

PT Ingress Malindo Ventures

Financial statements

As of January 31, 2016 and for the year then ended
with independent auditors' report

Purwantono, Sungkoro & Surja


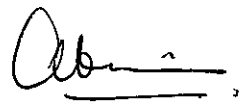


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**PT INGRESS MALINDO VENTURES
FINANCIAL STATEMENTS
AS OF JANUARY 31, 2016 AND FOR THE YEAR THEN ENDED
WITH INDEPENDENT AUDITORS' REPORT**

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PT INGRESS MALINDO VENTURES

Independent Auditors' Report

Report No. RPC-1395/PSS/2016

The Shareholders and the Boards of Commissioners and Directors PT Ingress Malindo Ventures

We have audited the accompanying financial statements of PT Ingress Malindo Ventures (the "Company"), which comprise the statement of financial position as of January 31, 2016, 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

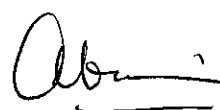
Management is responsible for the preparation and fair presentation of such financial statements in accordance with Indonesian Financial Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material 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 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-1395/PSS/2016 (continued)

Opinion

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

Emphasis of matters

As disclosed in Note 30 to the accompanying financial statements, the Company incurred loss for the year ended January 31, 2016 amounted to Rp2.67 billion and as of January 31, 2016 reported an accumulated losses of Rp62.08 billion and net current liabilities of Rp67.58 billion. These conditions, along with other matters as set forth in Note 30, indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

As disclosed in Note 4 to the accompanying financial statements, the Company restated its financial statements as of January 31, 2015 and February 1, 2014/January 31, 2014, and for the year ended January 31, 2015, due to the retrospective application of certain revised accounting standards that have been effective since February 1, 2015, and corrections of misstatements and reclassifications of certain accounts.

Our opinion is not modified in respect of such matters.

Other matter

The financial statements of the Company as of January 31, 2015 and February 1, 2014/January 31, 2014, and for the year ended January 31, 2015, prior to the restatement mentioned above, were audited by other independent auditors who expressed a qualified opinion on such financial statements on March 27, 2015 due to lack of audit evidence to support intercompany balances.

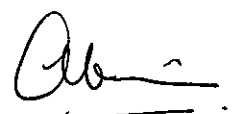
Purwantono, Sungkoro & Surja



Susanti

Public Accountant Registration No. AP.0705

April 25, 2016



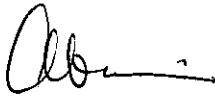
PT INGRESS MALINDO VENTURES
STATEMENT OF FINANCIAL POSITION
As of January 31, 2016
(Expressed in Rupiah, unless otherwise stated)

		January 31,		February 1, 2014/ January 31, 2014*)
	Notes	2016	2015*)	
ASSETS				
CURRENT ASSETS				
Cash on hand and in banks	2,5	3,761,044,710	9,645,203,492	7,428,712,921
Trade receivables	2,6,26	18,329,209,454	15,183,034,071	17,718,541,076
Other receivables	2,7,26	2,112,559,785	1,913,380,896	540,963,719
Inventories	2,8	7,391,708,306	6,211,567,858	5,832,575,064
Advances and prepaid expenses	2,9	2,232,425,579	1,905,829,039	1,999,680,327
Prepaid taxes	2,10	123,762,126	-	85,380,264
Total current assets		33,950,709,960	34,859,015,356	33,605,853,371
NON-CURRENT ASSETS				
Estimated claims for tax refund	2,10	1,154,663,479	961,367,000	1,887,942,000
Fixed assets	2,11	90,730,409,812	75,416,578,785	81,516,548,712
Long-term prepayments	2,12	9,246,118,859	12,550,375,950	7,431,614,264
Other non-current assets	2,13	1,536,765,497	3,225,343,988	4,248,642,478
Total non-current assets		102,667,957,647	92,153,665,723	95,084,747,454
TOTAL ASSETS		136,618,667,607	127,012,681,079	128,690,600,825
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank loans	2,14	18,359,796,000	16,917,500,000	16,382,839,975
Trade payables	2,15,26	22,659,176,191	28,748,614,910	30,885,959,587
Other payables	2,16,26	42,803,629,573	40,261,564,562	37,550,766,428
Taxes payable	2,10	919,268,265	814,038,709	514,393,624
Accrued expenses	2,17	3,860,858,487	3,705,901,138	3,471,169,991
Current portion of long-term bank loans	2,14	9,382,480,733	4,375,390,072	-
Current portion of obligations under finance leases	2,18	3,550,550,649	13,242,480,667	12,098,011,169
Total current liabilities		101,535,759,898	108,065,490,058	100,903,140,774
NON-CURRENT LIABILITIES				
Long-term bank loans, net of current portion	2,14	7,345,989,516	8,156,035,953	-
Obligations under finance leases, net of current portion	2,18	-	3,550,550,649	16,793,031,316
Employee benefits liability	2,19	2,757,906,000	2,217,110,000	1,864,693,000
Total non-current liabilities		10,103,895,516	13,923,696,602	18,657,724,316
Total liabilities		111,639,655,414	121,989,186,660	119,560,865,090

*) As restated (Note 4)


PT INGRESS MALINDO VENTURES

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



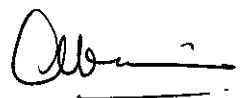
PT INGRESS MALINDO VENTURES
STATEMENT OF FINANCIAL POSITION (continued)
As of January 31, 2016
(Expressed in Rupiah, unless otherwise stated)

		January 31,		February 1, 2014/ January 31, 2014*)
	Notes	2016	2015*)	
EQUITY				
Share capital				
Par value Rp8,875 per share				
Authorized, issued and fully paid -				
6,760,563 shares	20	59,999,996,625	59,999,996,625	59,999,996,625
Revaluation surplus of fixed assets	2	27,058,003,565	4,557,778,000	4,617,778,000
Accumulated losses		(62,078,987,997)	(59,534,280,206)	(55,488,038,890)
Equity, net		24,979,012,193	5,023,494,419	9,129,735,735
TOTAL LIABILITIES AND EQUITY		136,618,667,607	127,012,681,079	128,690,600,825

*) As restated (Note 4)


PT INGRESS MALINDO VENTURES

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



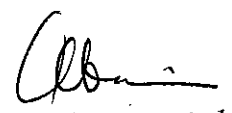
PT INGRESS MALINDO VENTURES
STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
Year Ended January 31, 2016
(Expressed in Rupiah, unless otherwise stated)

		Year ended January 31,	
	Notes	2016	2015*)
NET SALES	2,21,26	77,563,661,281	94,286,213,758
COST OF SALES	2,22,26	(60,385,216,657)	(79,118,195,794)
GROSS PROFIT		17,178,444,624	15,168,017,964
Selling expenses	2,23	(1,001,000)	(354,114,836)
General and administrative expenses	2,23	(12,976,907,027)	(14,223,884,314)
Gain (loss) on foreign exchange, net	2	(2,292,941,955)	293,541,074
Other operating income	2,24	1,272,823,208	1,097,780,476
Other operating expenses	2,24	(2,400,997,485)	(1,437,624,214)
OPERATING INCOME		779,420,365	543,716,150
Finance expense	2,25	(3,529,391,674)	(4,411,946,298)
Finance income		93,271,822	75,203,798
Tax relating to finance income		(15,545,304)	(12,533,966)
LOSS BEFORE INCOME TAX EXPENSE		(2,672,244,791)	(3,805,560,316)
Income tax expense	2,10	-	-
LOSS FOR THE YEAR		(2,672,244,791)	(3,805,560,316)
Other comprehensive income			
Items not to be reclassified to profit or loss:			
Remeasurement gains (losses) on defined benefit plans	2,19	82,537,000	(300,681,000)
Revaluation surplus of fixed assets	2,11	22,545,225,565	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		19,955,517,774	(4,106,241,316)

*) As restated (Note 4)


PT INGRESS MALINDO VENTURES

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



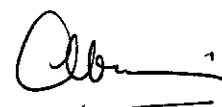
PT INGRESS MALINDO VENTURES
STATEMENT OF CHANGES IN EQUITY
Year Ended January 31, 2016
(Expressed In Rupiah, unless otherwise stated)

	Notes	Issued and fully paid share capital	Revaluation surplus of fixed assets	Accumulated losses*)	Equity, net
Balance as of January 31, 2014, as previously reported		59,999,996,625	6,576,829,413	(42,067,462,934)	24,509,363,104
Adjustments arising from adoption of Statement of Financial Accounting Standard ("PSAK") No. 24 (Revised 2013), "Employee Benefits"	2,4	-	-	(410,261,000)	(410,261,000)
Adjustments arising from reconciliation of intercompany balances and misstatements of several accounts	4	-	(1,959,051,413)	(13,010,314,956)	(14,969,366,369)
Balance as of January 31, 2014, as restated		59,999,996,625	4,617,778,000	(55,488,038,890)	9,129,735,735
Loss for the year 2015, as restated		-	-	(3,805,560,316)	(3,805,560,316)
Remeasurement losses on defined benefit plans	2,19	-	-	(300,681,000)	(300,681,000)
Transfer of revaluation surplus of fixed assets	2	-	(60,000,000)	60,000,000	-
Balance as of January 31, 2015, as restated		59,999,996,625	4,557,778,000	(59,534,280,206)	5,023,494,419
Loss for the year 2016		-	-	(2,672,244,791)	(2,672,244,791)
Remeasurement gains on defined benefit plans	2,19	-	-	82,537,000	82,537,000
Revaluation surplus of fixed assets	2,11	-	22,545,225,565	-	22,545,225,565
Transfer of revaluation surplus of fixed assets	2	-	(45,000,000)	45,000,000	-
Balance as of January 31, 2016		59,999,996,625	27,058,003,565	(62,078,987,997)	24,979,012,193

*) Accumulated losses included remeasurement of defined benefits program


PT INGRESS MALINDO VENTURES

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



PT INGRESS MALINDO VENTURES
STATEMENT OF CASH FLOWS
Year Ended January 31, 2016
(Expressed in Rupiah, unless otherwise stated)

