

PT. TVS Motor Company Indonesia

Annual Report 2009- 2010

PT. TVS MOTOR COMPANY INDONESIA

Independent Auditors' Report

No.GA 110 0396 TVS AI

The Stockholders, Boards of Commissioners and Directors
PT. TVS Motor Company Indonesia

We have audited the accompanying balance sheets of PT. TVS Motor Company Indonesia as of March 31, 2010 and March 31, 2009, and the related statements of income, changes in equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards established by the Indonesian Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PT. TVS Motor Company Indonesia as of March 31, 2010 and March 31, 2009 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in Indonesia.

As disclosed in Note 27 to the financial statements, the Company has a deficit as of March 31, 2010 due to start-up losses and management plans to address this matter are also disclosed in Note 27.

OSMAN BING SATRIO & REKAN
Alvin Ismanto, SE

License No. 07.1.0997

May 5, 2010

The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than those in Indonesia. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in Indonesia.

Balance Sheets March 31, 2010 and 2009

	Notes	2010 Rp	2009 Rp
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2d,3	31,491,567,811	39,637,092,682
Trade accounts receivable	2e,4		
Related party	24	271,049,839	–
Third parties		25,119,155,913	8,998,203,722
Inventories	2f,5	42,337,942,598	55,943,593,811
Prepaid taxes	2o,6	52,932,018,133	46,438,715,631
Advances of suppliers	7	25,978,508,108	20,740,388,825
Other current assets	2g	6,679,348,023	6,219,019,182
Total current assets		184,809,590,425	177,977,013,853
NON-CURRENT ASSETS			
Deferred tax assets - net	2o,23	143,551,678,238	137,962,740,454
Property, plant and equipment-net of accumulated depreciation of Rp 43,172,743,133 in 2010 and Rp 27,240,850,099 in 2009	2h,2i,8	249,163,221,886	255,785,587,153
Security deposits		420,250,150	487,998,975
Deferred charges - net of accumulated amortization of Rp 91,497,286,308 in 2010 and Rp 58,504,470,075 in 2009	2j,9	24,419,876,382	50,205,692,595
Total Non-current Assets		417,555,026,656	444,442,019,177
TOTAL ASSETS		602,364,617,081	622,419,033,030
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Bank loans	10	14,420,908,001	3,265,073,677
Trade accounts payable	11		
Related party	24	2,606,407,725	2,587,666,488
Third parties		6,906,709,575	8,952,724,951
Other accounts payable	12		
Related party	24	3,328,684,034	7,158,199,925
Third parties		11,287,396,192	16,765,737,449
Taxes payable	13	1,537,722,692	2,294,455,067
Accrued expenses	14	18,370,372,125	14,552,240,808
Current maturities of loan from a financial institution	15	33,145,457,860	–
Total current Liabilities		91,603,658,204	55,576,098,365
NON-CURRENT LIABILITIES			
Loan from a financial institution - net of current maturities	15	258,534,542,140	370,400,000,000
Loan from a shareholder	16	136,725,000,000	173,625,000,000
Post-employment benefits obligation	2i,17	3,882,343,000	1,972,364,000
Total Non-current Liabilities		399,141,885,140	545,997,364,000
EQUITY			
Capital stock - Rp 97,400 (US\$ 10) par value per share Authorised - 10,000,000 shares in 2010 and 6,000,000 shares in 2009			
Subscribed and paid up - 6,500,000 shares in 2010 and 4,500,000 shares in 2009	18	633,100,000,000	438,300,000,000
Additional paid-in capital	19	(882,200,000)	2,287,800,000
Deficit		(520,598,726,263)	(419,742,229,335)
Total Equity		111,619,073,737	20,845,570,665
TOTAL LIABILITIES AND EQUITY		602,364,617,081	622,419,033,030

Statements of income for the years ended March 31, 2010 and 2009

	Notes	2010 Rp	2009 Rp
NET SALES			
	2m,20,24	141,735,331,842	113,458,739,630
COST OF GOODS SOLD			
	3m,21,24	182,116,230,080	159,749,348,970
GROSS LOSS			
		(40,380,898,238)	(46,290,609,340)
OPERATING EXPENSES			
	2k,2m,2n,22		
Marketing		93,726,885,598	86,766,512,964
General and administrative		60,244,985,132	58,645,992,156
Total Operating expenses		153,971,870,730	145,412,505,120
Loss from Operations		(194,352,768,968)	(191,703,114,460)
OTHER INCOME (CHARGES)			
	2m		
Gain(loss) on foreign exchange - net	2b	114,386,301,906	(85,224,598,385)
Interest Income		297,964,295	276,712,817
Interest and financial charges	10,15,16	(26,475,923,211)	(22,285,165,034)
Others		(301,008,734)	308,393,443
Other Income (Charges) - Net		87,907,334,256	(106,924,657,159)
LOSS BEFORE TAX		(106,445,434,712)	(298,627,771,619)
TAX BENEFIT			
	2o,23	5,588,937,784	61,152,152,106
NET LOSS		(100,856,496,928)	(237,475,619,513)

Statements of changes in Equity For the year ended March 31, 2010 and 2009

	Notes	Capital Stock Rp	Additional paid-in Capital Rp	Deficit Rp	Total Equity Rp
Balance as of April 1, 2008		307,784,000,000	5,128,000,000	(182,266,609,822)	130,645,390,178
Issuance of stock and additional paid-in capital	18,19	130,516,000,000	(2,840,200,000)	–	127,675,800,000
Net loss for the year		–	–	(237,475,619,513)	(237,475,619,513)
Balance as of March 31, 2009		438,300,000,000	2,287,800,000	(419,742,229,335)	20,845,570,665
Issuance of stock and additional paid-in capital	18,19	194,800,000,000	(3,170,000,000)	–	191,630,000,000
Net loss for the year		–	–	(100,856,496,928)	(100,856,496,928)
Balance as of March 31, 2010		633,100,000,000	(882,200,000)	(520,598,726,263)	111,619,073,737

PT. TVS MOTOR COMPANY INDONESIA

STATEMENTS OF CASH FLOWS

For the years ended March 31, 2010 and 2009

	2010	2009
	Rp	Rp
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax as per statements of income	(106,445,434,712)	(298,627,771,619)
Adjustments for:		
Amortization of product development	32,803,612,705	29,056,857,700
Interest and financial charges	26,475,923,211	22,285,165,034
Depreciation of property, plant and equipment	15,944,356,634	14,319,190,068
Provision for employee benefit expense	1,943,709,000	1,972,364,000
Amortization of landrights	189,203,528	189,203,528
Loss on disposal of property, plant and equipment	40,452,704	-
Interest Income	(297,964,295)	(276,712,817)
Net unrealized loss (gain) on foreign exchange	(122,608,005,004)	82,051,874,845
Operating cash flows before changes in working capital	(151,954,146,229)	(149,029,829,261)
Changes in working capital :		
Trade accounts receivable	(16,392,002,030)	(7,121,997,210)
Inventories	13,605,651,213	(8,859,349,146)
Prepaid taxes	(6,191,348,866)	(9,163,783,243)
Other current assets	(5,697,067,214)	(18,578,029,074)
Trade accounts payable	(18,793,012,744)	(4,254,922,299)
Other accounts payable	7,457,881,457	(21,478,021,310)
Taxes payable	(756,732,375)	1,408,752,226
Accrued expenses	4,399,042,178	4,912,942,857
Cash used in operations	(174,321,734,610)	(212,164,236,460)
Income tax paid	(301,953,636)	(250,999,998)
Employee benefits paid	(33,730,000)	-
Net Cash Used in Operating Activities	(174,657,418,246)	(212,415,236,458)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease/ (increase) in security deposits	67,748,825	(26,223,000)
Decrease in deferred charges	(7,207,000,020)	(8,167,234,348)
Interest received	296,583,385	221,233,965
Acquisition of property, plant and equipment	(9,362,444,071)	(13,118,089,369)
Net Cash Used in Investing Activities	(16,205,111,881)	(21,090,312,752)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of loan from financial institution and shareholder	-	141,120,000,000
Proceeds from stock issuance	191,630,000,000	127,675,800,000
Proceeds from working capital loans	48,779,750,843	3,180,011,576
Payment of working capital loans	(37,545,247,955)	
Interest and financial charges paid	(27,007,638,132)	(21,415,122,875)
Net Cash Provided by Financing Activities	175,856,864,756	250,560,688,701
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(15,005,665,371)	17,055,139,491
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	39,637,092,682	23,001,021,667
Effect of foreign exchange rate changes	6,860,140,500	(419,068,476)
CASH AND CASH EQUIVALENTS AT END OF YEAR	31,491,567,811	39,637,092,682

