# PT PINNACLE APPARELS

**Financial Statements**
**For the Years Ended**
**March 31, 2018 and 2017**

**PT PINNACLE APPARELS**

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**PT. PINNACLE APPARELS**

P.T. PINNACLE APPARELS
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# DIRECTOR'S STATEMENT LETTER
# RELATING TO
# THE RESPONSIBILITY ON THE FINANCIAL STATEMENTS
# March 31, 2018

## PT PINNACLE APPARELS

We, the undersigned:

| | | |
|---|---|---|
| 1. Name | : | Amit Kumar |
| Office Address | : | Tanjung Emas Export Processing Zone<br>Jl. Coaster 8 Blok A.15-15a Semarang 50174 |
| Domicile as stated in ID Card/Paspor | : | Jl. Bukit Victorian No 15 RT.08/XI Ngesrep Banyumanik Semarang – Jawa tengah |
| Phone Number | : | +6224–3516585 |
| Position | : | Director |
| 2. Name | : | Ajay Pareek |
| Office Address | : | Graha Kirana Lt. 1 Suite 103, Jl. Yos Sudarso Kav. 88 |
| Domicile as stated in ID Card/Paspor | : | Apart Tmn. Kemayoran Cond.Tower Ebony #8/807 Kemayoran – Jakarta Pusat |
| Phone Number | : | +6221- 65314680 |
| Position | : | Finance Manager |

state that :

1. We are responsible for the preparation and presentation of the financial statements;
2. The financial statements have been prepared and presented in conformity with Indonesian Financial Accounting Standards;
3. a. All information in financial statements have been disclosed in a complete and truthful manner;
   b. The financial statements do not contain any misleading material information or facts, and do not omit material information or facts; and
4. We are responsible for the Company's internal control system.

This statement letter is made truthfully

Jakarta, April 18, 2018

Director

METERAI TEMPEL
TGL 20
E153CAEF986347474
6000
ENAM RIBU RUPIAH

(Amit Kumar)

Finance Manager

(Ajay Pareek)

Amir Abadi Jusuf, Aryanto, Mawar & Rekan
Registered Public Accountants

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**Number : R/359.AGA/Iji.4/2018**

**Independent Auditor's Report**

The Shareholders, Commissioners and Directors
**PT Pinnacle Apparels**

We have audited the accompanying financial statements of PT Pinnacle Apparels ("the Company"), which comprises the statement of financial position as of March 31, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of 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 these 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.

**Auditor's responsibility**
Our responsilibility is to express an opinion on the 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 the 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' judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor 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 appropriates of accounting policies used and the reasonable of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believes that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PT Pinnacle Apparels as of March 31, 2018 and its financial performance and cash flows for year then ended, in accordance with Indonesian Financial Accounting Standards.

**Amir Abadi Jusuf, Aryanto, Mawar & Rekan**

***Leknor Joni***
Public Accountant License Number: AP.0797

Jakarta, April 18, 2018

**PT PINNACLE APPARELS**
**STATEMENTS OF FINANCIAL POSITION**
March 31, 2018 and 2017
(In US Dollar)

| | Notes | 2018 USD | 2017 USD |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash on Hand and in Banks | 3 | 489,554 | 637,381 |
| Accounts Receivable from Third Parties | 4 | 4,833,723 | 3,979,620 |
| Other Receivables | 5 | 9,684 | 31,840 |
| Inventories | 6 | 762,359 | 701,004 |
| Advance to Suppliers | 7 | 449,531 | 484,799 |
| Prepaid Taxes | 13.a | 117,793 | 189,213 |
| Prepaid Expenses | 8 | 182,862 | 95,895 |
| Total Current Assets | | 6,845,506 | 6,119,752 |
| **Non-Current Assets** | | | |
| Deferred Tax Assets | 13.d | 117,667 | 111,664 |
| Property, Plant and Equipment - Net | 9 | 1,746,451 | 1,809,440 |
| Refundable Deposits | 10 | 173,692 | 173,692 |
| Total Non-Current Assets | | 2,037,810 | 2,094,796 |
| **TOTAL ASSETS** | | **8,883,316** | **8,214,548** |
| **LIABILITIES AND EQUITY** | | | |
| **Current Liabilities** | | | |
| Bank Loans | 11 | 719,461 | -- |
| Accounts Payable | 12 | 300,877 | 1,018,035 |
| Other Payables | | 9,951 | 134,801 |
| Taxes Payable | 13.b | 41,049 | 122,941 |
| Accrued Expenses | 14 | 866,557 | 725,428 |
| Total Current Liabilities | | 1,937,895 | 2,001,204 |
| **Non-Current Liabilities** | | | |
| Employee Benefits Liabilities | 15 | 467,706 | 302,257 |
| Total Non-Current Liabilities | | 467,706 | 302,257 |
| **Total Liabilities** | | **2,405,601** | **2,303,461** |
| **Equity** | | | |
| Share Capital - Par Value USD 10 per Share | | | |
| Authorized - 200,000 Shares, | | | |
| Issued and Paid Up - 150,198 Shares | 16 | 1,501,980 | 1,501,980 |
| Additional Paid-in Capital | | 1,980 | 1,980 |
| Retained Earnings | | 4,484,614 | 3,917,986 |
| Other Equity Component | | | |
| Revaluation Surplus on Property, Plant and Equipment | | 489,141 | 489,141 |
| Total Equity | | 6,477,715 | 5,911,087 |
| **TOTAL LIABILITIES AND EQUITY** | | **8,883,316** | **8,214,548** |

