PT CG Power Systems Indonesia

Financial statements as of March 31, 2017 and
for the year then ended with independent auditors' report

PT CG POWER SYSTEMS INDONESIA
FINANCIAL STATEMENTS
AS OF MARCH 31, 2017
AND FOR THE YEAR THEN ENDED
WITH INDEPENDENT AUDITORS' REPORT

Table of Contents

****

PT CG Power Systems Indonesia
Registered Office & Plant:
Kawasan Industri Menara Permai Kav. 10
Jl. Raya Narogong Km. 23, 852 - Cileungsi, Bogor 16820, Indonesia
T: +62 21 823 0430 F: +62 21 823 4222 W: www.cgglobal.com

Smart solutions.
Strong relationships.

STATEMENT OF DIRECTORS
REGARDING THE RESPONSIBILITY FOR THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2017 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, 2017 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.

April 25, 2017
For and on behalf of the Board of Directors,

Lloyd Lucas Pinto
Digitally signed by Lloyd Lucas Pinto
Date: 2017.05.01 11:23:58 +0530

Lloyd Joseph Gerard Lucas Pinto
President Director

Abhaya Chatterjee
Finance Director

AVANTHA
GROUP COMPANY

EY
Building a better working world

Purwantono, Sungkoro & Surja

Indonesia Stock Exchange Building
Tower 2, 7th Floor
Jl. Jend. Sudirman Kav. 52-53
Jakarta 12190, Indonesia

Tel : +62 21 5289 5000
Fax: +62 21 5289 4100
ey.com/id

Independent Auditors' Report

Report No. RPC-4204/PSS/2017

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, 2017, 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-4204/PSS/2017 (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, 2017, 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 25, 2017

PT CG POWER SYSTEMS INDONESIA
STATEMENT OF FINANCIAL POSITION
As of March 31, 2017
(Expressed in United States dollars, unless otherwise stated)

	Notes	2017	2016
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	5,332,929	873,320
Accounts receivable, net	5a	9,966,749	36,045,343
Unbilled receivables	5b	22,972,783	14,930,071
Costs and estimated earnings in excess of billings, net	6	8,635,605	7,810,550
Inventories, net	8	12,021,183	11,792,295
Prepaid tax	10a	179,151	1,056,187
Derivative assets	11	301,925	94,113
Loans to related parties	28c	48,630,923	47,347,511
Other current assets	9	2,153,283	2,121,405
TOTAL CURRENT ASSETS		110,194,531	122,070,795
NON-CURRENT ASSETS			
Estimated claims of refundable taxes	10b	14,015,218	9,717,721
Fixed assets, net	12	13,822,173	15,171,735
Deposits	7	6,723,499	148,065
TOTAL NON-CURRENT ASSETS		34,560,890	25,037,521
TOTAL ASSETS		**144,755,421**	**147,108,316**
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	13	20,760,377	26,391,323
Billings in excess of costs and estimated earnings, net	16	-	330,387
Taxes payable	10c	864,234	964,467
Derivative liabilities	11	229,106	877,356
Advances from customers	14	6,495,856	7,982,117
Loan from a related party	28e	1,050,821	-
Accruals and provisions	15	3,961,019	5,160,277
Short term employee benefits		1,115,111	934,188
Bank overdraft	17a	-	1,160,593
TOTAL CURRENT LIABILITIES		34,476,524	43,800,708
NON-CURRENT LIABILITIES			
Deferred tax liability, net	10f	105,110	928,463
Provision for employee benefits	18	1,747,163	407,512
TOTAL NON-CURRENT LIABILITIES		1,852,273	1,335,975
TOTAL LIABILITIES		**36,328,797**	**45,136,683**

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, 2017
(Expressed in United States dollars, unless otherwise stated)

	Notes	2017	2016
EQUITY			
Share capital - authorised 20,000 shares (Series A 19,000, Series B 1,000); issued 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
Hedging reserve	11	(274,716)	(814,588)
Other Comprehensive income	21	(1,279,958)	(964,687)
Retained earnings:			
Appropriated		2,538,400	2,538,400
Unappropriated		94,750,898	88,520,508
TOTAL EQUITY		108,426,624	101,971,633
TOTAL LIABILITIES AND EQUITY		**144,755,421**	**147,108,316**

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, 2017
(Expressed in United States dollars, unless otherwise stated)

