

PT Crompton Prima Switchgear Indonesia

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

**PT CROMPTON PRIMA SWITCHGEAR INDONESIA
FINANCIAL STATEMENTS
AS OF MARCH 31, 2017
AND FOR THE YEAR THEN ENDED
WITH INDEPENDENT AUDITORS' REPORT**

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Independent Auditors' Report

Report No. RPC-4424/PSS/2017

The Shareholders and the Boards of Commissioners and Directors PT Crompton Prima Switchgear Indonesia

We have audited the accompanying financial statements of PT Crompton Prima Switchgear Indonesia, which comprise the statement of financial position as of March 31, 2017, and the 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 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-4424/PSS/2017 (continued)

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PT Crompton Prima Switchgear 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

A handwritten signature in black ink, appearing to read 'Deden Riyadi'.

Deden Riyadi
Public Accountant Registration No. AP.0692

May 18, 2017

PT CROMPTON PRIMA SWITCHGEAR INDONESIA
STATEMENT OF FINANCIAL POSITION
As of March 31, 2017
(Expressed In United States Dollar, unless otherwise stated)

	Notes	2017	2016
ASSETS			
CURRENT ASSETS			
Cash on hand and in banks	4	70,645	79,073
Prepayments	5	7,130	13,798
Other current asset		27,940	1,613
TOTAL CURRENT ASSETS		105,715	94,484
NON-CURRENT ASSETS			
Estimated claims of refundable taxes	8a	665,739	204,909
Fixed assets, net	6	10,493,365	5,022,046
Deferred tax asset, net	8e	252,023	99,248
Other non-current asset	7	1,849,517	739,521
TOTAL NON-CURRENT ASSETS		13,260,644	6,065,724
TOTAL ASSETS		13,366,359	6,160,208
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	10	470,635	-
Current maturities of long-term bank loans	11	433,467	-
Accrued expense	9	63,343	53,552
Taxes payable	8b	11,139	4,398
TOTAL CURRENT LIABILITIES		978,584	57,950
NON-CURRENT LIABILITIES			
Long-term bank loans - net of current maturities	11	6,743,840	-
TOTAL NON-CURRENT LIABILITIES		6,743,840	-
TOTAL LIABILITIES		7,722,424	57,950
EQUITY			
Share capital			
Authorized - 15,000 shares of par value US\$1,000 (full amount) each; issued and fully paid - 6,400 shares	12	6,400,000	4,900,000
Advances for future share capital contribution	13	-	1,500,000
Accumulated deficit		(756,065)	(297,742)
TOTAL EQUITY		5,643,935	6,102,258
TOTAL LIABILITIES AND EQUITY		13,366,359	6,160,208

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

PT CROMPTON PRIMA SWITCHGEAR INDONESIA
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Year Ended March 31, 2017
(Expressed In United States Dollar, unless otherwise stated)

	Notes	2017	2016
OPERATING EXPENSES:			
General and administrative expense	14	601,585	342,469
Other operating (income)/expense, net	15	(9,878)	1,021
Total operating expense		591,707	343,490
OTHER EXPENSE:			
Interest Income	16	(1,548)	-
Finance expense	16	20,939	6,899
LOSS BEFORE CORPORATE INCOME TAX		611,098	350,389
CORPORATE INCOME TAX BENEFIT	8c	(152,775)	(87,598)
LOSS FOR THE YEAR		458,323	262,791
Other comprehensive income, net of tax		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		458,323	262,791

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

PT CROMPTON PRIMA SWITCHGEAR INDONESIA
STATEMENT OF CHANGES EQUITY
For the Year Ended March 31, 2017
(Expressed In United States Dollar, unless otherwise stated)

	<u>Share Capital</u>	<u>Advances for Future Share Capital Contribution</u>	<u>Accumulated Losses</u>	<u>Total Equity</u>
Balance as of March 31, 2015	3,900,000	-	(34,951)	3,865,049
Issuance of share capital	1,000,000	-	-	1,000,000
Advances for future share capital contribution (Note 13)	-	1,500,000	-	1,500,000
Total comprehensive loss	-	-	(262,791)	(262,791)
Balance as of March 31, 2016	<u>4,900,000</u>	<u>1,500,000</u>	<u>(297,742)</u>	<u>6,102,258</u>
Issuance of share capital (Note 12)	1,500,000	-	-	1,500,000
Advances for future share capital contribution (Note 13)	-	(1,500,000)	-	(1,500,000)
Total comprehensive loss	-	-	(458,323)	(458,323)
Balance as of March 31, 2017	<u>6,400,000</u>	<u>-</u>	<u>(756,065)</u>	<u>5,643,935</u>

