented are part of fixed assets) are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership of the asset by the end of the lease term.

ii) Under an operating lease, the related lease payments are recognized in statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

k. Impairment of Non-Financial Assets

The Company assess at each annual reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset (i.e. an intangible asset with an indefinite useful life, or goodwill acquired in a business combination) is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or Cash Generating Unit (CGU)'s fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognized in statement of profit or loss and other comprehensive income as "impairment losses". In assessing the value in use, the estimated net future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used to determine the fair value of the assets. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations, if any, are recognized as profit or loss under expense categories that are consistent with the functions of the impaired assets.

l. Trade and Other Payables

Trade and other payables are obligation to pay for goods or services that have been acquired in the ordinary course of business from suppliers. The accounting policy for trade and other payables as of March 31, 2016 and 2015 is described in Note 2e.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Provision

Provisions are recognized when the Company has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

n. Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares (if any) are shown in equity as a deduction, net of tax, from the proceeds.

o. Project work in progress, Revenue and Expense Recognition

Revenue from the sale of products is recognised when all significant risks and rewards of ownership have been transferred to the customers, net of returns, discounts, sales incentives and value added tax.

Revenue from construction contract is accounted for using the percentage of completion basis, after management's assessment of each individual contract. Stage of completion is measured by reference to costs incurred to date as a percentage of total contract cost. All foreseeable losses are recognised as soon as they are apparent. Project work in progress is valued with reference to cost plus profit recognised to date.

Expenses are recognised when they are incurred (accrual basis).

Contract cost includes direct labour and overheads that relate to specific contracts, and the appropriate portion of those costs which can be attributed to contract activity in general and which can be allocated on a reasonable basis. Amounts provided for losses on contracts and progress billings, are deducted from the amount of the project cost at valuation.

Revenue in excess of the amount billed is recorded as an asset, in project work in progress. Progress billing in excess of revenue is recorded as a liability, in advance from customers.

p. Corporate Income Tax

Effective on January 1, 2015, the Company applied PSAK No. 46 (Revised 2014), "Income Taxes". The revised PSAK prescribes the accounting treatment for income taxes.

Final Tax

Tax regulation in Indonesia determined that certain taxable income is subject to final tax. Final tax applied to the gross value of transactions is applied even when the parties carrying the transaction recognizing losses.

Referring to revised PSAK No. 46 as mentioned above, final tax is no longer governed by PSAK No. 46. Therefore, the Company has decided to present all of the final tax arising from office rent revenue and interest income which subject to final tax as separate line item.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p. Corporate Income Tax (continued)

Current Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authority.

Current tax expense is determined based on the taxable profit for the year computed using the prevailing tax rates.

Underpayment/overpayment of income tax are presented as part of "Tax Expense - Current" in the statement of profit or loss and other comprehensive income. The Company also presented interest/penalty, if any, as part of "Tax Expense - Current".

Amendments to taxation obligation are recorded when an assessment is received or, if appeal is applied, when the results of the appeal are received. The additional taxes and penalty imposed through Tax Assessment Letter ("SKP") are recognized as income or expense in the current period profit or loss, unless objection/appeal action is taken. The additional taxes and penalty imposed through SKP are deferred as long as they meet the asset recognition criteria.

Deferred Tax

Deferred tax assets and liabilities are recognized using the liability method for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the financial statements and their respective tax bases at each reporting date. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences and accumulated fiscal losses to the extent that it is probable that taxable profit will be available in future years against which the deductible temporary differences and accumulated fiscal losses can be utilized.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or that entire deferred tax asset to be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes previously unrecognized deferred tax assets to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted at the reporting date. Changes in the carrying amount of deferred tax assets and liabilities due to a change in tax rates are charged to current period operations, except to the extent that they relate to items previously charged or credited to equity.

Deferred tax assets and liabilities are offset in the statement of financial position, except if they are for different legal entities, consistent with the presentation of current tax assets and liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Provision for Employee Benefits

<u>Short-term employee benefits</u>

Short-term employee benefits are recognised when they accrue to the employees.

<u>Pension benefits and other post-employment benefits</u>

The Company made long-term employee benefits liabilities in order to meet and cover the minimum benefits required to be paid to the qualified employees under Labor Law No. 13/2003 (the “Labor Law”). The liabilities are estimated using actuarial calculations using the “Projected Unit Credit” method.

The Company recognized all actuarial gains and losses as other reserve (other comprehensive income method) in the period in which they arise. Past service costs are directly charged to profit or loss.

The Company also provides other post-employment termination, which is separation pay. The separation pay benefit is paid to employees in the case of voluntary resignation, subject to a minimum number of years of service. This benefit has been accounted for using the same methodology as for the defined benefit pension plan.

<u>Other long-term benefits</u>

The Company also provides other long-term employee benefits as per collective labor agreement such as long service leave and jubilee awards. Entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans, but in a simplified form. These obligations are valued annually by independent qualified actuary.

r. Segment Information

A segment is a distinguishable component of the Company that is engaged either in providing certain products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those in other segments.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. They are determined before intra-group balances and intra-group transactions are eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s. New and Revised Accounting Standards that have been Published but not yet Effective

The following are several issued accounting standards by DSAK that are considered relevant to the financial reporting of the Company but not yet effective for as of March 31, 2016 financial statements:

Effective on or after the date of January 1, 2016:

- PSAK 16 Amendment: Property, Plant and Equipment - Clarification of the accepted method for depreciation and amortization.
- PSAK 24 Amendment: Employee Benefits - Defined benefit plans: employee contributions.
- PSAK 7 (2015 improvement), Related Party Disclosures.
- PSAK 16 (2015 improvement), Property, Plant and Equipment.
- PSAK 25 (2015 improvement), Accounting Policies, Changes in Accounting Estimates and Errors.
- PSAK 68 (2015 improvement), Fair value Measurement.

Effective on or after the date of January 1, 2017:

- PSAK 1 Amendment: Presentation of Financial Statements - Disclosures initiative.

3. SOURCE OF ESTIMATION UNCERTAINTY

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset and liability affected in future periods.