	Notes	2017	2016
NET REVENUE	23	116,364,316	117,409,391
COST OF REVENUE	24	(87,868,355)	(93,386,557)
GROSS PROFIT		**28,495,961**	**24,022,834**
OPERATING EXPENSES:			
General and administration expenses	26	(9,775,853)	(6,547,733)
Selling and marketing expenses	25	(5,122,164)	(2,420,464)
Foreign exchange loss, net		(1,108,442)	(337,051)
Other operating expenses, net	27	(349,035)	(473,518)
Total operating expenses		(16,355,494)	(9,778,766)
OPERATING PROFIT		**12,140,467**	**14,244,068**
OTHER INCOME:			
Interest income		1,747,222	1,484,534
Final tax on interest income		(2,315)	(908)
		1,744,907	1,483,626
Interest expense		(96,168)	(91,768)
Other Income, net		**1,648,739**	**1,391,858**
PROFIT BEFORE CORPORATE INCOME TAX		**13,789,206**	**15,635,926**
CORPORATE INCOME TAX:			
Final tax from construction		(365,046)	(148,404)
Current tax expense		(2,772,333)	(3,379,982)
Deferred tax benefit/(expense)		718,263	(699,655)
		(2,419,116)	(4,228,041)
PROFIT FOR THE YEAR		**11,370,090**	**11,407,885**
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified to profit or loss:			
(Loss)/profit on remeasurement of defined benefit plans		(420,361)	497,659
Income tax related to other comprehensive income		105,090	(124,415)
		(315,271)	373,244
Cash flow hedges	11	539,872	(632,977)
OTHER COMPREHENSIVE INCOME/(LOSS)		**224,601**	**(259,733)**
TOTAL COMPREHENSIVE INCOME		**11,594,691**	**11,148,152**

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, 2017
(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, 2015	**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**
Profit for the year	-	-	-	-	11,370,090	11,370,090
Other comprehensive (loss)/income for the year	-	539,872	(315,271)	-		224,601
Dividend	-	-	-	-	(5,139,700)	(5,139,700)
Balance as of March 31, 2017	**12,692,000**	**(274,716)**	**(1,279,958)**	**2,538,400**	**94,750,898**	**108,426,624**

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, 2017
(Expressed in United States dollars, unless otherwise stated)

	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before corporate income tax expense		13,789,206	15,635,926
Adjustments to reconcile profit before corporate income tax expense to net cash provided by/(used in) operating activities:			
Depreciation expense	12	1,762,134	1,820,618
Interest expense		96,168	91,768
Provision for employee benefits	18	1,047,755	928,543
Provision for impairment of trade receivables		1,268,933	-
Reversal for decline in value of inventory	8	(31,170)	(17,356)
Loss on disposal of fixed assets		-	10,464
Unrealized foreign exchange (gains)/losses		(99,978)	1,474,954
Interest income		(1,747,222)	(1,483,626)
		16,085,826	18,461,291
Changes in operating assets and liabilities:			
Accounts receivables		24,837,533	(13,624,143)
Unbilled receivables		(8,042,712)	(656,176)
Costs and estimated earnings in excess of billings		(825,055)	2,512,687
Billings in excess of cost and estimated earnings		(330,387)	330,387
Inventories		(197,718)	3,321,497
Prepaid taxes		877,036	1,329,201
Derivatives, net		(316,190)	444,491
Other current assets		(31,878)	602,056
Estimated claim for refundable tax		(4,119,912)	(155,896)
Deposits		(6,575,434)	275,240
Accounts payable		(5,556,311)	(558,774)
Taxes payable		48,529	473,968
Advances from customers		(1,486,261)	873,791
Accruals and provisions		(1,199,258)	(3,905,027)
Short term employee benefit		180,923	(26,378)
Cash used in from operations		(2,737,095)	(8,763,076)
Corporate income tax paid		(3,463,726)	(3,062,933)
Employee benefit paid	18	(130,994)	(115,839)
Contribution to plan assets		-	(2,040,434)
Net cash provided by operating activities		**9,754,011**	**4,479,009**

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

(Expressed in United States dollars, unless otherwise stated)

	Notes	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisitions of fixed assets	12	(412,572)	(1,714,054)
Loans to related parties		215,010	(1,942,938)
Interest received		248,800	1,483,626
Proceeds from sale of fixed assets		-	1,721
Net cash provided by/(used in) investing activities		**51,238**	**(2,171,645)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Interest paid		(96,168)	(196,437)
Decrease in bank overdraft		(1,160,593)	(2,621,495)
Dividend paid		(5,139,700)	-
Loan from a related party		1,050,821	-
Net cash used in financing activities		**(5,345,640)**	**(2,817,932)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**4,459,609**	**(510,568)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		873,320	1,383,888
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	**5,332,929**	**873,320**

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, 2017, the Company has 470 permanent employees (2016: 483 permanent employees) (unaudited).

The composition of the Board of Commissioners and Board of Directors as of March 31, 2017 and 2016 are as follows:

	2017	2016
President Commissioner	Mr. Jean-Michel Aubertin	Mr. Jean-Michel Aubertin
Commissioners	Mr. Venkatesh Vaidyanathapuram Ramamoorthy	Mr. Venkatesh Vaidyanathapuram Ramamoorthy
	Mr. Syahril Anwar	Mr. Syahril Anwar
President Director	Mr. Llyod Joseph Gerard Lucas Pinto	Mr. Jan Prins
Directors	Mr. Abhaya Bhushan Chatterjee	Mr. Abhaya Bhushan Chatterjee
	Mr. Neelakant Narayanan Kollengode	Mr. Hukumchand Lakhotiya

Based on Notarial Deed No. 12 of Aryanti Artisari, S.H., M. Kn., dated August 9, 2016, which was acknowledged by the Minister of Justice and Human Rights through his letter No. AHU-AH.01-03-0071055 dated August 12, 2016, Mr. Jan Prins resigned as President Director and replaced by Mr. Hukumchand Lakhotiya. In addition, Mr. Lloyd Joseph Gerard Lucas Pinto is appointed as a director.

