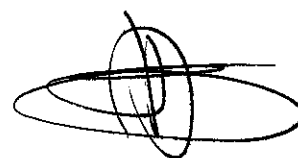


# PT Ingress Technologies Indonesia

## Financial statements

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

Purwantono, Sungkoro & Surja

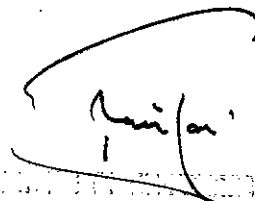
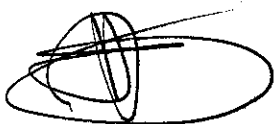


**PT INGRESS TECHNOLOGIES INDONESIA  
FINANCIAL STATEMENTS  
AS OF JANUARY 31, 2016 AND FOR THE YEAR THEN ENDED  
WITH INDEPENDENT AUDITORS' REPORT**

**Table of Contents**

	Page
Independent Auditors' Report	
Statement of Financial Position.....	1
Statement of Profit or Loss and Other Comprehensive Income.....	2
Statement of Changes in Capital Deficiency.....	3
Statement of Cash Flows.....	4
Notes to the Financial Statements.....	5 - 26

\*\*\*\*\*



## Independent Auditors' Report

Report No. RPC-667/PSS/2016

### The Shareholders and Boards of Commissioners and Directors PT Ingress Technologies Indonesia

We have audited the accompanying financial statements of PT Ingress Technologies Indonesia (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 capital deficiency 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

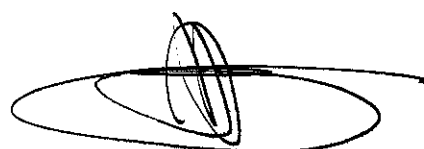
Management is responsible for the preparation and fair presentation of such financial statements in accordance with Indonesian Financial Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material 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-667/PSS/2016 (continued)

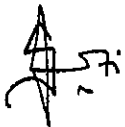
**Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PT Ingress Technologies 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 Matter**

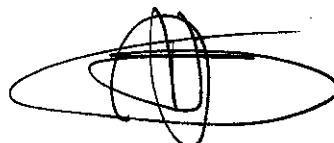
Without qualifying our opinion, we draw attention to Note 21 in the financial statements which indicates that the Company incurred loss for the year amounting to Rp3.4 billion for the year ended January 31, 2016 and, as of that date, reported a capital deficiency of Rp3.6 billion and its current liabilities exceeded its current assets by Rp7.2 billion. These conditions, along with other matters as set forth in Note 21, indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

**Purwantono, Sungkoro & Surja**



**Susanti**  
Public Accountant Registration No. AP.0705

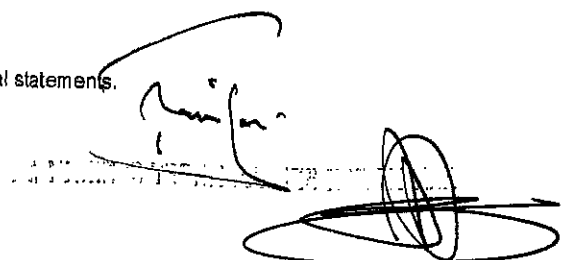
March 28, 2016



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

	Notes	2016	2015
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash on hand and in banks	2,4	21,051,881	225,897,826
Trade receivables	2,5,17	718,662,538	1,867,605,544
Inventories	2,6	79,284,508	106,279,162
Advances and prepaid expenses	2,7	570,707	18,832,819
Prepaid taxes	2,11	60,642,966	65,485,115
<b>Total Current Assets</b>		<b>880,212,600</b>	<b>2,284,100,466</b>
<b>Non-Current Assets</b>			
Fixed assets, net	2,8	2,325,922,079	2,759,113,977
Other non-current assets	20	1,246,456,000	2,492,912,000
<b>Total Non-Current Assets</b>		<b>3,572,378,079</b>	<b>5,252,025,977</b>
<b>TOTAL ASSETS</b>		<b>4,452,590,679</b>	<b>7,536,126,443</b>
<b>LIABILITIES AND CAPITAL DEFICIENCY</b>			
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	2,9	90,681,470	83,050,550
Other payables	2,10,17	6,806,962,964	7,338,132,153
Taxes payable	2,11	57,696,222	54,336,665
Accrued expenses	2,12	1,143,877,371	315,233,087
<b>Total current liabilities</b>		<b>8,099,218,027</b>	<b>7,790,752,455</b>
<b>CAPITAL DEFICIENCY</b>			
Share capital			
Par value Rp9,583 per share			
Authorized, issued and fully paid - 634,161 shares	13	6,077,164,863	6,077,164,863
Accumulated losses		(9,723,792,211)	(6,331,790,875)
<b>Capital Deficiency, net</b>		<b>(3,646,627,348)</b>	<b>(254,626,012)</b>
<b>TOTAL LIABILITIES NET OF CAPITAL DEFICIENCY</b>		<b>4,452,590,679</b>	<b>7,536,126,443</b>