Judgments

The following judgments are made by management in the process of applying the Company's 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 determined the classifications of certain assets and liabilities as financial assets and financial liabilities by judging if they meet the definition set forth in PSAK No. 55 (Revised 2014). Accordingly, the financial assets and financial liabilities are accounted for in accordance with the Company and accounting policies disclosed in Note 2e.

Determination of Functional Currency

Functional currency of the Company is the currency of the primary economic environment in which the Company operates. The functional currency is a currency that affects the revenues and expenses of the services rendered. The Company determined that its functional currency is US Dollar.

3. SOURCE OF ESTIMATION UNCERTAINTY (continued)

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 when they occur.

Employee Benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Company determines the appropriate discount rate at the end of each reporting period. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 18.

Revenue Recognition

The Company uses the percentage of completion method in accounting for its fixed price contracts to deliver construction services. The use of percentage of completion method requires the Company to estimate the services performed to date as a proportion of the total services to be performed.

Warranty

The Company provide guarantee that their product is reliable and free from known defects and that the Company will, without charge, repair or replace defective parts within 24 months and under certain conditions. Based on past experience, the Company believes that the actual warranty will not exceed 0.5% of the actual sales for the last 24 months. The Company has, therefore, recognized provision for warranty and recorded as a cost of sales.

Penalty on Late Delivery

Based on the sales agreement with the customer, the Company provide guarantee that they are reliable to provide and install the goods in their customer’s premises in the date stipulated in the contracts. Failure to provide on the agreed date will resulted on penalty as per mentioned in the contract. The Company has, therefore, recognized provision for penalty on late delivery based on further review over the actual recognized delivery date and the date in contract.

3. SOURCE OF ESTIMATION UNCERTAINTY (continued)

Estimates and Assumptions (continued)

Depreciation of Fixed Assets

Management determines the estimated useful lives and related depreciation charges for the fixed assets. Management will revise the depreciation charge where useful lives are different to those previously estimated, or it will write off or write down technically obsolete assets or non-strategic assets that have been abandoned or sold. Further details are disclosed in Note 12.

Income Tax

Significant judgment is involved in determining the 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 recognized liabilities for corporate income tax issues based on estimates of whether additional corporate income tax will be due.

Uncertain Tax Exposure

In certain circumstances, the Company may not be able to determine the exact amount of its current or future tax liabilities due to ongoing investigations by the taxation authority. Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income.

In determining the amount to be recognized in respect of an uncertain tax liability, the Company applies similar considerations as it would use in determining the amount of a provision to be recognized in accordance with PSAK No. 57, “Provisions, Contingent Liabilities and Contingent Assets”. The Company makes an analysis of all tax positions related to income taxes to determine whether a tax liability on unrecognized tax benefit should be recognized.

Deferred Tax Assets

Deferred tax assets are recognized for all deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences. Significant management estimates are required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of the future taxable profits together with future tax planning strategies.

Allowance for Decline in Value of Inventories

Allowance for declining value of inventories is estimated based on the best available facts and circumstances, including but not limited to, the inventories’ own physical conditions, their market selling prices, estimated costs of completion and estimated costs to sell. The allowance are re-evaluated and adjusted as additional information received affects the amount estimated. The carrying amounts of the Company’s inventories before allowance for declining value of inventories are disclosed in Note 8.

Fair Value of Financial Instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(Expressed in United States dollars, unless otherwise stated)

4. RESTATEMENTS AND RECLASSIFICATION OF MARCH 31, 2015 and 2014 FINANCIAL STATEMENTS

The Company restated the financial statements as of March 31, 2015 and April 1, 2014/March 31, 2014, due to the retrospective application of PSAK No. 24, “Employee Benefits” effective since January 1, 2015 (Note 2q). In addition, certain comparative figures as of 2014 have been reclassified to conform to the 2015 financial statement presentation.

Summary of amounts previously reported, the adjustments and reclassifications and the restated and reclassified amounts is as follows:

a. The Company's statements of financial position as of April 1, 2014/March 31, 2014, has been restated and reclassified as follows:

	As previously reported	Adjustments	Reclassification	As restated/ as reclassified
Statement of financial Position				
NON-CURRENT ASSETS				
Deferred tax assets, net	26,472	377,733	-	404,205
NON-CURRENT LIABILITIES				
Employee benefit liabilities	(1,586,292)	(1,376,956)	-	(2,963,248)
EQUITY				
Other comprehensive income	-	(1,133,199)	-	(1,133,199)
Retained earnings	(70,239,491)	(133,976)	-	(70,373,467)

b. The Company's statement of financial position as of March 31, 2015 and statement of profit or loss and other comprehensive income for the year ended March 31, 2015, has been restated and reclassified as follows:

	As previously reported	Adjustments	Reclassification	As restated/ as reclassified
Statement of financial position				
NON-CURRENT ASSETS				
Deferred tax liabilities, net	(527,547)	423,154	-	(104,393)
NON-CURRENT LIABILITIES				
Employee benefit liabilities	(579,227)	(1,558,639)	-	(2,137,866)
EQUITY				
Other comprehensive income	-	(1,337,931)	-	(1,337,931)
Retained earnings	(79,448,577)	(202,446)	-	(79,651,023)

	As previously reported	Adjustments	Reclassification	As restated/ as reclassified
Statement of profit or loss and other comprehensive income				
General and administrative expenses	7,225,426	(108,809)	-	7,116,617
Final tax on interest income	-	-	906	906
Final tax from construction	-	-	83,845	83,845
Loss on Foreign Exchange	-	17,517	-	17,517
Corporate income tax expense, net	3,695,729	66,557	(84,751)	3,677,535
Other Comprehensive Income				
Remeasurement profit on defined benefit plan	-	272,976	-	272,976
The related deferred tax expense	-	(68,244)	-	(68,244)

(Expressed in United States dollars, unless otherwise stated)

5. CASH AND CASH EQUIVALENTS

	2016	2015
Cash on hand	8,712	11,298
Cash in banks:		
U.S. Dollar accounts	242,316	625,154
New Zealand Dollar accounts	55,667	620,760
Australian Dollar accounts	70,701	74,380
Indonesian Rupiah accounts	481,205	46,561
European Euro accounts	14,719	5,735
	873,320	**1,383,888**

6. ACCOUNTS RECEIVABLES, NET

	2016	2015
Third parties	36,011,945	24,533,610
Related party (Note 27a)	33,398	50,184
Total	**36,045,343**	**24,583,794**

As of March 31, 2016 and 2015, management believes that all receivable are collectible and a provision for impairment is not considered necessary. Management also believes that there are no significant concentrations of credit risk in trade receivables.