Based on Notarial Deed No. 34 of Aryanti Artisari, S.H., M. Kn., dated February 14, 2017, which was acknowledged by the Minister of Justice and Human Rights through his letter No. AHU-AH.01-03-0071426 dated February 17, 2017, Mr. Hukumchand Lakhotiya resigned as President Director and replaced by Mr. Lloyd Joseph Gerard Lucas Pinto. In addition, Mr. Neelakant Narayanan Kollengode is appointed as a director.

The financial statements were completed and authorized for issuance by the Company's management on April 25, 2017.

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, 2017 and 2016 are as follows (in full amount):

	2017	2016
Rupiah/US Dollar 1	13,280	13,266
New Zealand Dollar/US Dollar 1	0.70	0.69
Euro/US Dollar 1	1.07	1.14
Singapore Dollar/US Dollar 1	0.72	0.74
Australian Dollar/US Dollar 1	0.76	0.77
Great Britain Poundsterling/US Dollar 1	1.25	1.44
Swedian Kroner/US Dollar 1	0.11	0.12
France Swiss/US Dollar 1	0.70	1.04

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, 2017 and 2016 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 2f).

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 2015), “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 28.

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 realizable 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 arse 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, 2017 and 2016 are 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

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

Short-term employee benefits

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

Pension benefits and other post-employment benefits

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.

Other long-term benefits

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, 2017 financial statements:

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

- Amendment PSAK No.1: Presentation of Financial Statements on Disclosures Initiative.
- PSAK 3: Interim Financial Reporting (Improvement 2016).
- PSAK 24: Employee Benefits (Improvement 2016).
- PSAK 58: Non-Current Assets Held for Sale and Discontinued Operation (Improvement 2016).
- PSAK 60: Financial Instrument - Disclosure (Improvement 2016).

Effective on or after the date of January 1, 2018:

- Amendments PSAK 2: Statement of Cash Flow on the Disclosure Initiative.
- Amendments PSAK 46: Income Taxes on the Recognition of Deferred Tax Asset for Unrealized Losses.

The Company is presently evaluating and has not determined the effects of these new and revised accounting standards on its financial statements.

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.

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. CASH AND CASH EQUIVALENTS

	2017	2016
Cash on hand	20,653	8,712
Cash in banks:		
U.S. Dollar accounts	953,218	242,316
New Zealand Dollar accounts	664,527	55,667
Australian Dollar accounts	146,273	70,701
Indonesian Rupiah accounts	3,541,110	481,205
European Euro accounts	7,148	14,719
	5,332,929	**873,320**

5a. ACCOUNTS RECEIVABLES, NET

	2017	2016
Third parties	11,229,547	36,011,945
Related party (Note 28a)	6,135	33,398
	11,235,682	36,045,343
Less : Allowance for impairment	(1,268,933)	-
Total	**9,966,749**	**36,045,343**

Management believes that the provision for impairment of trade receivables is adequate to cover possibility losses on non-collectible trade receivables.

5b. UNBILLED RECEIVABLES

	2017	2016
Third parties	22,972,783	14,930,071

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

	2017	2016
Contract costs incurred	42,044,052	36,650,111
Estimated earnings	6,090,163	5,358,154
	48,134,215	42,008,265
Less: progress billings	(39,498,610)	(34,197,715)
	8,635,605	**7,810,550**

(Expressed in United States dollars, unless otherwise stated)

7. DEPOSITS

	2017	**2016**
Deposits	6,723,499	148,065

Deposit mainly represents fund placed in the banks as collaterals for the issuance of Performance Bonds in favor of PT PLN (Persero) ("PLN") related to sales of transformers. The Performance Bonds range from 5% - 10% of the total contracts.

8. INVENTORIES, NET

	2017	**2016**
Project work in process	8,347,108	7,658,868
Raw materials	2,482,174	3,403,128
Materials in transit	1,350,048	919,616
	12,179,330	11,981,612
Allowance for decline in value of inventory	(158,147)	(189,317)
Total Inventories	**12,021,183**	**11,792,295**

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

	2017	**2016**
Beginning balance	(189,317)	(206,673)
Reversal allowance for decline in value of inventory	31,170	17,356
Ending balance	**(158,147)**	**(189,317)**

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

	2017	**2016**
Advances for purchase of raw materials - third parties	1,467,401	1,887,400
Advances for purchase of raw materials - intercompanies (note 28d)	149,297	-
Prepayments:		
Prepaid rentals	423,168	172,276
Prepaid insurance	78,031	38,290
Others	35,386	23,439
	2,153,283	**2,121,405**

(Expressed in United States dollars, unless otherwise stated)