		Year ended January 31,	
	Notes	2016	2015*)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax expense		(2,672,244,791)	(3,805,560,316)
Adjustments to reconcile loss before income tax expense to net cash provided by operating activities:			
Depreciation of fixed assets	11	7,505,803,590	9,123,943,295
Amortization of long-term prepayments and other non-current assets	12,13	5,095,777,556	4,717,345,691
Finance costs	25	3,529,391,674	4,411,946,298
Revaluation deficit charged to profit or loss	11	1,045,058,994	-
Foreign exchange differences, net		965,678,265	549,761,700
Provision for employee benefits	19	717,874,000	141,842,000
Operating cash flows before changes in working capital		16,187,339,288	15,139,278,668
Changes in working capital:			
Trade receivables		(3,146,175,383)	2,535,507,005
Other receivables		(199,178,889)	(1,372,417,177)
Inventories		3,149,512,958	(378,992,794)
Advances and prepayments		(326,596,540)	93,851,288
Prepaid taxes		(123,762,126)	1,561,893,264
Trade payables		(6,089,438,719)	(2,137,344,677)
Other payables		2,542,065,011	2,710,798,134
Taxes payable		(621,272,266)	299,645,085
Accrued expenses		154,957,349	234,731,147
Cash generated from operations		11,527,450,683	18,686,949,943
Income tax paid		(193,296,479)	(549,938,000)
Payments of employee benefits	19	(94,541,000)	(90,106,000)
Net cash provided by operating activities		11,239,613,204	18,046,905,943
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets	11	(5,358,201,604)	(3,023,973,368)
Deduction of (additions to) long-term prepayments and other non-current assets		332,640,000	(8,812,808,887)
Net cash used in investing activities		(5,025,561,604)	(11,836,782,255)

*) As restated (Note 4)


PT INGRESS MALINDO VENTURES

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



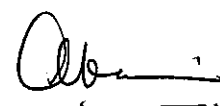
PT INGRESS MALINDO VENTURES
STATEMENT OF CASH FLOWS (continued)
Year Ended January 31, 2016
(Expressed in Rupiah, unless otherwise stated)

		Year ended January 31,	
	Notes	2016	2015*)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term bank loans, net		1,442,296,000	534,660,025
Proceeds from long-term bank loans		11,410,215,000	12,995,763,130
Repayment of long-term bank loans		(8,178,849,041)	(1,014,098,805)
Repayment of obligations under finance leases		(13,242,480,667)	(12,098,011,169)
Interest paid		(3,529,391,674)	(4,411,946,298)
Net cash used in financing activities		(12,098,210,382)	(3,993,633,117)
Net increase (decrease) in cash on hand and in banks		(5,884,158,782)	2,216,490,571
Cash on hand and in banks at beginning of year		9,645,203,492	7,428,712,921
Cash on hand and in banks at end of year	5	3,761,044,710	9,645,203,492

*) As restated (Note 4)


PT INGRESS MALINDO VENTURES

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



PT INGRESS MALINDO VENTURES
NOTES TO THE FINANCIAL STATEMENTS
As of January 31, 2016 and for the year then ended
(Expressed in Indonesian Rupiah, unless otherwise stated)

1. GENERAL INFORMATION

The Company's Establishment

PT Ingress Malindo Ventures (the "Company") was established under the framework of the Foreign Capital Investment ("PMA") based on Notarial Deed No. 36 dated March 19, 2003 of Siti Pertiwi Henny Singgih, S.H., notary public in Jakarta. The deed of establishment was approved by the Minister of Justice of the Republic of Indonesia in its Decision Letter No. C-20428 HT.01.01.TH.2003 dated August 28, 2003 and was published in the State Gazette of the Republic of Indonesia No. 8 dated January 27, 2004, Supplement No. 1100/2004.

The Company's Articles of Association have been amended several times, most recently by Notarial Deed No. 69 dated September 11, 2015 of H. Rizul Sudarmadi, SH., MKn., concerning the changes in the Boards of Commissioners and Directors of the Company. The amendment deed was approved by the Ministry of Laws and Human Rights of the Republic of Indonesia in its Decision Letter No. AHU-AH.01.03-0964647 dated September 15, 2015.

In accordance with Article 3 of the Company's Articles of Association, the scope of its activities is principally engaged in manufacturing automotive components. The Company started its commercial operations in May 2004.

The Company is engaged in automotive component manufacturer for motor vehicles with four wheels or more. The Company is domiciled at Kawasan Industri Jababeka II, Jl. Industri Selatan 6A Blok GG No. 7A-B, Cikarang Selatan Bekasi.

The Company's direct parent is Ingress Precision Sdn. Bhd. The ultimate holding company is Ingress Industrial (Thailand) Company Limited, a company incorporated in Thailand.

Boards of Commissioners and Directors

The members of the Company's Boards of Commissioners and Directors as of January 31, 2016 and 2015 are as follows:

	2016	2015
<u>Board of Commissioners</u>		
President Commissioner	Ir. Herman Zaini Latief	Ir. Herman Zaini Latief
Commissioner	Abdul Wahab Bin Ismail	Abdul Wahab Bin Ismail
Commissioner	Abdul Rahim Bin Hitam	Abdul Rahim Bin Hitam
Commissioner	Affandi Bin Mochtar	Affandi Bin Mochtar
Commissioner	Rameli Bin Musa	Ramli Bin Napiah
Commissioner	Michiko Akamatsu	Motonori Tanimoto
Commissioner	Hiroshi Miyazeki	Takuji Matsuzawa
<u>Board of Directors</u>		
President Director	Nosri Bin Hamzah	Nosri Bin Hamzah
Director	Shamsuddin Bin Isa	Shamsuddin Bin Isa
Director	Ir. Mas Moehamad Latief	Ir. Mas Moehamad Latief
Director	Tamura Tesuji	Tamura Tesuji
Director	Muhammad Ihsan Bin Saidin	Ahmad Fahji Bin H. Abdul Kadir

Completion of the Financial Statements

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with Indonesian Financial Accounting Standards, which were completed and authorized for issuance by the Company's Directors on April 25, 2016.

PT INGRESS MALINDO VENTURES
NOTES TO THE FINANCIAL STATEMENTS
As of January 31, 2016 and for the year then ended
(Expressed in Indonesian Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation of the financial statements

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

Effective on February 1, 2015, the Company applied the Statement of Financial Accounting Standards ("PSAK") No. 1 (Revised 2013), "Presentation of Financial Statements". This PSAK changes the grouping of items presented in Other Comprehensive Income ("OCI"). Items that could be reclassified to profit or loss are presented separately from items that will never be reclassified. The adoption of this PSAK affected presentation only and has no impact on the Company's financial position or performance.

This revised PSAK clarify that the third statement of financial position as of the beginning period of comparative period (as of February 1, 2014 in the case of the Company), presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. As a result, the Company has not included related notes in respect of the opening statement of financial position as at February 1, 2014.

The Company presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements which have a material impact. An additional statement of financial position as at February 1, 2014 is presented in these financial statements due to the retrospective application of accounting policies, restatements and reclassifications of certain items in financial statements as disclosed in Note 4.

The financial statements have been prepared on the accrual basis, except for statement of cash flows, and using the historical cost concept of accounting, except for certain accounts which are measured on the bases described in the related accounting policies of each account.

The statement of cash flows, which has been prepared using the indirect method, presents cash receipts and payments classified into operating, investing and financing activities.

The presentation currency used in the preparation of financial statements is the Indonesian Rupiah ("Rupiah" or "Rp") which is the functional currency of the Company.

b. Changes in accounting policies and disclosures

Effective on February 1, 2015, the Company applied, for the first time, certain new standards and amendments. These include PSAK No. 68, "Fair Value Measurement" and amendments to PSAK No. 1 (Revised 2013), "Presentation of Financial Statements" and PSAK No. 24 (Revised 2013), "Employee Benefits". Several other amendments apply for the first time in 2015, however, they do not impact the financial statements of the Company. The nature and the impact of each new standards and amendments are further described in the relevant Note 2.

c. Transactions with related parties

The Company has transactions with related parties as defined in PSAK No. 7 (Revised 2010). Significant transactions and balances of the Company with related parties are disclosed in the relevant notes to the financial statements.

Transactions with related parties are made based on terms agreed by the parties, which may not be the same as those of the transaction between unrelated parties.

PT INGRESS MALINDO VENTURES
NOTES TO THE FINANCIAL STATEMENTS
As of January 31, 2016 and for the year then ended
(Expressed in Indonesian Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Determination of fair value

Effective on February 1, 2015, the Company applied PSAK No. 68, "Fair Value Measurement". This PSAK, among others, provides guidance on how to measure fair value when fair value is required or permitted. Fair value related disclosures for financial instruments are disclosed in Note 27.

The Company measures financial instruments at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimizing the use of unobservable inputs.

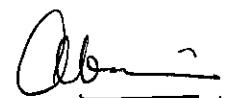
All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's valuation committee determines the policies and procedures for recurring fair value measurement. The valuation committee comprises of Finance and Accounts Manager, the Finance Director and the President Director.

External valuer is involved for valuation of significant assets which are land and buildings. Involvement of external valuer is decided upon annually by the valuation committee after discussion with and approval by the Company's Commissioners. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The valuation committee decides, after discussions with the Company's external valuer, which valuation techniques and inputs to use for each case.



PT INGRESS MALINDO VENTURES
NOTES TO THE FINANCIAL STATEMENTS
As of January 31, 2016 and for the year then ended
(Expressed in Indonesian Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Determination of fair value (continued)

At each reporting date, the valuation committee analyses the movements in the values of assets which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the valuation committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The valuation committee, in conjunction with the Company's external valuer, also compares each the changes in the fair value of each asset with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

e. Foreign currency transactions and balances

The Company considers the primary indicators and other indicators in determining its functional currency. The Company determined that its functional currency is the Indonesian Rupiah and decided that the presentation currency for the financial statements is the Indonesian Rupiah.

Transactions in foreign currencies are recorded in the functional currency at the rates of exchange prevailing at the time the transactions are made. At the reporting date, monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the average of the selling and buying rates of exchange prevailing at the last banking transaction date of the year as published by Bank Indonesia and any resulting gains or losses are credited or charged to current year profit or loss.

The rates of exchange used were as follows:

	<u>2016</u>	<u>2015</u>
US Dollar 1 (US\$)/Rupiah	13,846	12,625

f. Financial assets and liabilities

Effective on February 1, 2015, the Company applied PSAK No. 50 (Revised 2014), "Financial Instruments: Presentation", PSAK No. 55 (Revised 2014), "Financial Instruments: Recognition and Measurement" and PSAK No. 60 (Revised 2014), "Financial Instruments: Disclosures". The application of those PSAK did not have significant impact to the Company's financial statements.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value, plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include trade and other receivables and cash on hand and in banks. All of the Company's financial assets are classified as loans and receivables.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Financial assets and liabilities (continued)

Financial assets (continued)

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate ("EIR") method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in other operating income in the statement of profit or loss and other comprehensive income. The losses arising from impairment are recognized in the statement of profit or loss and other comprehensive income in finance costs for loans and in cost of sales or other operating expenses for receivables.