See accompanying notes to financial statements which are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2010 and 2009 and for the years then ended

1. GENERAL

PT. TVS Motor Company Indonesia (the "Company") was established within the framework of the Foreign Capital Investment Law No. 1 year 1967 as amended by Law No. 11 year 1970 based on notarial deed No.21 dated August 8, 2005 of Siti Rayhana, S.H., substitute of Bandooro Raden Ayu Mahyastoeti Notonagoro, S.H., notary in Jakarta. The deed of establishment was approved by the Minister of Law and Human Rights of the Republic of Indonesia through Decision Letter No. C-24361 HT.01.01.TH.2005 dated September 5, 2005. The Company's Articles of Association have been amended several times, by notarial deed no. 3, dated July 15, 2008 to conform with Law No. 40 year 2007 on Limited Liability Companies, notarial deed no. 15 dated February 23, 2010, regarding the increase in the Company's authorized capital stock and notarial deed no. 16 dated March 11, 2010, regarding the change in subscribed and paid-up capital, of Catherina Situmorang S.H., notary in Jakarta. The amendment on the change in subscribed and paid-up capital has

been acknowledged by the Minister of Law and Human Rights of the Republic of Indonesia in the Decision Letter No. AHU-AH.01.10-08135 dated April, 6, 2010. The amendments to the Articles of Association to conform with Law No. 40 year 2007 on Limited Liability Companies and the increase in the Company's authorized capital stock were approved by the Minister of Law and Human Rights of the Republic of Indonesia in the Decision Letter No. AHU-45246.AH.01.02 Year 2008 dated July 28, 2008 and Decision Letter No. AHU-11546.AH.01.02 dated March 5, 2010, respectively.

On August 22, 2007, the Company obtained an approval from the Tax Service Office in the Decision Letter No KEP.00002/THBK/WPJ.07/KP.0303/2007 to change its accounting period from January 1 – December 31 to April 1 – March 31, effective April 1, 2008.

In accordance with article 3 of the Company's articles of association, the scope of its activities include production of motorcycles, motorcycle components parts and accessories. The Company started commercial operations on April 29, 2007

The Company is domiciled in Jakarta and its head office is located at Wirusaha Building, 3rd Floor, Jl.HR. Rasuna Said, Kav. C5 Kuningan, Jakarta. As of March 31, 2010 and 2009, the Company has 305 employees and 284 employees, respectively.

The Company's management as of March 31, 2010 consists of the following :

President Commissioner	: Nihal Kaviratne Vijaya Devadas, CBE
Commissioners	: Harihara Iyer Lakshmanan
	: James William Castle
	: Kunnath Narayanan Radhakrishnan
	: Dr. Rudjito
	: Dr. Juwono Sudarsono
	: Rangaswami Ramakrishnan
	: Yang Soo Kim
	: Purnomo Prawiro
President Director	: Brahmanyapura Laxminarasimharao
	: Prasanna Simha
Directors	: Kunnakavil Vijayakumar
	: Venkataraman Thiagarajan

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Statement Presentation

The financial statements have been prepared using accounting principles and reporting practices generally accepted in Indonesia. Such financial statements are in English translation of the Company's statutory report in Indonesia, and not intended to present the financial position, results of operations, and cash flows in accordance with accounting principles and reporting practices generally accepted in other countries and jurisdictions.

The financial statements, except for the statement of cash flows, are prepared under the accrual basis of accounting. The reporting currency used in the preparation of the financial statements is the Indonesian Rupiah, while the measurement basis used is the historical cost, except for certain accounts which are measured on the basis described in the related accounting policies.

The statements of cash flows are prepared using the indirect method with classifications of cash flows into operating, investing and financing activities.

b. Foreign Currency Transactions and Balances

The Company's books of accounts are maintained in Indonesian Rupiah. Transactions during the year involving foreign currencies are recorded at the rates of exchange prevailing at the time the transactions are made. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the rates of exchange prevailing at that date. The resulting gains or losses are credited or charged to current operations.

c. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles accepted in Indonesia requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could be different from these estimates.

d. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, in banks and all unrestricted investments with maturity of three months or less from the date of placement.

e. Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided based on the review of the status of the individual receivable accounts at the end of the year.

f. Inventories

Inventories are stated at cost or net realizable value, whichever is lower. Cost is determined using the weighted average method.

PT. TVS MOTOR COMPANY INDONESIA

g. Prepaid Expenses

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

h. Property, Plant and Equipment

Property, plant and equipment held for use in the production or supply of goods or services or for administrative purposes, are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is computed using the straight-line method based on the estimated useful life of the assets as follows:

	Years
Buildings	20
Machinery and tools	4-10
Office equipment and furnitures	4

Moulds and dies are depreciated based on units of production of 125,000 units to 150,000 units in 2010 and 125,000 units to 500,000 units in 2009.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Land is stated at cost and is not depreciated.

The cost of maintenance and repairs is charged to operations as incurred. Other costs incurred subsequently to add to, replace part of, or service an item of property, plant and equipment, are recognized as asset if, and only if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. When assets are retired or otherwise disposed of, their carrying values and the related accumulated depreciation and any impairment loss are removed from the accounts and any resulting gain or loss is reflected in the current operations.

Construction in progress is stated at cost and will be transferred to the respective property, plant and equipment accounts when completed and ready for use.

i. Impairment of assets

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

j. Deferred Charges

Expenses related to the legal processing of landrights are deferred and amortized using the straight-line method over the legal term of the landrights which is shorter than its economic life.

Expenses related to the product development are deferred and amortized using the straight-line method over 36 months.

k. After Sales Warranty

The Company makes a provision to cover possible cost on after sales warranty granted to customers. Such provision is recognized based on certain percentage of sales.

l. Post-Employment Benefits

The Company calculates defined post-employment benefits to its employees in accordance with Labor Law No. 13/2003. No funding has been made to this defined benefit plan.

The cost of providing post-employment benefits is determined using the Projected Unit Credit Method. The accumulated unrecognized actuarial gains and losses that exceed 10% of the present value of the Company's defined benefit obligation is recognized on a straight-line basis over the expected average remaining working lives of the participating employees. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The post-employment benefits obligation recognized in the balance sheets represent the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost.

m. Revenue and Expense Recognition

Sale of Goods

Revenue from sales of goods is recognized when all of the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the company; and
- The cost incurred or to be incurred in respect of the transaction can be measured reliably.

Interest Revenue

Interest revenue is accrued on time basis, by reference to the principal outstanding and at the applicable interest rate.

Expenses

Expenses are recognized when incurred.

n. Leases:

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lease. All other leases are classified as operating leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

o. Income Tax

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

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences and fiscal loss carryforwards to the extent that it is probable that taxable income will be available in future periods against which the deductible temporary differences and fiscal loss can be utilized.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted as of the balance sheet date. Deferred tax is charged or credited in the statement of income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also charged or credited directly to equity.

Deferred tax assets and liabilities are recorded in the balance sheet in the same manner the current tax assets and liabilities are presented.