10. TAXATION

a. Prepaid taxes

	2017	2016
Value added tax	**179,151**	**1,056,187**

b. Estimated claims of refundable taxes

	2017	2016
Refundable corporate income tax 2016	102,322	-
Refundable corporate income tax 2015	810,179	1,435,426
Refundable corporate income tax 2011	440,009	440,009
Value added tax - fiscal year:		
- 2017	1,234,125	-
- 2016	7,753,782	1,559,487
- 2015	2,338,658	4,859,580
- 2014	353,213	373,764
- 2013	538,925	605,450
- 2012	444,005	444,005
	14,015,218	**9,717,721**

Corporate Income Tax

Year	Date of tax assessments	Amount	Status as of March 31, 2017
2016	-	US$102,322	Subject to tax audit prior to the refund
2015	July 27, 2016	US$810,179	The Company received tax assessments from the Directorate General of Taxation ("DGT") on July 27, 2016 reflecting overpayment of CIT 2015 of US$625,247 which was lower than the amount reported as refundable in the tax return by US$810,179. The refund was received on August 19, 2016 of US$625,247. On September 1, 2016, the Company submitted objection letter against this tax assessment amounted to US$810,179. Up to the completion date of the financial statements, the DGT has not yet issued final decision on the Company's objection.
2011	January 20 and December 16, 2014	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.

(Expressed in United States dollars, unless otherwise stated)

10. TAXATION (continued).

b. Estimated claims of refundable taxes (continued)

<u>Value Added Tax (VAT)</u>

Tax period	Date of tax assessments	Amount	Status as of March 31, 2017
2017	-	US$1,234,125	Waiting for tax examination process.
2016	-	US$7,753,782	Waiting for tax examination process.
2015	February 25, April 29, May 24, June 9 2016	US$2,338,658	The Company received tax assessments from the DGT in 2016 reflecting overpayment of VAT for period January - July and September 2015 amounted to US$3,455,337 which was lower than the amount reported as refundable in the tax return by US$183,454. The Company received the refund for January - July and September 2015 US$3,455,337 in 2016. The Company accepted the tax assessments for VAT January, February, April and May 2015 and charged amounted to US$34,047 to the current year statement of profit or loss and other comprehensive income. The Company also partially accepted for VAT March, June, July and September 2015. The Company submitted objection letter to the DGT against the remaining amounts of tax assessments for VAT period March, June, July and September 2015 of US$135,462 on July 25 and August 22, 2016. Up to the completion date of the financial statements, the DGT has not yet issued any decision on the Company's objection The Company received Tax Collection Letter for VAT period April and June 2015 of US$13,945 in May 2016. On July, 21 2016, the Company is requesting cancellation or reduction of the Tax Collection Letter period April and June 2015 to the DGT amounted to US$13,945. Up to the completion date of financial statements, the DGT has not yet issued its decision. VAT period August and October - December 2015 totaling US$2,189,251 are still being audited by the 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	Amount	Status as of March 31, 2017
January - June and August - December 2014	January 19 and May 21, 2015	US$353,213	The Company received Tax Collection Letter for VAT period January, March - June and September - December 2014 totaling US$373,764 in 2015. The Company is requesting cancellation or reduction of the Tax Collection Letter period January, March - June and September - December 2014 to the DGT on October 26, 2015. On August 26 and September 21, 2016, the DGT issued decision letters which rejected the objection letters for Tax Collection Letters VAT period January, March - June and September - December 2014. The Company accepted the decision on objection letters for Tax Collection Letter VAT period January and May 2014 and charged amounted to US$20,551 in the current year statement of profit or loss and other comprehensive income. On September 14, 2016 and February 1, 2017, the Company has filed a lawsuit against the decision of the DGT to the Tax Court for the Tax Collection Letter period March, April, June, September and November 2014 amounted to US$345,672. On November 10, 2016, the Company is requesting second cancellation or reduction of the Tax Collection Letter for VAT period October and December 2014 to the DGT. Up to the completion date of financial statements, the Tax Court and the DGT has not yet issued its decision.
January - Agustus and October - December 2013	March 10, September 26 and November 10 2014	US$538,925	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 totaling US$605,450 on January 13, 2015 and January 5, 2016. On October 24, 2016 and February 13, 2017, the Tax Court has issued decision which rejected the Tax Collection Letter period January - July 2013 and partially accepted for Tax Collection Letter period December 2013 of US$22,604. The Company accepted the Tax Court's decision for the for Tax Collection Letter period July and December 2013 and charged of US$66,525 in the current year statement of profit or loss and other comprehensive income.