The accompanying notes form an integral part
of these financial statements

**PT PINNACLE APPARELS**
**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
For the Years Ended March 31, 2018 and 2017
(In US Dollar)

| | Notes | 2018 USD | 2017 USD |
|---|---|---|---|
| **REVENUES** | 17 | 21,991,181 | 23,034,373 |
| **COST OF GOODS SOLD** | 18 | (17,933,385) | (19,061,243) |
| **GROSS PROFIT** | | 4,057,796 | 3,973,130 |
| Gain on Sale of Propery, Plant and Equipment | | 19,031 | 6,449 |
| General and Administrative Expenses | 19 | (3,122,250) | (2,991,233) |
| Selling Expenses | 19 | (124,742) | (142,189) |
| Gain on Foreign Exchange - Net | | 3,154 | 52,315 |
| Other Income (Expenses) - Net | | 1,995 | (6,818) |
| | | (3,222,812) | (3,081,476) |
| **PROFIT BEFORE TAX** | | 834,984 | 891,654 |
| **INCOME TAX EXPENSES** | | | |
| Current Tax | 13.c | (212,042) | (232,674) |
| Deferred Tax | 13.d | (9,575) | 2,687 |
| Total Income Tax Expenses - Net | | (221,617) | (229,987) |
| **NET PROFIT FOR THE YEAR** | | **613,367** | **661,667** |
| **Item that will not be Reclassified Subsequently to Profit or Loss :** | | | |
| Remeasurement of Defined Benefits Plan | | (62,318) | 7,690 |
| Related Taxes | | 15,579 | (1,923) |
| Revaluation Surplus on Property, Plant and Equipment | | -- | 504,314 |
| Related Taxes | | -- | (15,173) |
| **Other Comprehensive Income (Loss) for the Year After Tax** | | **(46,738)** | **494,908** |
| **Total Comprehensive Income for the Year** | | **566,629** | **1,156,575** |

The accompanying notes form an integral part
of these financial statements

**PT PINNACLE APPARELS**
**STATEMENTS OF CHANGES IN EQUITY**
For the Years Ended March 31, 2018 and 2017
(In US Dollar)

| | Share Capital USD | Additional Paid-in Capital USD | Revaluation Surplus on Property Plant, and Equipment USD | Retained Earnings USD | Total Equity USD |
|---|---|---|---|---|---|
| **Balance as of March 31, 2016** | **1,501,980** | **1,980** | **--** | **3,250,551** | **4,754,511** |
| Profit for the Year | -- | -- | -- | 661,667 | 661,667 |
| Other Comprehensive Income for the Year | -- | -- | 489,141 | 5,768 | 494,909 |
| **Balance as of March 31, 2017** | **1,501,980** | **1,980** | **489,141** | **3,917,986** | **5,911,087** |
| Profit for the Year | -- | -- | -- | 613,367 | 613,367 |
| Other Comprehensive Loss for the Year | -- | -- | -- | (46,738) | (46,738) |
| **Balance as of March 31, 2018** | **1,501,980** | **1,980** | **489,141** | **4,484,614** | **6,477,715** |

The accompanying notes form an integral part
of these financial statements

**PT PINNACLE APPARELS**
**STATEMENTS OF CASH FLOWS**
For the Years Ended March 31, 2018 and 2017
(In US Dollar)

| | Notes | 2018 USD | 2017 USD |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit Before Tax | | 834,984 | 891,654 |
| Adjustments for: | | | |
| Depreciation Expenses | | 287,775 | 268,403 |
| Interest Expenses and Bank Charges | | 58,418 | 44,832 |
| Gain on Sale of Property, Plant, and Equipment | | (19,031) | (6,449) |
| Employee Benefits Obligation | | 66,215 | 99,953 |
| Operating Income Before Changes in Working Capital | | 1,228,361 | 1,298,393 |
| Changes in Assets and Liabilities: | | | |
| Accounts and Other Receivables | | (1,159,275) | (1,674,007) |
| Inventories | | (61,355) | 84,648 |
| Advance to Suppliers | | 35,268 | (55,378) |
| Prepaid Expense | | 71,420 | 58,601 |
| Other Current Assets | | (21,550) | 8,390 |
| Accounts and Other Payables | | (842,007) | 540,654 |
| Accrued Expenses | | 141,129 | (38,447) |
| Other Payables and Tax Payable | | (81,892) | 48,872 |
| Cash Generated from (Used in) Operations | | (689,901) | 271,726 |
| Interest Paid | 19 | (58,418) | (44,832) |
| Income Tax Paid | | 99,226 | (30,344) |
| Employee Benefits Obligations Paid | | (12,439) | (464) |
| Net Cash Flows Provided (Used in) by Operating Activities | | (661,532) | 196,087 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Acquisition of Property, Plant, and Equipment | 9 | (227,251) | (162,669) |
| Proceeds from Sale of Property, Plant, and Equipment | | 21,496 | 6,451 |
| Net Cash Flows Used in Investing Activities | | (205,756) | (156,219) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceed From Bank Loans - Net | 11 | 719,461 | -- |
| Net Cash Flows Provided by Financing Activities | | 719,461 | -- |
| **NET INCREASE IN CASH ON HAND AND IN BANKS** | | (147,827) | 39,868 |
| **CASH ON HAND AND IN BANKS - AT THE BEGINNING OF THE YEAR** | | 637,381 | 597,513 |
| **CASH ON HAND AND IN BANKS - AT THE END OF THE YEAR** | | **489,554** | **637,381** |

The accompanying notes form an integral part
of these financial statements

(In US Dollar)

## 1. General

### 1.a. Background

PT Pinnacle Apparels (formerly PT Norwest Industry, the "Company") was established based on Notarial Deed No. 27 of H. Dana Sasmita, S.H., Notary in Jakarta, dated April 8, 2002. The deed of establishment was approved by Ministry of Justice of Republic of Indonesia in its Decision Letter No. C-14557.HT.01.01.TH.2002 dated August 5, 2002. Based on notification of approval from the Capital Investment Coordination Board (BKPM) No. 187/I/PMA/2002 dated April 4, 2002 the Company was established within the framework of the Foreign Capital Investment.