3. CASH AND CASH EQUIVALENTS

	2010	2009
	Rp	Rp
Cash on hand	103,062,730	67,537,509
Cash in banks		
Rupiah		
The Hongkong and Shanghai Banking Corporation Limited, Jakarta	1,014,801,133	100,311,250
Bank Danamon Indonesia	473,761,023	1,217,721,066
Bank SBI Indonesia	85,598,000	-
Bank Permata	-	9,183,837
Sub total	1,574,160,156	1,327,216,153
U.S. Dollar		
Bank Danamon Indonesia	9,158,589,572	875,176,722
The Hongkong and Shanghai Banking Corporation Limited, Jakarta	2,223,867,127	31,364,117,031
Bank SBI Indonesia	201,888,226	-
Bank Permata	-	3,045,267
Sub Total	11,584,344,925	32,242,339,020
Total Cash in Banks	13,158,505,081	33,569,555,173
Time deposits		
Rupiah		
The Hongkong and Shanghai Banking Corporation Limited, Jakarta	-	6,000,000,000
U.S. Dollar		
Bank SBI Indonesia	18,230,000,000	-
Total Time Deposits	18,230,000,000	6,000,000,000
Total	31,491,567,811	39,637,092,682
Interest rate per annum on outstanding time deposits		
Rupiah	-	6.50%
U.S. Dollar	2.25%	-

PT. TVS MOTOR COMPANY INDONESIA

4. TRADE ACCOUNTS RECEIVABLE

	2010	2009
	Rp	Rp
a) By debtor		
Related party - TVS Motor Company Limited, India	271,049,839	-
Third parties		
PT Perdana Raya Mandiri	4,740,955,462	1,692,222,635
PT Harapan Sumatra Motor	4,514,356,720	42,145,946
PT Tri Dharma Jaya	2,977,126,499	834,689,960
PT Multimotor Sejahtera	2,703,618,291	-
PT Budi Bersaudara Makmur	2,243,445,069	-
Granstar Motors and Industrial	1,885,790,774	-
PT Gemilang Surya Motorindo	1,671,592,310	-
PT Putera Mustika Sakti	1,548,240,136	5,460,472,982
PT Surya Kencana Group	1,098,651,463	-
PT Simpur Motor Lestari	897,448,593	-
CV Paramount Motor	714,547,001	-
PT Visi Top Sarana	6,491,590	543,300,653
Others (below Rp 500,000,000 each)	116,892,005	425,371,546
Sub total	25,119,155,913	8,998,203,722
Total	25,390,205,752	8,998,203,722
b) By Currency		
Rupiah	23,233,365,139	8,998,203,722
US Dollar	2,156,840,613	-
Total	25,390,205,752	8,998,203,722

Allowance for doubtful accounts was not provided on trade accounts receivable as management believes that all such receivables are collectible.

Trade accounts receivable are used as collateral for a bank loan (Note 10).

5. INVENTORIES

	2010	2009
	Rp	Rp
Finished goods	7,143,328,561	13,862,922,091
Materials, and components and spare parts	34,619,326,620	41,771,292,826
Others	575,287,417	309,378,894
Total	42,337,942,598	55,943,593,811

Based on the review of the status of the inventories at the end of the year, the Company's management believes that all outstanding inventories can be utilized in the normal course of business, accordingly, no allowance for obsolescence and decline in value of inventories was recognized.

As of March 31, 2010 and 2009, all inventories are insured with total coverage of USD 5,500,000 each year, to PT Asuransi Rama Satria Wibawa, PT Asuransi Indapura and PT Asuransi Axa Indonesia. Management believes that the insurance coverage is adequate to cover possible losses on the inventory insured.

Inventories are used as collateral for a bank loan (Note 10).

6. PREPAID TAXES

	2010	2009
	Rp	Rp
Income tax article 28a (Note 23)	2,013,624,197	1,711,670,561
Value added tax - net	50,918,393,936	44,727,045,070
Total	52,932,018,133	46,438,715,631

7. ADVANCES TO SUPPLIERS

This account represents advances made by the Company to its suppliers for the purchase of raw materials and other components.

8. PROPERTY, PLANT AND EQUIPMENT

	April 1, 2009	Additions	Deduction	Reclassification	March 31, 2010
	Rp	Rp	Rp	Rp	Rp
Cost:					
Land	80,022,166,260	-	-	-	80,022,166,260
Buildings	76,911,237,195	-	-	951,890,775	77,863,127,970
Machinery and tools	89,274,425,425	-	52,916,304	3,055,591,142	92,277,100,263
Moulds and dies	28,772,088,343	5,869,165,736	-	-	34,641,254,079
Office equipment and furnitures	6,722,681,021	21,179,300	-	593,075,204	7,336,935,525
Construction in progress	-	-	-	-	-
Plant and machineries	940,127,781	2,855,248,487	-	(3,630,191,346)	165,184,922
Building and equipment	383,711,227	616,850,548	-	(970,365,775)	30,196,000
Total	283,026,437,252	9,362,444,071	52,916,304	-	292,335,965,019
Accumulated depreciation:					
Buildings	7,404,037,946	3,891,708,805	-	-	11,295,746,751
Machinery and tools	15,998,413,447	8,623,161,431	12,463,600	-	24,609,111,278
Moulds and dies	627,242,971	1,638,516,088	-	-	2,265,759,059
Office equipment and furnitures	3,211,155,735	1,790,970,310	-	-	5,002,126,045
Total	27,240,850,099	15,944,356,634	12,463,600	-	43,172,743,133
Net Book Value	255,785,587,153				249,163,221,886
	April 1, 2008	Additions	Reclassification	March 31, 2009	
	Rp	Rp	Rp	Rp	
Cost :					
Land	80,022,166,260	-	-	-	80,022,166,260
Buildings	76,911,237,195	-	-	-	76,911,237,195
Machinery and tools	86,934,945,715	-	2,339,479,710	-	89,274,425,425
Moulds and dies	19,007,710,272	9,764,378,071	-	-	28,772,088,343
Office equipment and furnitures	6,050,595,005	69,782,540	602,303,476	-	6,722,681,021
Construction in progress	-	-	-	-	-
Plant and machineries	981,693,436	2,900,217,531	(2,941,783,186)	-	940,127,781
Building and equipments	-	383,711,227	-	-	383,711,227
Total	269,908,347,883	13,118,089,369	-	-	283,026,437,252
Accumulated depreciation:					
Buildings	3,558,476,086	3,845,561,860	-	-	7,404,037,946
Machinery and tools	7,737,895,542	8,260,517,905	-	-	15,998,413,447
Moulds and dies	142,309,384	484,933,587	-	-	627,242,971
Office equipment and furnitures	1,482,979,019	1,728,176,716	-	-	3,211,155,735
Total	12,921,660,031	14,319,190,068	-	-	27,240,850,099
Net Book Value	256,986,687,852				255,785,587,153

The construction in progress is estimated to be completed within 2010.

Depreciation expense was allocated to the following:

	2010	2009
	Rp	Rp
Manufacturing cost	14,153,386,324	12,591,013,352
Operating expenses (Note 22)	1,790,970,310	1,728,176,716
Total	15,944,356,634	14,319,190,068

The Company owns a piece of land located in Karawang, Ciampel – Kutanegara, Jawa Barat with an area of 403,750 square meters and Building Use Rights (HGB) expiring on November 11, 2028. Management believes that there will be no difficulty in the extension of the landrights since all the land were acquired legally and supported by sufficient evidence of ownership.

As of March 31, 2010 and 2009, property, plant and equipment except land were insured with PT Asuransi Rama Satria Wibawa, PT Asuransi Indapura and PT Asuransi Axa Indonesia against earthquake, fire, lightning, explosion and other possible risk for USD 29,900,000 and USD 24,300,000, respectively. Management believes that the insurance coverage is adequate to cover possible losses on the assets insured.

Property, plant and equipment are used as collateral for the USD 20,000,000 loan from IFC (Note 15).

PT. TVS MOTOR COMPANY INDONESIA

9. DEFERRED CHARGES

This account consists of :

	2010 Rp	2009 Rp
Product development (Notes 25a)	111,808,942,565	104,601,942,545
Landrights	4,108,220,125	4,108,220,125
Total	<u>115,917,162,690</u>	<u>108,710,162,670</u>
Accumulated amortization	91,497,286,308	58,504,470,075
Net	<u>24,419,876,382</u>	<u>50,205,692,595</u>

Amortization expenses for product development and landrights are recorded under cost of goods sold and general and administrative expense, respectively (Note 21 and 22).