(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	Amount	Status as of March 31, 2017
January - Agustus and October - December 2013 (continued)	March 10, September 26 and November 10 2014	US$538,925	Up to the completion date of the financial statements, the Tax Court has not yet issued its decision for Tax Collection Letter period August, October and November 2013.
July - December 2012	January 20 and December 16, 2014	US$444,005	Tax appeal process. Up to the completion date of financial statements, the Tax Court has not yet issued any decision on such appeal letters.

c. Taxes payable

	2017	2016
Withholding income tax Articles 23 and 26	557,278	78,842
Corporate income tax payable	215,847	364,609
Employee income tax Article 21	76,066	48,904
Final tax	15,043	233,156
Value added tax	-	238,956
	864,234	**964,467**

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:

	2017	2016
Income before corporate income tax expense	13,789,206	15,487,522
Tax on income at the statutory rate of 25%	3,447,302	3,871,881
Final tax on construction contracts	365,046	148,404
Net permanent differences	(1,215,647)	255,316
Over/under provision of corporate income tax	(177,585)	(47,560)
Corporate income tax expense	**2,419,116**	**4,228,041**

(Expressed in United States dollars, unless otherwise stated)

10. TAXATION (continued).

e. Components of corporate income tax expense

	2017	2016
Current tax expense	2,949,918	3,427,542
Final tax on construction contracts	365,046	148,404
Over provision of 2016 corporate income tax	(177,585)	-
Over provision of 2015 corporate income tax	-	(47,560)
Deferred tax expense relating to the origination and reversal of temporary differences	(718,263)	699,655
Total corporate income tax expense	**2,419,116**	**4,228,041**

f. Deferred tax assets and liability

	2017	2016
Deferred tax assets:		
Provision for employee benefits	470,285	135,372
Provision for warranty	393,194	325,754
Provision for impairment of receivables	317,233	-
Provision for bonus	278,778	233,547
Allowance for decline in value of inventory	39,537	47,329
Provision for late delivery	16,306	100,879
Provision for commission	2,446	9,819
	1,517,779	852,700
Deferred tax liability:		
Fixed assets	(1,622,889)	(1,781,163)
Deferred tax liability, net	**(105,110)**	**(928,463)**

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

	2017	2016
Deferred tax assets - beginning balance	(928,463)	(104,393)
Deferred tax benefit/(expense) for the year	718,263	(699,655)
Deferred tax benefit/(expense) recognized in other comprehensive income	105,090	(124,415)
Deferred tax assets - ending balance	**(105,110)**	**(928,463)**

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.

(Expressed in United States dollars, unless otherwise stated)

11. DERIVATIVE ASSETS AND LIABILITIES

	2017		2016	
	Derivative assets	**Derivative liabilities**	**Derivative assets**	**Derivative Liabilities**
Designated as cash flow hedges	301,925	(558,707)	94,113	(868,734)
Not qualifying as hedges	-	329,601	-	(8,622)
	301,925	**(229,106)**	**94,113**	**(877,356)**

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, 2017, the Company had an outstanding forward foreign exchange contracts with a notional amount of Rupiah (IDR)146,603,368,149, Malaysia Ringgit (MYR) 13,344,428, Euro (EUR) 2,541,266, New Zealand Dollar (NZD)1,541,804, Franc Swiss (CHF) 275,400 (2016: Malaysia Ringgit (MYR) 13,344,428, and Euro (EUR) 4,518,328).

As of March 31, 2017, the balance of deferred net loss on derivatives of US$274,716 (2016: net loss of US$814,588) 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 2017

	Balance March 31, 2016	Additions	Deductions	Transfers/ Reclassification	Balance March 31, 2017
Cost:					
Land	925,812	-	-	-	925,812
Buildings	8,989,725	-	-	-	8,989,725
Machinery and equipment	24,488,696	317,205	-	129,512	24,935,413
Transportation equipment	55,063	-	-	-	55,063
Office furniture, fixtures and equipment	2,086,865	2,716	-	-	2,089,581
Assets under construction	36,861	92,651	-	(129,512)	-
	36,583,022	412,572	-	-	36,995,594
Accumulated depreciation:					
Buildings	5,749,182	372,431	-	-	6,121,613
Machinery and equipment	13,940,902	1,284,158	-	-	15,225,060
Transportation equipment	54,427	318	-	-	54,745
Office furniture, fixtures and equipment	1,666,776	105,227	-	-	1,772,003
	21,411,287	1,762,134	-	-	23,173,421
Net book value	**15,171,735**				**13,822,173**

(Expressed in United States dollars, unless otherwise stated)

12. FIXED ASSETS (continued)

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
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**

Depreciation in 2017 and 2016 were charged to the following accounts:

	2017	2016
Cost of revenue (Note 24)	1,661,207	1,703,303
General and administrative expenses (Note 26)	88,347	103,708
Selling expenses (Note 25)	12,580	13,607
	1,762,134	**1,820,618**

13. ACCOUNTS PAYABLE

	2017	2016
Trade payables:		
Third parties	19,790,589	26,004,324
Related parties (Note 28b)	969,788	386,999
	20,760,377	**26,391,323**

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 29.