Based on Resolutions of the Shareholders of PT Pinnacle Apparels, as stipulated on notarial deed No. 56 of Wiwik Condro, S.H., Notary in Jakarta, dated September 25, 2015, Raam Fashion Limited sells its shares to DSSP Global Limited. The change in capital structure effectively on September 28, 2015 and has been approved by the Ministry of Law and Human Rights of the Republic of Indonesia through its letter No. AHU-AH.01.03-0967581 Tahun 2015, dated September 28, 2015.

The Company's Articles of Association have been amended several times, most recently related to changes in capital structure and the changes of Board of Directors of the Company's based on Notarial Deed No. 43 of Kumala Tjahyani Widodo, SH, Notary in Jakarta, dated January 14, 2015 and has been approved by the Ministry of Law and Human Rights of the Republic of Indonesia through its Decision Letter No. AHU-0003060.AH.01.03.Tahun 2015, dated January 19, 2015, and authorized by the Chairman of the Capital Investment Coordinating Board (BKPM) No. 3358/1/IP-PB/PMA/2014.

In accordance with article 3 of Article of Association and Notification of Approval from BKPM, the Company is engaged in garment and textiles industry.

The Company is domiciled in Jakarta and its factory is located in Tanjung Emas Export Processing Zone, Semarang. The Company started its commercial operations in September 2002.

As of March 31, 2018 and 2017, the Company has 2,100 and 2,063 employees, respectively (unaudited).

### 1.b. The Company's Management

The Company's managements as of March 31, 2018 and 2017 are as follows:

| | | |
|---|---|---|
| Commissioner | : | Rajesh Vishnu Ajwani |
| President Director | : | Pulkit Seth |
| Director | : | Amit Kumar |
| Director | : | Deepak Seth |

## 2. Summary of Significant Accounting Policies

### 2.a. Compliance with the Financial Accounting Standards (SAK)

The financial statements have been prepared in accordance with Indonesian Financial Accounting Standards, using going concern, historical cost and accrual basis of accounting concepts. The basis have been consistently applied and will be noted otherwise.

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

### 2.b. New and Revised Statements and Interpretation of Financial Accounting Standards Effective in the Current Year

The following are new standards, amendments of standards and interpretation of standard issued by DSAK - IAI and effectively applied for the period starting on or after January 1, 2017, as follows:

- ISAK No. 31: "Interpretation of the Scope of PSAK No. 13: Investment Property"
- PSAK No. 3 (Improvement 2016): "Interim Financial Reporting"
- PSAK No. 24 (Improvement 2016): "Employee Benefits"

(In US Dollar)

- PSAK No. 58 (Improvement 2016): "Non-current Assets Held for Sale and Discontinued Operations"
- PSAK No. 60 (Improvement 2016): "Financial Instruments: Disclosures"
- Amendments to PSAK No. 1 (Amandment 2015): "Presentation of Financial Statements".

The implementation of the above standards had no significant effect on the amounts reported for the current or prior financial years.

**2.c. Foreign Currency Transactions and Balances**

The Company maintains its accounting records in USD currency. Transactions in currencies other than USD are recorded at the prevailing rate of exchange in effect on the date of transaction. Exchange gains and losses arising from translations of foreign currency monetary assets and liabilities are recognized in the current period statement of comprehensive income.

As of statements of financial position date, monetary assets and liabilities denominated in foreign currencies are translated at the approximate prevailing Bank Indonesia middle rate at that date.

Exchange rates used as of March 31, 2018 and 2017:

| Currencies | 2018 USD | 2017 USD |
|---|---|---|
| IDR | 0.000073 | 0.000075 |
| EUR | 1.03 | 1.06 |
| HKD | 0.12 | 0.13 |
| SGD | 0.69 | 0.71 |
| GBP | 1.21 | 1.25 |

Exchange gains or losses arising from foreign currency translations are recognized in the current period statements of comprehensive income.

**2.d. Transaction with Related Parties**

A related party is a person or an entity that is related to the reporting entity:

a) A person or a close member of that person's family is related to a reporting entity if that person:
   i. Has control or joint control over the reporting entity;
   ii. Has significant influence over the reporting entity; or
   iii. Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to the reporting entity if it meets one of the following:
   i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others;
   ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
   iii. Both entities are joint ventures of the same third party;
   iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
   v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity, or an entity related to the reporting entity. If the reporting entity in itself such a plan, the sponsoring employers are also related to the reporting entity;
   vi. The entity is controlled or jointly controlled by a person identified in (a); or
   vii. A person identified in (a.i.) has significant influence over the entity or is a member of the key management personnel of the entity (or a parent of the entity).
   viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

**2.e. Financial Asset and Financial Liabilities**

**Financial Asset**

The Company classifies its financial assets into loans and receivables.

This classification depends on the purpose of acquisition of financial assets. Management determines the classification of financial assets at its initial recognition.

(i) Loans and Receivables.
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:
(a) those that intends to sell immediately or in the near term and upon initial recognition designated as at fair value through profit or loss;
(b) those that upon initial recognition designated as available for sale; or
(c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial recognition, loans and receivables are measured at amortized cost using the effective interest method.

Loans and receivables include cash on hand and in banks, account receivables and other receivables.

<u>Provision for Impairment Loss of the Financial Assets</u>
The Company assessed individually if there is objective evidence regarding impairment of financial assets. If there is objective evidence of financial assets impairment individually, the impairment assessed is calculated using discounted cash flows method and/or fair value of the collateral.

For financial assets which do not have objective evidence regarding impairment, the Company will allocate provision for impairment collectively. Collective calculation is exercised using certain formula. Every year, the Company analyzes the basis of percentage until the relevant historical data is obtained.

**Financial Liabilities**
The Company classifies its financial liabilities in categories (i) financial liabilities measured at fair value through profit and loss and (ii) financial liabilities measured using amortized cost.

(i) Financial Liabilities at Fair Value Through Profit or Loss (FVTPL)
Financial liabilities at FVTPL are financial liabilities held for trading or upon initial recognition it is designated as at fair value through profit or loss. Financial liabilities classified as held for trading if it is acquired or incurred principally for the purpose of selling and repurchasing it in the near term, or it is a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking, or it is a derivative, except for a derivative that is a designated and effective hedging instrument.

