

PT BAJAJ AUTO INDONESIA

FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

AND INDEPENDENT AUDITORS' REPORT

PT BAJAJ AUTO INDONESIA
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The financial statements have been prepared in Indonesian Rupiah. Also the audit report is based on figures in Indonesian Rupiah. For the purpose of user, the financial statements and notes as on 31 March 2014 & 2013 have been converted in Indian Rupees at following exchange rates as on 31 March 2014.

1 USD = Indonesian Rupiah 11404

1 USD = Rs. 59.9150

Hence, Re. 1 = Indonesian Rupiah 190.34

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**DIRECTORS' STATEMENT
RELATING TO THE RESPONSIBILITY FOR THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014
PT BAJAJ AUTO INDONESIA**

We, the undersigned:

Name	:	Kulkarni Dinesh Anantrao
Office address	:	Jalan Panjang NO. 11D-E Arteri Kelapa Dua Kebon Jeruk – Jakarta 11550
Domicile as stated in ID card	:	2C21JD2358-L B-8, BVH Road, Spring Hill Residences Kemayoran – Jakarta Pusat
Phone number	:	(+62-21) 89908907
Position	:	President Director

State that:

1. We are responsible for the preparation and presentation of the financial statements for the year ended March 31, 2014;
2. The financial statements have been prepared and presented in accordance with the Indonesian Financial Accounting Standards;
3.
 - a. All information contained in the financial statements is complete and correct;
 - b. The financial statements do not contain misleading material information or facts, and do not omit material information or facts;
4. We are responsible for the Company's internal control system.

This statement is made truthfully.

Jakarta, April 21, 2014

PT BAJAJ AUTO INDONESIA



Kulkarni Dinesh Anantrao
President Director

INDEPENDENT AUDITORS' REPORT

No. 014 B14 BAJI PA GA

The Stockholders, Boards of Commissioners and Directors
PT BAJAJ AUTO INDONESIA

We have audited the accompanying statements of financial position of PT Bajaj Auto Indonesia (the Company) as at March 31, 2014 and 2013 and the related statements of comprehensive income, changes in equity (capital deficiency), 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 audit.

We conducted our audits in accordance with auditing standards established by the Indonesian Institute of Certified Public Accountants. These 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 audit provides 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 Bajaj Auto Indonesia as at March 31, 2014 and 2013, and the results of its operations, changes in equity (capital deficiency) and its cash flows for the years then ended, in conformity with Indonesian Financial Accounting Standards.

As of note 17, the Company has decided to discontinue the business of importing and selling Pulsar brand of two wheelers from India. However, the Company will continue the business of spare-parts import to support the existing vehicles on road.

TRISNO, ADAMS & REKAN

Business Licence No. KMK.NOMOR 922/KM.1/2010

Patrick Henry Adam, M.Com, CPA

License No. AP 0548

April 21, 2014

The accompanying financial statements are not intended to present the financial position, results of operations, changes in equity and cash flows in accordance with the 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. Accordingly, the accompanying financial statements and the auditors' report thereon are not intended for use by those who are not informed about Indonesian Financial Accounting Standards and auditing standards, and their application in practices.

PT BAJAJ AUTO INDONESIA
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2014 AND 2013
(Expressed in Indonesian Rupiah, unless otherwise stated)

	Notes	2014 IDR	2013 IDR	2014 INR (Crore)	2013 INR (Crore)
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	2b,2d,3	9,268,346,086	11,069,951,761	4.87	5.82
Trade receivables - third parties	2e	-	1,135,715,551	-	0.60
Inventories	2f,4	3,347,556,616	16,568,481,437	1.76	8.70
Prepaid taxes	2o,6a	329,343,762	442,015,438	0.17	0.23
Prepaid expenses and advances	2h	1,325,857,936	2,035,370,991	0.70	1.07
Total Current Assets		14,271,104,400	31,251,535,178	7.50	16.42
NON-CURRENT ASSETS					
Deferred tax assets	2o,6e	-	59,822,885,525	-	31.43
Property, plant and equipment - net of accumulated depreciation of IDR 11,005,589,279 in 2014 and IDR 10,506,299,524 in 2013 (INR 5.81 Crore and 5.54 Crore respectively)	2i,7	722,175,668	4,892,771,077	0.38	2.57
Security deposit		1,202,598,600	1,384,507,600	0.63	0.73
Total Noncurrent Assets		1,924,774,268	66,100,164,202	1.01	34.73
TOTAL ASSETS		16,195,878,668	97,351,699,380	8.51	51.15