14. ADVANCES FROM CUSTOMERS

	2017	2016
Advances from customers	**6,495,856**	**7,982,117**

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

(Expressed in United States dollars, unless otherwise stated)

15. ACCRUALS AND PROVISIONS

	2017	2016
Provision warranty	1,572,775	1,303,017
Accrued material cost	1,365,179	2,299,394
Accrued freight charges	213,867	397,837
Provision late delivery charges	65,228	403,517
Provision commission	9,784	39,277
Others	734,186	717,235
	3,961,019	**5,160,277**

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

	2017	2016
Contract costs incurred	-	658,081
Estimated earnings	-	-
	-	658,081
Less: progress billings	-	(988,468)
	-	**(330,387)**

17. BANK OVERDRAFT

a. Bank Overdraft

	2017	2016
Standard Chartered Bank (“SCB”)	-	**1,160,593**

The Company obtained banking facilities from SCB based on banking facilities agreement dated May 16, 2005, with a combined limit of US$6,500,000. The agreement has been amended several times, the latest was on February 20, 2017 to increase limit facility up to US$15,500,000. The facility is extend until December 31, 2017. 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. The bank overdraft was subject to interest at rate of 4.00% per annum. This facility is secured by Letter of Comfort from Crompton Greaves Ltd.

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 March 31, 2017. 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. This facility is secured by Corporate Guarantee from CG Holdings Belgium NV.

(Expressed in United States dollars, unless otherwise stated)

17. BANK OVERDRAFT (continued)

a. Bank Overdraft (continued)

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. The facility is extend until November 30, 2017. This facility is secured by Letter of Comfort from Crompton Greaves Ltd and Corporate Guarantee from CG Holdings Belgium NV.

The Company was in compliance with all of the loan covenants for those bank facilities.

b. Summary of Banking Facilities

Standard Chartered Bank

	2017	2016
Total Credit Facilities	15,500,000	10,000,000
Utilization:		
Bank Guarantee	(14,743,803)	(3,500,354)
Letter of Credit	(528,588)	(1,450,134)
Bank Overdraft	-	(1,160,593)
	227,609	**3,888,919**

ANZ Bank Indonesia

	2017	2016
Total Credit Facilities	25,000,000	25,000,000
Utilization:		
Bank Guarantee	(6,686,751)	(18,344,007)
Letter of Credit	-	(2,598,526)
	18,313,249	**4,057,467**

United Overseas Bank (UOB)

	2017	2016
Total Credit Facilities	10,000,000	10,000,000
Utilization:		
Bank guarantee	(6,056,961)	(2,767,582)
Letter of Credit	(3,617,438)	(3,420,735)
	325,601	**3,811,683**

(Expressed in United States dollars, unless otherwise stated)

18. PROVISION FOR EMPLOYEE BENEFITS

As of March 31, 2017 and 2016, 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, 2017 and April 1, 2016, respectively.

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

	2017	2016
Discount rate	8.75% per annum	8.75% per annum
Wages and salary increase	7.50% per annum	7.50% per annum
Retirement age	55 year of age	55 year of age
Mortality rate	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
Method	Projected Unit Credit	Projected Unit Credit

The details of the provision for employee service entitlements as of March 31, 2017 and 2016 are as follows:

	2017	2016
Present value of benefit obligation	7,600,535	6,248,191
Fair value of plan assets	(5,853,372)	(5,840,679)
Provision for employee service entitlements	**1,747,163**	**407,512**

The changes in the provision for employee service entitlements for the years ended March 31, 2017, and 2016 are as follows:

	2017	2016
Beginning balance	407,512	2,137,866
Expenses charged to the profit and loss account	1,047,755	928,543
Payments during the year	(130,994)	(115,839)
Other comprehensive income	420,361	(497,659)
Contribution paid to plan assets	-	(2,040,434)
Effect of changes in foreign exchange rate	2,529	(4,965)
Ending balance	**1,747,163**	**407,512**

(Expressed in United States dollars, unless otherwise stated)

18. PROVISION FOR EMPLOYEE BENEFITS (continued)

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, 2017		
Discount rate	+1%/-1%	6,964,597/(8,338,911)
Wages and salary increase	+1%/-1%	8,289,230/(6,808,020)

The movement of present value of obligation is as follows:

	2017	2016
At beginning of year	6,248,191	5,799,246
Current service cost	778,807	739,302
Past service cost	-	54,618
Interest cost	541,621	424,555
Expected benefit payment	(231,710)	(184,470)
Actuarial gain/(loss)	268,546	(503,699)
Effect of changes in foreign exchange rate	(4,920)	(81,361)
At end of year	**7,600,535**	**6,248,191**

The details of the employee service entitlements expense recognized in the 2017 and 2016 statement of profit or loss and other comprehensive income is as follows:

	2017	2016
Current service cost	778,807	739,302
Interest cost	51,111	153,804
Past service cost	228,742	54,618
Actuarial loss	(10,905)	(19,181)
	1,047,755	**928,543**

The maturity of undiscounted defined benefit obligation as of March 31, 2017, is as follows:

	2017
Within the next 12 months (the next annual report)	238,085
From 2 to 5 years	3,555,874
From 6 to 10 years	7,292,711
More than 10 years	48,879,676
Total expected payments	**59,966,346**

(Expressed in United States dollars, unless otherwise stated)

18. PROVISION FOR EMPLOYEE BENEFITS (continued)

The average duration of the defined benefit plan obligation at the end of the reporting period is 14 years.