7. COSTS AND ESTIMATED EARNINGS IN EXCESS OF BILLINGS, NET

	2016	2015
Contract costs incurred	36,650,111	54,064,765
Estimated earnings	5,358,154	9,026,922
	42,008,265	63,091,687
Less: progress billings	(34,197,715)	(52,768,450)
	7,810,550	**10,323,237**

(Expressed in United States dollars, unless otherwise stated)

8. INVENTORIES, NET

	2016	2015
Project work in process	7,658,868	10,720,238
Raw materials	3,403,128	5,278,156
Materials in transit	919,616	275,768
	11,981,612	16,274,162
Allowance for decline in value of inventory	(189,317)	(206,673)
Total Inventories	**11,792,295**	**16,067,489**

Changes in the allowance for decline in value of inventory are as follows:

	2016	2015
Beginning balance	(206,673)	(307,595)
Reversal allowance for decline in value of inventory	17,356	100,922
Ending balance	**(189,317)**	**(206,673)**

At year end management believes that the provision for decline in value of inventories is adequate to cover possible losses due to the slow moving inventories.

9. OTHER CURRENT ASSETS

	2016	2015
Advances for purchase of raw materials	1,887,400	1,323,083
Prepayments:		
Prepaid rentals	172,276	194,164
Prepaid insurance	38,290	107,794
Others	23,439	127,009
	2,121,405	1,752,050
Other receivables	-	358
	2,121,405	**1,752,408**

10. TAXATION

a. Prepaid taxes

	2016	2015
Value added tax	**1,056,187**	**2,385,388**

(Expressed in United States dollars, unless otherwise stated)

10. TAXATION (continued)

b. Estimated claims of refundable taxes

	2016	2015
Refundable corporate income tax 2015	1,435,426	1,388,773
Refundable corporate income tax 2011	440,009	440,009
Value added tax - fiscal year:		
- 2016	1,559,487	-
- 2015	4,859,580	912,356
- 2014	373,764	5,791,926
- 2013	605,450	593,860
- 2012	444,005	431,076
	9,717,721	**9,558,000**

Corporate Income Tax

Year	Date of tax assessments	Total (underpayment) /overpayment paid	Status as of March 31, 2016
2015	-	US$1,435,426	Waiting for tax examination process.
2011	April 25, 2013	US$440,009	Tax appeal process. Up to the completion date of financial statements, the Tax Court has not yet issued any decision on such appeal letters.

Value Added Tax (VAT)

Tax period	Date of tax assessments	Total (underpayment) /overpayment paid	Status as of March 31, 2016
January - February 2016	-	US$1,559,487	Waiting for tax examination process.
March - December 2015	March 28, 2016	US$4,859,580	The Company received tax assessments from the Directorate General of Taxation ("DGT") on February 25, 2016 reflecting overpayment of VAT for period January and February 2015 amounted to US$897,760 and received the refund for VAT January - February 2015 on March 28, 2016. The Company accepted tax assessments for VAT period January and February 2015. For VAT period March - December is being audited by the Directorate General of Taxation ("DGT").

(Expressed in United States dollars, unless otherwise stated)

10. TAXATION (continued).

b. Estimated claims of refundable taxes (continued)

Value Added Tax (VAT) (continued)

Tax period	Date of tax assessments	Total (underpayment) /overpayment paid	Status as of March 31, 2016
January - December 2014	January 19 and May 21, 2015	-	The Company received tax assessments from the Directorate General of Taxation ("DGT") on January 19, May 21, 2015 reflecting overpayment of VAT for period January - December 2014 amounted to US$5,838,809 and received the refund for VAT January - December 2014 on February 5, May 20 2015 and January 5, 2016. The Company accepted tax assessments for VAT period January - December 2015.
January - June and August - December 2014	January 19 and May 21, 2015	(US$373,764)	The Company received Tax Collection Letter for VAT period January - June and August - December on January 19, May 21, 2015 amounted to US$373,764. The Company is requesting cancellation or reduction of the Tax Collection Letter period January - June and August - December 2014 to the DGT on October 26, 2015. Up to the completion date of financial statements, the DGT has not yet issued its decision.
Total 2014		**(US$373,764)**	
January - Agustus and October - December 2013	March 10, September 26 and November 10 2014	(US$605,450)	The DGT issued decision letters which rejected the objection letters for Tax Collection Letters VAT period January - August and December 2013 on December 14, 2015. The Company has filed a lawsuit against the decision of the DGT to the Tax Court for the Tax Collection Letter period January - August and October -December 2013 on January 13, 2015 and January 5, 2016. On April 18, 2016, the Company filed appeal letters to the Tax Court for tax assessments VAT for period October 2013. Up to the completion date of financial statements, the Tax Court has not yet issued its decision.
Total 2013		**(US$605,450)**	

(Expressed in United States dollars, unless otherwise stated)

10. TAXATION (continued).

b. Estimated claims of refundable taxes (continued)

Value Added Tax (VAT) (continued)

Tax period	Date of tax assessments	Total (underpayment/ overpayment paid	Status as of March 31, 2016
July - December 2012	January 20 and December 16, 2014	(US$62,372)	The DGT issued decision letters which rejected the objection letters for VAT period July - December 2012 on March 1, 2016. On April 18, 2016, the Company filed appeal letters to the Tax Court for VAT period July - December 2012. Up to the completion date of the financial statements, the Tax Court has not yet issued final decision on the Company's appeals.
July- December 2012	January 14, 2015	(US$381,633)	The Company has filed a lawsuit against the decision of the DGT to the Tax Court for the Tax Collection Letter period July - December 2012 on February 10, 2015. Up to the completion date of financial statements, the DGT and the Tax Court have not yet issued its decision.
Total 2012		**(US$444,005)**	

c. Taxes payable

	2016	2015
Corporate income tax payable	364,609	-
Value added tax	238,956	-
Final tax	233,156	83,845
Withholding income tax Articles 23 and 26	78,842	41,517
Employee income tax Article 21	48,904	528
	964,467	**125,890**

d. Reconciliation of corporate income tax

The reconciliation between income before corporate income tax expense multiplied by the tax rate of 25% and income tax expense are presented below:

	2016	2015 (as restated, Note 4)
Income before corporate income tax expense	15,487,522	12,911,357
Tax on income at the statutory rate of 25%	3,871,881	3,227,839
Net permanent difference	255,316	271,490
Over/under provision of corporate income tax	(47,560)	134,472
Corporate income tax expense	**4,079,637**	**3,633,801**

(Expressed in United States dollars, unless otherwise stated)

10. TAXATION (continued).

e. Components of corporate income tax expense

	2016	2015 (as restated, Note 4)
Current tax expense	3,427,542	2,922,487
Over provision of 2015 corporate income tax	(47,560)	-
Under provision of 2014 corporate income tax	-	227,900
Over provision of 2012 corporate income tax	-	(93,428)
Deferred tax expense relating to the origination and reversal of temporary differences	699,655	576,842
Total corporate income tax expense	**4,079,637**	**3,633,801**

f. Deferred tax assets and liabilities

	2016	2015 (as restated, Note 4)	April 1, 2014/ March 31, 2014 (as restated, Note 4)
Deferred tax assets:			
Provision for warranty	325,754	328,154	302,102
Provision for late delivery	100,879	252,612	413,524
Provision for commission	9,819	245,557	185,561
Provision for bonus	233,547	240,142	168,735
Provision for employee benefits	135,372	567,960	774,306
Allowance for decline in value of inventory	47,329	51,668	76,899
	852,700	1,686,093	1,921,127
Deferred tax liability:			
Fixed assets	(1,781,163)	(1,790,486)	(1,516,922)
Deferred tax (liability)/assets, net	**(928,463)**	**(104,393)**	**404,205**

The utilization of deferred tax assets recognized by the Company is dependent upon future taxable income in excess of income arising from the reversal of existing taxable temporary differences. The Company's management believes that the deferred tax assets can be utilized in the future.

g. Analysis of changes in deferred tax assets and liability

	2016	2015 (as restated, Note 4)
Deferred tax assets - beginning balance	(104,393)	404,205
Deferred tax benefit for the year	(699,655)	(576,842)
Deferred tax (benefit)/expense recognized in other comprehensive income	(124,415)	68,244
Deferred tax assets - ending balance	**(928,463)**	**(104,393)**

(Expressed in United States dollars, unless otherwise stated)

10. TAXATION (continued).

h. Administration

Under the taxation laws of Indonesia, the Company submits tax returns on the basis of self assessment. Based on taxation laws, the DGT may assess or amend taxes within five years from the date the tax becomes due.

11. DERIVATIVE ASSETS AND LIABILITIES

	2016		2015	
	Derivative assets	Derivative liabilities	Derivative assets	Derivative Liabilities
Designated as cash flow hedges	94,113	(868,734)	393,129	(607,083)
Not qualifying as hedges	-	(8,622)	-	508,179
	94,113	**(877,356)**	**393,129**	**(98,904)**

The fair value of derivative liabilities have been determined using rates quoted by the Company's bankers at the reporting date which are calculated by reference to the market interest rates and foreign exchange rates.

The Company entered into forward exchange and commodity contracts to manage its exposure to the variability of cash flows, primarily related to future sales and purchases of inventories denominated in foreign currencies over the next 12 months. As of March 31, 2016, the Company had an outstanding forward foreign exchange contracts with a notional amount of Malaysia Ringgit (MYR) 13,344,428, and Euro (EUR) 4,518,328 (2015: Malaysia Ringgit (MYR) 29,138,296, American Dollar (USD) 6,718,782, New Zealand Dollar (NZD) 619,567, and Euro (EUR) 112,000).

As of March 31, 2016, the balance of deferred net loss on derivatives of US$814,588 (2015: net loss of US$181,611) incurred from changes in the fair value of forward foreign exchange and commodity contracts that are highly effective, has been recognized in hedging reserve. The Company expects that substantially all of this amount will be credited into the profit or loss within 12 months from the reporting date.

12. FIXED ASSETS

Movements in 2016

	Balance March 31, 2015	Additions	Deductions	Transfers/ Reclassification	Balance March 31, 2016
Cost:					
Land	925,812	-	-	-	925,812
Buildings	8,989,725	-	-	-	8,989,725
Machinery and equipment	23,742,648	1,595,055	(856,057)	7,050	24,488,696
Transportation equipment	55,063	-	-	-	55,063
Office furniture, fixtures and equipment	2,141,242	75,088	(129,465)	-	2,086,865
Assets under construction	-	43,911	-	(7,050)	36,861
	35,854,490	1,714,054	(985,522)	-	36,583,022

(Expressed in United States dollars, unless otherwise stated)

12. FIXED ASSETS (continued)

Movements in 2016 (continued)

	Balance March 31, 2014	Additions	Deductions	Transfers/ Reclassification	Balance March 31, 2015
Accumulated depreciation:					
Buildings	5,376,638	372,544	-	-	5,749,182
Machinery and equipment	13,481,438	1,315,313	(855,849)	-	13,940,902
Transportation equipment	53,791	636	-	-	54,427
Office furniture, fixtures and equipment	1,652,139	132,125	(117,488)	-	1,666,776
	20,564,006	1,820,618	(973,337)	-	21,411,287
Net book value	**15,290,484**				**15,171,735**

Movements in 2015

	Balance March 31, 2014	Additions	Deductions	Transfers/ Reclassification	Balance March 31, 2015
Cost:					
Land	925,812	-	-	-	925,812
Buildings	8,804,234	39,443	-	146,048	8,989,725
Machinery and equipment	24,196,753	594,238	(1,112,563)	64,220	23,742,648
Transportation equipment	55,063	-	-	-	55,063
Office furniture, fixtures and equipment	2,154,293	83,506	(133,507)	36,950	2,141,242
Assets under construction	126,037	121,181	-	(247,218)	-
	36,262,192	838,368	(1,246,070)	-	35,854,490
Accumulated depreciation:					
Buildings	4,986,176	390,462	-	-	5,376,638
Machinery and equipment	13,378,209	1,115,663	(1,012,434)	-	13,481,438
Transportation equipment	52,520	1,271	-	-	53,791
Office furniture, fixtures and equipment	1,594,365	159,867	(102,093)	-	1,652,139
	20,011,270	1,667,263	(1,114,527)	-	20,564,006
Net book value	**16,250,922**				**15,290,484**

As of March 31, 2016, assets under construction mainly represent construction of installation of hydraulic cylinder for pressing and lifting accessories and spare part of capacitor bank for replace the broken capacitor.