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

Rakesh Sharma
President Commissioner

Kevin D'sa
Commissioner

Teguh Boentoro
Commissioner

Kulkarni Dinesh Anantrao
President Director

PT BAJAJ AUTO INDONESIA
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2014 AND 2013

(Expressed in Indonesian Rupiah, unless otherwise stated) (Continued)

	Notes	2014 IDR	2013 IDR	2014 INR (Crore)	2013 INR (Crore)
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Bank loan	8	-	48,595,000,000	-	25.53
Trade payables	2c,2j,5d,9				
Related parties		-	60,669,712,505	-	31.88
Third parties		-	67,843,003	-	0.04
Other payables		898,545,057	4,516,634,909	0.47	2.37
Taxes payable	2o,6b	36,818,314	528,131,609	0.02	0.27
Accrued expenses		254,712,655	3,931,523,719	0.13	2.07
Total Current Liabilities		1,190,076,026	118,308,845,745	0.62	62.16
NON-CURRENT LIABILITY					
Employees' benefits obligation	2k,10	453,120,736	2,777,738,942	0.24	1.46
EQUITY (CAPITAL DEFICIENCY)					
Capital stock - USD 100 (Rp 935,500) par value per share					
Authorized, subscribed and paid-up - 295,000 shares	11	388,232,500,000	275,972,500,000	203.97	144.99
Foreign exchange difference on paid-up capital	11	17,623,187,500	6,508,187,500	9.27	3.42
Deficit		(391,303,005,594)	(306,215,572,807)	(205.59)	(160.88)
Total Equity (Capital Deficiency)		14,552,681,906	(23,734,885,307)	7.65	(12.47)
TOTAL LIABILITIES AND EQUITY (CAPITAL DEFICIENCY)		16,195,878,668	97,351,699,380	8.51	51.15

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

Rakesh Sharma
President Commissioner

Kevin D'sa
Commissioner

Teguh Boentoro
Commissioner

Kulkarni Dinesh Anantrao
President Director

PT BAJAJ AUTO INDONESIA
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013
(Expressed in Indonesian Rupiah, unless otherwise stated)

	Notes	2014 IDR	2013 IDR	2014 INR (Crore)	2013 INR (Crore)
NET SALES	2n,5b,12	18,417,448,332	140,704,198,671	9.68	73.92
COST OF GOODS SOLD	2c,2n,5c,13	17,184,714,589	109,604,886,285	9.03	57.58
GROSS PROFIT		1,232,733,743	31,099,312,386	0.65	16.34
OPERATING EXPENSES	2n,14				
Selling		(2,862,355,112)	(35,340,282,570)	(1.50)	(18.57)
General and administrative		(21,913,150,519)	(32,356,888,252)	(11.51)	(17.00)
Total Operating Expenses		(24,775,505,631)	(67,697,170,822)	(13.01)	(35.57)
LOSS FROM OPERATIONS		(23,542,771,888)	(36,597,858,436)	(12.36)	(19.23)
OTHER INCOME (EXPENSES)					
Gain on sale of property, plant and equipments - net		4,482,679	130,646,098	-	0.07
Interest income - net		3,850,179	9,009,380	-	-
Interest expense		(733,521,676)	(4,497,885,162)	(0.39)	(2.36)
Gain (loss) on foreign exchange - net	2b	(5,130,421,603)	(6,096,243,708)	(2.70)	(3.20)
Others		4,133,835,047	5,413,688,436	2.17	2.85
Other Expenses - Net		(1,721,775,374)	(5,040,784,956)	(0.92)	(2.64)
LOSS BEFORE INCOME TAX		(25,264,547,262)	(41,638,643,392)	(13.28)	(21.87)
INCOME TAX BENEFIT (EXPENSES)	2o,6e	(59,822,885,525)	(10,595,592,564)	(31.43)	(5.57)
LOSS FOR THE YEAR		(85,087,432,787)	(52,234,235,956)	(44.71)	(27.44)
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(85,087,432,787)	(52,234,235,956)	(44.71)	(27.44)