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



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

	Notes	2016	2015
<b>NET SALES</b>	2,14,17	2,162,206,048	2,040,005,748
<b>COST OF SALES</b>	2,15	(2,718,653,381)	(3,021,341,919)
<b>GROSS LOSS</b>		<b>(556,447,333)</b>	<b>(981,336,171)</b>
Selling expenses	2	(21,100,000)	(20,900,000)
General and administrative expenses	2,16	(1,374,533,463)	(438,023,907)
Loss on foreign exchange, net	2	(171,325,188)	(22,521,183)
Other operating expenses	2, 20	(1,246,456,000)	-
Other operating income		2,852,505	83,419,111
<b>OPERATING LOSS</b>		<b>(3,367,009,479)</b>	<b>(1,379,362,150)</b>
Finance expense	2	(3,369,797)	(223,696)
<b>LOSS BEFORE FINAL TAX AND INCOME TAX EXPENSE</b>		<b>(3,370,379,276)</b>	<b>(1,379,585,846)</b>
Final tax	2,11	(21,622,060)	(20,400,057)
<b>LOSS BEFORE INCOME TAX EXPENSE</b>		<b>(3,392,001,336)</b>	<b>(1,399,985,903)</b>
Income tax expense	11	-	-
<b>LOSS FOR THE YEAR</b>		<b>(3,392,001,336)</b>	<b>(1,399,985,903)</b>
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(3,392,001,336)</b>	<b>(1,399,985,903)</b>

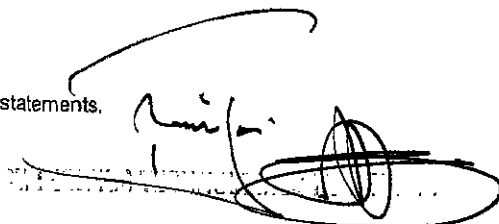



The accompanying notes form an integral part of these financial statements.

**PT INGRESS TECHNOLOGIES INDONESIA**  
**STATEMENT OF CHANGES IN CAPITAL DEFICIENCY**  
**Year Ended January 31, 2016**  
**(Expressed In Rupiah, unless otherwise stated)**

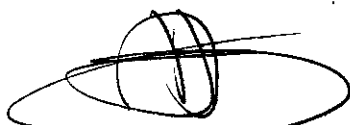
	Issued and fully paid share capital	Accumulated losses	Capital deficiency, net
Balance as of January 31, 2014	6,077,164,863	(4,931,804,972)	1,145,359,891
Total comprehensive loss for the year	-	(1,399,985,903)	(1,399,985,903)
Balance as of January 31, 2015	6,077,164,863	(6,331,790,875)	(254,626,012)
Total comprehensive loss for the year	-	(3,392,001,336)	(3,392,001,336)
Balance as of January 31, 2016	6,077,164,863	(9,723,792,211)	(3,646,627,348)

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



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

	Notes	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before income tax expense		(3,370,379,276)	(1,379,585,846)
Adjustments to reconcile loss before income tax expense to net cash provided by (used in) operating activities:			
Depreciation of fixed assets	8	433,191,898	430,541,898
Provision for impairment losses on other assets		1,246,456,000	-
Changes in operating assets and liabilities:			
Trade receivables		1,148,943,006	(846,000,993)
Inventories		26,994,654	17,431,145
Advances and prepayments		18,262,112	486,997,096
Prepaid taxes		4,842,149	(45,596,190)
Trade payables		7,630,920	83,050,550
Other payables		(531,169,189)	1,350,256,044
Taxes payable		2,137,554	(1,680,241)
Accrued expenses		828,644,284	16,597,518
		(184,445,888)	112,234,677
Final tax paid		(20,400,057)	-
<b>Net cash (used in) provided by operating activities</b>		<b>(204,845,945)</b>	<b>112,010,981</b>
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>			
Purchase of fixed assets	8	-	(53,000,000)
<b>Net cash used in investing activities</b>		<b>-</b>	<b>(53,000,000)</b>
<b>NET INCREASE (DECREASE) IN CASH ON HAND AND IN BANKS</b>		<b>(204,845,945)</b>	<b>59,010,981</b>
Cash on hand and in banks at beginning of year		225,897,826	166,886,845
<b>CASH ON HAND AND IN BANKS AT END OF YEAR</b>	4	<b>21,051,881</b>	<b>225,897,826</b>



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

*[Signature]*  
 Director General  
 PT INGRESS TECHNOLOGIES INDONESIA



**PT. INGRESS TECHNOLOGIES INDONESIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As of January 31, 2016 and for the year then ended**  
**(Expressed in Rupiah, unless otherwise stated)**

---

**1. GENERAL INFORMATION**

PT Ingress Technologies Indonesia (the "Company") was established on October 4, 2012 by Notarial Deed No. 13 of Ivan Gelium Lantu, S.H., M.Kn, public notary in Depok. The deed of establishment was approved by the Ministry of Laws and Human Rights of the Republic of Indonesia in its Decision Letter No. AHU-53284.AH.01.01.Tahun 2012 dated October 15, 2012. and was published in the State Gazette of the Republic of Indonesia No. 44 dated May 31, 2013.