After initial recognition, financial liabilities at FVTPL are measured at its fair value. Gains or losses arising from a change in the fair value are recognized in profit or loss.

(ii) Financial liabilities are measured using amortized cost.
Financial liabilities which are not classified as financial liabilities measured at fair value through profit and loss are categorized and measured using amortized cost.

Bank loans, accounts payable, other payables and accrued expenses are included in financial liabilities classified as financial liabilities measured using amortized cost.

**2.f. Inventories**
Inventories are stated at the lower of cost or net realizable value. Cost is determined using the moving average method.

**2.g. Prepaid Expenses**
Prepaid expenses are amortized over their beneficial periods using the straight line method.

**2.h. Property, Plant, and Equipment**
Property, plant and equipment except for machineries after initial recognition, are measured based on cost method and stated at cost less accumulated depreciation and provision for impairment.

Machineries are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluation is made with sufficient regularity to ensure that the carrying amount does not differ materiality from that which would be determined using fair value at the reporting date.

Any revaluation increase arising on the revaluation of machineries is recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus, except to the extent that it reverses a revaluation decrease, for the same asset which was previously recognized in profit or loss, in which case the increase is credited to profit and loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such machineries is charged to profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of such machineries.

The revaluation surplus in respect of machineries is directly transferred to retained earnings when the asset is derecognized.

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

| | Useful life | % per Annum |
|---|---|---|
| Infrastructures | 5 | 20 |
| Machineries | 5 | 20 |
| Furniture and Fixtures | 5 | 20 |
| Vehicles | 5 | 20 |
| Tools and Equipment | 3-5 | 20-33 |

The carrying amount of an item of fixed assets is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition (that determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item) is included in profit or loss when item is derecognized.

At the end of each reporting period, the Company made regular review of the useful life, residual values, depreciation method and residual life based on the technical conditions.

**2.i. Impairment of Assets**

The Company assess at each annual reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset (i.e. an intangible asset with an indefinite useful life, an intangible asset not yet available for use, or goodwill acquired in a business combination) is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of the asset or Cash Generated Unit's (CGU) fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognized in the consolidated statements of comprehensive income as “impairment losses”. In assessing the value in use, the estimated net future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used to determine the fair value of the assets. These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses of continuing operations, if any, are recognized in the consolidated statements of comprehensive income under expense categories that are consistent with the functions of the impaired assets.

An assessment is made at each annual reporting period as to whether there is any indication that previously recognized impairment losses recognized for an asset other than goodwill may no longer exists or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss for an asset other than goodwill is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior period.

Reversal of an impairment loss is recognized in the consolidated statements of comprehensive income. After such a reversal, the depreciation charge on the said asset is adjusted in future periods to allocate the asset revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**2.j. Employee Benefits**

Short-term Employee Benefits

Short-term employee benefits are recognized when an employee has rendered service during accounting period, at the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

Short-term employee benefits include such as wages, salaries, bonus and incentive.

Post-employment Benefits

Post-employment benefits such as retirement, severance and service payments are calculated based on Labor Law No. 13/2003 ("Law 13/2003").

The Company recognizes the amount of the net defined benefit liability at the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets which calculated by independent actuaries using the Projected Unit Credit method. Present value benefit obligation determined by discounting the benefit.

The Company account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices.

Current service cost, any past service cost and gain or loss on settlement and net interest on the net defined benefit liabilities (assets) recognized in profit and loss.

The remeasurement of the net defined benefit liability (assets) comprise actuarial gain and losses, return on plan assets, and any change in effect of the asset ceiling recognized in other comprehensive income.

**2.k. Revenues and Expenses Recognition**

Revenue is recognized when invoices are made and goods has been delivered to customers at the time of shipment.

Expense is recognized when incurred.

**2.l. Income Tax**

Tax expense is the aggregate amount included in the determinination of profit or loss for the period in respect of current tax and deferred tax. Current tax and deferred tax is recognized in profit or loss, except for income tax arising from transactions or events that are recognized in other comprehensive income or directly in equity. In this case, the tax is recognized in other comprehensive income or equity, respectively.

Current tax for current and prior periods shall, to the extent unpaid, be recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognised as an asset. Current tax liabilities (assets) for the current and prior periods shall be measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax benefits relating to tax loss that can be carried back to recover current tax of a previous periods is recognized as an asset. Deferred tax asset is recognized for the carryforward of unused tax losses and unused tax credit to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

a. the initial recognition of goodwill; or
b. the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset shall be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets shall reflect the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The carrying amount of a deferred tax asset reviewed at the end of each reporting period. The Company shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Any reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

The Company offset deferred tax assets and deferred tax liabilities if, and only if:

a. the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
b. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
   i. the same taxable entity; or
   ii. different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

The Company offset current tax assets and current tax liabilities if, and only if, the Company:

a. has legally enforceable right to set off the recognized amounts, and
b. intends either to settle on a net basis, or to realize the assets and settle liabilities simultaneously.

**2.m. Critical Accounting Estimate and Judgement**

The preparation of financial statements in conformity with generally accepted accounting principles 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

<u>Estimated Useful Life</u>

The Company reviews on useful life of property, plant, and equipment based on several factors i.e. technical conditions and technology development in the future. Operating results in the future will be affected by the estimated changes of those factors.

(In US Dollar)

Post-Employment Benefit
The present value of post employment benefit depends on several factors which are determined by actuarial basis based on several assumptions. Assumptions used to determine pension costs (benefits) covered discount rate. The changes of assumption might affect carrying value of post-employment benefit.

The Company determines the appropriate discount rate at the final reporting, by considering the discount rate of government's bond which denominated in benefit's currency that will be paid and have a similar terms with the terms of the related liabilities.