10. BANK LOANS

	2010 Rp	2009 Rp
The Hongkong and Shanghai Banking Corporation Limited, Jakarta	9,420,908,001	3,265,073,677
Bank SBI Indonesia	5,000,000,000	-
Total	<u>14,420,908,001</u>	<u>3,265,073,677</u>

The Hongkong and Shanghai Banking Corporation Limited, Jakarta

On July 2008, the Company obtained a loan from the Hongkong Shanghai and Banking Corporation through revolving credit facility for working capital requirements with a maximum credit limit of USD 3,000,000. The facility is valid up to June 30, 2010 with interest rate of 4.5% per annum below the bank's term lending rate.

As of March 31, 2010 and 2009, the loan has outstanding balance of Rp 9,420,908,001, which comprised of USD 365,692 and Rp 6,087,629,431 and Rp 3,265,073,677, which comprised of USD 210,030 and Rp 833,977,816, respectively.

Interest expense recognized in 2010 and 2009 amounted to Rp 606,755,311 and Rp 521,215,279, respectively.

The facility is collateralized by the Company's inventories and trade accounts receivable for a minimum amount of USD 3,000,000 (Notes 4 and 5).

The loan agreement contains certain covenants that need to be fulfilled by the Company which include among others financial ratios and negative covenants.

Bank SBI Indonesia

On February 2010, the Company obtained a loan from Bank SBI Indonesia through revolving credit facility with a maximum credit limit of USD 3,000,000, which is a combination of demand loan and forex facility. The forex facility has a maximum credit limit of USD 500,000. The facility is secured by a Letter of Comfort issued by the State Bank of India, CAG, Chennai - India amounting to USD 3,000,000. The facility will be due on February 2011 with interest rate of 12% per annum.

As of March 31, 2010, the loan has an outstanding balance of Rp 5,000,000,000 and interest expense recognized amounted to Rp 5,000,000.

11. TRADE ACCOUNTS PAYABLE

	2010 Rp	2009 Rp
a. By Creditors		
Related party-TVS Motor Company Limited, India	2,606,407,725	2,587,666,488
Third parties		
Indonesia Thai Summit Auto	1,755,615,709	14,482,680
PT Mitra Metal Perkasa	1,029,784,348	1,286,509,981
PT Adyawinsa Dinamika Karawang	579,460,700	15,019,000
Thai Summit Autoparts	570,099,498	723,960,690
PT Sandhar Indonesia	402,721,769	27,480,589
Hema Engineering Industries Ltd	127,228,720	424,712,215
Ampa Industries Ltd	13,527,754	3,612,789,000
Chongqing Wangcheng Trading Co. Ltd	-	650,341,375
Zhejiang Wanfeng Motorcycle	-	511,897,430
Shanghai Chinasilk Eastem	-	-
Other (below Rp 400,000,000 each)	2,428,271,077	1,685,531,991
Sub Total	<u>6,906,709,575</u>	<u>8,952,724,951</u>
Total	<u>9,513,117,300</u>	<u>11,540,391,439</u>
b. By Currency		
Rupiah	5,755,888,049	2,635,495,076
U.S. Dollar	3,757,229,251	8,904,896,363
Total	<u>9,513,117,300</u>	<u>11,540,391,439</u>

	2010 Rp	2009 Rp
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12. OTHER ACCOUNTS PAYABLE

Related party-TVS Motor Company Limited, India	3,328,684,034	7,158,199,925
Third parties		
Starcom Worldwide	2,241,436,250	6,200,718,635
PT Star Reachers Indonesia	1,086,400,341	947,306,628
Multi Cipta Adikarya	859,551,000	602,116,000
PT Kalimantan Auto Persada	626,561,467	167,956,002
Warna Rekreasi Nusantara	408,860,489	572,274,916
Tata Neon ADV	259,195,000	873,031,023
Rahmat Indah Visual Abadi	-	612,466,937
PT Niaga Jaya	-	507,120,000
Others (below Rp 500,000,000 each)	5,805,391,645	6,282,747,308
Sub Total	<u>11,287,396,192</u>	<u>16,765,737,449</u>
Total	<u>14,616,080,226</u>	<u>23,923,937,374</u>

Other accounts payable to a related party mainly represents payables for research and development expenses and product development incurred by TVS Motor Company Limited, India (Note 25a) and technical assistance fee (Note 25c).

13. TAXES PAYABLE

	2010 Rp	2009 Rp
Income taxes		
Article 21	370,640,380	422,464,215
Article 22	52,573,670	43,593,523
Article 23	1,110,181,497	1,811,820,557
Article 4(2) Final	4,327,145	16,576,772
Total	<u>1,537,722,692</u>	<u>2,294,455,067</u>

14. ACCRUED EXPENSES

	2010 Rp	2009 Rp
Provision for sales, marketing and warranty expenses	12,598,422,254	9,115,335,892
Interest (Notes 10, 15 and 16)	3,386,458,498	3,967,369,359
Provision for raw materials price revision	1,082,679,700	-
Royalty (Note 25c)	753,660,273	-
Professional fees	290,547,939	1,228,233,072
Employees' social security	134,139,058	118,669,093
Others	124,464,403	122,633,392
Total	<u>18,370,372,125</u>	<u>14,552,240,808</u>

15. LOAN FROM A FINANCIAL INSTITUTION

On March 19, 2009, the Company entered into a new loan agreement with International Finance Corporation (IFC) amounting to USD 12,000,000. The loan has a term of 9 years and bears a fixed interest rate 5.52% per annum. This loan is guaranteed by TVS Motor Company Ltd., India.

On September 21, 2007, the Company obtained a long-term credit facility from International Finance Corporation (IFC) with maximum credit limit of USD 20,000,000. The loan has a term of 8 years and bears a fixed interest rate of 3.72% per annum. This loan is collateralized by the Company's property, plant and equipment (Note 8).

These loans are repayable semi-annually with details as follows:

	2010 US\$	2009 US\$
Due in :		
September 15, 2010	1,818,182	1,818,182
2011	3,636,364	3,636,364
2012	3,636,364	3,636,364
2013	5,816,364	5,816,364
2014	5,816,364	5,816,364
2015	5,816,362	5,816,362
2016	2,180,000	2,180,000
2017	2,180,000	2,180,000
2018	1,100,000	1,100,000
Total	<u>32,000,000</u>	<u>32,000,000</u>
Current maturities	(3,636,364)	-
Long-term portion	<u>28,363,636</u>	<u>32,000,000</u>

Repayment will start on September 15, 2010 for the USD 20,000,000 loan and March 15, 2013 for the USD 12,000,000 loan.

Interest expense recognized in the statements of income amounted to Rp 13,452,569,288 and Rp 8,882,826,028 in 2010 and 2009, respectively.

The loan agreements contain certain covenants that need to be fulfilled by the Company which include among others financial ratios and negative covenants.

PT. TVS MOTOR COMPANY INDONESIA

16. LOAN FROM A SHAREHOLDER

On April 10, 2007, the Company obtained a long-term credit facility for fixed-term loan from TVS Motor Company (Europe) B.V., the shareholder of the Company, with maximum credit limit of USD 15,000,000. The loan has an initial term of 3 years, bears fixed interest rate and can be renewed upon agreement of both parties. The outstanding balance of the loan as of March 31, 2010 and 2009 amounted to USD 15,000,000.

Interest expense recognized in the statements of income amounted to Rp 11,901,904,322 and Rp 12,549,505,430 in 2010 and 2009, respectively.

On April 13, 2010, both parties agreed to renew the loan for another 3 years.

17. POST-EMPLOYMENT BENEFITS OBLIGATION

The Company provides post-employment benefits for its qualifying employees in accordance with Labor Law No. 13/2003. The number of employees entitled to the benefits is 289 employees and 164 employees in 2010 and 2009, respectively.