Depreciation in 2016 and 2015 were charged to the following accounts:

	2016	2015
Cost of revenue (Note 23)	1,703,303	1,527,910
General and administrative expenses (Note 25)	103,708	123,532
Selling expenses (Note 24)	13,607	15,821
	1,820,618	**1,667,263**

(Expressed in United States dollars, unless otherwise stated)

13. ACCOUNTS PAYABLE

	2016	2015
Trade payables:		
Third parties	26,004,324	24,059,610
Related parties (Note 27b)	386,999	1,871,054
	26,391,323	**25,930,664**

Trade payables and other payables are non-interest bearing and are normally settled on terms ranged between 30 to 90 days.

For explanations on the Company's liquidity risk management processes, refer to Note 28.

14. ADVANCES FROM CUSTOMERS

	2016	2015
Advances from customers	**7,982,117**	**7,108,326**

This account represents advances from customers in relation to the sales of power transformer units.

15. ACCRUALS AND PROVISIONS

	2016	2015
Accrued material cost	2,299,394	4,646,651
Provision warranty	1,303,017	1,312,616
Provision late delivery charges	403,517	1,010,446
Provision commission	39,277	982,223
Accrued freight charges	397,837	486,203
Others	717,235	627,165
	5,160,277	**9,065,304**

16. BILLINGS IN EXCESS OF COSTS AND ESTIMATED EARNINGS, NET

	2016	2015
Contract costs incurred	658,081	-
Estimated earnings	-	-
	658,081	-
Less: progress billings	(988,468)	-
	(330,387)	**-**

(Expressed in United States dollars, unless otherwise stated)

17. BANK OVERDRAFT

a. Bank Overdraft

	2016	2015
Standard Chartered Bank ("SCB")	1,160,593	1,469,004
ANZ Bank Indonesia ("ANZ")	-	1,681,282
Hongkong and Shanghai Banking Corporation ("HSBC")	-	631,802
	1,160,593	**3,782,088**

The Company obtained banking facilities from SCB based on banking facilities agreement dated May 16, 2005, with combine limit of US$6,500,000. The agreement has been amended several times, the latest was on July 3, 2014 to increase limit facility up to US$10,000,000 and extend the loan facility until further amendment. This banking facilities include short term loan facility, bank overdraft facility, import Letter of Credit facilities, shipping guarantee facility, import invoice financing facility, export invoice financing facility and credit bill negotiated discrepant facility.

On April 20, 2012, the Company obtained banking facilities from HSBC with combined limit facilities of US$8,000,000. The agreement has been amended on April 23, 2013 to extend the loan facility until March 31, 2015. This banking facilities includes bank overdraft, revolving loan, import facility, domestic receivable financing and bank guarantee facility. In 2016, the Company terminated the agreement.

The Company obtained banking facilities from ANZ based on banking facilities agreement dated October 9, 2007, with combine limit of US$6,500,000. The agreement has been amended several times, the latest on June 4, 2014 to extend the loan facility until May 31, 2016. This banking facilities include bank overdraft facility, import Letter of Credit facilities. Shipping guarantee facility, import invoice financing facility, export invoice financing facility and credit bill negotiated discrepant facility.

The Company obtained banking facilities from UOB based on banking facilities agreement dated May 21, 2015, with combine limit of US$10,000,000. This banking facilities includes Letter of Credit Facility, Trust Receipt Facility, Clean Trust Receipt Facility, and Bank Guarantee Facility.

b. Summary of Fund and Non-Fund Banking Facilities

Standard Chartered Bank

	2016	2015
Total Credit Facilities	10,000,000	10,000,000
Utilization:		
Bank Guarantee	(3,500,354)	(5,936,108)
Letter of Credit	(1,450,134)	(807,828)
Bank Overdraft	(1,160,593)	(1,469,004)
	3,888,919	**1,787,060**

(Expressed in United States dollars, unless otherwise stated)

17. BANK OVERDRAFT (continued)

b. Summary of Fund and Non-Fund Banking Facilities (continued)

ANZ Bank Indonesia

	2016	2015
Total Credit Facilities	25,000,000	15,000,000
Utilization:		
Bank Guarantee	(18,344,007)	(6,574,875)
Letter of Credit	(2,598,526)	(5,956,386)
Bank Overdraft	-	(1,681,282)
	4,057,467	**787,457**

The Hongkong and Shanghai Banking Corporation (HSBC)

	2016	2015
Total Credit Facilities	-	8,000,000
Utilization:		
Bank Guarantee	-	(4,650,660)
Letter of Credit	-	(1,704,526)
Bank Overdraft	-	(631,802)
	-	**1,013,012**

United Overseas Bank (UOB)

	2016	2015
Total Credit Facilities	10,000,000	-
Utilization:		
Bank Guarantee	(2,767,582)	-
Letter of Credit	(3,420,735)	-
Bank Overdraft	-	-
	3,811,683	**-**

18. PROVISION FOR EMPLOYEE BENEFITS

As of March 31, 2016 and 2015, the Company provided provision for employee benefit based on the report of independent actuaries, PT Padma Radya Aktuaria, as per its report dated April 1, 2016 and April 1, 2015, respectively.