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:

- i. the rights to receive cash flows from the financial asset have expired; or
- ii. the Company has transferred its rights to receive cash flows from the financial 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 financial asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset.

When the Company has transferred its rights to receive cash flows from a financial asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of the financial asset ownership. When it has neither transferred nor retained substantially all the risks and rewards of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that Company could be required to repay.

Impairment of financial assets

The Company assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred '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. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments; the probability that they will enter bankruptcy or other financial reorganization; and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables carried at amortized cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Financial assets and liabilities (continued)

Financial assets (continued)

Impairment of financial assets (continued)

If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed 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 amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original EIR of the asset. Loans and receivable, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. The amount of reversal is recognized in the profit or loss. If a future write-off is later recovered, the recovery is recognized in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, short-term and long-term bank loans and obligations under finance leases which are classified as loans and borrowings.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss and other comprehensive income.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Financial assets and liabilities (continued)

Financial liabilities (continued)

Derecognition (continued)

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. The difference in the respective carrying amounts is recognized in the statement of profit or loss and other comprehensive income.

Offsetting of financial instruments

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

g. Inventories

Inventories are stated at the lower of cost or net realizable value. The cost of inventories is measured using the weighted-average method except for consumable and spare parts which are calculated on a first in, first out basis.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

- i. Raw materials, consumable and spare parts: purchase cost;
- ii. Finished goods and goods in process: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

Net realizable value is the estimated selling price in the normal course of business, less the estimated cost of completion and selling expenses.

Allowance for inventory obsolescence is provided based on a review of the physical condition of the inventories at the end of year.

h. Prepaid expenses

Prepaid expenses are amortized over the periods benefited using the straight-line method.

i. Fixed assets

Fixed assets, except land and buildings, are stated at cost less accumulated depreciation and impairment losses. If the recognition criteria are met, the acquisition cost will include the cost of replacing part of the fixed assets when the cost is incurred. 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 profit or loss as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Useful lives (Years)</u>
Buildings	20
Plant and machinery	10
Tooling, factory and office equipment	5
Motor vehicle	5

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Fixed assets (continued)

Cost of toolings used for specific product models are depreciated using the units of production basis.

Land is stated initially at cost and not amortized as the management is of the opinion that it is probable the titles of land rights can be renewed/extended upon expiration.

The legal cost of land rights in the form of *Building Usage Rights* ("HGB") incurred when the land was acquired initially are recognized as part of the cost of the land under "Fixed Assets" account and not amortized. The legal cost incurred to extend or renew the land rights are recorded as intangible assets and amortized over the shorter of the rights' legal life or land's economic life.

After initial recognition, land and buildings are measured at fair value at the revaluation date less accumulated depreciation on buildings and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity to ensure that the carrying amount of revalued assets does not differ materially from that which would be determined using fair value at the end of the reporting year.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

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 profit or loss in the period the asset is derecognized.

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

Construction in progress is presented under "Fixed Assets" and stated at cost. The accumulated cost of the asset constructed is transferred to the appropriate fixed assets account when the construction is completed and the asset is ready for its intended 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. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. Any difference of sales proceeds over the carrying amount of an asset in a sale-and-lease back transaction is deferred and amortized over the lease terms.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Leases (continued)

Company as a lessee (continued)

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of profit or loss and other comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating expense in the 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 assesses at the end of each 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 is required, the Company makes a formal estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value or Cash Generating Unit 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, if any, are recognized in profit or loss under expense categories that are consistent with the functions of the impaired assets.

l. Revenue and expense recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and Value Added Taxes ("VAT"). The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

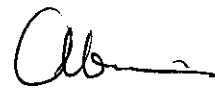
Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Interest income

For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate (EIR) method. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in other operating income in the statement of profit or loss and other comprehensive income.

Expense recognition

Expenses are recognized when incurred.



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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Employee benefits

Effective on February 1, 2015, the Company applied retrospectively PSAK No. 24 (Revised 2013), "Employee Benefits". This PSAK, among others, removes the corridor mechanism, stipulates that all past service costs are recognized immediately and requires certain additional disclosures.

The Company provides a provision for employee service entitlements in order to meet the minimum benefits required to be paid to qualified employees, as required under the Indonesian Labor Law No. 13 Year 2003 (the "Labor Law"). These benefits are unfunded and are calculated by an independent actuary using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past-service costs are recognized in profit or loss on the earlier of:

- i. The date of the plan amendment or curtailment, and
- ii. The date that the Company recognizes related restructuring costs.

Net interest is calculated by applying the discount rate to the defined benefit liability. The Company recognizes the following changes in the defined benefit obligation under "Cost of sales" and "General and administrative expenses" in the statement of profit or loss and other comprehensive income (by function):

- i. Service costs comprising current-service cost, past-service cost, gains and losses on curtailments and non-routine settlements, and
- ii. Net interest expense or income.

n. Taxation

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

Final tax

Tax regulation in Indonesia determined that certain taxable income is subject to final tax. Final tax applied to the gross value of transactions is applied even when the parties carrying the transaction recognizing losses. Referring to revised PSAK No. 46 as mentioned above, final tax is no longer governed by PSAK No. 46.

The difference between the carrying amount of a revalued asset and its tax base is a temporary difference and gives rise to a deferred tax liability or asset, except for certain asset such as land, which realization is taxed with final tax on gross value of transaction.

Current tax

Current income tax assets and liabilities for the current year 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 tax obligations are recorded when a tax assessment letter is received or, if appealed against, when the result of the appeal is determined.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Taxation (continued)

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 income 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 each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the benefit of that deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized 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 year profit or loss, 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 consistent with the presentation of current tax assets and liabilities.

o. Accounting standards issued but not yet effective

The standards and interpretations that are issued by the DSAK, but not yet effective for current financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

- Amendments to PSAK No. 1: *Presentation of Financial Statements on Disclosures Initiative*, effective January 1, 2017.

The amendments clarify, rather than significantly change, existing PSAK No. 1 requirements, among others, to clarify the materiality, flexibility as to the order in which they present the notes to financial statements and identification of significant accounting policies.

- Amendments to PSAK No. 4: *Separate Financial Statements on Equity Method in Separate Financial Statements*, effective February 1, 2016.

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Amendments to PSAK No. 15: *Investments in Associates and Joint Ventures on Investment Entities: Applying the Consolidation Exception*, February 1, 2016.

The amendments address issues that have arisen in applying the investment entities exception under PSAK No. 65 Consolidated Financial Statements, provide clarification on the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Accounting standards issued but not yet effective (continued)

- Amendments to PSAK No. 16: *Property, plant and Equipment on Clarification of the Accepted Method for Depreciation and Amortization*, effective February 1, 2016.

The amendments clarify the principle in PSAK No. 16 and PSAK No. 19 Intangible Asset that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate the property, plant and equipment.

- Amendments to PSAK No. 19: *Intangible Assets on Clarification of the Accepted Method for Depreciation and Amortization*, effective February 1, 2016.

The amendments clarify the principle in PSAK No. 16 Property, Plant and Equipment and PSAK No. 19 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate the property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

- Amendments to PSAK No. 24: *Employee Benefits on Defined Benefit Plans: Employee Contributions*, effective February 1, 2016.

PSAK No. 24 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of service years, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

- Amendments to PSAK No. 65: *Consolidated Financial Statements on Investment Entities: Applying the Consolidation Exception*, effective February 1, 2016.

The amendments address issues that have arisen in applying the investment entities exception under PSAK No. 65. The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

- Amendments to PSAK No. 66: *Joint Arrangements on Accounting Acquisition of Interests in Joint Operations*, effective February 1, 2016.

The amendments require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PSAK No. 22 principles for business combinations accounting.

- Amendments to PSAK No. 67: *Disclosure of Interests in Other Entities on Investment Entities: Applying the Consolidation Exception*, effective February 1, 2016.

The amendments address issues that have arisen in applying the investment entities exception under PSAK No. 65 Consolidated Financial Statements. The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Accounting standards issued but not yet effective (continued)

- Interpretations of Statements of Financial Accounting Standard (ISAK) No. 30 (2015): *Levies, adopted from International Financial Reporting Interpretations Committee ("IFRIC") No. 21*, effective February 1, 2016.

This Interpretation addresses the accounting for a liability to pay a levy if that liability is within the scope of PSAK No. 57 Provisions, Contingent Liabilities and Contingent Assets. It also addresses the accounting for a liability to pay a levy whose timing and amount is certain.

- ISAK No. 31 (2015): *Interpretation on scope of PSAK No. 13 Investment Property*, effective January 1, 2017.

This Interpretation addresses the definition used for Building under the investment property.

- PSAK No. 5 (2015 Improvement): *Operating Segments*, effective February 1, 2016.

The improvement clarifies that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of PSAK No. 5 including a brief description of operating segments that have been aggregated and the economic characteristics.
 - Disclose the reconciliation of segment assets to total assets if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.
- PSAK No. 7 (2015 Improvement): *Related Party Disclosures*, effective February 1, 2016.
- The improvement clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.
- PSAK No. 13 (2015 Improvement): *Investment Property*, effective February 1, 2016.
- The description of ancillary services in PSAK No. 13 differentiates between investment property and owner-occupied property. The improvement clarifies that PSAK No. 22, and not the description of ancillary services in PSAK No. 13, is used to determine if the transaction is the purchase of an asset or business combination.
- PSAK No. 16 (2015 Improvement): *Property, Plant and Equipment*, effective February 1, 2016.
- The improvement clarifies that in PSAK No. 16 and PSAK No. 19 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. Carrying amounts of the asset is restated by revaluated amounts.
- PSAK No. 19 (2015 Improvement): *Intangible Assets*, effective February 1, 2016.

The improvement clarifies that in PSAK No. 16 and PSAK No. 19 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. Carrying amounts of the asset is restated by revaluated amounts.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Accounting standards issued but not yet effective (continued)

- PSAK No. 22 (2015 Improvement): *Business Combinations*, effective February 1, 2016.

The improvement clarifies:

- Joint arrangements, not just joint ventures, are outside the scope of PSAK No. 22. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.
- All contingent consideration arrangements arising from a business combination that not classified as equity should be measured at fair value through profit or loss whether or not they fall within the scope of PSAK No. 55.