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

Rakesh Sharma
President Commissioner

Kevin D'sa
Commissioner

Teguh Boentoro
Commissioner

Kulkarni Dinesh Anantrao
President Director

PT BAJAJ AUTO INDONESIA

STATEMENTS OF CHANGES IN EQUITY (CAPITAL DEFICIENCY)

FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

(Expressed in Indonesian Rupiah, unless otherwise stated)

	Paid-up capital stock IDR	Foreign exchange difference on paid-up capital IDR	Deficit IDR	Total equity (Capital Deficiency) IDR
Balance as of April 1, 2012	275,972,500,000	6,508,187,500	(253,981,336,851)	28,499,350,649
Total comprehensive loss for the year	-	-	(52,234,235,956)	(52,234,235,956)
Balance as of March 31, 2013	275,972,500,000	6,508,187,500	(306,215,572,807)	(23,734,885,307)
Additional paid up capital	112,260,000,000	11,115,000,000	-	123,375,000,000
Total comprehensive loss for the year	-	-	(85,087,432,787)	(85,087,432,787)
Balance as of March 31, 2014	388,232,500,000	17,623,187,500	(391,303,005,594)	14,552,681,906

	Paid-up capital stock INR (Crore)	Foreign exchange difference on paid-up capital INR (Crore)	Deficit INR (Crore)	Total equity (Capital Deficiency) INR (Crore)
Balance as of April 1, 2012	144.99	3.42	(133.44)	14.97
Total comprehensive loss for the year	-	-	(27.44)	(27.44)
Balance as of March 31, 2013	144.99	3.42	(160.88)	(12.47)
Additional paid up capital	58.98	5.85	-	64.83
Total comprehensive loss for the year	-	-	(44.71)	(44.71)
Balance as of March 31, 2014	203.97	9.27	(205.59)	7.65

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

Rakesh Sharma
President Commissioner

Kevin D'sa
Commissioner

Teguh Boentoro
Commissioner

Kulkarni Dinesh Anantrao
President Director

PT BAJAJ AUTO INDONESIA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013
(Expressed in Indonesian Rupiah, unless otherwise stated)

	2014 IDR	2013 IDR	2014 INR (Crore)	2013 INR (Crore)
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	19,553,163,883	146,572,627,686	10.27	77.01
Cash paid to suppliers and employees	(96,424,178,728)	(140,624,449,246)	(50.66)	(73.88)
Interest and financial charges paid	(733,521,676)	(4,497,885,162)	(0.39)	(2.36)
Income tax refund	24,749,520	1,681,039,705	0.01	0.88
Net Cash Used in Operating Activities	<u>(77,579,787,001)</u>	<u>3,131,332,983</u>	<u>(40.77)</u>	<u>1.65</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	3,850,179	9,009,380	-	-
Proceeds from sale of property, plant and equipment	812,422,147	263,748,165	0.43	0.14
Acquisition of property, plant and equipment	-	(213,347,585)	-	(0.12)
Decrease in security deposit	181,909,000	39,812,800	0.10	0.02
Net Cash Provided by Investing Activities	<u>998,181,326</u>	<u>99,222,760</u>	<u>0.53</u>	<u>0.04</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of bank loan	(48,595,000,000)	-	(25.53)	-
Paid-up capital	123,375,000,000	-	64.82	-
Net Cash Provided by Financing Activities	<u>74,780,000,000</u>	<u>-</u>	<u>39.29</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,801,605,675)	3,230,555,743	(0.95)	1.69
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,069,951,761	7,839,396,018	5.82	4.13
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>9,268,346,086</u>	<u>11,069,951,761</u>	<u>4.87</u>	<u>5.82</u>