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

PT CROMPTON PRIMA SWITCHGEAR INDONESIA
STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2017
(Expressed In millions of Rupiah, unless otherwise stated)

	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before corporate income tax		(611,098)	(350,389)
Adjustments to reconcile loss before income tax to net cash used in operating activities:			
Depreciation of fixed assets	6	4,555	785
Finance cost		20,939	6,899
Changes in operating assets and liabilities:			
Prepayments		6,668	(13,798)
Other current asset		(26,326)	(1,405)
Estimated claim for refundable taxes		(460,830)	123,024
Accrued expense		9,791	50,552
Account payable		470,635	-
Taxes payable		6,741	4,398
Net cash used in operating activities		(578,925)	(179,934)
CASH FLOW FROM INVESTING ACTIVITY			
Purchases of fixed assets	6	(46,444)	(3,793)
Addition to construction in progress	6	(5,250,562)	(1,562,764)
Addition in advance for purchase fixed assets		(1,170,939)	(678,578)
Cash used in investing activity		(6,467,945)	(2,245,135)
CASH FLOW FROM FINANCING ACTIVITIES:			
Proceeds from bank loan	11	7,224,451	-
Interest payments		(186,009)	-
Payment for cost of loan		-	(67,842)
Share capital contribution	12	-	1,000,000
Advances for future share capital contribution	13	-	1,500,000
Cash provided by financing activities		7,038,442	2,432,158
NET (DECREASE)/INCREASE IN CASH ON HAND AND IN BANKS		(8,428)	7,089
CASH ON HAND AND IN BANKS AT BEGINNING OF YEAR		79,073	71,984
CASH ON HAND AND IN BANKS AT END OF YEAR	4	70,645	79,073

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

PT CROMPTON PRIMA SWITCHGEAR INDONESIA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2017 and for the year then ended
(Expressed In United States Dollar, unless otherwise stated)

1. GENERAL

PT Crompton Prima Switchgear Indonesia (the "Company") is a limited liability company established in Indonesia by virtue of Notarial Deed No. 03 dated May 7, 2014 of Lenny Janis Ishak, S.H. The deed of establishment was approved by the Minister of Laws and Human Rights in his decision letter No. AHU-08265.40-2014 dated May 12, 2014. The approval from the Capital Investment Coordinating Board (the "BKPM") was obtained through letter No. 1375/1/IP/PMA/2014, dated on May 5, 2014.

The Articles of Association were amended several times. The latest amendment was notarized by Notarial Deed No. 26 of Lenny Janis Ishak, S.H., dated August 25, 2016. The Company's Articles of Association were approved by the Minister of Justice and Human Rights in decision letter No. AHU-AH.01.03-0076283 dated August 31, 2016.

The Company is principally engaged in control equipment industry and electricity distribution. The Company's office is located at Kawasan Industri Modern Cikande Jl. Modern Industri VI Blok A No. 4 Desa Nambo Ilir Kecamatan Kibin Kabupaten Serang Banten. It is yet to start commercial operations. As of March 31, 2017, the Company has 25 employees (2016: 5 permanent employees) (unaudited).

The members of the Company's Boards of Commissioners and Directors are as follows:

As of March 31, 2017

Board of Commissioners

Lloyd Pinto - President Commissioner
Tonny Sarief - Commissioner

Board of Directors

Umesh Vishupant Baganikar - President Director
Sapta Hidayat Nurdin - Director
Manohar Murlidhar Shirode - Director

As of March 31, 2016

Board of Commissioners

Jean-Michel Aubertin - President Commissioner
Tonny Sarief - Commissioner

Board of Directors

Srinivasan Maruthuvakkudi - President Director
Sapta Hidayat Nurdin - Director
Manohar Murlidhar Shirode - Director

As of 31 March 2017, the Company is a joint venture company, an entity controlled jointly by CG International Singapore Holdings and PT Prima Layanan Nasional Enjiniring (sponsors).

The financial statements were completed and authorized for issuance by the Company's management on May 18, 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.

PT CROMPTON PRIMA SWITCHGEAR INDONESIA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2017 and for the year then ended
(Expressed In United States Dollar, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Basis of preparation of the financial statements (continued)

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
US Dollar/Rupiah 1	13,321	13,276

c. Cash on hand and in bank

Cash and cash equivalents consist of cash on hand and in banks.

d. 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.