## 3. Cash on Hand and in Banks

| | 2018<br>USD | 2017<br>USD |
|---|---|---|
| **Cash on Hand** | | |
| Rupiah | 14,036 | 8,317 |
| USD | 7,136 | 2,520 |
| SGD | 215 | 225 |
| Poundsterling | 210 | 210 |
| HKD | 210 | 11 |
| Sub Total | 21,806 | 11,283 |
| **Cash in Banks** | | |
| Rupiah | 451,058 | 99,075 |
| USD | 16,690 | 527,023 |
| Sub Total | 467,748 | 626,098 |
| **Total** | **489,554** | **637,381** |

As of March 31, 2018, the Company has money insurance amounted to Rp18,500,000,000 equivalent with USD1,371,540 that covered transit loss due to fire and fraud by employee.

## 4. Accounts Receivable from Third Parties

| | 2018<br>USD | 2017<br>USD |
|---|---|---|
| Ann Taylor | 2,545,850 | 1,247,164 |
| Banana Republic (PGL) | 1,155,258 | 1,812,929 |
| Talbots | 1,132,615 | 919,176 |
| S.Oliver Bernd Freier GMBH & Co.Kg | -- | 352 |
| **Total** | **4,833,723** | **3,979,620** |

Management believes that all accounts receivable are collectible, accordingly the management does not provide allowance for impairment losses.

## 5. Other Receivables

Other receivables to the related parties mainly represents employee loan and advances which is given by the Company to support the household needs and Corporate Social Responsibility (CSR). The employee loan repayment shall be deducted from the monthly salaries. On March 31, 2018 and 2017, other receivables were amounted to USD9,684 and USD31,840, respectively.

(In US Dollar)

## 6. Inventories

This account represents inventory in working process as of March 31, 2018 and 2017 amounted to USD762,359 and USD701,004, repectively.

Based on a review of inventories, the Company's management believes there is no impairment on inventories, thus management does not provide allowance for inventories obsolescence accounts. Inventories are covered by insurance against losses from fire and other risks under several blanket policies amounted to USD3,122,500 as of March 31, 2018 and 2017.

## 7. Advance to Suppliers

| | 2018 USD | 2017 USD |
|---|---|---|
| Textbank Limited | 186,534 | 294,789 |
| Mastex Inc. | 133,255 | -- |
| Sher Plastics (FE) Ltd | 36,370 | -- |
| BR | 28,134 | 51,841 |
| Silverred Holding Limited | 24,336 | -- |
| Shanghai Brisk International | -- | 66,402 |
| Mandarin Enterprises Ltd | -- | 19,729 |
| PT Indotaichen Textile | -- | 12,614 |
| Others (each below USD 10,000) | 40,902 | 39,424 |
| **Total** | **449,531** | **484,799** |

## 8. Prepaid Expenses

| | 2018 USD | 2017 USD |
|---|---|---|
| Factory Supplies | 93,457 | 14,870 |
| Factory Rent | 73,864 | 71,276 |
| Work Permit | 14,700 | 9,000 |
| Office Rent | -- | -- |
| Others (below USD1,000) | 841 | 749 |
| **Total** | **182,862** | **95,895** |

Factory rent represents two factories space rental in Semarang, Central Java. On January 25, 2017, the Company has renewed rental agreement of factory (unit 1 factory) in Semarang, Central Java, from PT Lamicitra Nusantara Tbk, the third party, for 3 years until January 24, 2020. On October 1, 2013, the Company has renewed rental agreement of factory (unit 2 factory) in Semarang, Central Java, from PT Lamicitra Nusantara Tbk, the third party, for 5 years until September 30, 2018.

(In US Dollar)

## 9. Property, Plant, and Equipment

| | 2018 | | | |
|---|---|---|---|---|
| | **Beginning Balance USD** | **Additions USD** | **Disposals USD** | **Ending Balance USD** |
| **Direct Ownership** | | | | |
| **Cost** | | | | |
| Land Titles | 182,932 | -- | -- | 182,932 |
| Infrastructures | 283,340 | -- | -- | 283,340 |
| Machineries | 2,691,498 | 110,409 | -- | 2,801,907 |
| Furniture and Fixtures | 156,977 | -- | -- | 156,977 |
| Vehicles | 376,598 | 97,430 | 104,925 | 369,103 |
| Tools and Equipment | 481,789 | 19,412 | -- | 501,201 |
| Subtotal | 4,173,134 | 227,251 | 104,925 | 4,295,460 |
| Construction in Progress | 762,838 | -- | -- | 762,838 |
| Total | 4,935,972 | 227,251 | 104,925 | 5,058,298 |
| **Accumulated Depreciation** | | | | |
| Infrastructures | 282,711 | 509 | -- | 283,220 |
| Machineries | 2,046,051 | 190,791 | -- | 2,236,842 |
| Furniture and Fixtures | 156,394 | 127 | -- | 156,521 |
| Vehicles | 210,431 | 73,811 | 102,460 | 181,782 |
| Tools and Equipment | 430,945 | 22,537 | -- | 453,482 |
| Total | 3,126,532 | 287,775 | 102,460 | 3,311,847 |
| **Carrying Value** | **1,809,440** | | | **1,746,451** |

| | 2017 | | | |
|---|---|---|---|---|
| | **Beginning Balance USD** | **Additions USD** | **Disposals USD** | **Ending Balance USD** |
| **Direct Ownership** | | | | |
| **Cost** | | | | |
| Land Titles | 182,932 | -- | -- | 182,932 |
| Infrastructures | 283,340 | -- | -- | 283,340 |
| Machineries | 2,239,956 | 99,895 | 152,667 | 2,691,498 |
| Furniture and Fixtures | 156,348 | 629 | -- | 156,977 |
| Vehicles | 358,580 | 39,314 | 21,297 | 376,598 |
| Tools and Equipment | 458,958 | 22,831 | -- | 481,789 |
| Subtotal | 3,680,114 | 162,669 | 173,964 | 4,173,134 |
| Construction in Progress | 762,838 | -- | -- | 762,838 |
| Total | 4,442,952 | 162,669 | 173,964 | 4,935,972 |
| **Accumulated Depreciation** | | | | |
| Infrastructures | 282,106 | 605 | -- | 282,711 |
| Machineries | 2,032,915 | 165,803 | 152,667 | 2,046,051 |
| Furniture and Fixtures | 156,321 | 73 | -- | 156,394 |
| Vehicles | 160,170 | 71,557 | 21,297 | 210,431 |
| Tools and Equipment | 400,580 | 30,365 | -- | 430,945 |
| Total | 3,032,092 | 268,403 | 173,964 | 3,126,532 |
| **Carrying Value** | **1,410,860** | | | **1,809,440** |