The Company's Articles of Association have been amended several times, most recently by Notarial Deed No. 2 dated January 6, 2014 of Ivan Gelium Lantu, S.H., M.Kn, concerning the changes in the Company's shareholders. 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.01.10-05570 dated February 19, 2014.

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 October 2012.

The Company is currently engaged in metal stamping for motor vehicle components. 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 Technologies Sdn. Bhd. The ultimate parent is Ingress Industrial (Thailand) Company Limited, a company incorporated in Thailand.

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

**Board of Commissioners**

President Commissioner : Mr. Abdul Rahim Bin Haji Hitam  
Commissioner : Mr. Affandi Bin Mokhtar

**Board of Directors**

President Director : Mr. Pamli Bin Jani  
Director : Mr. Shamsuddin Bin Isa

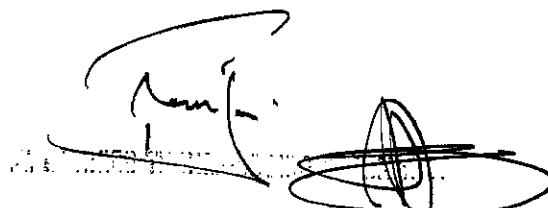
The financial statements were completed and authorized for issue by the Company's Directors on March 28, 2016.

**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. Items that could be reclassified to profit or loss would be presented separately from items that will never be reclassified. The adoption of this has no impact on the Company's financial position or performance.

A handwritten signature in black ink is positioned above a circular stamp. The stamp contains some illegible text and a central emblem.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

The financial statements have been prepared 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 accounting standards and amendments. These include amendments to PSAK No. 1 (Revised 2013), "Presentation of Financial Statements", PSAK No. 24 (Revised 2013), "Employee Benefits" and PSAK No. 46 (Revised 2014), "Income Taxes". Several other amendments apply for the first time in 2015. However, they do not impact the financial statements of the Company. The nature 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.

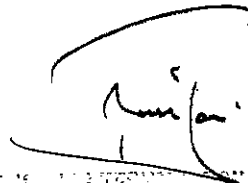
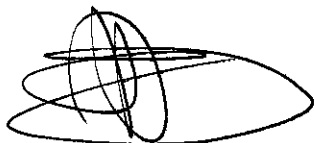
**d. Foreign currency transactions and balances**

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 since 2012 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:

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



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### Subsequent measurement

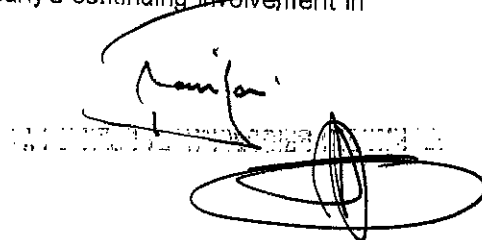
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate ("EIR") method, less impairment. Amortized 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.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Financial assets and liabilities (continued)

*Financial assets (continued)*

Derecognition

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.

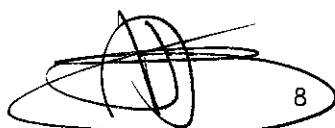
Impairment of financial assets

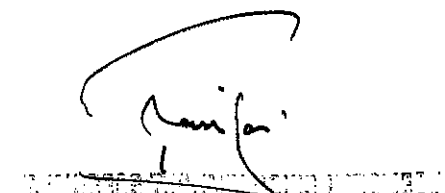
The Company assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on 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. 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.

  
8



**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**e. Financial assets and liabilities (continued)**

***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 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.

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.

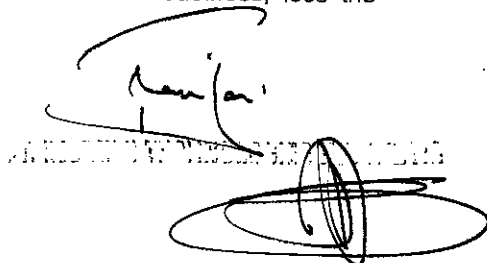
**f. Inventories**

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.

A handwritten signature in black ink is written over a circular stamp. The stamp contains some text that is mostly illegible due to the signature and the quality of the scan. The signature appears to be 'Ranjan'.

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

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**g. Prepaid expenses**

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

**h. Fixed assets**

Fixed assets 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>
Plant and machinery	10
Tooling equipment	5
Factory equipment	5
Office equipment	5

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.