Land is not depreciated and stated at acquisition cost less accumulated loss on impairment.

Depreciation of an asset starts when it is available for use and is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	<u>Years</u>
Office equipment	4

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 year the asset is derecognized.

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

PT CROMPTON PRIMA SWITCHGEAR INDONESIA
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As of March 31, 2017 and for the year then ended
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Fixed Assets (continued)

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of those assets. Capitalization of borrowing costs ceases when the qualifying assets are complete and ready for service.

Construction in progress represents the accumulated costs of material 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 assets accounts when the asset has been made ready for use.

e. Expenses recognition

Expenses are recognized when incurred (accrual basis).

f. 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.

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.

PT CROMPTON PRIMA SWITCHGEAR INDONESIA
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(Expressed In United States Dollar, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Corporate income tax (continued)

Deferred Tax (continued)

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.

g. 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:

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NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2017 and for the year then ended
(Expressed In United States Dollar, unless otherwise stated)

3. SOURCE OF ESTIMATION UNCERTAINTY (continued)

Judgments (continued)

Determination of Functional Currency

The Company uses its judgment to determine the entity's functional currency such that the 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 United States Dollar.

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.

Depreciation of fixed assets

The costs of fixed assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these fixed assets to be within 4 years. These are common life expectancies applied in the industries where the Company conducts its businesses. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, and therefore, future depreciation charges could be revised.

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 recognizes liabilities for corporate income tax issues based on estimates of whether additional corporate income tax will be due.

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 can be utilized. 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. Further are disclosed in Notes 8e.

4. CASH ON HAND AND IN BANKS

	<u>2017</u>	<u>2016</u>
Cash in banks		
US Dollar	42,863	74,641
Rupiah	27,782	4,432
	<u>70,645</u>	<u>79,073</u>

PT CROMPTON PRIMA SWITCHGEAR INDONESIA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2017 and for the year then ended
(Expressed In United States Dollar, unless otherwise stated)

5. PREPAYMENTS

	2017	2016
Prepaid insurance	7,130	12,966
Prepaid rental	-	832
	7,130	13,798

6. FIXED ASSETS, NET

Movements in 2017

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cost:</u>				
Land	3,432,426	-	-	3,432,426
Office equipment	5,104	46,444	-	51,548
Construction in progress	1,585,350	5,429,430	-	7,014,780
	5,022,880	5,475,874	-	10,498,754
<u>Accumulated depreciation:</u>				
Office equipment	834	4,555	-	5,389
Net book value	5,022,046			10,493,365

Movements in 2016

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cost:</u>				
Land	3,432,426	-	-	3,432,426
Office equipment	1,311	3,793	-	5,104
Construction in progress	22,586	1,562,764	-	1,585,350
	3,456,323	1,566,557	-	5,022,880
<u>Accumulated depreciation:</u>				
Office equipment	49	785	-	834
Net book value	3,456,274			5,022,046

As of March 31, 2017 construction in progress mainly represents machineries for new plant that will produce high voltage and extra high voltage air-insulated switchgear in Cikande, Banten. The capitalized borrowing costs related to construction in progress amounted to US\$178,868 (2016: US\$Nil).

7. OTHER NON-CURRENT ASSET

	2017	2016
Advance for purchase fixed assets		
- third parties	1,519,935	678,578
- related party (Note 17b)	329,582	-
Deferred charge of cost of loan	-	60,943
	1,849,517	739,521

PT CROMPTON PRIMA SWITCHGEAR INDONESIA
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7. OTHER NON-CURRENT ASSET (continued)

Advance for purchase of fixed assets represent advance payment for purchase of machineries for factory and equipments.

Deferred charges from cost of loan arising from provision fee and service fee in relation to obtaining loan and is amortized over the respective loan periods.