(In US Dollar)

Depreciation expenses were allocated to the following:

| | 2018<br>USD | 2017<br>USD |
|---|---|---|
| Cost of Goods Sold (Note 18) | 190,791 | 165,803 |
| General and Administrative Expense (Note 19) | 96,984 | 102,600 |
| **Total** | **287,775** | **268,403** |

Land titles represent building usage rights of Taman Pasadenia Apartment at Jakarta.

Property, plant and equipment are covered by insurance against losses from fire and other risks under several blanket policies amounted to Rp3,010,205,468 and USD2,126,000 as of March 31, 2018 and 2017. Management believes that sum of insured is adequate to cover possible losses from fire and other risks of related assets.

## 10. Refundable Deposits

| | 2018<br>USD | 2017<br>USD |
|---|---|---|
| Plants | 141,387 | 141,387 |
| Warehouses | 19,159 | 19,159 |
| Office | 7,992 | 7,992 |
| Electricity | 4,114 | 4,114 |
| Others | 1,040 | 1,040 |
| **Total** | **173,692** | **173,692** |

## 11. Bank Loan

This account represents loan to The Hongkong and Shanghai Banking Corporation Bank for technical document acceptance facility on December 31, 2017 amounted to USD1,176,729.

Based on Corporate Facility Agreement dated August 30, 2012, No. JAK/120805/U/120806, the Company has obtained credit facilities for import and export from The Hongkong and Shanghai Banking Corporation with combined maximum limit credit amounted to USD4,000,000 and subject to review any event. The agreement has been amended several times and most recently by amendment No. JAK/161071/U/141029 dated September 21, 2015 with combined maximum limit amounted to USD4,000,000.

The facilities are secured by the followings:
- Fiduciary transfer over Machinery and Equipment (note 9) of USD1,500,000;
- Fiduciary transfer over Inventories (note 6) of USD2,000,000;
- Fiduciary transfer over Accounts Receivable (note 4) of USD2,000,000;
- Letter of undertaking from shareholders to inject additional equity/subordinated loan to cover losses;
- Letter of undertaking from shareholders to ensure the Tangible Networth will remain at minimum USD2,000,000; and
- Personal Guarantee in the name of Mr. Pulkit Seth under Hongkong Law for the amount of USD4,000,000.

Total draw down for the period ended amounted to USD6,636,931 while its total payment for the period ended March 31, 2018 is USD5,917,470. The outstanding balance as of March 31, 2018 of this facility is amounted USD719,461. Interest expense on this facility for the year is amounted to USD34,061.

Under the agreement, the Company should maintain debt to equity ratio not to exceed 1.5 and minimum current ratio of 1.0. As of March 31, 2018 and March 31, 2017, the Company has fulfilled these covenants.

(In US Dollar)

## 12. Accounts Payable

| | 2018 USD | 2017 USD |
|---|---|---|
| Lamicitra Nusantara | 71,765 | 68,993 |
| Soochow Reliance International Trad | 35,923 | -- |
| PT Coats Rejo Indonesia | 28,614 | 18,248 |
| H Wear Limited | 24,193 | 190,059 |
| Mastex Inc | -- | 148,908 |
| Silverred Holdings Limited | -- | 128,760 |
| Freudenberg & Vilene | -- | 70,785 |
| Baeksan Co., Ltd | -- | 66,589 |
| New Bond Textiles Ltd | -- | 53,238 |
| Luckytex Company | -- | 47,495 |
| Kufner Hongkong Limited | -- | 17,000 |
| Sai Apparel Industries | -- | 7,992 |
| Others (each below USD20,000) | 140,382 | 199,968 |
| **Total** | **300,877** | **1,018,035** |

## 13. Taxation

### a. Prepaid Taxes

| | 2018 USD | 2017 USD |
|---|---|---|
| Value Added Tax - Net | 117,793 | 189,213 |
| **Total** | **117,793** | **189,213** |

### b. Taxes Payable

| | 2018 USD | 2017 USD |
|---|---|---|
| Income Tax Article 25 | 18,736 | 11,974 |
| Income Tax Article 21 | 13,910 | 13,463 |
| Income Tax Article 4 (2) | 7,013 | 3,792 |
| Income Tax Article 23 | 308 | 417 |
| Corporate Income Tax Article 29 | 1,082 | 93,295 |
| **Total** | **41,049** | **122,941** |

### c. Income Tax Benefit (Expenses)

Reconciliation between profit before estimated income tax as shown in the statements of comprehensive income and estimated taxable income of the Company is as follows:

| | 2018 USD | 2017 USD |
|---|---|---|
| Profit before Tax | 834,984 | 891,654 |
| **Temporary Differences:** | | |
| Depreciation | (140,974) | (89,204) |
| Employee Benefits | 115,570 | 99,953 |
| Post Employe Benefits Payment | (12,439) | (464) |
| | (37,843) | 10,285 |