The reconciliation of post-employment benefits obligation of the Company is as follows:

	2010 Rp	2009 Rp
Beginning of year	1,972,364,000	-
Amount charged to expense during the year	1,943,709,000	1,972,364,000
Payments during the year	(33,730,000)	1,972,364,000
End of year	<u>3,882,343,000</u>	<u>1,972,364,000</u>

Amounts recognized in statement of income with respect to these post-employment benefits are as follows:

	2010 Rp	2009 Rp
Current service cost	2,169,942,000	1,880,706,000
Interest cost	242,290,000	91,658,000
Curtailment gain	(468,523,000)	-
Total	<u>1,943,709,000</u>	<u>1,972,364,000</u>

The post-employment benefits of Rp 944,264,000 for 2008 was charged to 2009 operations since it is immaterial.

The amounts recognized in the balance sheets arising from the Company's obligation with respect to its post-employment benefits are as follows:

	2010 Rp	2009 Rp
Present value of unfunded obligation	4,558,188,000	1,872,847,000
Unrecognized actuarial gain (loss)	(675,845,000)	99,517,000
Liability recognized	<u>3,882,343,000</u>	<u>1,972,364,000</u>

The cost of providing post-employment benefits is calculated by an independent actuary. PT Eldridge Gunaprima Solution. The actuarial valuation was carried out using the following key assumptions:

Discount rate per annum	: 10% (in 2010), 13% (in 2009)
Salary increment rate per annum	: 10%
Normal retirement age	: 55 years old and can be extended up to 60 years old
Mortality rate	: TMI II
Resignation rate	: 5% p.a. at age of 25 and reducing linearly to 0% p.a. at age 45 and thereafter
Disability	: 10% of TMI II

18. CAPITAL STOCK

Name of Stockholders	2010		
	Number of Shares	Percentage of Ownership	Total Capital Stock
			Rp
TVS Motor (Singapore) Pte., Ltd.	4,430,000	68.15%	431,482,000,000
TVS Motor Company (Europe) B.V.	2,070,000	31.85%	201,618,000,000
Total	<u>6,500,000</u>	<u>100.00%</u>	<u>633,100,000,000</u>
Name of Stockholders	2009		
	Number of Shares	Percentage of Ownership	Total Capital Stock
			Rp
TVS Motor (Singapore) Pte., Ltd.	2,430,000	54.00%	236,682,000,000
TVS Motor Company (Europe) B.V.	2,070,000	46.00%	201,618,000,000
Total	<u>4,500,000</u>	<u>100.00%</u>	<u>438,300,000,000</u>

At the Shareholders Meeting held on February 17, 2010, as stated in Notarial Deed No. 15 of Catherina Situmorang S.H., notary in Jakarta, the shareholders approved the increase of the Company's authorized capital stock from Rp 584,400,000,000 or equivalent to USD 60,000,000 (consisting of 6,000,000 shares with par value of Rp 97,400 or USD 10) to 974,000,000,000 or equivalent to USD 100,000,000 (consisting of 10,000,000 shares with par value of Rp 97,400 or USD 10). The deed was approved by the Minister of Law and Human Rights of the Republic of Indonesia in its Decision Letter No. AHU-11546.AH.01.02 dated March 5, 2010.

During the year, the Company issued a total of 2,000,000 shares to TVS Motor (Singapore) Pte., Ltd., based on Notarial Deeds No.19 dated June 24, 2009, No.2 dated August 7, 2009, No.1 dated November 5, 2009, No.12 dated January 21, 2010 and No.16 dated March 11, 2010, of Catherina Situmorang, S.H., notary in Jakarta. The deeds had been approved by the Minister of Law and Human Rights of the Republic of Indonesia.

At the Shareholders Meeting held on August 11, 2008, as stated in Notarial Deed No.01 of Catherina Situmorang S.H., notary in Jakarta, the shareholders approved the increase of the Company's authorized capital stock from Rp 389,600,000,000 or equivalent to USD 40,000,000 (consisting of 4,000,000 shares with par value of Rp 97,400 or USD 10) to Rp 584,400,000,000 million or equivalent to USD 60,000,000 (consisting of 6,000,000 shares with par value of Rp 97,400 or USD 10). The deed was approved by the Minister of Law and Human Rights of the Republic of Indonesia in its Decision Letter No.AHU-59938.AH.01.02 dated September 8, 2008.

In 2009, the Company issued a total of 1,340,000 shares to TVS Motor (Singapore) Pte., Ltd., based on Notarial Deed No.1 dated June 3, 2008 of Fiefie Pieter, S.H., notary in Jakarta, Notarial Deeds No.14 dated July 28, 2008 and No.1 dated October 10, 2008, both are deeds of Catherina Situmorang, S.H., notary in Jakarta. The deeds had been approved by the Minister of Law and Human Rights of the Republic of Indonesia.

19. ADDITIONAL PAID-IN-CAPITAL

This account represents the difference between the exchange rate stated in the articles of association and the actual exchange rate at the date the payments for capital subscription were received.

20. NET SALES

	2010 Rp	2009 Rp
Sales	143,030,059,802	114,479,711,662
Less sales discounts	(1,294,727,960)	(1,020,972,032)
Net	<u>141,735,331,842</u>	<u>113,458,739,630</u>

In 2010 and 2009, respectively, 0.36% and 0.39% of the total net sales were made to TVS Motor Company Limited, India, the ultimate holding company (Note 24).

Details of net sales to dealers representing more than 10% of net sales are as follows

Name of Customers	2010		2009	
	Total	%	Total	%
PT Perdana Raya Mandiri	26,528,819,341	18.72%	19,240,262,508	16.96%
PT Harapan Sumatera Motor	24,946,120,324	17.60%	26,302,653,801	23.18%
PT Tri Dharma Jaya	15,434,273,394	10.89%	17,697,056,623	15.60%
PT Putera Mustika Sakti	6,467,589,622	4.56%	20,369,906,094	17.95%
Total	<u>73,376,802,681</u>		<u>83,609,879,026</u>	

21. COST OF GOODS SOLD

	2010 Rp	2009 Rp
Raw Materials and components used	107,090,456,093	103,297,448,085
Direct labour	3,893,890,663	3,605,272,523
Overhead	64,412,289,794	59,212,864,616
Total Manufacturing Cost	<u>175,396,636,550</u>	<u>166,115,585,224</u>
Finished goods		
At beginning of year	13,862,922,091	7,496,685,837
At end of year	<u>(7,143,328,561)</u>	<u>(13,862,922,091)</u>
Cost of Goods Sold	<u>182,116,230,080</u>	<u>159,749,348,970</u>

51.4% in 2010 and 57.1% in 2009 of the total purchases of raw materials and components were made from TVS Motor Company Limited, India, the ultimate holding company (Note 24).

PT. TVS MOTOR COMPANY INDONESIA

22. OPERATING EXPENSES

	2010	2009
	Rp	Rp
Marketing		
Advertising, promotions and market research	71,541,736,008	61,782,000,141
Dealer development and public relations	6,066,670,226	16,256,250,736
Services, trainings, and promotions	3,763,038,093	3,647,643,528
Subvention charges	3,127,120,392	2,645,738,969
Free service charges	1,743,700,200	1,137,742,800
Warranty claims	1,273,390,679	1,114,091,790
Others	211,230,000	183,045,000
Sub total	<u>93,726,885,598</u>	<u>86,766,512,964</u>
General and administrative		
Salaries and allowances	17,021,980,466	15,237,767,165
Travel and transportation	8,591,176,352	7,619,288,114
Rental	6,562,074,454	6,627,056,195
Consultancy fees	5,338,078,174	6,619,965,751
Honorarium	5,101,946,271	5,348,765,365
Technical assistance fee (Note 25c)	4,133,878,536	4,428,816,017
Post-employment benefits (Note 17)	1,943,709,000	1,972,364,000
Data Processing	1,891,600,985	1,330,970,352
Depreciation (Note 8)	1,790,970,310	1,728,176,716
Telecommunication	1,223,215,350	1,170,474,141
Insurance	1,091,665,143	910,570,627
Taxes, permit and license	1,015,254,360	1,027,075,910
Research and development	949,931,297	1,046,156,367
Training and development	699,397,571	368,202,655
Office supplies	669,994,465	622,765,401
Recruitment	515,778,050	643,498,087
Professional fees	430,613,550	342,540,800
Business meeting	407,083,048	564,713,528
Amortization of landrights (Note 9)	189,203,528	189,203,528
Repairs and maintenance	186,387,913	437,460,132
Postage and courier	159,675,349	115,657,430
Others	333,370,960	294,503,875
Sub total	<u>60,244,985,132</u>	<u>58,645,992,156</u>
Total	<u>153,971,870,730</u>	<u>145,412,505,120</u>

23. INCOME TAX

The tax benefit of the Company represents deferred tax.