8. TAXATION

a. Estimated claims of refundable taxes

	2017	2016
Value added tax	592,465	204,909
Refundable corporate income tax - 2017	73,274	-
	665,739	204,909

b. Taxes payables

	2017	2016
Withholding tax - article 4 (2)	11,139	-
Withholding tax - article 21	-	4,398
	11,139	4,398

The reconciliation between loss before income tax as shown in the statement of profit or loss and other comprehensive income and taxable loss are as follow:

	2017	2016
Loss before corporate income tax	(611,098)	(350,389)
Temporary difference:		
Cost of loan	13,796	(60,943)
Estimated taxable losses for the year	(597,302)	(411,332)
Tax losses carried forward from prior year	(457,933)	(46,601)
Total estimated taxable losses	(1,055,235)	(457,933)
Corporate income tax expense:		
Corporate income tax expense on income subject to at standard statutory rates	-	-
Less:		
Prepaid tax Articles 22	(73,274)	-
Estimated corporate income tax refundable	(73,274)	-

PT CROMPTON PRIMA SWITCHGEAR INDONESIA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2017 and for the year then ended
(Expressed In United States Dollar, unless otherwise stated)

8. TAXATION (continued)

c. Component of corporate income tax expense

	2017	2016
Deferred tax benefit	<u>(152,775)</u>	<u>(87,598)</u>

d. Reconciliation of corporate income tax expense

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

	2017	2016
Loss before corporate income tax	(611,098)	(350,389)
Tax calculated at statutory rate of 25%	(152,775)	(87,598)
Corporate income tax benefit	<u>(152,775)</u>	<u>(87,598)</u>

e. Deferred tax asset, net

	2017	2016
Deferred tax asset:		
Tax losses carried forward	263,809	114,483
Deferred tax liability:		
Cost of loan	(11,786)	(15,235)
Total deferred tax asset, net	<u>252,023</u>	<u>99,248</u>

The utilization of deferred tax asset recognized by the Company is dependent upon future taxable income in excess of income arising from the reversal of existing taxable temporary differences.

f. Analysis of changes in deferred tax asset and liability

	2017	2016
Deferred tax asset - beginning balance	99,248	11,650
Deferred tax benefit for the year	152,775	87,598
Deferred tax asset - ending balance	<u>252,023</u>	<u>99,248</u>

PT CROMPTON PRIMA SWITCHGEAR INDONESIA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2017 and for the year then ended
(Expressed In United States Dollar, unless otherwise stated)

9. ACCRUED EXPENSE

	2017	2016
Accrued salary	46,766	46,766
Accrued audit fees	8,550	-
Accrued interest bank loan	8,027	-
Accrued rental	-	6,786
	63,343	53,552

10. ACCOUNTS PAYABLE

	2017	2016
Contractor payables - third parties	450,477	-
Other payable - Related party (Note 17a)	20,158	-
	470,635	-

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

11. BANK LOAN

	2017	2016
Investment Credit Facility	7,224,451	-
Current maturity of bank loan	(433,467)	-
	6,790,984	-
Less: Unamortized cost of loan	(47,144)	-
	6,743,840	-

Cost of loan represents deferred charges arising from provision fee and service fee in relation to obtaining loan and is amortized over the respective loan periods.

Based on Notarial Deed No 46 of Lenny Janis Ishak, S.H., dated September 23, 2015, the Company obtained from PT Bank Mandiri (Persero) Tbk:

- investment Credit Facility at a maximum amount of US\$13,500,000 to build high voltage and extra high voltage air-insulated switchgear factory,
- working capital credit facility at a maximum amount of US\$2,600,000 to finance Company's operations,
- treasury line credit facility at a maximum amount of US\$1,000,000 for transaction foreign exchange and derivative.

These facilities are bears with interest at the rate of 5.25% per annum and will mature on September 25, 2020. The loan facility is secured by the Company's land, factory, machineries, inventories and receivables valued at US\$2,600,000 and corporate guarantee from Crompton Greaves Ltd., the ultimate shareholder of the Company.

All of the loans contain certain restrictions on the Company such as, among others, obtain new loan or provide borrowing unless in the ordinary course of business of the Company, provide guarantee, transfer of collateral or the Company's assets which can have adverse effect to the Company's ability to fulfill its obligation to the Bank, file bankruptcy, and exercise transactions with affiliated companies or other parties beyond normal term and conditions.

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11. BANK LOAN (continued)

The loan required the Company, to fulfill certain financial ratio as mentioned in the loan agreement, which are: leverage ratio maximum 300%, current ratio minimum 100% and debt service coverage ratio (DSCR) minimum 100%. Fullfilment of the financial ratios regularly assessed on annually basis. As of March 31, 2017, the Company complied with all of these financial covenants.