- PSAK No. 25 (2015 Improvement): *Accounting Policies, Changes in Accounting Estimates and Errors*, relating with editorial correction for paragraph 27 of PSAK No. 25.
- PSAK No. 53 (2015 Improvement): *Share-based Payment*, effective February 1, 2016.

The improvement clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions.

- PSAK No. 68 (2015 Improvement): *Fair Value Measurement*, effective February 1, 2016.

The improvement clarifies that the portfolio exception in PSAK No. 68 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PSAK No. 55.

The Company is presently evaluating and has not yet determined the effects of these 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 year. 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 years.

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:

Determination of functional currency

The functional currency is the currency of the primary economic environment in which the Company operates. The management considered the currency that mainly influences the revenue and cost of rendering services and other indicators in determining the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

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3. SOURCE OF ESTIMATION UNCERTAINTY (continued)

Judgments (continued)

Classification of financial assets and liabilities

The Company determines 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's accounting policies disclosed in Note 2f.

Lease arrangements for machinery and toolings

The Company determined its machinery and toolings are under finance lease arrangement by judging if the existing arrangements transfer to the Company the substantial risks and rewards incidental to ownership of the assets, and whether those assets shall be depreciated. Accordingly, the balance of machinery and toolings were presented as part of "Fixed Assets" account and depreciated in a manner that reflects the benefits to be derived from them. The net carrying amount of the Company's leased machinery and toolings as at January 31, 2016 amounted to Rp24,950,054,196 (2015: Rp27,171,797,487). Further details are contained in Note 11.

Revaluation of land and buildings

The Company measures land and buildings at revalued amounts with changes in fair value being recognized in OCI. The Company engaged an Independent valuation specialist to assess the fair value of land and buildings as at January 31, 2016. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the asset.

The key assumptions used to determine the fair value of land is provided in Note 11.

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 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 Company's control. Such changes are reflected in the assumptions when they occur.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income, could necessitate future adjustments to tax income and expense already recorded.

Estimate is also 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 estimated claims for tax refund based on estimates of whether those claims are realizable. The net carrying amount of estimated claims for tax refund as at January 31, 2016 was Rp1,154,663,479 (2015: Rp961,367,000). Further details are disclosed in Note 10.

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3. SOURCE OF ESTIMATION UNCERTAINTY (continued)

Estimates and Assumptions (continued)

Depreciation of fixed assets

The costs of fixed assets, except toolings, are depreciated on a straight-line method over their estimated useful lives. The Company estimates the useful lives of its fixed assets to be within 5 to 20 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.

The net carrying amount of the Company's fixed assets as of January 31, 2016 was Rp90,730,409,812 (2015: Rp75,416,578,785). Further details are disclosed in Note 11.

Employee benefits

The cost of providing employee benefits and the present value of the employee benefit liabilities are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates, employee turn-over rate and disability rate. Due to the complexity involved in the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the market yields (at year end) on Indonesian Rupiah government bonds. The Company uses a single discount rate that reflects the estimated average timing of benefit payments and the currency in which the benefits are to be paid. The mortality rate is based on publicly available mortality tables. Future salary increases is based on the Company long-term business plan which is also influenced by expected future inflation rates for the country.

While the Company believes that its assumptions are reasonable and appropriate, significant differences in the Company's actual experiences or significant changes in the Company's assumptions may materially affect its estimated liabilities for employee benefits and net employee benefits expense. The carrying amount of the Company's estimated liabilities for employee benefits as of January 31, 2016 was Rp2,757,906,000 (2015: Rp2,217,110,000). Further details are disclosed in Note 19.

Deferred tax assets

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

The Company has tax losses carried forward which can be utilized against future taxable profits for five years since the tax loss occurred amounting to Rp21,377,496,095 (2015: Rp17,939,593,239). The Company neither has any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Company has determined that it cannot recognize deferred tax assets on the tax losses carried forward.

If the Company was able to recognize all unrecognized deferred tax assets, accumulated losses would have decreased by Rp5,344,374,024.

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4. RECLASSIFICATION AND RESTATEMENT OF COMPARATIVE INFORMATION

As discussed in the relevant disclosures in Note 2, effective on February 1, 2015, the Company applied retrospectively the newly issued and revised PSAK which were effective for financial reporting period beginning on/after January 1, 2015. In relation to the implementation of PSAK No. 1 (Revised 2013) and PSAK No. 24 (Revised 2013), the Company restated the comparative financial statements and presented a third statement of financial position as at the beginning of the preceding period.

In 2015, the Company performed reconciliations of its intercompany balances and prepared agreements and other documentation supporting the intercompany balances. The Company also conducted a detailed review on its accounts and discovered, among others, misstatements in the accounts of trade and other receivables, fixed assets, long-term prepayments, other non-current assets, accrued expenses and taxes payable. As a result, the Company restated the financial statements as of January 31, 2015 and February 1, 2014/January 31, 2014 and for the year ended January 31, 2015, to correct the misstatements.

The Company also reclassified certain accounts in the financial statements as of January 31, 2015 and February 1, 2014/January 31, 2014 and for the year ended January 31, 2015, to conform with the presentation of the financial statements as of January 31, 2016 and for the year then ended.

The accounts affected in the financial statements as of January 31, 2015 and for the year then ended before and after the restatement are shown below:

	January 31, 2015		
	As Previously Reported	Reclassification and Restatement Adjustments	As Reclassified/ Restated
ASSETS			
Trade receivables	16,946,035,369	(1,763,001,298)	15,183,034,071
Other receivables	227,808,223	1,685,572,673	1,913,380,896
Inventories	6,190,140,366	21,427,492	6,211,567,858
Advances and prepaid expenses	1,917,284,156	(11,455,117)	1,905,829,039
Prepaid taxes	829,604,004	(829,604,004)	-
Total current assets	35,756,075,610	(897,060,254)	34,859,015,356
Estimated claims for tax refund	-	961,367,000	961,367,000
Fixed assets	98,218,263,693	(22,801,684,908)	75,416,578,785
Long-term prepayments	5,949,534,343	6,600,841,607	12,550,375,950
Other non-current assets	9,044,115,361	(5,818,771,373)	3,225,343,988
Total non-current assets	113,211,913,397	(21,058,247,674)	92,153,665,723
Total assets	148,967,989,007	(21,955,307,928)	127,012,681,079
LIABILITIES			
Trade payables	71,928,618,950	(43,180,004,040)	28,748,614,910
Other payables	-	40,261,564,562	40,261,564,562
Taxes payable	661,604,121	152,434,588	814,038,709
Accrued expenses	3,970,574,391	(264,673,253)	3,705,901,138
Current portion of obligations under finance leases	13,219,970,052	22,510,615	13,242,480,667
Total current liabilities	111,073,675,889	(3,008,185,831)	108,065,490,058
Long-term bank loans, net of current portion	8,153,603,750	2,432,203	8,156,035,953
Obligations under finance leases, net of current portion	3,573,061,264	(22,510,615)	3,550,550,649
Employee benefits liability	1,658,285,000	558,825,000	2,217,110,000
Total non-current liabilities	11,726,655,014	2,197,031,588	13,923,686,602
Total liabilities	124,458,625,903	(2,469,439,243)	121,989,186,660
EQUITY			
Revaluation surplus of fixed assets	6,576,829,413	(2,019,051,413)	4,557,778,000
Accumulated losses	(42,067,462,934)	(17,466,817,272)	(59,534,280,206)
Equity, net	24,509,363,104	(19,485,868,685)	5,023,494,419

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4. RECLASSIFICATION AND RESTATEMENT OF COMPARATIVE INFORMATION (continued)

	Year ended January 31, 2015		
	As Previously Reported	Reclassification and Restatement Adjustments	As Reclassified/ Restated
PROFIT OR LOSS			
Cost of sales	(74,145,707,631)	(4,972,488,163)	(79,118,195,794)
Gross profit	20,140,506,127	(4,972,488,163)	15,168,017,964
Selling expenses	(1,360,000)	(352,754,836)	(354,114,836)
General and administrative expenses	(14,399,809,801)	175,925,487	(14,223,884,314)
Gain (loss) on foreign exchange, net	(441,003,845)	734,544,919	293,541,074
Other operating income	1,177,504,048	(17,053,740)	1,160,450,308
Other operating expenses	(1,612,474,218)	174,850,004	(1,437,624,214)
Operating income	4,863,362,311	(4,256,976,329)	606,385,982
Loss before income tax expense	451,416,013	(4,256,976,329)	(3,805,560,316)
Loss for the year	451,416,013	(4,256,976,329)	(3,805,560,316)
Remeasurement losses on defined benefit plans	-	(300,681,000)	(300,681,000)
Total comprehensive income (loss) for the year	451,416,013	(4,557,657,329)	(4,106,241,316)
CASH FLOWS			
Net cash provided by operating activities	14,657,559,995	3,389,345,948	18,046,905,943
Net cash used in investing activities	(16,520,421,412)	4,683,639,157	(11,836,782,255)
Net cash used in financing activities	4,079,351,988	(8,072,985,105)	(3,993,633,117)

The accounts affected in the financial position as of February 1, 2014/January 31, 2014 before and after the restatement are shown below:

	February 1, 2014/January 31, 2014		
	As Previously Reported	Reclassification and Restatement Adjustments	As Reclassified/ Restated
ASSETS			
Trade receivables	20,335,900,089	(2,617,359,013)	17,718,541,076
Other receivables	319,659,835	221,303,884	540,963,719
Advances and prepaid expenses	1,932,767,157	66,913,170	1,999,680,327
Prepaid taxes	1,973,322,265	(1,887,942,001)	85,380,264
Total current assets	37,822,937,332	(4,217,083,961)	33,605,853,371
Estimated claims for tax refund	-	1,887,942,000	1,887,942,000
Fixed assets	104,204,651,566	(22,688,102,854)	81,516,548,712
Long-term prepayments	-	7,431,614,264	7,431,614,264
Other non-current assets	10,325,618,917	(6,076,976,439)	4,248,642,478
Total non-current assets	114,530,270,483	(19,445,523,029)	95,084,747,454
Total assets	152,353,207,815	(23,662,606,990)	128,690,600,825
LIABILITIES			
Trade payables	72,093,869,278	(41,207,909,691)	30,885,959,587
Other payables	4,344,764,672	33,206,001,756	37,550,766,428
Accrued expenses	4,544,689,688	(1,073,519,697)	3,471,169,991
Current portion of obligations under finance leases	13,085,025,483	(987,014,314)	12,098,011,169
Total current liabilities	112,489,243,722	(11,586,102,948)	100,903,140,774
Obligations under finance leases, net of current portion	15,806,017,002	987,014,314	16,793,031,316
Employee benefits liability	1,523,661,000	341,032,000	1,864,693,000
Total non-current liabilities	15,806,017,002	2,851,707,314	18,657,724,316
Total liabilities	128,295,260,724	(8,734,395,634)	119,560,865,090