Current tax

A reconciliation between loss before tax per statements of income and fiscal loss is as follows:

	2010	2009
	Rp	Rp
Loss before tax per statements of income	(106,445,434,712)	(298,627,771,619)
Temporary difference:		
Provision for accrued expenses	7,769,972,175	(1,831,592,204)
Amortization of landrights	(16,207,479)	(16,207,479)
Depreciation of property, plant and equipment	(9,199,286,968)	(7,276,102,339)
Provision for employee benefits	1,909,979,000	1,972,364,000
Amortization of product development	7,638,889,929	7,264,214,425
Total	<u>8,103,346,657</u>	<u>112,676,403</u>
Permanent differences:		
Employee welfare	4,219,036,176	3,977,604,683
Interest income already subjected to final tax	(243,715,976)	(221,915,408)
Others	243,210,475	306,383,737
Total	<u>4,218,530,675</u>	<u>4,062,073,012</u>
Fiscal loss before fiscal loss carry forward	(94,123,557,380)	(294,453,022,204)
Fiscal loss carry forward	(544,811,448,506)	(250,358,426,302)
Unutilized fiscal loss	5,678,865,125	-
Total accumulated fiscal loss	<u>(633,256,140,761)</u>	<u>(544,811,448,506)</u>
Current income tax	Nil	Nil
Prepaid tax - fiscal and PPh 22		
2010	301,953,636	-
2009	1,253,596,777	1,253,596,777
2008	458,073,784	458,073,784
Prepaid tax (Note 6)	<u>2,013,624,197</u>	<u>1,711,670,561</u>

Deferred Tax

The details of the Company's deferred tax assets and liabilities are as follows:

	Credited (charged) to income		Adjustment due to change in tax rate	Credited (charged) to income		
	March 31, 2008	for the year	March 31, 2009	for the period	March 31, 2010	
	Rp	Rp	Rp	Rp	Rp	
Deferred tax asset (liability):						
Fiscal loss	75,107,527,893	88,335,906,661	(27,240,572,425)	136,202,862,129	3,875,593,298	140,078,455,427
Accrued expense	3,674,399,447	(549,477,661)	(208,328,119)	2,916,593,667	1,630,000,865	4,546,594,532
Landrights	(9,360,805)	(4,862,244)	2,370,508	(11,852,541)	(4,051,869)	(15,904,410)
Property, plant, and equipment	(1,961,978,187)	(2,182,830,702)	690,801,481	(3,454,007,408)	(2,299,821,742)	(5,753,829,150)
Post-employment benefits obligation	-	591,709,200	(98,618,200)	493,091,000	477,494,750	970,585,750
Amortization of product development	-	2,179,264,328	(363,210,721)	1,816,053,607	1,909,722,482	3,725,776,089
Deferred Tax Asset - Net	<u>76,810,588,348</u>	<u>88,369,709,582</u>	<u>(27,217,557,476)</u>	<u>137,962,740,454</u>	<u>5,588,937,784</u>	<u>143,551,678,238</u>

Based on Law No. 35/2008 an amendment of Tax Law No. 7/1983 on Income Taxes, the new corporate tax rate is set at a flat rate of 28% effective January 1, 2009 and 25% effective from January 1, 2010. Accordingly, the Company's deferred tax assets and liabilities has been adjusted to the tax rates that are expected to apply at the period when the asset is realized or liability is settled based on the tax rates that will be enacted.

A reconciliation between the tax benefit and the amounts computed by applying the effective tax rates is as follows:

	2010	2009
	Rp	Rp
Loss before tax per statements of income	(106,445,434,712)	(298,627,771,619)
Tax benefit at effective tax rates	(26,425,422,419)	(89,588,331,486)
Tax effect of permanent differences	1,181,188,589	1,218,621,904
Unrecognized deferred tax from fiscal loss	18,235,579,765	-
Tax effect of unutilized fiscal loss	1,419,716,281	-
Adjustment due to change in tax rates	-	27,217,557,476
Tax benefit	<u>(5,588,937,784)</u>	<u>(61,152,152,106)</u>

24. NATURE OF RELATIONSHIP AND TRANSACTION WITH RELATED PARTIES

Nature of Relationship

- TVS Motor Company (Europe) B.V. and TVS Motor (Singapore) Pte., Limited, are stockholders of the Company.
- TVS Motor Company Limited, India (TVS India) is the ultimate holding company of the Company.

Transactions with Related Parties

- Net sales to a related party accounted for 0.36% and 0.39% in 2010 and 2009, respectively, of the net sales (Note 20) which, according to management, were made at normal terms and conditions as those done with third parties. The receivable from the net sales was presented as trade accounts receivable, which constituted 0.04% and nil of the total assets as of March 31, 2010 and 2009, respectively.
- 51.4% in 2010 and 57.1% in 2009 of the total purchases of raw materials and components were made from a related party. As of March 31, 2010 and March 31, 2009, trade accounts payable arising from those purchases represent 0.5% and 0.4%, respectively, of total liabilities.
- The Company also entered into product development and license agreements with a related party (Notes 9, 12, 25a and 25c).
- The Company obtained a loan from a shareholder as discussed in Note 16.

25. SIGNIFICANT CONTRACTS AND AGREEMENTS

- On February 26, 2007, the Company entered into an agreement with TVS Motor Company Limited, India for product development cost of 110 cc bebek model N27 motorcycle. Moreover, on March 28, 2008, the Company entered into new agreements with TVS Motor Company Limited, India to develop 125 cc bebek model N101 and 150cc bebek model N54.
- The Company entered into Direct Dealership Agreements and Distributorship Agreements with several companies, wherein the companies will engage in developing a market network of TVS motorcycles, perform service, repair and supply on genuine TVS spare parts of TVS motorcycles in certain areas/locations.

c. The Company entered into a license agreement dated February 26, 2007 with TVS Motor Company Limited, India, the ultimate holding company for 5 years. The agreement can be renewed. In accordance with the license agreement, the Company is required to pay technical assistance fee amounting to INR 20,000,000. The technical assistance fee expense is recorded under general and administrative expenses. In addition to such agreement, the Company is also required to pay royalty starting April 1, 2009. The royalty during the year amounted to Rp 1,393,587,209 and recorded under cost of goods sold.

26. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

	2010		2009	
	Foreign Currency	Equivalent in Rp	Foreign Currency	Equivalent in Rp
Assets				
Cash and cash equivalents	USD 3,279,142	29,889,378,420	2,788,675	32,278,913,125
Trade accounts receivable				
Related party	USD 29,737	271,049,839	-	-
Third parties	USD 206,889	1,885,790,774	-	-
Security deposits	USD 17,300	157,689,500	20,443	236,627,725
Total assets		32,203,908,533		32,515,540,850
Liabilities				
Bank loan	USD 365,692	3,333,278,570	210,030	2,431,097,250
Trade accounts payable				
Related party	USD 285,947	2,606,407,725	223,557	2,587,666,488
Third parties	USD 126,256	1,150,821,526	545,765	6,317,229,875
Other accounts payable				
Related party	USD 365,187	3,328,684,034	618,419	7,158,199,925
Third parties	USD 57,456	523,707,338	64,526	746,888,450
Accrued expenses	USD 370,685	3,378,793,375	461,058	5,336,746,350
Loan from a financial institution	USD 32,000,000	291,680,000,000	32,000,000	370,400,000,000
Loan from a shareholder	USD 15,000,000	136,725,000,000	15,000,000	173,625,000,000
Total Liabilities		442,726,692,568		568,602,828,338
Net Liabilities		410,522,784,035		536,087,287,488

The conversion rates used by the Company on March 31, 2010 and 2009 are as follows:

Foreign currency	2010	2009
	Rp	Rp
USD 1	9,115	11,575

27. OTHER MATTERS

The Company incurred deficit of Rp 520,598,726,263 and Rp 419,742,229,335 as of March 31, 2010 and 2009, respectively, as a result of recurring losses from operations due to gross losses and significant operating expenses. The Company was also unable to operate at expected capacity and incurred significant fixed costs. As a newly established company, the Company is still developing its market share and introducing its brand in Indonesia. In introducing their new brand, the Company has to compete with the existing well-known brands. They are also developing their networks to distributors, dealers and consumer finance companies.

Also, in 2008, the global and financial markets experienced severe credit crunch and volatility. Such condition affected the ability of the Company to optimize production as well as sales. The Company's customers also encounter difficulties in maintaining operations and profitability and to pay their debts as they mature.

Nevertheless, the Company's management believes that they maintain considerable financial resources, including support from the Company's ultimate shareholder. Management also implemented and continues to implement the following measures:

- Focus on increasing sales volume and improvement to gross margin;
- Focus on increasing brand awareness and conversion to dealerships;
- Expand the network;
- Introduce new products and ensure continued customer satisfaction; and
- Thrust on exports.

The Company's management also believes that it is well placed to manage the Company's business risks successfully despite the current uncertain economic outlook and is able to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

28. ADOPTION OF REVISED STATEMENTS AND INTERPRETATIONS OF FINANCIAL ACCOUNTING STANDARDS (PSAK AND ISAK)

a. Revised standard which became effective in the current year

In the current year, the Company adopted the revised accounting standard for inventories, which supersedes PSAK 14, Inventories.

The principal changes to the standard include among other things, the requirement to use the same cost formula for all inventories having similar nature and use to the entity, and for purchase of inventories with deferred settlement terms, the difference between the purchase price for normal credit terms and the amount paid is recognized over the period of financing.

The initial adoption has no significant effect on the financial statements but may affect the accounting for future transactions or arrangements.

b. Standards and Interpretations in issue but not yet effective

i) Standards effective for financial statements beginning on or after January 1, 2010:

- PSAK 26 (Revised 2008), Borrowing Costs
- PSAK 50 (Revised 2006), Financial Instruments: Presentation and Disclosures
- PSAK 55 (Revised 2006), Financial Instruments: Recognition and Measurement

ii) Standards effective for financial statements beginning on or after January 1, 2011:

- PSAK 1 (Revised 2009), Presentation of Financial Statements
- PSAK 2 (Revised 2009), Statements of Cash Flows
- PSAK 4 (Revised 2009), Consolidated and Separate Financial Statements
- PSAK 5 (Revised 2009), Operating Segments
- PSAK 12 (Revised 2009), Financial Reporting of Interest in Joint Ventures
- PSAK 15 (Revised 2009), Accounting for Investments in Associates
- PSAK 25 (Revised 2009), Accounting Policies, Changes in Accounting Estimates and Errors
- PSAK 48 (Revised 2009), Impairment of Assets
- PSAK 57 (Revised 2009), Provisions, Contingent Liabilities and Contingent Assets
- PSAK 58 (Revised 2009), Non-current Assets Held for Sale and Discontinued Operations

iii) Interpretations effective for financial statements beginning on or after January 1, 2011:

- ISAK 7 (Revised 2009), Consolidation: Special Purpose Entities
- ISAK 9, Changes in Existing Decommissioning, Restoration and Similar Liabilities
- ISAK 10, Customer Loyalty Programmes
- ISAK 11, Distribution of Non-Cash Assets to Owners
- ISAK 12, Jointly Controlled Entities: Non-monetary Contributions by Venturers
Management is evaluating the effect of these standards and interpretations on the financial statements.

29. APPROVAL TO ISSUE THE FINANCIAL STATEMENTS

The financial statements on pages 2 to 27 were approved and authorized for issue by the Company's Directors on May 5, 2010.

RE-STATED ACCOUNTS OF
PT. TVS MOTOR COMPANY INDONESIA

PT. TVS MOTOR COMPANY INDONESIA

BALANCE SHEET AS AT 31ST MARCH 2010

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

	Schedule number	IDR Mn As at 31-03-2010	Rupees in crores As at 31-03-2010
I SOURCES OF FUNDS			
1			
Shareholders' funds			
(a) Capital	I	633,100.00	287.78
(b) Reserves and surplus	II	<u>(467,731.86)</u>	<u>(232.36)</u>
		165,368.14	55.42
2	III		
Loan funds			
(a) Secured loans		301,100.91	148.92
(b) Unsecured loans		<u>141,725.00</u>	<u>70.09</u>
		442,825.91	219.01
3			
Deferred tax liability (net of deferred tax asset)		<u>(143,551.68)</u>	<u>(65.06)</u>
Total		<u>464,642.37</u>	<u>209.37</u>
II APPLICATION OF FUNDS			
1			
Fixed assets			
(a) Gross block		469,069.97	208.99
(b) Less: Depreciation		<u>126,566.55</u>	<u>58.82</u>
(c) Net block	IV	342,503.42	150.17
(d) Capital work-in-progress	V	195.38	0.09
2			
Investments		-	-
3			
Current assets, loans and advances			
(a) Inventories	VI	42,337.94	20.93
(b) Sundry debtors	VII	25,390.21	12.55
(c) Cash and bank balances	VIII	31,491.57	15.58
(d) Other current assets		-	-
(e) Loans and advances	IX	<u>86,010.12</u>	<u>42.54</u>
Total (A)		<u>185,229.84</u>	<u>91.60</u>
Current liabilities and provisions			
(a) Current liabilities	X	44,037.29	21.79
(b) Provisions	XI	<u>3,882.34</u>	<u>1.92</u>
Total (B)		<u>47,919.63</u>	<u>23.71</u>
Net current assets (A - B)		137,310.21	67.89
4			
Miscellaneous expenditure to the extent not written off or adjusted	XII	9,126.69	4.08
5			
Foreign Currency Monetary Item Translation Difference Account		<u>(24,493.33)</u>	<u>(12.86)</u>
Total		<u>464,642.37</u>	<u>209.37</u>

	Schedule number	IDR Mn Year ended 31-03-2010	Rupees in crores Year ended 31-03-2010
Gross sales		141,735.33	68.31
Less: Excise duty		-	-
Net sales		141,735.33	68.31
Other income	XIII	-	-
Amortisation of Foreign Currency Monetary Translation Reserve		24,493.33	12.86
Total revenue	(A)	<u>166,228.66</u>	<u>81.17</u>
Raw materials and components consumed	XIV	110,833.75	53.42
Salaries and wages, stores consumed and other expenses	XV	191,962.94	91.98
Miscellaneous expenditure	XVI	-	-
Sub-total	(B)	<u>302,796.69</u>	<u>145.40</u>
Profit before Interest, depreciation and tax	(A-B)	(136,568.03)	(64.23)
Interest and finance charges (net)	XVII	27,712.67	13.36
Depreciation		55,013.45	26.90
Profit before tax		(219,294.15)	(104.49)
Provision for taxation		-	-
Provision for deferred tax		(5,588.94)	(2.76)
Profit for the year (after tax)		(213,705.21)	(101.73)
Balance profit brought forward		(251,520.58)	(111.51)
Profit for the year (after tax)		(213,705.21)	(101.73)
Total		<u>(465,225.79)</u>	<u>(213.24)</u>