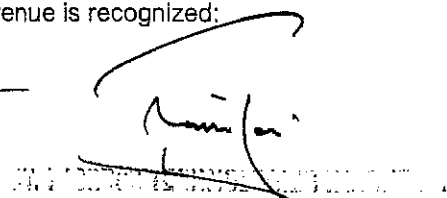
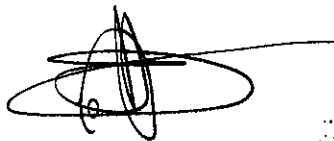
**i. Impairment of non-financial assets**

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.

**j. 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:



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Revenue and expense recognition (continued)

***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.

k. Employee benefits

The Company provides to its eligible employees unfunded employee benefits in accordance with Labor Law No. 13/2003 dated March 25, 2003 ("LL No. 13/2003"). The Company did not recognize any provision for employee benefits since the amount is immaterial.

l. 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. Based on Government Regulation of the Republic of Indonesia No. 46 Year 2013, income derived from business with a gross turnover of less than Rp4.8 billion is subject to 1% final tax from revenue.

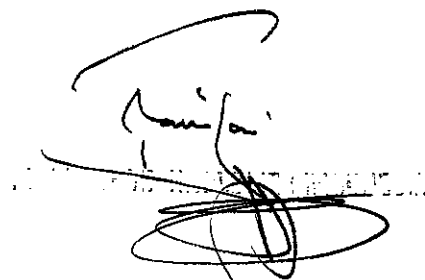
Referring to revised PSAK No. 46 as mentioned above, final tax is no longer governed by PSAK No. 46. Therefore, the Company has decided to present the final tax as a separate line item.

***Current tax***

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.

A handwritten signature in black ink is written over a circular official stamp. The signature is stylized and appears to be 'R. S. S. S. S.'. The stamp is partially obscured by the signature.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### I. 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 period operations, except to the extent that they relate to items previously charged or credited to equity.

Deferred tax assets and liabilities are offset in the statement of financial position consistent with the presentation of current tax assets and liabilities.

### m. 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 annual periods beginning on or after January 1, 2017.

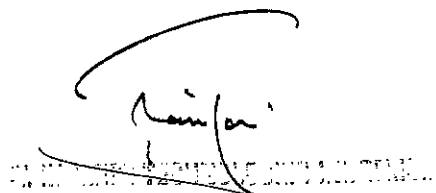
The amendments clarify, rather than significantly change, existing PSAK No. 1 requirements, among others, to clarify the materiality, flexibility as to the order in which they present the notes to financial statements and identification of significant accounting policies.

- Amendments to PSAK No. 4: *Separate Financial Statements on Equity Method in Separate Financial Statements*, effective annual periods beginning on or after January 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*, effective annual periods beginning on or after January 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.





**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**m. 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 annual periods beginning on or after January 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 annual periods beginning on or after January 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 annual periods beginning on or after January 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 annual periods beginning on or after January 1, 2016.

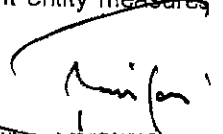
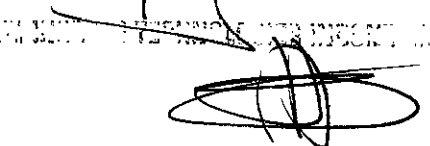
The amendments address issues that have arisen in applying the investment entities exception under PSAK No. 65. The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity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

- Amendments to PSAK No. 66: *Joint Arrangements on Accounting Acquisition of Interests in Joint Operations*, effective annual periods beginning on or after January 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 annual periods beginning on or after January 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.

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

---

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m. 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 annual periods beginning on or after January 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 annual periods beginning on or after January 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 annual periods beginning on or after January 1, 2016.

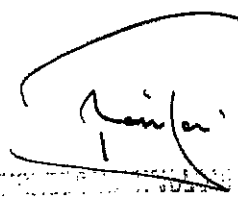
The improvement clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

- PSAK No. 13 (2015 Improvement): *Investment Property*, effective annual periods beginning on or after January 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 annual periods beginning on or after January 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.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### m. Accounting standards issued but not yet effective (continued)

- PSAK No. 19 (2015 Improvement): *Intangible Assets*, effective annual periods beginning on or after January 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. 22 (2015 Improvement): *Business Combinations*, effective annual periods beginning on or after January 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 annual periods beginning on or after January 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 annual periods beginning on or after January 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.

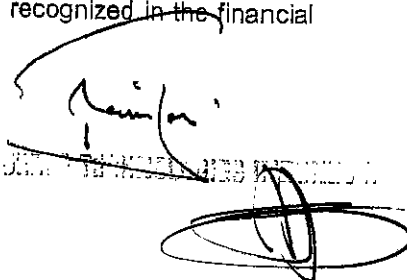
The Company is presently evaluating and has not yet determined the effects of these accounting standards on its financial statements.

## 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:

  
PT INGRESS TECHNOLOGIES INDONESIA

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

**3. SOURCE OF ESTIMATION UNCERTAINTY (continued)**

**Judgments (continued)**

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.