(Expressed in United States dollars, unless otherwise stated)

18. PROVISION FOR EMPLOYEE BENEFITS (continued)

The estimated liabilities for employee service entitlements based on the actuary reports have been determined using the following assumptions:

	2016	2015 (as restated, Note 4)	April 1, 2014/ March 31, 2014 (as restated, Note 4)
Discount rate	8.75% per annum	7.5% per annum	8.6% per annum
Salary increases	7.5% per annum	7.5% per annum	7.5% per annum
Retirement age	55 years of age	55 years of age	55 years of age
Mortality rate	100% TMI3	100% TMI3	100% TMI3
Withdrawal rate	3.5% p.a at age 30 and reducing linearly to 0% p.a at age 55	3.5% p.a at age 30 and reducing linearly to 0% p.a at age 55	3.5% p.a at age 30 and reducing linearly to 0% p.a at age 55
Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit

The details of the provision for employee service entitlements as of March 31, 2016, 2015 and 2014 are as follows:

	2016	April 1, 2014/ 2015 (as restated, Note 4)	March 31, 2014 (as restated, Note 4)
Present value of benefit obligation	6,248,191	5,799,246	5,407,584
Fair value of plan assets	(5,840,679)	(3,661,380)	(2,444,336)
Provision for employee service Entitlements	**407,512**	**2,137,866**	**2,963,248**

The changes in the provision for employee service entitlements for the years ended March 31, 2016, 2015 and 2014 are as follows:

	2016	2015 (as restated, Note 4)	April 1, 2014/ March 31, 2014 (as restated, Note 4)
Beginning balance	2,137,866	2,963,248	3,725,067
Expenses charged to the profit and loss account	928,543	810,826	927,602
Payments during the year	(115,839)	(249,896)	(106,396)
Other comprehensive income	(497,659)	272,976	(1,480,694)
Contribution paid to plan assets	(2,040,434)	(1,468,976)	-
Effect of changes in foreign exchange rate	(4,965)	(190,312)	(102,331)
Ending balance	**407,512**	**2,137,866**	**2,963,248**

A one percentage point change in the assumed discount and salary rate would have the following effects:

	Change in assumption	Effect on present value of benefit obligation
March 31, 2016		
Discount rate	+1%/-1%	(5,323,602)/6,443,518
Wages and salary increase	+1%/-1%	6,803,897/(5,268,134)

(Expressed in United States dollars, unless otherwise stated)

18. PROVISION FOR EMPLOYEE BENEFITS (continued)

The movement of present value of obligation is as follows:

	2016	2015 (as restated, Note 4)	April 1, 2014/ March 31, 2014 (as restated, Note 4)
At beginning of year	5,799,246	5,407,584	6,537,078
Current service cost	739,302	666,303	745,751
Past service cost	54,618	-	10,245
Interest cost	424,555	389,174	346,616
Expected benefit payment	(184,470)	(404,461)	(189,743)
Actuarial gain/(loss)	(503,699)	449,255	(1,100,278)
Effect of changes in foreign exchange rate	(81,361)	(708,609)	(942,085)
At end of year	**6,248,191**	**5,799,246**	**5,407,584**

The details of the employee service entitlements expense recognized in the 2016, 2015 and 2014 statement of profit or loss and other comprehensive income is as follows:

	2016	2015 (as restated, Note 4)	April 1, 2014/ March 31, 2014 (as restated, Note 4)
Current service cost	739,302	666,303	745,751
Interest cost	153,804	149,987	197,827
Amortization of past service cost - non-vested	54,618	-	10,244
Amortization actuarial loss	(19,181)	(5,464)	(26,220)
	928,543	**810,826**	**927,602**

The maturity of defined benefit obligation as of March 31, 2016, is as follows:

	2016
Within the next 12 months (the next annual report)	197,554
From 2 to 5 years	1,806,730
From 6 to 10 years	5,460,885
Total expected payments	**7,465,169**

The average duration of the defined benefit plan obligation at the end of the reporting period is 16 years.

As of March 31, 2016, the company has funded the total amount of post-employment benefit of Rp77,483,146,485 or equivalent to US$5,840,679 (2015: Rp47,890,862,006 or equivalent to US$3,661,380) to Manulife Insurance.

19. APPROPRIATION FOR STATUTORY RESERVE

The Company established a statutory reserve amounting to US$2,538,400. It is in accordance with Law No. 40 Year 2007 on a Limited Liability Company, which requires companies to set up a reserve reaching to a minimum 20% of the Company's issued and fully paid share capital.

(Expressed in United States dollars, unless otherwise stated)

20. SHARE CAPITAL

The ownership of the Company's share capital as of March 31, 2016 and 2015 were as follows:

Shareholders	Number of shares	Percentage of ownership	Authorized, issued and paid in capital
CG Power Systems Belgium N.V.	12,057	95%	12,057,000
PT Meta Fokus Sarana Ananda	635	5%	635,000
	12,692	**100%**	**12,692,000**

21. OTHER COMPREHENSIVE INCOME

	2016	2015
Beginning balance	(1,337,931)	(1,133,199)
Profit/(loss) on remeasurement of defined benefit plan	497,659	(272,976)
Income tax related to other comprehensive income	(124,415)	68,244
Ending balance	**(964,687)**	**(1,337,931)**

Other reserves represent gain/(loss) on remeasurement of defined benefit plan resulted from calculation on provision for employee service entitlements during the year.

22. NET REVENUE

	2016	2015
Sales of products:		
Domestic	87,192,591	60,484,763
Export	18,118,504	38,699,182
Total sales of product	105,311,095	99,183,945
Revenue from construction contracts:		
Domestic	7,801,512	11,043,761
Export	4,296,784	18,385,888
Total revenue from construction contracts	12,098,296	29,429,649
	117,409,391	**128,613,594**

Sales commissions in 2016 are nil (2015: US$561,126) and recorded as part of net revenue attributable to sales of products.