PT. TVS MOTOR COMPANY INDONESIA

Schedules

	IDR Mn. As at 31-03-2010	Rupees in crores As at 31-03-2010
I CAPITAL		
Authorised 1,00,00,000 Ordinary shares of IDR.97,400 each	974,000.00	481.73
	<u>974,000.00</u>	<u>481.73</u>
Issued, subscribed and paid-up 65,00,000 ordinary shares of IDR.97,400 each fully paid up	633,100.00	287.78
	<u>633,100.00</u>	<u>287.78</u>
II RESERVES AND SURPLUS		
(a) Foreign currency reserve As per last Balance Sheet	(882.20)	(0.44)
Add: C.Yr Reserve	-	(17.87)
	<u>(882.20)</u>	<u>(18.31)</u>
(b) General Reserve As per the last Balance Sheet	(1,623.87)	(0.81)
Less: AS 11 Adjustment to reserve	(1,623.87)	(0.81)
(c) Surplus Balance in Profit and Loss Account	(465,225.79)	(213.24)
	<u>(467,731.86)</u>	<u>(232.36)</u>
III SECURED & UNSECURED LOANS		
(a) From banks - secured by charge on fixed assets	291,680.00	144.26
(b) From banks - secured by hypothecation of present & future inventories & debtors	9,420.91	4.66
(c) Unsecured - From banks	5,000.00	2.47
(d) Unsecured - From Others	136,725.00	67.62
	<u>442,825.91</u>	<u>219.01</u>

Schedules (Contd.)

	IDR Mn. As at 31-03-2010	Rupees in crores As at 31-03-2010
V CAPITAL WORK-IN-PROGRESS		
(a) Building	165.18	0.08
(b) Machinery	30.20	0.01
	<u>195.38</u>	<u>0.09</u>
VI INVENTORIES		
* Raw materials and components	35,194.61	17.40
* Work-in-process	-	-
* Finished goods	7,143.33	3.53
* Stock of dies, moulds and tools	-	-
* Stores	-	-
Goods-in-transit	-	-
	<u>42,337.94</u>	<u>20.93</u>
(* as certified by chairman and managing director)		
VII SUNDRY DEBTORS - UNSECURED CONSIDERED GOOD		
(a) Debts outstanding for a period exceeding six months		
(i) Considered good	-	-
(ii) Considered doubtful	-	-
(b) Other debts - considered good	25,390.21	12.55
	<u>25,390.21</u>	<u>12.55</u>
Less: Provision for doubtful debts	-	-
	<u>25,390.21</u>	<u>12.55</u>
VIII CASH AND BANK BALANCES		
(a) Cash on hand	103.63	0.05
(b) With scheduled banks		
(i) in current accounts		
(ii) in cash credit accounts		
(iii) in term deposit accounts		
(c) With other banks	31,388.51	15.53
	<u>31,491.57</u>	<u>15.58</u>

SCHEDULES - (contd.)

Description	Land		Buildings	Plant & machinery, tools, dies and jigs	Furniture & fixtures Equipments	Vehicles	Other fixed assets	Total As at 31-03-2010
	Free Hold	Lease hold						
IV FIXED ASSETS								
Cost of assets								
As at 01-04-2009	84,026.02	-	91,467.97	306,108.32	6,722.68	-	-	488,324.99
Additions	-	-	951.89	16,131.76	614.25	-	-	17,697.90
Sales / deletion	-	-	15,522.13	21,430.79	-	-	-	36,952.92
Total (31-03-2010)	<u>84,026.02</u>	<u>-</u>	<u>76,897.73</u>	<u>300,809.29</u>	<u>7,336.93</u>	<u>-</u>	<u>-</u>	<u>469,069.97</u>
Depreciation/ Amortisation								
Upto 31-03-2009	189.20	-	8,131.88	60,033.32	3,211.16	-	-	71,565.56
For the year	189.20	-	3,843.44	49,189.84	1,790.97	-	-	55,013.45
Withdrawn on assets sold/deleted	-	-	-	12.46	-	-	-	12.46
Total (31-03-2010)	<u>378.40</u>	<u>-</u>	<u>11,975.32</u>	<u>109,210.70</u>	<u>5,002.13</u>	<u>-</u>	<u>-</u>	<u>126,566.55</u>
Written down value								
As at 31-03-2010	83,647.62	-	64,922.41	191,598.59	2,334.80	-	-	342,503.42
As at 31-03-2009	83,836.82	-	83,336.09	246,075.00	3,511.52	-	-	416,759.43

PT. TVS MOTOR COMPANY INDONESIA

Schedules (Contd.)

	IDR Mn. As at/Year ended 31-03-2010	Rupees in crores As at/Year ended 31-03-2010
IX LOANS AND ADVANCES - UNSECURED CONSIDERED GOOD		
(a) Advances recoverable in cash or in kind for value to be received	85,589.87	42.33
(b) Inter corporate deposits	-	-
(c) Other deposits	420.25	0.21
(d) Advance payment of tax less provision		
	<u>86,010.12</u>	<u>42.54</u>
X CURRENT LIABILITIES		
Sundry creditors	44,037.29	21.79
	<u>44,037.29</u>	<u>21.79</u>
XI PROVISIONS	3,882.34	1.92
XII MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
(a) New product launch expenses	9,126.69	4.08
(b) External commercial borrowings upfront fees	-	-
(c) Voluntary Retirement Scheme expenses	-	-
	<u>9,126.69</u>	<u>4.08</u>
XIII OTHER INCOME		
Miscellaneous income	-	-
	<u>-</u>	<u>-</u>
XIV RAW MATERIALS AND COMPONENTS CONSUMED		
Opening stock		
Raw materials	42,080.67	18.73
Work-in-process	-	-
Finished goods	13,862.92	6.17
	<u>55,943.59</u>	<u>24.90</u>
Purchase of raw materials and components	97,228.10	49.45
Total (A)	<u>153,171.69</u>	<u>74.35</u>
Closing stock		
Raw materials	35,194.61	17.40
Work-in-process	-	-
Finished goods	7,143.33	3.53
Total (B)	<u>42,337.94</u>	<u>20.93</u>
(A - B)	<u>110,833.75</u>	<u>53.42</u>

Schedules (Contd.)

	IDR Mn. Year ended 31-03-2010	Rupees in crores Year ended 31-03-2010
XV SALARIES AND WAGES, STORES CONSUMED AND OTHER EXPENSES		
* (a) Salaries, wages and allowances	40,432.28	19.49
* (b) Workmen and staff welfare expenses	1,425.89	0.69
* (c) Contribution to provident and other funds	523.15	0.25
* (d) Stores and tools consumed	350.45	0.17
* (e) Power and fuel	1,761.92	0.85
* (f) Rent	6,617.57	3.19
(g) Rates and taxes	1,015.25	0.49
* (h) Repairs and maintenance:		
(i) buildings	1,386.68	0.67
(ii) machinery	568.78	0.27
(iii) other assets	396.49	0.19
(i) Insurance	1,091.67	0.53
(j) Directors' sitting fees	-	-
(k) Commission to independent directors	-	-
(l) Audit fees	-	-
* (m) Travel and conveyance	8,591.18	4.14
* (n) Packing and freight charges	984.19	0.47
* (o) Advertisement and publicity	77,541.74	37.37
* (p) Other marketing expenses	31,830.89	14.79
* (q) Other expenses	17,444.81	8.42
	<u>191,962.94</u>	<u>91.98</u>
* net of recoveries		
XVI MISCELLANEOUS EXPENDITURE WRITTEN OFF		
Deferred charges	-	-
	<u>-</u>	<u>-</u>
XVII INTEREST AND FINANCE CHARGES		
(a) On fixed loans	26,475.92	12.76
(b) Others - exchange loss	1,534.71	0.74
Total (A)	<u>28,010.63</u>	<u>13.50</u>
Less: Interest income		
(a) Interest income on non-trade investments (gross)	-	-
(b) Interest on advances and deposits (gross)	297.96	0.14
Total (B)	<u>297.96</u>	<u>0.14</u>
(A - B)	<u>27,712.67</u>	<u>13.36</u>