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4. RECLASSIFICATION AND RESTATEMENT OF COMPARATIVE INFORMATION (continued)

	February 1, 2014/January 31, 2014		
	As Previously Reported	Reclassification and Restatement Adjustments	As Reclassified/ Restated
EQUITY			
Revaluation surplus of fixed assets	6,576,829,413	(1,959,051,413)	4,617,778,000
Accumulated losses	(42,518,878,947)	(12,969,159,943)	(55,488,038,890)
Equity, net	24,057,947,091	(14,928,211,356)	9,129,735,735

5. CASH ON HAND AND IN BANKS

	January 31,	
	2016	2015
Cash on hand	27,651,167	18,537,713
Cash in banks	3,733,393,543	9,626,665,779
Total	3,761,044,710	9,645,203,492

Cash in banks earns interest at floating rates based on daily bank deposit rates. Cash on hand and in banks were denominated in the following currencies:

	January 31,	
	2016	2015
Indonesian rupiah	3,671,784,809	9,631,076,369
United States dollar	89,259,901	14,127,123
Total	3,761,044,710	9,645,203,492

6. TRADE RECEIVABLES

	January 31,	
	2016	2015*)
Third parties	8,246,053,452	8,479,366,661
Allowance for impairment losses	-	(107,438,741)
Third parties, net	8,246,053,452	8,371,927,920
Related parties (Note 26)	10,083,156,002	6,811,106,151
Total	18,329,209,454	15,183,034,071

Trade receivables are non-interest bearing, unsecured and are generally on terms of 20 to 45 days.

*) As restated (Note 4)

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6. TRADE RECEIVABLES (continued)

As at January 31, 2016 and 2015, the ageing analysis of trade receivables is as follows:

	January 31,	
	2016	2015*)
Current and not impaired	7,451,356,023	7,580,152,646
Past due but not impaired:		
1 - 30 days	1,236,309,844	872,273,912
31 - 60 days	739,669,148	119,405,629
61 - 90 days	203,169,015	234,267,421
More than 90 days	8,698,705,424	6,376,934,463
Past due and impaired:		
More than 90 days	-	107,438,741
Total	18,329,209,454	15,290,472,812
Allowance for impairment losses	-	(107,438,741)
Net	18,329,209,454	15,183,034,071

The changes in the allowance of impairment losses are as follows:

	January 31,	
	2016	2015
Balance at beginning of year	107,438,741	107,438,741
Allowance written-off	(107,438,741)	-
Balance at end of year	-	107,438,741

As of January 31, 2016, the Company's management believes that there is no objective evidence of an impairment loss and all trade receivables are collectable.

The details of trade receivables based on original currency are as follows:

	January 31,	
	2016	2015*)
Rupiah	8,187,776,492	8,371,927,920
Malaysian Ringgit	7,405,089,939	6,811,106,151
US Dollar	2,736,343,023	-
Total	18,329,209,454	15,183,034,071

*) As restated (Note 4)

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7. OTHER RECEIVABLES

	January 31,	
	2016	2015*)
Third parties	428,311,451	606,707,776
Related parties (Note 26)	1,684,248,334	1,306,673,120
Total	2,112,559,785	1,913,380,896

Other receivables are non-interest bearing, unsecured and are generally settled less than 12 months. Other receivables were denominated in Rupiah.

The Company's management believes that there is no objective evidence of an impairment loss and all other receivables are collectable.

8. INVENTORIES

	January 31,	
	2016	2015*)
Finished goods	667,931,029	970,807,156
Goods in process	1,475,085,908	1,002,587,271
Raw materials	2,490,351,264	2,234,957,890
Spare parts and supplies	2,840,025,829	2,084,901,265
Sub-total	7,473,394,030	6,293,253,582
Allowance for decline in value of inventories	(81,685,724)	(81,685,724)
Inventories, net	7,391,708,306	6,211,567,858

Based on the review of the net realizable value and physical condition of inventories at the end of the year, the management of the Company is of the opinion that the allowances for decline in value of inventories is adequate to cover possible losses arising from such conditions.

9. ADVANCES AND PREPAID EXPENSES

	January 31,	
	2016	2015*)
Advance payments	2,076,623,345	1,235,548,569
Prepaid expenses	155,802,234	670,280,470
Total	2,232,425,579	1,905,829,039

Advance payments mostly represent advances for purchases of materials which are unsecured, non-interest bearing and expected to be settled within the normal operating cycle of the Company.

*) As restated (Note 4)

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10. TAXATION

a. Prepaid taxes

	January 31,	
	2016	2015*)
Value Added Tax	123,762,126	-

b. Estimated claims for tax refund

	January 31,	
	2016	2015*)
Corporate income tax		
Year 2016	193,296,479	-
Year 2015	549,938,000	549,938,000
Year 2014	411,429,000	411,429,000
Total	1,154,663,479	961,367,000

c. Taxes payable

	January 31,	
	2016	2015*)
Withholding income tax:		
Article 21	71,148,174	86,692,211
Articles 23 and 26	97,598,070	62,197,911
Article 4(2)	750,522,021	13,111,110
Value Added Tax	-	652,037,477
Total	919,268,265	814,038,709

d. Income tax expense

The components of income tax expense for the years ended January 31, 2016 and 2015 are as follows:

	Year ended January 31,	
	2016	2015
Current income tax	-	-
Deferred income tax expense	-	-
Total	-	-

Reconciliation of tax expense and the accounting loss multiplied by the statutory income tax rate for the years ended January 31, 2016 and 2015 is as follows:

*) As restated (Note 4)

 
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10. TAXATION (continued)

d. Income tax expense (continued)

	Year ended January 31,	
	2016	2015*)
Accounting loss before income tax expense	(2,672,244,791)	(3,805,560,316)
Income tax benefit at the the prevailing tax rate	(668,061,198)	(951,390,079)
Non-deductible expenses	467,510,891	549,800,780
Unrecognized deferred tax assets	466,538,715	401,589,512
Income tax expense	-	-

The Company did not recognize the deferred tax assets as of January 31, 2016 and 2015 due to the uncertainty in the recoverability of the assets.

11. FIXED ASSETS

	January 31, 2016				
	Beginning Balance	Additions	Revaluation Surplus (Deficit)	Reclassification	Ending Balance
Cost or Valuation					
<u>Direct ownership</u>					
Land	9,148,121,813	-	24,216,727,387	-	33,364,849,000
Buildings	18,120,135,738	166,000,000	(2,629,260,578)	122,000,000	15,778,875,160
Plant and machinery	53,096,862,404	106,000,000	-	-	53,202,862,404
Tooling equipment	17,470,419,459	-	-	25,000,000	17,495,419,459
Factory equipment	4,128,240,838	77,321,650	-	292,030,000	4,497,592,488
Motor vehicles	718,552,273	-	-	-	718,552,273
Office equipment	1,377,389,646	188,111,050	-	9,600,000	1,575,100,696
Asset under construction	5,202,489,247	4,820,768,904	-	(5,213,865,380)	4,809,392,771
	109,262,211,218	5,358,201,604	21,587,466,809	(4,765,235,380)	131,442,644,251
<u>Asset under finance lease</u>					
Plant and machinery	12,482,640,000	-	-	-	12,482,640,000
Tooling equipment	22,441,875,920	-	-	-	22,441,875,920
	34,924,515,920	-	-	-	34,924,515,920
Total cost	144,186,727,138	5,358,201,604	21,587,466,809	(4,765,235,380)	166,367,160,171
Accumulated depreciation					
<u>Direct ownership</u>					
Buildings	5,494,334,400	840,492,534	(639,201,584)	-	5,695,625,350
Plant and machinery	34,020,382,570	3,682,558,225	-	-	37,702,940,795
Tooling equipment	17,272,596,800	58,278,544	-	-	17,330,875,344
Factory equipment	2,537,647,705	522,042,200	-	-	3,059,689,905
Motor vehicles	670,170,449	24,190,909	-	-	694,361,358
Office equipment	1,022,297,996	156,497,887	-	-	1,178,795,883
	61,017,429,920	5,284,060,299	(639,201,584)	-	65,662,288,635
<u>Asset under finance lease</u>					
Plant and machinery	2,080,439,999	1,248,264,000	-	-	3,328,703,999
Tooling equipment	5,672,278,434	973,479,291	-	-	6,645,757,725
	7,752,718,433	2,221,743,291	-	-	9,974,461,724
Total accumulated depreciation	68,770,148,353	7,505,803,590	(639,201,584)	-	75,636,750,359
Total carrying amount	75,416,578,785				90,730,409,812

*) As restated (Note 4)

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11. FIXED ASSETS (continued)

	January 31, 2015 ^{*)}			
	Beginning Balance	Additions	Revaluation Surplus	Reclassification
Cost or Valuation				Ending Balance
<u>Direct ownership</u>				
Land	9,148,121,613	-	-	9,148,121,613
Buildings	18,072,135,738	48,000,000	-	18,120,135,738
Plant and machinery	50,631,839,382	2,284,507,363	-	53,096,862,404
Tooling equipment	17,470,419,459	-	-	17,470,419,459
Factory equipment	3,624,237,104	504,003,734	-	4,128,240,838
Motor vehicles	718,552,273	-	-	718,552,273
Office equipment	1,189,927,375	187,462,271	-	1,377,389,646
Asset under construction	5,383,004,906	-	-	5,202,489,247
	106,238,237,850	3,023,973,368	-	109,262,211,218
<u>Asset under finance lease</u>				
Plant and machinery	12,482,640,000	-	-	12,482,640,000
Tooling equipment	22,441,875,920	-	-	22,441,875,920
	34,924,515,920	-	-	34,924,515,920
Total cost	141,162,753,770	3,023,973,368	-	144,186,727,138
<u>Accumulated depreciation</u>				
<u>Direct ownership</u>				
Buildings	4,642,416,144	851,918,266	-	5,494,334,400
Plant and machinery	29,541,586,735	4,478,795,835	-	34,020,382,570
Tooling equipment	17,103,381,024	169,215,776	-	17,272,596,800
Factory equipment	2,073,858,398	463,789,307	-	2,537,647,705
Motor vehicles	645,979,540	24,190,909	-	670,170,449
Office equipment	906,932,458	115,365,538	-	1,022,297,996
	54,914,154,299	6,103,275,621	-	61,017,429,920
<u>Asset under finance lease</u>				
Plant and machinery	832,175,999	1,248,264,000	-	2,080,439,999
Tooling equipment	3,899,874,760	1,772,403,674	-	5,672,278,434
	4,732,050,759	3,020,667,674	-	7,752,718,433
Total accumulated depreciation	59,646,205,058	9,123,943,295	-	68,770,148,353
Total carrying amount	81,516,548,712			75,416,578,785

Land

Land owned by the Company is located at Kawasan Industri Jababeka II, Jl. Industri Selatan 6A Blok GG No. 7A-B, Cikarang Selatan Bekasi covering an area of 12,271 square meters under the HGB title. The landrights will expire in September 2026. The management is of the opinion that the landrights are extendable.