(In US Dollar)

| | 2018 USD | 2017 USD |
|---|---|---|
| **Permanent Differences:** | | |
| Interest Income already Subjected to Final Tax | (1,431) | (896) |
| Profit on Sales of Vehicles-Commercial | (19,179) | (6,449) |
| Profit on Sales of Vehicles-Fiscal | 19,071 | 2,595 |
| Non Deductible Expenses | | |
| Depreciation Expenses | 41,376 | 21,277 |
| Motor Vehicle Maintenance | 4,821 | 5,760 |
| Mobile Phone | 3,418 | 3,569 |
| Guest House | 2,953 | 2,902 |
| | 51,030 | 28,758 |
| **Taxable Income** | **848,171** | **930,697** |
| **Income Tax at Tax Rate of 25%** | 212,042 | 232,674 |
| **Total Income Tax Expense** | **212,042** | **232,674** |
| **Credit Taxes:** | | |
| Income Tax Article 22 | 6,411 | 7,839 |
| Income Tax Article 25 | 204,549 | 131,540 |
| Total Credit Taxes | 210,960 | 139,379 |
| **Underpayment of Corporate Income Tax** | **1,082** | **93,295** |

### d. Deferred Tax Assets

| | 2016 USD | Credited (Charged) to Profit or Loss USD | Credited (Charged) to Other Comprehensive Income USD | 2017 USD | Credited (Charged) to Profit or Loss USD | Credited (Charged) to Other Comprehensive Income USD | 2018 USD |
|---|---|---|---|---|---|---|---|
| Property, Plant and Equipment | 58,285 | (22,301) | -- | 35,984 | (35,243) | -- | 740 |
| Employee Benefits Obligations | 52,614 | 24,988 | (1,923) | 75,680 | 25,668 | 15,579 | 116,927 |
| **Total** | **110,899** | **2,687** | **(1,923)** | **111,664** | **(9,575)** | **15,579** | **117,667** |

## 14. Accrued Expenses

| | 2018 USD | 2017 USD |
|---|---|---|
| Salaries and Wages | 536,686 | 433,695 |
| Bonus | 289,811 | 250,854 |
| BPJS Payable | 35,528 | 34,489 |
| Legal and Professional Fee | 4,532 | 6,390 |
| **Total** | **866,557** | **725,428** |

## 15. Employee Benefits Liabilities

The Company provides benefits for its employees who achieve the retirement age at 55 based on the provisions of Labor Law No.13/2003 dated March 25, 2003. The benefits are unfounded.

The Company calculated employee benefit liabilities as of March 31, based The Constitution of No.13 in 2003 about The Employment.

As of March 31, 2018, the liabilities for employee benefits were calculated by an independent actuary, PT Katsir Imam Sapto Aktuaria using the "Projected Unit Credit" method. Those calculation were used as the basis for March 31, 2018 reporting, in their report dated March 5, 2018, with No.085/KIS/LA/PS/04/2018.

(In US Dollar)

The principal assumptions used in determining employee benefits obligation as of March 31, 2018 and 2017, are as follows:

| | 2018<br>USD | 2017<br>USD |
|---|---|---|
| Discount Rate | 8.00% | 8.50% |
| Future Salary | 3.00% | 3.00% |
| Number of Employees | 2,100 | 2,063 |
| Normal Retirement Age | 55 Years | 55 Years |
| Valuation Cost Method | Projected Unit Credit | Projected Unit Credit |

Voluntary resignation determined as 2% - 37% for employees below the age of 20-22 and will be linearly decreasing until 0% at the age of 54.

Past service cost – non-vested:

- Amortization method: straight line.
- Amortization periods: remaining service years of each employee.

The amount recognized in statements of financial position and profit or loss for the years ended of March 31, 2018 and 2017 are as follows:

| | 2018<br>USD | 2017<br>USD |
|---|---|---|
| Present Value Obligaton | 467,706 | 302,257 |
| **Liability in the Statement of financial Position** | **467,706** | **302,257** |
| Unrecognized Service Cost: | | |
| Current Service Cost | 77,452 | 65,216 |
| Interest Cost | 38,118 | 34,737 |
| **Net Expense Charged in the Statement of Profit or Loss and Other Comprehensive Income** | **115,570** | **99,953** |

Movements in liability recognized in the Statements of Financial Position are as follows:

| | 2018<br>USD | 2017<br>USD |
|---|---|---|
| Beginning of the Year | 302,257 | 210,458 |
| Employee Benefits Expenses Recognized in Current Year | 115,570 | 99,953 |
| Other Comprehensive (Expense) Income | 62,318 | (7,690) |
| Actual Benefit Payment | (12,439) | (464) |
| **End of the Year** | **467,706** | **302,257** |

## 16. Share Capital and Cash Dividend

The compositions of shareholders' as of March 31, 2018 and 2017 is as follows:

| **Shareholders** | **Shares Issued**<br>**Number of Shares** | **%** | **Issued and Paid-up Capital USD** |
|---|---|---|---|
| DSSP Global Limited | 104,998 | 69.91 | 1,049,980 |
| Raam Fashion Limited | 45,000 | 29.96 | 450,000 |
| Mr. Pulkit Seth | 200 | 0.13 | 2,000 |
| | **150,198** | **100** | **1,501,980** |

(In US Dollar)

## 17. Revenues

| | 2018 USD | 2017 USD |
|---|---|---|
| Export Sales - Third Parties | 21,991,181 | 23,034,373 |
| **Total** | **21,991,181** | **23,034,373** |

This account represents export sales of 251,346 and 259,704 dozens for the period ended March 31, 2018 and 2017, respectively.

## 18. Cost of Goods Sold

| | 2018 USD | 2017 USD |
|---|---|---|
| Material | 11,543,866 | 12,792,721 |
| Labor | 5,451,559 | 5,289,111 |
| Overhead Costs: | | |
| Factory Rent | 278,972 | 253,946 |
| Power and Fuel | 201,937 | 201,649 |
| Depreciation (Note 9) | 190,791 | 165,803 |
| Freight Cost | 122,237 | 187,412 |
| Spare Parts | 111,723 | 136,156 |
| Maintenance | 32,300 | 34,445 |
| **Total** | **17,933,385** | **19,061,243** |

The Company carries out production activity based on order received from customers. All finished goods inventory are directly delivered to customer when finished. Therefore, cost of goods sold represents cost of finished goods that already shipped to customers during the period.