(Expressed in United States dollars, unless otherwise stated)

23. COST OF REVENUE

	2016	**2015**
Cost of goods sold:		
Material costs	70,261,034	62,007,029
Direct labor	1,125,868	780,746
Provision for employee benefits	488,770	490,111
Manufacturing expenses:		
Freight on sales	4,440,258	5,723,495
Indirect labor	2,082,016	3,248,792
Utilities	2,128,124	1,985,305
Depreciation of fixed assets (Note 12)	1,703,303	1,527,910
Warranty	254,834	-
Others	1,305,880	666,469
	83,790,087	76,429,857
Construction contract costs:		
Material costs	8,597,170	24,920,255
Direct labor	418,276	420,652
Overhead expenses	581,024	406,701
	9,596,470	25,747,608
	93,386,557	**102,177,465**

24. SELLING AND MARKETING EXPENSES

	2016	**2015**
Salaries and wages	1,442,776	2,167,713
Travelling	215,989	251,231
Provision for employee benefits	174,884	215,774
Marketing	83,212	136,569
Depreciation of fixed assets (Note 12)	13,607	15,821
Others	489,996	516,515
	2,420,464	**3,303,623**

(Expressed in United States dollars, unless otherwise stated)

25. GENERAL AND ADMINISTRATIVE EXPENSES

	2016	2015
Salaries and wages	3,054,838	3,533,312
Corporate fees	1,877,072	838,002
Utilities	570,331	573,425
License fees	-	453,051
Professional fees	182,307	436,042
Provision for employee benefits	264,889	104,943
Depreciation of fixed assets (Note 12)	103,708	123,532
Insurance	27,845	76,314
Others	466,743	977,996
	6,547,733	**7,116,617**

26. OTHER OPERATING (EXPENSES)/INCOME, NET

	2016	2015
Sales of scrap	287,111	354,245
Bank charges	(765,165)	(1,105,000)
Loss on disposal of fixed assets	(10,464)	(48,997)
Others, net	15,000	67,360
	(473,518)	**(732,392)**

27. RELATED PARTY BALANCES AND TRANSACTIONS

In the normal course of business, the Company engages in transactions with related parties which are conducted on term and conditions agreed between parties.

The nature of transactions and relationships with related parties, are as follows:

Nature of related parties	Related parties	Transactions
Ultimate Shareholder	Crompton Greaves Ltd.	Sales of transformers, reimbursement of expenses and purchase of raw materials
Ultimate Holding Company	CG International B.V.	Interest income
Shareholder	CG Power Systems Belgium N.V.	Reimbursement of expenses, management fee and purchase of raw materials
Other related parties	CG Power Systems Brazil	Sales of transformers
	Crompton Greaves Ltd. Mumbai	Reimbursement of expenses and purchase of raw materials
	Crompton Greaves Ltd. Nashik	Purchase of raw materials
	CG Holdings Belgium N.V.	Interest income, purchase of raw materials, management fee and reimbursement of expenses

(Expressed in United States dollars, unless otherwise stated)

27. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

The nature of transactions and relationships with related parties, are as follows (continued):

Nature of related parties	Related parties	Transactions
Other related parties (continued)	Crompton Greaves Ltd. Kanjur Marg Ea	Purchase of raw materials
	CG Power Systems Ireland Ltd.	Reimbursement of expenses
	ZIV Aplicaciones Y Technologia S.L.	Reimbursement of expenses
	CG Power America	Purchase of raw materials and reimbursement of expenses
	ZIV Grid Automations S.L.	Purchase of raw materials and reimbursement of expenses
	Crompton Graves Motor Ahmednagar	Purchase of raw materials, reimbursement of expenses
	CG International Holding Singapore	Reimbursement of expenses and interest income
	CG Sales Networks Americas Inc.	Reimbursement of expenses
	CG Sales Networks Ireland	Reimbursement of expenses
	CG Electric Systems Hungary Zrt	Purchase of raw materials and reimbursement of expenses
	Crompton Greaves Sales Network Malaysia	Sales of transformers, reimbursement of expenses and interest income

a) Due from related parties - accounts receivables (Note 6):

	2016	2015
CG Power Systems Belgium N.V.	33,398	-
Crompton Greaves Sales Network Malaysia	-	40,192
ZIV Aplicaciones Y Technologia S.L.	-	9,992
	33,398	**50,184**

Outstanding balances of due from related parties at the year-end are unsecured and interest free. There have been no guarantees received for any amount due from related parties. For the year ended March 31, 2016 and 2015, there was no impairment in due from related parties as all of the amounts are collectible. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

27. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

b) Due to related parties - accounts payable (Note 13):

	2016	2015
CG Holdings Belgium N.V.	241,551	128,040
Crompton Greaves Ltd.	40,299	851,096
CG Power Systems Belgium N.V.	35,215	812,852
CG Electric Systems Hungary	69,934	-
ZIV Grid Automations S.L.	-	64,660
Crompton Graves Motor Ahmednagar	-	7,250
CG International Holding Singapore	-	7,156
	386,999	**1,871,054**

Outstanding balances of due to related parties at the year-end are unsecured and interest free. There have been no guarantees provided for any amount due to related parties.

c) Loans to related parties:

	2016	2015
CG Holdings Belgium N.V.	46,834,476	-
CG International Holdings Singapore	513,035	-
CG International B.V.	-	45,404,573
	47,347,511	**45,404,573**

The Company provided loans denominated in US Dollar currency to related parties. During the year, the loans are charged with interest at the rates ranging from 3.2% to 3.4% per annum (2015: 1.15% to 1.17% per annum). The loans are covered by agreement, unsecured and have no fixed repayment schedules.

Based on agreement, the loan to CG International B.V. was transferred to CG holding Belgium N.V on March 31, 2016.

d) Advance from a related party:

	2016	2015
CG Sales Network America Inc.	-	**1,702,108**

(Expressed in United States dollars, unless otherwise stated)

27. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

e) Details of transactions with related parties:

	2016	2015
Sales and other income		
Interest income:		
CG International B.V.	1,449,787	441,127
CG International Holding Singapore	26,565	-
CG Holdings Belgium N.V.	2,496	22,803
CG Sales Network Malaysia	1,146	-
	1,479,994	**463,930**
As a percentage of total interest income	**99%**	**96%**
Sales of transformers and services:		
CG Power Systems Belgium	61,899	-
CG Power Systems Brazil	10,000	569,500
CG Sales Network Malaysia	-	40,192
Crompton Greaves Ltd.	-	6,825
	71,899	**616,517**
As a percentage of total sales	**0.06%**	**0.5%**

	2016	2015
Purchases and other expenses		
Purchase of raw material:		
CG Electric Systems Hungary Zrt	618,348	-
Crompton Greaves Ltd. Mumbai	60,670	1,051,856
CG Holdings Belgium N.V.	-	192,216
Ziv Grid Automation S.L.	-	64,660
Crompton Greaves Ltd. Kanjur Marg Ea	-	18,000
Cromptom Greaves Motors Ahmednagar	-	7,250
CG Power Systems Belgium N.V.	-	3,186
	679,018	**1,337,168**
As a percentage of total purchase	**1.3%**	**2%**