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

Rakesh Sharma
President Commissioner

Kevin D'sa
Commissioner

Teguh Boentoro
Commissioner

Kulkarni Dinesh Anantrao
President Director

PT BAJAJ AUTO INDONESIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013
(Expressed in Indonesian Rupiah, unless otherwise stated)

1. GENERAL

PT Bajaj Auto 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. 9 dated July 3, 2006 of Sutjipto, S.H., M.Kn., notary public in Jakarta. The deed of establishment has been approved by the Minister of Law and Human Rights of the Republic of Indonesia with decision letter No. C-22753 HT.01.01.TH.2006 dated August 3, 2006, and was published in State Gazette No. 83 dated October 17, 2006, Supplement No. 11137. Based on Decision Letter No. 631/I/PMA/2006, Project Code No. 3591/5030-31/32-19262 dated June 8, 2006 and No. 1119/III/PMA/08 dated July 10, 2008, the Company obtained approval for foreign investment from Foreign Investment Coordinating Board (BKPM). The articles of association have been amended several times. The deed of establishment have been amended for several times, most recently are:

- Notarial deed No. 82 dated April 18, 2013 by Mala Mukti, S.H., LL.M., a notary public in Jakarta, concerning in increasing paid up capital based on circular of shareholders. These changes has been approved by the Minister of Law and Human Rights of the Republic of Indonesia with decision letter No. AHU-27579-AH.01.02-Tahun 2013 dated May 22, 2013.
- Notarial deed No. 09 dated September 9, 2013 by Mala Mukti, S.H., LL.M., a notary public in Jakarta, concerning in changes the management structure of the board of directors and company's head office address. These changes has been approved by the Minister of Law and Human Rights of the Republic of Indonesia with decision letter No. AHU-65799.AH.01.02.Tahun 2013 dated December 16, 2013.
- Notarial deed No. 92 dated Januari 30, 2014 by Mala Mukti, S.H., LL.M., a notary public in Jakarta, concerning in increasing paid up capital based on circular of shareholders. These changes has been approved by the Minister of Law and Human Rights of the Republic of Indonesia with decision letter No. AHU-08665.AH.01.02.Tahun 2014 dated February 28, 2014.
- The Company has obtained the approval letter from Foreign Investment Coordinating Board (BKPM) regarding increase in paid in capital as stated in BKPM's approval No. 671/A.8/PMA/2013, dated April 11, 2013 and No.175/I/PP-PB/PMA/2014 dated January 24, 2014.

The Company is domiciled in Jalan Panjang N0. 11D-E Arteri Kelapa Dua, Kebon Jeruk - Jakarta and its plant is located in Bekasi International Industrial Estate C4/1, Jalan Raya Industri Lippo Cikarang, Cikarang Selatan, Bekasi 17550, West Java.

In accordance with article 3 of the Company's articles of association, the scope of its activities is to engage in the trading and manufacturing of two wheelers, three wheelers and spare parts thereof. The Company started commercial operations in 2006.

The Company's management as of March 31, 2014 and 2013 consist of the following:

	2014	2013
President Commissioner	Rakesh Sharma	Rakesh Sharma
Commissioners	Kevin D'sa Teguh Boentoro	Kevin D'sa Teguh Boentoro
President Director	Kulkarni Dinesh Anantrao	Kulkarni Dinesh Anantrao
Directors	-	Srinivasan Vijayaraghavan Krishnan Sampath Kumar

The Company had total number of employees of 4 in 2014 and 57 in 2013 (unaudited).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Statement Presentation

The financial statements have been prepared in accordance with Indonesian Financial Accounting Standards ("SAK"), which comprise the Statements and Interpretations issued by the Board of Financial Accounting Standards of the Indonesian Institute of Accountants. Such financial statements are an English translation of the Company's statutory report in Indonesia, and are not intended to present financial position and results of operations, changes in equity, and cash flows in accordance with accounting principles and reporting practices generally accepted in other countries and jurisdictions.