## 19. General and Administrative and Selling Expenses

| | 2018 USD | 2017 USD |
|---|---|---|
| **General and Administrative Expenses** | | |
| Salary | 1,657,929 | 1,591,358 |
| Bonus and Allowance | 435,242 | 399,283 |
| Telecommunication | 221,887 | 189,809 |
| Import and Export | 157,750 | 141,971 |
| Employee Benefits (Note 15) | 115,570 | 99,953 |
| Depreciation (Note 9) | 96,984 | 102,600 |
| Rent Office and Machine | 66,215 | 71,731 |
| Transportation | 65,736 | 61,328 |
| Bank Interest and Bank Charges | 58,418 | 44,832 |
| Insurance | 32,223 | 34,241 |
| Inspection Charges | 31,089 | 33,226 |
| Work Permit | 30,759 | 31,110 |
| Tax and Duties | 26,513 | 32,918 |
| Printing and Stationary | 22,967 | 24,138 |
| Employee Welfare | 21,948 | 44,069 |
| Office Maintenance | 21,193 | 21,703 |
| Water | 17,857 | 26,209 |
| Legal and Professional Fee | 16,786 | 17,224 |
| Travelling | 14,593 | 12,174 |
| Office Consumable | 5,956 | 6,158 |
| Others | 4,635 | 5,198 |
| **Sub Total** | **3,122,250** | **2,991,233** |

(In US Dollar)

| | 2018 USD | 2017 USD |
|---|---|---|
| **Selling Expenses** | | |
| Made Sample Expenses | 66,418 | 76,643 |
| Travelling Overseas | 34,824 | 46,955 |
| Entertainment | 10,409 | 15,094 |
| Others | 13,091 | 3,497 |
| **Sub Total** | **124,742** | **142,189** |
| **Total** | **3,246,992** | **3,133,422** |

## 20. Financial Risk Management

The Company's activities expose it to a variety of financial risks: foreign exchange risk, credit risk and interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

- Foreign exchange risk: the Company exposed to foreign exchange risk from various currency exposures primarily Indonesian Rupiah. The Company has some forward deals with HSBC bank to hedge its exposure to foreign currency risk in connection with the recording currency.
- Credit risk: the Company has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Company has policies that limit the amount of credit exposure to any customers.
- Interest rate risk: the Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company has no significant interest-bearing assets.

## 21. Critical Accounting Estimates and Assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- Employee benefits
  The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality bonds that are denominated in the currency in which the benefits will be paid (Rupiah currency), and that have maturity approximating the terms of the related post-employment benefit liability,

- Income taxes
  The Company is subject to income tax in Indonesian tax jurisdictions. Significant judgment is required in determining local provision for income tax, among other, non-deductible expenses. The Company recognises provision for income tax based on self assessment. Where the final tax outcome as a result of tax audit is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Prepaid taxes are impaired as the carrying amounts may not be recoverable,

- Fair value estimation
  The Company determines that the face values less any estimated credit adjustments for loans and receivables with a maturity of less than one year are assumed to approximate their fair values.

(In US Dollar)

a. Accounts and Other Receivables
The fair values of account receivables and other receivables are as follows:

| | 2018 USD | 2017 USD |
|---|---|---|
| Account Receivables | 4,833,723 | 3,979,620 |
| Other Receivables | 9,684 | 31,840 |
| Other Financial Receivables - Refundable Deposits | 173,692 | 173,692 |
| **Total** | **5,017,099** | **4,185,152** |

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money or goods directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

The fair values are based on discounted cash flows using a rate based on the borrowings rate of 10%.

The nominal value less estimated credit adjustments of trade receivables are assumed to approximate their fair values.

There are no concentrations of credit risk with respect to trade receivables, as the Company has a number of customers, internationally dispersed.

There is no impairment losses of trade receivables recognized for the period ended March 31, 2018 and 2017.

b. Accounts and Other Payables
The carrying amount of accounts and other payables approximates their fair value which is based on an estimate of the recoverable amount. Recoverable amount is determined by calculating the present value of expected future cash outflows.

## 22. New Accounting Standards Pronouncement

DSAK-IAI has issued the following new standards, amendments and adjustments of standards and interpretations, but not yet effective for the financial year 2017. The following are new standard, amendment and improvement of standards effective for period beginning on or after January 1, 2018:

- PSAK No. 16 (Amendment 2015): “Property, Plant and Equipment”
- PSAK No. 69: “Agriculture”
- PSAK No. 2 (Amendment 2016): “Statements of Cash Flows”
- PSAK No. 46 (Amendment 2016): “Income Tax regarding Deferred Tax Assets Recognition for Unrealised Loss”
- PSAK No. 13 (Amendment 2017): “Investment Property”
- PSAK No. 53 (Amendment 2017): “Share Based Payment”
- PSAK No. 15 (Improvement 2017): “Investment in Associates and Joint Ventures”
- PSAK No. 67 (Improvement 2017): “Disclosure of Interests in Other Entities”.

The following is new standards and amendment of standards effective for periods beginning on or after January 1, 2019 with early adoption is permitted:

- PSAK 71 “Financial Instruments”.
- PSAK 72 “Revenue from Contracts with Customers”.
- PSAK 73 “Rent”.
- PSAK No. 62 (Amendment 2017): “Insurance Contract”.
- PSAK No. 15 (Amendment 2017): “Investment in Associates and Joint Ventures”.

As at the date of the financial statements being authorized, the Company is still evaluating the potential impact of the adoption of new standards and amendments of these standards.

## 23. Management Responsibility and Authority of the Financial Statements

The management of the Company is responsible for preparing and disclosure the financial statements which were authorized for issuance on April 18, 2018.