As of March 31, 2017, the Company has funded the total amount of post-employment benefit of Rp77,732,774,765 or equivalent to US$5,853,372 (2016: Rp77,483,146,485 or equivalent to US$5,840,679) 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.

20. SHARE CAPITAL

The ownership of the Company's share capital as of March 31, 2017 and 2016 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

	2017	2016
Beginning balance	(964,687)	(1,337,931)
Loss/profit on remeasurement of defined benefit plan	(420,361)	497,659
Income tax related to other comprehensive income	105,090	(124,415)
Ending balance	**(1,279,958)**	**(964,687)**

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

(Expressed in United States dollars, unless otherwise stated)

22. DIVIDENDS

Based on the minutes of circular resolutions of shareholders of the Company dated July 22, 2016, the Shareholders agreed to declare dividends from unappropriated retained earnings of US$5,000,000 to "Series A" share and US$139,700 to "Series B" share. Dividends declared to CG Power System Belgium N.V and PT Meta Fokus Sarana Ananda were paid on July 26, 2016.

23. NET REVENUE

	2017	2016
Sales of products:		
Domestic	99,322,348	87,192,591
Export	8,258,296	18,118,504
Total sales of product	107,580,644	105,311,095
Revenue from construction contracts:		
Domestic	6,781,767	7,801,512
Export	2,001,905	4,296,784
Total revenue from construction contracts	8,783,672	12,098,296
	116,364,316	**117,409,391**

24. COST OF REVENUE

	2017	2016
Cost of goods sold:		
Material costs	66,501,124	70,261,034
Direct labor	1,330,297	1,125,868
Provision for employee benefits	476,287	488,770
Manufacturing expenses:		
Freight on sales	3,493,001	4,440,258
Indirect labor	3,639,586	2,082,016
Utilities	1,926,645	2,128,124
Depreciation of fixed assets (Note 12)	1,661,207	1,703,303
Others	1,122,937	1,560,714
	80,151,084	83,790,087
Construction contract costs:		
Material costs	6,605,976	8,597,170
Direct labor	428,245	418,276
Overhead expenses	683,050	581,024
	7,717,271	9,596,470
	87,868,355	**93,386,557**

(Expressed in United States dollars, unless otherwise stated)

25. SELLING AND MARKETING EXPENSES

	2017	2016
Salaries and wages	2,073,371	1,442,776
Provision for impairment of trade receivables (Note 5a)	1,268,933	-
Provision for employee benefits	367,953	174,884
Travelling	271,226	215,989
Marketing	73,181	83,212
Depreciation of fixed assets (Note 12)	12,580	13,607
Others	1,054,920	489,996
	5,122,164	**2,420,464**

26. GENERAL AND ADMINISTRATIVE EXPENSES

	2017	2016
Corporate fees	4,890,424	1,877,072
Salaries and wages	3,339,534	3,054,838
Utilities	594,290	570,331
Provision for employee benefits	203,516	264,889
Professional fees	194,448	182,307
Depreciation of fixed assets (Note 12)	88,347	103,708
Insurance	10,700	27,845
Others	454,594	466,743
	9,775,853	**6,547,733**

27. OTHER OPERATING EXPENSES, NET

	2017	2016
Sales of scrap	(118,071)	(287,111)
Bank charges	505,354	765,165
Loss on disposal of fixed assets	-	10,464
Others, net	(38,248)	(15,000)
	349,035	**473,518**

28. 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.	Reimbursement of expenses and interest expenses

28. 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
Shareholder	CG Power Systems Belgium N.V.	Sales of transformers, 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 and reimbursement of expenses
	CG Holdings Belgium N.V.	Interest income, purchase of raw materials, management fee and reimbursement of expenses
	ZIV Aplicaciones Y Technologia S.L.	Reimbursement of expenses
	ZIV Grid Automations S.L.	Purchase of raw materials and reimbursement of expenses
	CG International Holding Singapore	Reimbursement of expenses and interest income
	CG Electric Systems Hungary	Purchase of raw materials and reimbursement of expenses
	Crompton Greaves Sales Network Malaysia	Sales of transformers, reimbursement of expenses and interest income

28. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

a) Due from related parties - accounts receivables (Note 5a):

	2017	2016
CG Electric Systems Hungary	6,135	-
CG Power Systems Belgium N.V.	-	33,398
	6,135	**33,398**

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, 2017 and 2016, 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.

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

	2017	2016
CG Holdings Belgium N.V.	464,196	241,551
CG International B.V.	300,826	-
CG Power Systems Belgium N.V.	142,224	35,215
CG Electric Systems Hungary	62,542	69,934
Crompton Greaves Ltd.	-	40,299
	969,788	**386,999**

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:

	2017	2016
CG Holdings Belgium N.V.	48,095,850	46,834,476
CG International Holdings Singapore	535,073	513,035
	48,630,923	**47,347,511**

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 3.8% per annum (2016: 3.2% to 3.4% per annum). The loans are covered by agreement, unsecured and have no fixed repayment schedules.

28. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

d) Advance to related parties (Note 9):

	2017	2016
Crompton Greaves Ltd /S1	116,430	-
CG Electric Systems Hungary	32,867	-
	149,297	-

e) Loan from a related party:

	2017	2016
CG International B.V.	1,050,821	-

The Company obtained loans denominated in Dollar currency from CG International BV. The loan from a related party is subject to interest at the rates ranging from 3.4% to 3.8% per annum. The loan is covered by agreement, unsecured and have no fixed repayment schedules.

f) Details of transactions with related parties:

	2017	2016
Sales and other income		
Interest income:		
CG Holdings Belgium N.V.	1,711,296	2,496
CG International Holding Singapore	22,038	26,565
CG International B.V.	-	1,449,787
CG Sales Network Malaysia	-	1,146
	1,733,334	**1,479,994**
As a percentage of total interest income	**99%**	**99%**
Sales of transformers and services:		
CG Power Systems Belgium	31,391	61,899
CG Power Systems Brazil	-	10,000
	31,391	**71,899**
As a percentage of total sales	**0.02%**	**0.06%**

(Expressed in United States dollars, unless otherwise stated)

28. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

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

	2017	2016
Purchases and other expenses		
Purchase of raw material:		
Crompton Greaves Ltd. /S1	212,970	-
CG Electric Systems Hungary	16,085	618,348
Crompton Greaves Ltd. Mumbai	-	60,670
	229,055	**679,018**
As a percentage of total purchase	**0.45%**	**1.3%**
Reimbursement of expenses/(income):		
CG Power Systems Belgium N.V.	4,104,841	525,527
CG Holdings Belgium N.V.	1,774,081	2,199,651
CG International B.V.	573,573	-
Crompton Greaves Ltd /S1	(500)	-
Ziv Grid Automation S.L.	(4,292)	(31,660)
CG Electric Systems Hungary	(6,135)	5,438
Ziv Aplicaciones Y Technologia S.L.	(69,173)	(62,163)
CG International Holding Singapore	-	1,069,970
Crompton Greaves Ltd.	-	(33,797)
	6,372,395	**3,672,966**
As a percentage of total operating expenses	**42%**	**38%**

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.

In 2012, the Company entered into an agreement with CG International B.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 International B.V.

g) Key management compensation:

The key management personal employee benefit as at March 31, 2017 and 2016 are as follow:

	2017	2016
Salaries and other short-term employee benefit	370,537	351,889
Post-employment benefit	40,540	26,455
	411,077	**378,344**

29. 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.

29. 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.

30. COMMITMENTS

The Company has capital expenditure commitment on building, machinery and equipment for improving testing unit facilities. As March 31, 2017, the outstanding commitment amounted to US$20,900 (2016: US$232,338).

31. 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)

31. SEGMENT INFORMATION (continued)

Segment information based on business segments is presented below:

	2017			
	Power Transformer Division	**System Division**	**Elimination**	**Total**
Revenue	108,046,122	8,783,672	(465,478)	116,364,316
Cost of revenue	(80,616,562)	(7,717,271)	465,478	(87,868,355)
Gross income	27,429,560	1,066,401	-	28,495,961
Operating expenses and others	(12,935,539)	(1,771,216)	-	(14,706,755)
Income before corporate income tax expense	**14,494,021**	**(704,815)**	**-**	**13,789,206**

	2016			
	Power Transformer Division	**System Division**	**Elimination**	**Total**
Revenue	105,418,184	12,098,296	(107,089)	117,409,391
Cost of revenue	(83,897,175)	(9,596,471)	107,089	(93,386,557)
Gross income	21,521,009	2,501,825	-	24,022,834
Operating expenses and others	(6,998,066)	(1,388,842)	-	(8,386,908)
Income before corporate income tax expense	**14,522,943**	**1,112,983**	**-**	**15,635,926**

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

	2017			
	Indonesia	**Australia**	**New Zealand**	**Total**
Revenue	110,451,249	243,251	5,669,816	116,364,316
Cost of revenue	(83,069,149)	(150,678)	(4,648,528)	(87,868,355)
Gross income	27,382,100	92,573	1,021,288	28,495,961
Operating expenses and others	(13,119,387)	(224,594)	(1,362,774)	(14,706,755)
Income/(loss) before corporate income tax expense	**14,262,713**	**(132,021)**	**(341,486)**	**13,789,206**

	2016			
	Indonesia	**Australia**	**New Zealand**	**Total**
Revenue	110,832,171	252,338	6,324,882	117,409,391
Cost of revenue	(90,111,976)	(217,668)	(3,056,913)	(93,386,557)
Gross income	20,720,195	34,670	3,267,969	24,022,834
Operating expenses and others	(6,271,299)	(482,917)	(1,632,692)	(8,386,908)
Income/(loss) before corporate income tax expense	**14,448,896**	**(448,247)**	**1,635,277**	**15,635,926**

32. NON-CASH TRANSACTIONS

Non-cash transactions of the Company as follow:

	2017	2016
Reclassification of assets under construction to fixed assets (Note 12)	**129,512**	**7,050**