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 2.e.

**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.

Depreciation of fixed assets

The costs of fixed assets 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 10 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.

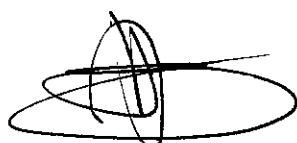
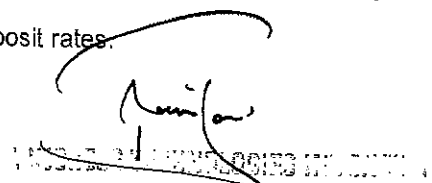
The net carrying amount of the Company's fixed assets as of January 31, 2016 was Rp2,325,922,079 (2015: Rp2,759,113,977). Further details are disclosed in Note 8.

**4. CASH ON HAND AND IN BANKS**

This account consists of:

	2016	2015
Cash on hand	598,450	3,597,000
Cash in banks	20,453,431	222,300,826
<b>Total</b>	<b>21,051,881</b>	<b>225,897,826</b>

Cash in banks earns interest at floating rates based on daily bank deposit rates.

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

**5. TRADE RECEIVABLES**

This account consists of:

	2016	2015
<u>Third parties</u>		
PT Shuket Engineering	22,513,676	-
PT Miyuki Indonesia	9,627,200	-
Sub-total	32,140,876	-
Related parties (Note 17)	686,521,662	1,867,605,544
<b>Total</b>	<b>718,662,538</b>	<b>1,867,605,544</b>

Trade receivables are non-interest bearing, unsecured and are generally on terms of 30 days. Trade receivables were denominated in Rupiah.

The details of aging of trade receivables based on invoice dates are as follows:

	2016	2015
Current and not impaired	251,519,030	210,206,738
Past due but not impaired:		
1 - 30 days	283,164,165	188,555,542
31 - 60 days	78,534,236	237,666,888
61 - 90 days	-	199,262,613
More than 90 days	105,445,107	1,031,913,763
<b>Total</b>	<b>718,662,538</b>	<b>1,867,605,544</b>

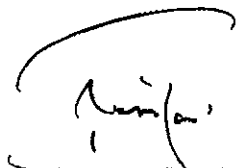

The Company's management believes that there is no objective evidence of an impairment loss and all trade receivables are collectable.

**6. INVENTORIES**

This account consists of:

	2016	2015
Finished goods	20,754,601	42,592,147
Goods in process	10,113,507	30,540,276
Raw and supply materials	48,416,400	33,146,739
<b>Total</b>	<b>79,284,508</b>	<b>106,279,162</b>

Based on the review of the net realizable value of inventories and physical condition of inventories at the end of year, the management of the Company is of the opinion that no possibility for decline in value of inventory, thus there is no allowance for decline in value of inventory and inventory obsolescence.

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

**7. ADVANCES AND PREPAID EXPENSES**

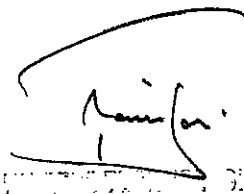
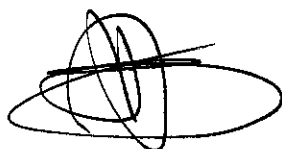
This account consists of:

	2016	2015
Advance payments	570,707	2,070,000
Prepaid expenses	-	16,762,819
<b>Total</b>	<b>570,707</b>	<b>18,832,819</b>

**8. FIXED ASSETS**

	2016		
	Beginning Balance	Additions	Ending Balance
<b>Acquisition cost</b>			
Plant and machinery	3,067,092,228	-	3,067,092,228
Factory equipment	322,158,492	-	322,158,492
Tooling equipment	243,599,789	-	243,599,789
Office equipment	66,655,090	-	66,655,090
<b>Total cost</b>	<b>3,699,505,599</b>	<b>-</b>	<b>3,699,505,599</b>
<b>Accumulated depreciation</b>			
Plant and machinery	690,095,752	306,709,223	996,804,975
Factory equipment	121,110,121	64,431,699	185,541,820
Tooling equipment	100,228,440	48,719,958	148,948,398
Office equipment	28,957,309	13,331,018	42,288,327
<b>Total accumulated depreciation</b>	<b>940,391,622</b>	<b>433,191,898</b>	<b>1,373,583,520</b>
<b>Total carrying amount</b>	<b>2,759,113,977</b>		<b>2,325,922,079</b>