12. SHAREHOLDERS

2017			
Number of Shareholders	shares issued	Percentage of ownership	Issued and paid-up capital
CG International Holdings Singapore Pte. Ltd	3,264	51%	3,264,000
PT Prima Layanan Nasional Enjiniring	3,136	49%	3,136,000
	6,400	100%	6,400,000
2016			
Number of Shareholders	shares issued	Percentage of ownership	Issued and paid-up capital
CG International Holdings Singapore Pte. Ltd	2,499	51%	2,499,000
PT Prima Layanan Nasional Enjiniring	2,401	49%	2,401,000
	4,900	100%	4,900,000

Based on Notarial Deed No. 26 of Lenny Janis Ishak, S.H., dated August 25, 2016, the Company's issued and fully paid capital increases from 4,900 shares equivalent with US\$4,900,000 to 6,400 shares equivalent with US\$6,400,000. This amendment has been approved by Minister of Justice and Human Rights of Republic Indonesia in its decision letter No.AHU-AH.01.03-0076283, dated August 31, 2016.

13. ADVANCE FOR FUTURE SHARE CAPITAL CONTRIBUTION

	2017	2016
CG International Holdings Singapore Pte. Ltd	-	765,000
PT Prima Layanan Nasional Enjiniring	-	735,000
	-	1,500,000

Advance for future share capital contribution represents paid-in capital which had not been notarized nor approved by the Ministry of Law and Human Rights. Such advance was converted into issued and fully paid capital on August 31, 2016 (Note 12).

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14. GENERAL AND ADMINISTRATIVE EXPENSES

	2017	2016
Salaries	326,421	253,322
Transportation	52,428	24,742
Professional fees	49,086	-
Rental	45,089	20,093
Utilities	36,397	-
Repair and maintenance	25,179	2,639
Insurance	23,173	12,889
Office	4,701	17,341
Others (below Rp10,000, each)	39,111	11,443
	601,585	342,469

15. OTHER OPERATING (INCOME)/EXPENSE, NET

	2017	2016
Foreign exchange (gains)/losses, net	(9,878)	1,021

16. OTHER EXPENSE

	2017	2016
Interest income	(1,548)	-
Finance expense	20,939	6,899
	19,391	6,899

17. RELATED PARTIES 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.	Advances for purchase fixed assets and corporate guarantee.
Shareholder	PT Prima Layanan Nasional Enjiniring	Reimbursement of expenses.

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17. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

a) Due to a related party - accounts payable (Note 10):

	2017	2016
PT Prima Layanan Nasional Enjiniring	20,158	-

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

b) Advance to a related party (Note 7):

	2017	2016
Crompton Greaves Ltd.	329,582	-

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Management has determined that the carrying amounts of cash on hand and in banks and accrued expense are based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are re-priced frequently.

19. FINANCIAL RISK MANAGEMENT

The Company is exposed to liquidity risk and foreign exchange risk.

Liquidity risk

Liquidity risk is the risk to a shortage of funds and to solve the problem using a liquidity planning tool. The Company manages its liquidity profile to be able to finance its capital expenditures by maintaining sufficient cash on hand and in banks. The Company regularly evaluates its projected and actual cash flow information.

Foreign exchange risk

The Company's assets and liabilities are often denominated in foreign currency (Indonesian Rupiah). Fluctuation of exchange rates can therefore significantly impact the Company's performance as well as its net profits. Currently, the Company does not have a formal hedging policy for local currency exposures. However, management believes that the fluctuation of local currency on certain transaction with suppliers can be adjusted to the prices traded in international markets denominated in Indonesian Rupiah. Such correlation in price fluctuation naturally minimizes the Company's foreign currency exposures.

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20. SIGNIFICANT AGREEMENT

On June 24, 2014, the Company entered into a Purchase Agreement with PT Perusahaan Listrik Negara (Persero) ("PLN"). Under this agreement, the Company supplies 49% of PLN's annual demand of High Voltage-Extra High Voltage Switchgear and other electricity equipment use in PLN's electricity transmission networks. This agreement is effective for 5 years from the commercial operation of the Company.

21. RECLASSIFICATION OF PRIOR YEAR FINANCIAL STATEMENTS

Certain accounts in the financial statements for the year ended March 31, 2016 have been reclassified to conform to the presentation of the financial statements for the year ended March 31, 2017. The details of the significant accounts being reclassified are as follow:

	2016 As previously reported	Reclassification	2016 As reclassified
Estimated claims of refundable taxes	-	204,909	204,909
Prepaid tax	204,909	(204,909)	-

The Company chooses to present the prepaid tax from VAT as estimated claims of refundable taxes.

The Company management believes that the above reclassification of accounts has no significant impact to the presentation of previous year's financial statements.