Revaluation of land and buildings

Fair value of the land and buildings were determined by using market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for difference in the nature, location or condition of the specific property. As at the date of revaluation on October 8, 2015, the fair values of land and buildings are based on valuations performed by KJPP Areyanti, Junita, accredited independent valuers, in their report dated October 12, 2015.

Revaluation surplus of land recognized in 2015 and accumulated in equity under the account of "Revaluation surplus of fixed assets" amounting to Rp23,490,225,565 (net of final tax of Rp726,501,822). Revaluation deficit of buildings recognized in 2015 amounting to Rp1,990,058,994 which offset the existing surplus of Rp945,000,000 and the remaining Rp1,045,058,994 was recognized in profit or loss and presented in the "Other Operating Expenses" account.

Significant unobservable valuation input is price per square meter ranging from Rp2,539,286 to Rp3,583,393. Significant increases (decreases) in estimated price per square meter in isolation would result in a significantly higher (lower) fair value.

^{*)} As restated (Note 4)

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11. FIXED ASSETS (continued)

Revaluation of land and buildings (continued)

If land and buildings were measured using the cost model, the carrying amounts would be as follows:

	January 31,	
	2016	2015*)
Cost	20,979,427,939	20,691,427,939
Accumulated depreciation	(4,270,775,524)	(3,475,282,989)
Net carrying amount	16,708,652,415	17,216,144,950

Finance leases

The carrying amount of machinery and toolings held under finance leases at January 31, 2016 amounted to Rp24,950,054,196 (2015: Rp27,171,797,487).

Asset under construction

Asset under construction as of January 31, 2016 included the construction of Heat Protector MMC and Inner Sash MMC amounting to Rp3,431,732,606, which is expected to be completed in October 2017.

In 2015, asset under construction have been reclassified to inventories of Rp4,329,653,406 and to long-term prepayments of Rp435,581,974 (Note 12).

Assets pledged as security

As of January 31, 2016 and 2015, machineries and toolings are pledged to the loans obtained from Export-Import Bank of Malaysia Berhad (Note 14). Leased assets are pledged as security for the related finance lease obligations (Note 18).

12. LONG-TERM PREPAYMENTS

	January 31,	
	2016	2015*)
Cost		
Balance at beginning of year	16,445,723,655	7,965,554,768
Additions	435,581,974	8,480,168,887
Balance at end of year	16,881,305,629	16,445,723,655
Accumulated amortization		
Balance at beginning of year	3,895,347,705	533,940,504
Amortization charge for the year	3,739,839,065	3,361,407,201
Balance at end of year	7,635,186,770	3,895,347,705
Net carrying amount	9,246,118,859	12,550,375,950

This account represents prepayments made by the Company to customers for toolings used to produce specific product models required by customers. These prepayments are amortized using the units of production basis.

*) As restated (Note 4)

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13. OTHER NON-CURRENT ASSETS

	January 31,	
	2016	2015*)
Deferred loss on sale and lease back	677,969,247	2,033,907,738
Refundable deposits	858,796,250	858,796,250
Others	-	332,640,000
Total	1,536,765,497	3,225,343,988

In May and August 2013, the Company entered into sales and lease back arrangements (Note 18) to finance the acquisition of machinery and toolings. The net carrying amount of machinery and toolings sold amounted to Rp38,992,331,391 with considerations received amounting to Rp34,924,515,920, resulting in a loss of Rp4,067,815,471, which is deferred and amortized over the lease terms.

	January 31,	
	2016	2015*)
Cost		
At January 31,	4,067,815,471	4,067,815,471
Accumulated amortization		
Balance at beginning of year	2,033,907,733	677,969,243
Amortization charge for the year	1,355,938,491	1,355,938,490
Balance at end of year	3,389,846,224	2,033,907,733
Net carrying amount	677,969,247	2,033,907,738

14. BANK LOANS

	January 31,	
	2016	2015*)
Short-term bank loans		
PT Bank Maybank Syariah Indonesia	18,359,796,000	16,917,500,000
Long-term bank loans		
Export-Import Bank of Malaysia Berhad	16,728,470,249	12,531,426,025
Less current portion	(9,382,480,733)	(4,375,390,072)
Long-term portion	7,345,989,516	8,156,035,953

PT Bank Maybank Syariah Indonesia

Based on an agreement dated September 9, 2011, the Company obtained Syariah Banking Facility from PT Bank Maybank Syariah Indonesia with a maximum amount of US\$1,3500,000. The facility was granted for the purpose to finance the Company's working capital and importation. The loan term is for 12 months with a profit margin at BFR (Based Financing Rate) + 1.75% per annum. As of January 31, 2016, the outstanding principal amounted to US\$1,326,000 or equivalent to Rp18,359,796,000 (2015: US\$1,340,000 or equivalent to Rp16,917,500,000).

*) As restated (Note 4)

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14. BANK LOANS (continued)

Export-Import Bank of Malaysia Berhad

Based on Facility Agreement dated July 2, 2014, the Company obtained Islamic Financing Facility from Export-Import Bank of Malaysia Berhad for the purpose to finance the purchase of machineries and tooling equipment and the Company's working capital with a maximum amount of US\$2,400,000. The loan term is for 36 months and 31 months with a profit margin at 4.57% and 4.61% per annum respectively. The loan principal is repayable quarterly starting December 2014 with the final installment due on October 2017. As of January 31, 2016, the outstanding principal amounted to US\$1,208,181 or equivalent to Rp16,728,470,249 (2015: US\$992,588 or equivalent to Rp12,531,426,025).

The loan facility is secured by machineries and tooling equipment financed by the loan facility and Corporate Guarantee from Ingress Corporation Berhad.

The loan agreements include restrictions, among others, that without prior written consent from the bank, the Company shall not incur or guarantee any indebtedness, declare or pay dividends, change its business operations, dispose of substantial assets, dissolve its affairs or consolidate with or merge with any other party, make any loans or advances to its directors, shareholders or related companies, reduce its share capital and change the members of the boards of commissioners and directors.

15. TRADE PAYABLES

	January 31,	
	2016	2015*)
Third parties	3,568,190,982	9,302,080,768
Related parties (Note 26)	19,090,985,209	19,446,534,142
Total	22,659,176,191	28,748,614,910

Trade payables to third parties are non-interest bearing. Trade payables are normally settled on 30 to 60 days term.

The details of trade and other payables based on original currency are as follows:

	January 31,	
	2016	2015*)
Indonesian Rupiah	5,614,802,817	18,216,492,953
Malaysian Ringgit	17,044,373,374	-
United States Dollar	-	5,682,780,712
Japanese Yen	-	4,849,341,245
Total	22,659,176,191	28,748,614,910

*) As restated (Note 4)

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16. OTHER PAYABLES

	January 31,	
	2016	2015*)
Third parties	2,625,512,312	2,122,913,555
Related parties (Note 26)	40,178,117,261	38,138,651,008
Total	42,803,629,573	40,261,564,562

Other payables to third parties are non-interest bearing. Amounts due to parent company and entities under common control are unsecured, non-interest bearing and repayable on demand.

Details of other payables based on currency are as follows:

	January 31,	
	2016	2015*)
Malaysian Ringgit	31,180,826,078	725,907,859
Indonesian Rupiah	2,480,747,213	33,706,268,600
United States Dollar	9,142,056,282	-
Thailand Baht	-	5,829,388,103
Total	42,803,629,573	40,261,564,562

17. ACCRUED EXPENSES

	January 31,	
	2016	2015*)
Purchase	3,139,848,723	2,854,594,665
Marketing fees	273,226,358	351,348,775
Utilities expenses	240,661,956	435,744,891
Professional fees	121,200,003	58,999,997
Others	85,921,447	5,212,810
Total	3,860,858,487	3,705,901,138

18. OBLIGATIONS UNDER FINANCE LEASES

	January 31,	
	2016	2015*)
Obligations under finance leases	3,550,550,649	16,793,031,316
Less current portion	3,550,550,649	13,242,480,667
Long-term portion	-	3,550,550,649

*) As restated (Note 4)

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18. OBLIGATIONS UNDER FINANCE LEASES (continued)

The Company has finance leases for items of machinery and toolings. The Company's obligations under finance leases are secured by the leased assets. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	January 31, 2016		January 31, 2015*)	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	3,650,904,000	3,550,550,649	14,357,682,266	13,242,480,667
After one year but not more than five years	-	-	3,650,904,133	3,550,550,649
	3,650,904,000	3,550,550,649	18,008,586,399	16,793,031,316
Less amounts representing finance charges	(100,353,351)	-	(1,215,555,083)	-
Present value of minimum lease payments	3,550,550,649	3,550,550,649	16,793,031,316	16,793,031,316

19. EMPLOYEE BENEFITS

The Company provides a provision for employee service entitlements in order to meet the minimum benefits required to be paid to qualified employees, as stipulated under the the Labor Law. The employee benefits liability was calculated by PT RAS Actuarial Consulting, an independent actuary, based on its reports dated March 14, 2016, using the Projected Unit Credit method with the following assumptions:

Annual discount rate	: 9.0% (2015: 8.5%)
Future annual salary increase	: 10% (2015: 10%)
Mortality rate reference	: Indonesian Mortality Table 2011 (TMI 3)
Annual disability rate	: 10% of mortality rate
Annual resignation rates	: 6% for employees under the age of 29 years then decrease linearly until 0% at the age of 52 years
Retirement age	: 55 years of age

Changes in the present value of the defined benefit obligations

	January 31,	
	2016	2015*)
Benefit obligations at beginning of year	2,217,110,000	1,864,693,000
<u>Changes charged to profit or loss</u>		
Current-service cost	326,957,000	299,270,000
Past service cost and settlement	199,886,000	(284,118,000)
Interest cost on benefit obligations	191,031,000	126,690,000
	717,874,000	141,842,000

*) As restated (Note 4)

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19. EMPLOYEE BENEFITS (continued)

Changes in the present value of the defined benefit obligations (continued)

	January 31,	
	2016	2015*)
<u>Remeasurement (gains) losses charged to other comprehensive income</u>		
Actuarial changes arising from changes in financial assumptions	(223,758,000)	-
Experience adjustment	141,221,000	300,681,000
	(82,537,000)	300,681,000
Benefits paid	(94,541,000)	(90,106,000)
Benefit obligations at end of year	2,757,906,000	2,217,110,000

A quantitative sensitivity analysis for significant assumption as at January 31, 2016 is as shown below:

Assumptions	Increase (decrease)	Increase (decrease) in defined benefit obligation
Annual discount rate	1% / (1%)	(389,155,000) / 469,846,000
Future annual salary increase	1% / (1%)	458,203,000 / (387,131,000)
Annual resignation rate	10% / (10%)	(33,861,000) / 34,841,000

The sensitivity analyses above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The average duration of the defined benefit pension plan at the end of the reporting period is 20.97 years (2015: 21.72 years).