	2015		
	Beginning Balance	Additions	Ending Balance
<b>Acquisition cost</b>			
Plant and machinery	3,067,092,228	-	3,067,092,228
Factory equipment	269,158,492	53,000,000	322,158,492
Tooling equipment	243,599,789	-	243,599,789
Office equipment	66,655,090	-	66,655,090
<b>Total cost</b>	<b>3,646,505,599</b>	<b>53,000,000</b>	<b>3,699,505,599</b>
<b>Accumulated depreciation</b>			
Plant and machinery	383,386,529	306,709,223	690,095,752
Factory equipment	59,328,422	61,781,699	121,110,121
Tooling equipment	51,508,482	48,719,958	100,228,440
Office equipment	15,626,291	13,331,018	28,957,309
<b>Total accumulated depreciation</b>	<b>509,849,724</b>	<b>430,541,898</b>	<b>940,391,622</b>
<b>Total carrying amount</b>	<b>3,136,655,875</b>		<b>2,759,113,977</b>



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

**8. FIXED ASSETS (continued)**

Depreciation expense charged to cost of sales amounted to Rp419,860,880 in 2016 and Rp417,210,880 in 2015 (Note 15). Depreciation expense charged to general and administrative expenses amounted to Rp13,331,018 each in 2016 and 2015 (Note 16).

As of January 31, 2016 and 2015, the management of the Company is of the opinion that the carrying values of fixed assets do not exceed their recoverable amounts.

**9. TRADE PAYABLES**

This account consists of:

	2016	2015
<u>Third parties</u>		
PT Indometal Mitrabuana	52,660,410	-
PT Posmi Steel Indonesia	38,021,060	83,050,550
<b>Total</b>	<b>90,681,470</b>	<b>83,050,550</b>

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

**10. OTHER PAYABLES**

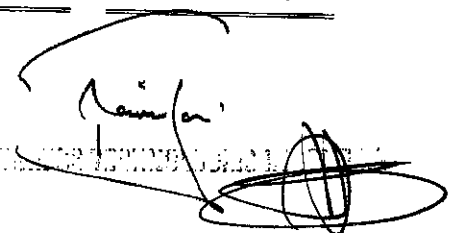
This account consists of:

	2016	2015
<u>Related parties (Note 17)</u>		
Amounts due to parent company	6,410,008,096	5,955,345,525
Amounts due to entities under common control	324,158,161	1,360,090,173
<b>Sub-total</b>	<b>6,734,166,257</b>	<b>7,315,435,698</b>
<u>Third parties</u>		
PT Fartech	38,000,000	-
PT Putra Alam Teknologi	13,721,233	-
PT Sarana Mitra Luas	9,720,000	19,440,000
Others (each below Rp9,000,000)	11,355,474	3,256,455
<b>Sub-total</b>	<b>72,796,707</b>	<b>22,696,455</b>
<b>Total</b>	<b>6,806,962,964</b>	<b>7,338,132,153</b>

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:

	2016	2015
Indonesian Rupiah	396,954,868	1,382,786,628
Malaysian Ringgit	6,410,008,096	5,955,345,525
<b>Total</b>	<b>6,806,962,964</b>	<b>7,338,132,153</b>

*[Signature]*  


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

**11. TAXATION**

**a. Prepaid taxes**

	2016	2015
Value-Added Tax	60,642,966	65,485,115

**b. Taxes payable**

	2016	2015
Withholding income taxes:		
Article 21	-	3,391,146
Article 23	5,528,700	-
Article 4(2)	30,545,462	30,545,462
Final tax payable	21,622,060	20,400,057
<b>Total</b>	<b>57,696,222</b>	<b>54,336,665</b>

**b. Final tax**

	2016	2015
Final tax expenses	21,622,060	20,400,057
Beginning balance of final tax payable	20,400,057	-
Payments	(20,400,057)	-
<b>Ending balance of final tax payable</b>	<b>21,622,060</b>	<b>20,400,057</b>

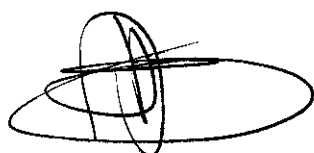
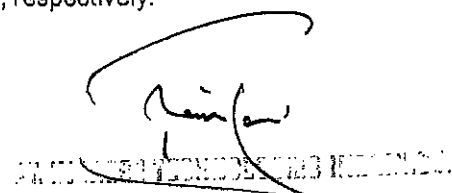
Based on the Government Regulation of the Republic of Indonesia No. 46 Year 2013, income derived from business with a gross turnover of less than Rp4.8 billion is subject to 1% final tax from revenue.

The reconciliation between income tax expense computed using the prevailing tax rates on the accounting loss before income tax expense is as follows:

	2016	2015
Loss before income tax expense	(3,392,001,336)	(1,399,985,903)
Income tax benefit computed using the prevailing tax rates	848,000,334	349,996,476
Net loss from business operations subject to final tax	(848,000,334)	(349,996,476)
<b>Income tax expense</b>	<b>-</b>	<b>-</b>
Revenues subject to final tax	2,162,206,048	2,040,005,748
<b>Final tax (at the rate of 1%)</b>	<b>21,622,060</b>	<b>20,400,057</b>

**12. ACCRUED EXPENSES**

Accrued expenses as of January 31, 2016 and 2015 represents accrued legal fees, audit fees and tax consultant fees amounting to Rp1,143,877,371 and Rp315,233,087, respectively.