(Expressed in United States dollars, unless otherwise stated)

27. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

e) Details of transactions with related parties (continued):

Reimbursement of expenses/(income):		
CG Holdings Belgium N.V.	2,199,651	1,262,733
CG International Holding Singapore	1,069,970	-
CG Power Systems Belgium N.V.	525,527	488,363
CG Electric Systems Hungary	5,438	(14,309)
Crompton Greaves Ltd.	(33,797)	(67,001)
Ziv Aplicaciones Y Technologia S.L.	(62,163)	(34,916)
CG Sales Network Malaysia	-	24,346
Ziv Grid Automation S.L.	(31,660)	(15,495)
Crompton Greaves Ltd Mumbai	-	(3,569)
CG Power Systems Ireland Ltd	-	(2,623)
Crompton Greaves Ltd. Kanjur Marg Ea	-	57
	3,672,966	**1,637,586**
As a percentage of total operating expenses	**38%**	**12%**

The Company is charged with allocated charges over centralized department function that has been performed by CG Power Systems Belgium N.V. and CG Holding Belgium N.V..

The Company has an agreement with CG Power Systems Belgium N.V. wherein the Company agreed to have the right to reproduce, use and sell the products in ASEAN, Australia, New Zealand, and Japanese contractor business (irrespective of final destination and any country where the order is transferred to the Company from a Group Company ("CG")), in accordance with the quality standards, norms and specifications instructed or approved and to use CG's technical know-how in the manufacture of the products. As compensation, the Company pays a license fee of design engineering fee to CG Power Systems Belgium N.V..

In 2009, the Company entered into an agreement with CG Holdings Belgium N.V. wherein the Company agreed to use CG's Trademark in the manufacture of the products. As compensation, the Company pays a branding fee to CG Holdings Belgium N.V..

f) Key management compensation:

The key management personal employee benefit as at March 31, 2016 and 2015 are as follow:

	2016	**2015**
Salaries and other short-term employee benefit	351,889	306,990
Post-employment benefit	26,455	23,613
	378,344	**330,603**

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a. Financial Risk Factors

The Company's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Controlling Shareholder Group Treasury under policies approved by the Head Office. The Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Head Office provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the European Euro, Australian Dollar and New Zealand Dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Company is required to hedge its foreign exchange risk exposure with the Group Treasury. To manage its foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Company uses forward contracts, transacted with the Group Treasury.

The Group Treasury's risk management policy is to hedge between 80% and 100% of anticipated cash flows (mainly export sales and purchase of raw materials) in each major foreign currency for the subsequent 12 months.

Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are only made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. The Company has policies that limit the amount of credit exposure to any financial institution.

Credit risk is managed on a Group basis. Credit risk arises from short-term bank deposits, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Company trades only with recognized and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

a. Financial Risk Factors (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company seeks to manage its liquid funds through cash planning. The Company uses historical figures and experiences and forecasts from its collections and disbursements. Also, the Company only places funds that exceeded its requirements in the money market. Placements made are strictly based on cash planning assumptions and covers only a short period of time.

b. Fair Value Estimation

Fair value is the amount for which an asset could be exchanged, or a liability settled, in an arm's length transaction basis.

The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the reporting date.

The gross carrying amount for financial assets with maturity of less than one year, including cash and bank, accounts receivable, loan to related parties are assumed to approximate their fair values due to their short-term maturity.

The carrying values of financial liabilities with maturity of less than one year, including accounts payable, are assumed to approximate their fair values as the impact of discounting is not considered significant.

29. COMMITMENTS

The Company has capital expenditure commitment on building, machinery and equipment for improving testing unit facilities. As March 31, 2016, the outstanding commitment amounted to US$232,338 (2015: US$832,569).

30. SEGMENT INFORMATION

The Company is presently engaged in the following business activities:
a. Power division
b. System division

(Expressed in United States dollars, unless otherwise stated)

30. SEGMENT INFORMATION (continued)

Segment information based on business segments is presented below:

	2016			
	Power Transformer Division	System Division	Elimination	Total
Revenue	105,418,184	12,098,296	(107,089)	117,409,391
Cost of revenue	(70,368,123)	(8,597,170)	107,089	(78,858,204)
Gross income	35,050,061	3,501,126	-	38,551,187
Operating expenses	(20,527,118)	(2,388,143)	-	(22,915,261)
Income before corporate income tax expense	**14,522,943**	**1,112,983**	**-**	**15,635,926**

	2015			
	Power Transformer Division	System Division	Elimination	Total
Revenue	107,929,457	29,429,648	(8,745,511)	128,613,594
Cost of revenue	(85,175,368)	(25,747,608)	8,745,511	(102,177,465)
Gross income	22,754,089	3,682,040	-	26,436,129
Operating expenses	(11,809,651)	(1,631,276)	-	(13,440,927)
Income before corporate income tax expense	**10,944,438**	**2,050,764**	**-**	**12,995,202**

The following table shows the distribution of the Company's information by geographical segment:

	2016			
	Indonesia	Australia	New Zealand	Total
Revenue	110,832,171	252,338	6,324,882	117,409,391
Cost of revenue	(75,583,623)	(217,668)	(3,056,913)	(78,858,204)
Gross income	35,248,548	34,670	3,267,969	38,551,187
Operating expenses	(20,799,652)	(482,917)	(1,632,692)	(22,915,261)
Income/(loss) before corporate income tax expense	**14,448,896**	**(448,247)**	**1,635,277**	**15,635,926**

	2015			
	Indonesia	Australia	New Zealand	Total
Revenue	105,670,189	1,358,073	21,585,332	128,613,594
Cost of revenue	(84,046,830)	(989,952)	(17,140,683)	(102,177,465)
Gross income	21,623,359	368,121	4,444,649	26,436,129
Operating expenses	(11,123,540)	(745,633)	(1,571,754)	(13,440,927)
Income/(loss) before corporate income tax expense	**10,499,819**	**(377,512)**	**2,872,895**	**12,995,202**

31. NON-CASH TRANSACTIONS

Non-cash transactions of the Company as follow:

	2016	2015
Reclassification of assets under construction to fixed assets (Note 12)	**7,050**	**247,218**