20. SHARE CAPITAL

The number of shares issued and the paid-up capital amount as of January 31, 2016 and 2015 are as follows:

Shareholders	Number of shares issued	Percentage of ownership	Issued and paid-up capital
Ingress Precision Sdn. Bhd.	4,056,338	60%	35,999,999,750
Katayama Kogyo Co. Ltd.	1,690,141	25%	15,000,001,375
Yonei and Co. Ltd.	676,056	10%	5,999,997,000
PT Tidar Adyagiri Sakti	338,028	5%	2,999,998,500
Total	6,760,563	100%	59,999,996,625

*) As restated (Note 4)

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21. NET SALES

	Year ended January 31,	
	2016	2015
Local sales	73,894,684,070	92,097,731,024
Export sales	3,668,977,211	2,188,482,734
Total	77,563,661,281	94,286,213,758

22. COST OF SALES

	Year ended January 31,	
	2016	2015*)
Raw and supply materials used	29,549,632,958	43,756,712,410
Depreciation and amortization	11,064,953,860	12,345,794,048
Salaries, wages and employee allowances	10,529,616,327	12,229,947,280
Manufacturing and other overhead expenses	9,410,636,022	10,683,651,150
Changes in finished goods and goods in process inventories	(169,622,510)	102,090,906
Total	60,385,216,657	79,118,195,794

23. OPERATING EXPENSES

	Year ended January 31,	
	2016	2015*)
Selling expenses		
Advertisement	1,001,000	1,360,000
Salaries and employee allowances	-	352,754,836
Sub-total	1,001,000	354,114,836
General and administrative expenses		
Salaries and employee allowances	5,254,205,910	4,398,085,091
Management fees	2,903,114,367	3,537,698,296
Taxes and license	928,400,608	1,921,773,622
Rental	782,538,024	726,506,664
Office expense	769,597,023	760,301,830
Traveling expenses	748,703,948	848,332,380
Insurance	517,073,594	467,537,798
Professional fees	243,832,331	611,008,002
Depreciation and amortization	211,347,128	173,714,051
Electricity and water	190,731,812	224,996,565
Others	427,362,282	553,930,015
Sub-total	12,976,907,027	14,223,884,314
Total	12,977,908,027	14,577,999,150

*) As restated (Note 4)

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24. OTHER OPERATING INCOME (EXPENSES)

	Year ended January 31,	
	2016	2015*)
Other operating income		
Rental income	294,545,451	354,545,451
Others	978,277,757	743,235,025
Total	1,272,823,208	1,097,780,476
Other operating expenses		
Amortization of loss on sales and lease back (Note 13)	(1,355,938,491)	(1,355,938,490)
Revaluation deficit charged to profit or loss (Note 11)	(1,045,058,994)	-
Others	-	(81,685,724)
Total	(2,400,997,485)	(1,437,624,214)

25. FINANCE EXPENSE

	Year ended January 31,	
	2016	2015
Interest expense on:		
Lease payables and others	1,390,112,334	2,259,671,097
Short-term bank loans	994,115,616	1,693,417,697
Long-term bank loans	957,900,750	188,979,282
Others	534,748	66,114,000
Bank charges	186,728,226	203,764,222
Total	3,529,391,674	4,411,946,298

26. SIGNIFICANT BALANCES AND TRANSACTIONS WITH RELATED PARTIES

In the normal course of business, the Company entered into trade and other transactions with related parties, which are affiliated with the Company through equity ownership, either direct or indirect, and/or under common control. Sales or purchase price among related parties is made based on terms agreed by the parties, which may not be the same as those of the transactions between unrelated parties.

The details of related parties, nature of relationship and types of significant transactions with related parties are as follows:

Related party	Nature of relationship	Nature of transactions
Ingress Precision Sdn. Bhd. ("IPSB")	Parent company	Cost allocation, sales of parts, production services, office rental and maintenance services
Ingress Autoventures Co. Ltd. ("IAV")	Under common control	Sales of parts and production services

*) As restated (Note 4)

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26. SIGNIFICANT BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

<u>Related party</u>	<u>Nature of relationship</u>	<u>Nature of transactions</u>
PT Ingress Technologies Indonesia ("ITI")	Under common control	Purchase of parts, production services, Maintenance services income, factory rental income
Talent Synergy Sdn. Bhd. ("TSSB")	Under common control	Purchase of parts and production services
Ingress Corporation Berhad ("ICB") Ingress Research Sdn. Bhd. ("IRSB") Ingress Technologies Sdn. Bhd. ("ITSB") Ingress Industrial (Malaysia) ("IIM")	Under common control	Cost allocation
Ingress Katayama Technical Centre ("IKTC")	Under common control	Purchase of tooling and production services
Katayama Kogyo Co. Ltd. Yonei and Co. Ltd. PT Tidar Ady giri Sakti	Shareholders	Management and technical services

Significant transactions with related parties are as follows:

	<u>Year ended January 31,</u>	
	<u>2016</u>	<u>2015</u>
Net sales		
<u>Parent company</u>		
Ingress Precision Sdn. Bhd.	932,634,188	485,067,298
<u>Entity under common control</u>		
Ingress Autoventures Co. Ltd.	2,678,066,063	1,677,310,520
Total	3,610,700,251	2,162,377,818
Percentage to total net sales	4.66%	2.29%
Purchase		
<u>Parent company</u>		
Ingress Precision Sdn. Bhd.	3,848,299,485	4,952,632,621
<u>Entity under common control</u>		
Ingress Autoventures Co. Ltd.	34,357,904	6,014,308,219
Total	3,882,657,389	10,966,940,840
Percentage to cost of sales	6.43%	13.86%

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26. SIGNIFICANT BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

	Year ended January 31,	
	2016	2015
Management and technical fees		
<u>Parent company</u>		
Ingress Precision Sdn. Bhd.	2,322,491,493	2,831,496,406
<u>Shareholders</u>		
Yonei and Co. Ltd.	274,911,000	623,121,000
Katayama Kogyo Co. Ltd.	677,272,222	930,054,790
PT Tidar Adygiri Sakti	580,622,873	707,949,102
Total	3,855,297,588	5,092,621,298
Rental income		
<u>Entity under common control</u>		
PT Ingress Technologies Indonesia	294,545,451	354,545,451
Maintenance services		
<u>Entity under common control</u>		
PT Ingress Technologies Indonesia	516,000,000	516,000,000

Significant balances with related parties are as follows:

	January 31,	
	2016	2015*)
Trade receivables (Note 6)		
<u>Parent company</u>		
Ingress Precision Sdn. Bhd.	7,405,089,939	6,811,106,151
<u>Entity under common control</u>		
Ingress Autoventures Co. Ltd.	2,678,066,063	-
Total	10,083,156,002	6,811,106,151
Percentage to total assets	7.38%	5.36%
Other receivables (Note 7)		
<u>Entity under common control</u>		
PT Ingress Technologies Indonesia	1,684,248,334	1,306,673,120
Percentage to total assets	1.23%	1.03%

*) As restated (Note 4)


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26. SIGNIFICANT BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

	January 31,	
	2016	2015*)
Trade payables (Note 15)		
<u>Parent company</u>		
Ingress Precision Sdn. Bhd.	17,044,373,374	17,578,928,598
<u>Entity under common control</u>		
PT Ingress Technologies Indonesia	2,046,611,835	1,867,605,544
Total	19,090,985,209	19,446,534,142
Percentage to total liabilities	17.10%	15.94%
 Other payables (Note 16)		
<u>Parent company</u>		
Ingress Precision Sdn. Bhd.	30,350,069,430	30,657,071,040
<u>Entities under common control</u>		
Ingress Autoventures Co. Ltd.	6,500,001,140	6,451,545,304
Ingress Katayama Technical Centre	2,022,784,293	-
Ingress Technologies Sdn. Bhd.	457,088,758	415,184,254
Talent Synergy Sdn. Bhd.	370,323,103	387,533,039
Ingress Research Sdn. Bhd.	249,301,938	227,317,371
Ingress Industrial (Malaysia)	131,865,427	-
Ingress Corporation Berhad	96,683,172	-
Total	40,178,117,261	38,138,651,008
Percentage to total liabilities	35.99%	31.26%

*) As restated (Note 4)

27. FINANCIAL INSTRUMENTS

The carrying values of financial instruments presented in the statement of financial position approximate their fair value. Management has determined that the carrying amounts (based on notional amounts) of cash on hand and in banks, trade and other receivables, trade and other payables, accrued expenses and short-term bank loans reasonably approximate their fair values because they are mostly short-term in nature.

The carrying amounts of long-term bank loans with floating interest rates are approximately at their fair values as they are re-priced frequently. The fair value of obligations under finance leases is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Fair Value Hierarchy

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The assessment of the significance of a particular input to the fair value measurements requires judgement, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

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27. FINANCIAL INSTRUMENTS (continued)

Fair Value Hierarchy (continued)

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, an entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

Valuation techniques include the usage of arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity should use that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the Company calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on any available observable market data.