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

**13. SHARE CAPITAL**

The composition of the Company's shareholders as of January 31, 2016 and 2015 are as follows:

Shareholders	Number of shares issued	Percentage of ownership	Issued and fully paid share capital
Ingress Technologies Sdn. Bhd.	633,161	99.84%	6,067,581,863
Mr. Abdul Rahim Bin Haji Hitam	1,000	0.16%	9,583,000
<b>Total</b>	<b>634,161</b>	<b>100.00%</b>	<b>6,077,164,863</b>

Based on Notarial Deed No. 2 dated January 6, 2014 of Ivan Gelium Lantu, S.H., M.Kn, the Company's authorized capital amounted to Rp19,166,000,000 which was divided into 2,000,000 shares with a nominal value of Rp9,583 per share (equivalent to US\$1.0 per share) and amounting to 634,161 shares were issued and fully paid.

**14. NET SALES**

This account consists of:

	2016	2015
Local sales	<u>2,162,206,048</u>	<u>2,040,005,748</u>

**15. COST OF SALES**

This account consists of:

	2016	2015
Raw and supply materials used	452,691,909	969,234,073
Depreciation	419,860,880	417,210,880
Salaries, wages and employee allowances	419,064,716	363,379,990
Manufacturing and other overhead expenses	1,384,771,562	1,290,017,592
Changes in finished goods and goods in process Inventories	42,264,314	(18,500,616)
<b>Total</b>	<u>2,718,653,381</u>	<u>3,021,341,919</u>

**16. GENERAL AND ADMINISTRATIVE EXPENSES**

This account consists of:

	2016	2015
Professional fees	1,192,404,132	184,556,822
Salaries and employee allowances	118,453,222	143,957,070
Traveling expense	18,702,804	38,753,234
Depreciation	13,331,018	13,331,018
Rental	-	19,900,003
Others	31,642,287	37,525,760
<b>Total</b>	<u>1,374,533,463</u>	<u>438,023,907</u>

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

**17. 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:

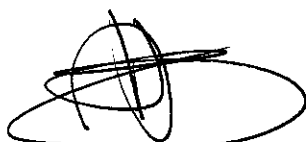
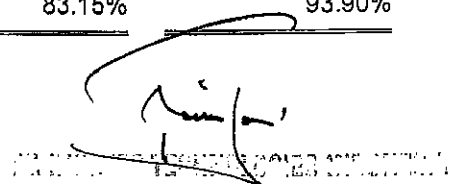
<u>Related party</u>	<u>Nature of relationship</u>	<u>Nature of transactions</u>
Ingress Technologies Sdn. Bhd. ("ITSB")	Parent Company	Cost allocation
PT Ingress Malindo Ventures ("IMV")	Under common control	Sales of parts, production services, office rental and maintenance services

Significant transactions with related parties are as follows:

	<u>2016</u>	<u>2015</u>
<b>Net sales</b>		
<u>Entities Under Common Control</u>		
PT Ingress Malindo Ventures	<u>1,988,565,713</u>	<u>1,826,892,358</u>
Percentage to total net sales	<u>91.96%</u>	<u>89.55%</u>
<b>Rental expense</b>		
<u>Entities under common control</u>		
PT Ingress Malindo Ventures	<u>327,272,724</u>	<u>360,000,000</u>
<b>Maintenance services</b>		
<u>Entities under common control</u>		
PT Ingress Malindo Ventures	<u>516,000,000</u>	<u>430,000,000</u>

Significant balances with related parties are as follows:

	<u>2016</u>	<u>2015</u>
<b>Trade receivables (Note 5)</b>		
<u>Entities under common control</u>		
PT Ingress Malindo Ventures	<u>686,521,662</u>	<u>1,867,605,544</u>
Percentage to total assets	<u>15.42%</u>	<u>24.78%</u>
<b>Other payables (Note 10)</b>		
<u>Parent Company</u>		
Ingress Technologies Sdn. Bhd.	6,410,008,096	5,955,345,525
<u>Entities Under Common Control</u>		
PT Ingress Malindo Ventures	<u>324,158,161</u>	<u>1,360,090,173</u>
<b>Total</b>	<u>6,734,166,257</u>	<u>7,315,435,698</u>
Percentage to total liabilities	<u>83.15%</u>	<u>93.90%</u>

**17. SIGNIFICANT BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)**

**Key management personnel**

The directors of the Company received remuneration from ITSB, the parent company. As of the date of the financial statements, the directors of the Company agreed to provide director services to the Company without receiving any remuneration from the Company.

**18. FINANCIAL INSTRUMENTS**

The carrying values of financial instruments presented in the statements 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 and accrued expenses reasonably approximate their fair values because they are mostly short-term in nature.

As of January 31, 2016 and 2015, the Company does not have financial instrument which is measured at fair value on a recurring basis therefore did not present fair value hierarchy disclosure.