The Company's fair values hierarchy as of January 31, 2016 is as follows:

	Total	Level 1	Level 2	Level 3
Non-current assets				
Revaluation surplus of fixed assets	23,490,225,565	-	-	23,490,225,565

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

RISK MANAGEMENT

The Company's principal financial liabilities comprise loans and borrowings, trade and other payables and accrued expenses. The main purpose of these financial liabilities is to raise funds for the operations of the Company. The Company also has various financial assets such as cash on hand and in banks, trade and other receivables, which arised directly from its operations.

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, price risk, credit risk and liquidity risk. The importance of managing these risks has significantly increased in light of the considerable change and volatility in both Indonesian and international financial markets. It is the Company's policy that no trading for speculative purposes may be undertaken. The Company's Directors review and approve the policies for managing each of these risks, which are summarized below.

a. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to its short-term and long-term bank loans with floating interest rates.

The Company's policies relating to interest rate risk are to evaluate the fixed to floating rate ratio and then determine whether new financing will be priced either on a fixed or floating rate basis. Currently, the Company does not have a formal hedging policy for interest rate exposures.

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28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

RISK MANAGEMENT (continued)

a. Interest rate risk (continued)

Sensitivity analysis for interest rate risk

As of January 31, 2016, had the interest rate of the loans been 50 basis points higher/lower with all other variables held constant, loss before tax for the year then ended would have been Rp205,059,919 higher/lower, mainly as a result of higher/lower interest charges on loans with floating interest rates.

b. Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to sales and purchases denominated in foreign currencies and short-term and long-term bank loans in foreign currencies. Currently, the Company does not have a formal hedging policy for foreign currency exposures.

Sensitivity analysis for foreign currency risk

As of January 31, 2016, had the exchange rate of Rupiah against foreign currencies depreciated/appreciated by 10% with all other variables held constant, loss before tax for the year then ended would have been Rp8,222,482,912 higher/lower, mainly as a result of foreign exchange losses/gains on the translation of trade receivables, bank loans and trade payables denominated in foreign currencies.

c. Price risk

The Company is exposed to price risk due to several factors such as level of demand and supply in the market, foreign exchange rates and global economic environment. Such exposure mainly arises from its purchases of parts and tools used in production where the price increments of parts and tools cannot be fully passed by increasing sales price to the customers. In addition, the Company is also exposed to fluctuations in the selling prices of its finished products. Currently, the Company does not have a formal hedging policy for price exposures.

The Company's policy is to minimize the risks arising from the fluctuations in the parts and tools prices by, among others, entering into purchase contracts with 12 months term or less and negotiating prices that give better margin with its customers.

d. Credit risk

Credit risk is the risk that one party of financial instruments will fail to discharge its obligation and will incur a financial loss to other party. The Company is exposed to credit risk arising from the credit granted to its customers. The Company trades only with recognized and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis to reduce the exposure to bad debts. The maximum exposure to the credit risk is represented by the carrying amount as shown in Note 6. There is no concentration of credit risk.

With respect to credit risk arising from the other financial assets, which comprise cash on hand and in banks, the Company's exposure to credit risk arises from default of the counterparty. The Company has a policy not to place investments in instruments that have a high credit risk and only put the investments in banks with high credit ratings. The maximum exposure equal to the carrying amount as disclosed in Note 5.

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28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

RISK MANAGEMENT (continued)

e. Liquidity risk

The liquidity risk is defined as a risk when the cash flow position of the Company indicates that the short-term revenue is not enough to cover the short-term expenditure.

The Company's liquidity requirements have historically arisen from the working capital need to finance the purchase of parts and tools. In the management of liquidity risk, the Company monitors and maintains a level of cash in banks deemed adequate to finance the Company's operations and to mitigate the effects of fluctuation in cash flows. The Company also regularly evaluates the projected and actual cash flows and continuously assesses the conditions in the financial markets to maintain flexibility in funding by keeping committed credit facilities available. These activities may include bank loans and loans from shareholders.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

January 31, 2016				
	On demand or within one year	1 to 5 years	More than 5 years	Total
Short-term bank loans				
Principal	18,359,796,000	-	-	18,359,796,000
Future imputed interest charge	1,239,286,230	-	-	1,239,286,230
Trade payables	22,659,176,191	-	-	22,659,176,191
Other payables	42,803,629,573	-	-	42,803,629,573
Accrued expenses	3,860,858,487	-	-	3,860,858,487
Long-term bank loans				
Principal	9,382,480,733	7,345,989,516	-	16,728,470,249
Future imputed interest charge	768,496,734	337,471,070	-	1,105,967,804
Obligations under finance leases				
Principal	3,550,550,649	-	-	3,550,550,649
Future imputed interest charge	100,353,351	-	-	100,353,351
Total	102,724,627,948	7,683,460,586	-	110,408,088,534

January 31, 2015*)				
	On demand or within one year	1 to 5 years	More than 5 years	Total
Short-term bank loans				
Principal	16,917,500,000	-	-	16,917,500,000
Future imputed interest charge	803,581,250	-	-	803,581,250
Trade payables	28,748,614,910	-	-	28,748,614,910
Other payables	40,261,564,562	-	-	40,261,564,562
Accrued expenses	3,705,901,138	-	-	3,705,901,138
Long-term bank loans				
Principal	4,375,390,072	8,156,035,953	-	12,531,426,025
Future imputed interest charge	595,242,736	387,411,708	-	982,654,444
Obligations under finance leases				
Principal	13,242,480,667	3,550,550,649	-	16,793,031,316
Future imputed interest charge	1,115,201,602	100,353,481	-	1,215,555,083
Total	109,765,476,937	12,194,351,791	-	121,959,828,728

*) As restated (Note 4)

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28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize shareholder value.

Management monitors the capital using several financial leverage measurements such as debt-to-equity ratio. The Company has no debts instrument containing covenants that impose maximum leverage ratios.

The Company manages its capital structure and makes adjustments to it, if necessary, based on business development and changes in economic conditions. To maintain or adjust its capital structure, the Company may adjust the payment of payables to its shareholders, return capital to its shareholders or issue new shares. No changes were made in the objective, policies or processes for the financial years ended January 31, 2016 and 2015.

29. SIGNIFICANT AGREEMENTS AND COMMITMENTS

- a. On June 25, 2015, the Company signed a Letter of Intent with Mitsubishi Motors Corporation to supply spare parts each month based on Purchase Order from Mitsubishi Motors Corporation. Currently, the Company is in the process of preparing and developing the toolings and equipment for this project which are classified as "Asset under construction" account as of January 31, 2016, as the expected mass production will be in October 2017 (Note 11).
- b. The Company entered into an agreement with Ingress Corporation Berhad and Ingress Precision Sdn. Bhd. ("IPSB") dated January 13, 2015. Based on the Agreement, the Company will novate its debt to IPSB, the novation of debt is conditional upon: the authorization or approval of the board of directors and shareholders of IPSB to the novation of the existing debt to IPSB and the execution of sale and purchase agreements relating to the restructuring. As of January 31, 2016, there is no change or revision to the novation agreement.
- c. The Company entered into a sales agreement with PT Hino Motors Manufacturing Indonesia dated September 27, 2013. Based on the Sales Agreement, the Company will supply spare parts each month based on Purchase Order from PT Hino Motors Manufacturing Indonesia. Currently, the Company is supplying the parts as usual until the model is phased out or ended.
- d. The Company entered into a sales agreement with PT Toyota Motor Manufacturing Indonesia dated September 25, 2013. Based on the Sales Agreement, the Company will supply spare parts each month based on Purchase Order from PT Toyota Motor Manufacturing Indonesia. Currently, the Company is supplying the parts as usual until the model is phased out or ended.
- e. The Company entered into a sales agreement with PT Honda Prospect Motor dated August 31, 2012. Based on the Sales Agreement, the Company will supply spare parts each month based on Purchase Order from PT Honda Prospect Motor. Currently, the Company is supplying the parts as usual until the model is phased out or ended.
- f. IPSB entered into agreement with PT Tidar Adyagiri Sakti, Katayama Kogyo Co. Ltd. and Yonei & Co. Ltd. dated October 13, 2011. The agreement stipulated that the Company have to pay a technical assistance fee to the above parties respectively. This is specifically related to provision of engineering and technical expertise, know-how and assistance provided by the above parties to the Company, in the form of assisting IPSB in the management of the Company for the purpose of improving quality, costs and delivery of the products and services. It is also including the obligation to provide long term dispatch of technical personnel to the Company by Katayama Kogyo Co. Ltd.
- g. The Company entered into a sales agreement with PT Indomobil Suzuki International in October 2005. Based on the Sales Agreement, the Company will supply spare parts each month based on Purchase Order from PT Indomobil Suzuki International. Currently, the Company is supplying the parts as usual until the model is phased out or ended.

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30. GOING CONCERN

The continues drop in sales of automotive industry and significant currency devaluation of Indonesian Rupiah against US Dollar in recent years have affected the Company's operations. These conditions have caused the Company incurred loss for the year amounting to Rp2,672,244,791 for the year ended January 31, 2016 and, as of that date, reported an accumulated losses of Rp62,078,987,997 and its current liabilities exceeded its current assets by Rp67,585,049,938.

In response to the above conditions, and to improve its operation, the Company has conducted and plans to do the following actions and plans:

- i) To commit on maintaining business profitability through:
 - Budget monitoring and control.
 - Monthly Financial Performance & Variance Analysis review with Head of Department.
 - Continuity of Cost Reduction (CR) Program through CR and Austerity Drive.
 - Profitability analysis / CPU by model/part.
 - Monthly Cycle Counting to minimize stock variance.
- ii) To ensure business growth by:
 - Secure additional 2 new projects.
 - Expand additional new customer base.
- iii) To meet customer Quality, Cost and Delivery (QCD)
 - Meeting Customer requirement through self-inspection concept.
 - Continue to provide competitive price.
 - On Time Delivery (Quantity, Time and Place).
- iv) Expansion customer horizon
 - Participate and good evaluation on customer survey.
 - New Product Development on track.

Furthermore, the Company had obtained a letter of financial support from Ingress Precision Sdn. Bhd., the parent company, dated March 16, 2016 confirming its intention to provide financial support if and when required by the Company to allow it to continue operating as a going concern entity.

As of the completion date of the financial statements, the Company has not been able to realize all of the above actions and plans due to several factors which are beyond the Company's control. Any worsening of economic conditions, including further devaluation of Rupiah against foreign currencies, could adversely affect the Company's operations and consequently negatively impact the Company's profitability and its ability to settle obligations. It is not possible to determine the future effects of the uncertain conditions on the automotive market and on the Company's operations and its financial position.