**19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

**RISK MANAGEMENT**

The principal financial liabilities of the Company consist of 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.

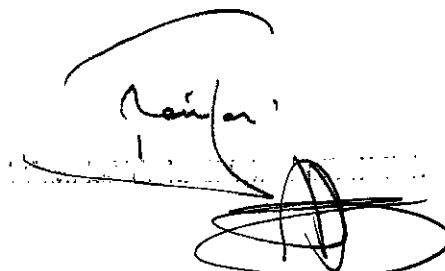
The main risks arising from the Company's financial instruments are foreign currency risk, credit risk and liquidity risk. The importance of managing these risks has significantly increased in light of the considerable change and volatility in both Indonesian and International financial markets. It is 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. 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 purchases denominated 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 Rp641,000,810 higher/lower, mainly as a result of foreign exchange losses/gains on the translation of trade and other payables denominated in foreign currencies.

A handwritten signature in black ink is written over a circular stamp. The signature appears to be 'Rafael'. The stamp is a circular seal with some illegible text inside.

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

**19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**RISK MANAGEMENT (continued)**

**b. 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 5. 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 concentration of credit risk from the placement of cash in bank which 100% is placed at one bank. 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 4.

**c. 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.

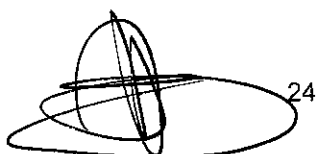
The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

	Below 1 year	1 to 5 years	Over 5 years	Total
Trade payables	90,681,470	-	-	90,681,470
Other payables	6,806,962,964	-	-	6,806,962,964
Accrued expenses	1,143,877,371	-	-	1,143,877,371
<b>Total</b>	<b>8,041,521,805</b>	<b>-</b>	<b>-</b>	<b>8,041,521,805</b>

**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.



*[Signature]*  
PT INGRESS TECHNOLOGIES INDONESIA

**19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**CAPITAL MANAGEMENT (continued)**

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 years ended January 31, 2016 and 2015.

**20. SIGNIFICANT AGREEMENTS AND COMMITMENTS**

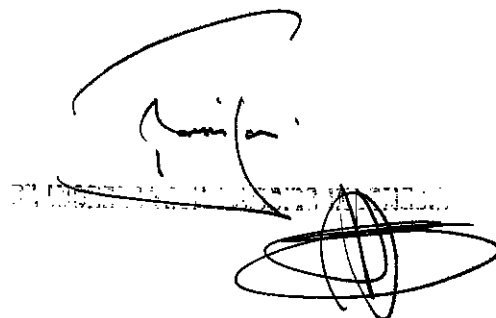
- a. The Company entered into a sales agreement (Toyota Innova) with PT Ingress Malindo Ventures ("IMV") dated October 15, 2015. Based on the Sales Agreement, the Company will supply spare parts each month based on Purchase Order from IMV.
- b. The Company entered into a sales agreement (Toyota Vios) with IMV dated October 30, 2013. Based on the Sales Agreement, the Company will supply spare parts each month based on Purchase Order from IMV.
- c. The Company entered into a sales agreement (Suzuki Ertiga) with PT Miyuki Indonesia ("Miyuki") dated June 4, 2013. Based on the Sales Agreement, the Company will supply spare parts each month based on Purchase Order from Miyuki.
- d. In June 2013, the Company entered into a sales and purchase agreement with PT Asai Metal ("PTAM") to purchase SSangyong press machine. The machine will be imported by PTAM from Korea. The Company already paid the 10% down payment requested amounting to USD219,375 or equivalent to Rp2,492,912,000. Due to disagreement relating to specification and shipment schedule, both parties agreed to cancel the agreement in September 2013 and PTAM will refund the deposit. Through its legal counsel, the Company has submitted a letter of demand to PTAM however the Company has not yet received the deposit up to January 31, 2016.

To anticipate the possible loss that may arise from the dispute, the Company assessed the recoverability of deposit and made a provision for impairment losses amounting to Rp1,246,456,000.

- e. The Company entered into a sales agreement (Toyota Ethios) with IMV dated January 28, 2013. Based on the Sales Agreement, the Company will supply spare parts each month based on Purchase Order from IMV.
- f. The Company entered into a sales agreement (Suzuki APV) with IMV dated October 29, 2012. Based on the Sales Agreement, the Company will supply spare parts each month based on Purchase Order from IMV.

**21. 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 Rp3,392,001,336 for the year ended January 31, 2016 and, as of that date, reported a capital deficiency of Rp3,646,627,348 and its current liabilities exceeded its current assets by Rp7,219,005,427.

A handwritten signature in black ink is positioned above a circular stamp. The stamp contains some illegible text and a central emblem.

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

---

**21. GOING CONCERN (continued)**

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

- 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 Technologies Sdn. Bhd., the parent company, dated March 11, 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.