The financial statements, except for the statements 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 bases described in the related accounting policies.

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

b. Foreign Currency Transactions and Translation

Since January 1, 2012, Indonesian Financial Accounting Standards No. 10 "The Effects in Foreign Exchange Rates", has been effective. The majority of the transaction are in denominated in Indonesian Rupiah hence the Company considers that the functional currency for financial reporting is Indonesian Rupiah.

The financial statements are presented in Rupiah, which is functional currency and reporting currency of the Company. Transactions denominated in a foreign currency are translated into Rupiah at the exchange rate prevailing at the date of the transaction. At the reporting dates, monetary assets and liabilities in foreign currencies are translated at the Central Bank of Indonesia middle rates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

c. Transaction with Related Parties

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

- 1) directly, or indirectly through one or more intermediaries, the party (1) controls, is controlled by, or is under common control with the Company; has an interest in the Company that gives it significant influence over the Company; or has joint control over the Company.
- 2) the party is an associate of the Company;
- 3) the party is a joint venture in which the Company is a venturer;
- 4) the party is a member of the key management personnel of the Company;
- 5) the party is a close member of the family of any individuals referred to in (1) or (4)
- 6) the party is an entity that is controller, jointly controlled, significantly influenced by or for which significant voting power in such entity resides with directly or indirectly, any individual referred to in (4) or (5); or
- 7) The party is a post-employment benefit plan for the benefit employees of the Company, or of any entity that is a related party of the Company.

d. Cash and Cash equivalents

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

e. Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivable is established when there is objective evidence that the outstanding amounts of the Company's receivables will not be collected.

f. Inventories

Inventories are stated at cost or net realizable value, whichever is lower. Costs of vehicles and spare parts are determined using the moving weighted average method.

A provision for inventory loss is determined on the basis of estimated inventory losses since the date of the last physical inventory.

g. Impairment of Financial Assets

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are recognised only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The Company first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

h. Prepaid Expenses

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

i. Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

	<u>Years</u>
Machinery	8
Computer and data processing equipment	4
Factory equipment	8
Home and office appliance	4
Transportation equipment	4-8

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 of value in use.

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. Gain and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other gains (losses) – net in the profit and loss.

j. Trade Payables

Trade payable are stated at nominal values.

k. Employees' Benefits

The Company recognized the estimated liabilities for employees' benefits in accordance with the Labor Law No. 13/2003 dated March 25, 2003.

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 greater of the present value of the Company's defined benefit obligation and the fair value of plan assets are recognized on 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 statements of financial position represent the present value of the defined benefit obligation, as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost and as reduced by the fair value of plan assets.

l. Impairment of Non-Financial Assets

At reporting date, the Company reviews any indication of asset impairment.

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sales and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

m. Financial Assets and Liabilities

Financial Assets

Financial assets are classified in categories of (i) financial assets at fair value through profit and loss, (ii) loans and receivables, (iii) held-to-maturity financial assets, and (iv) available-for-sale financial assets. The classification depends on the purpose for which the financials assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial Liabilities

Financial liabilities are classified in the following categories of (i) financial liabilities at fair value through profit and loss and (ii) financial liabilities measured at amortized cost. Financial liabilities are derecognized when they have redeemed or otherwise extinguished.

Determination of Fair Value

The fair value of financial instruments traded in active markets is determined based on quoted market prices at the balance sheet date. Quoted market value used by the Company for the financial asset is bid price, while for the financial liabilities is ask price.

The fair value of financial instruments not traded in active markets is determined by using a specific valuation technique. The Company uses the discounted cash flow method by using assumptions based on market conditions existing at the date of financial position to determine the fair value of other financial instruments

n. Revenue and Expense Recognition

Sales are recognized when the goods are delivered and title has passed. Expenses are recognized when incurred.

o. Income Tax

Current tax expense is determined based on the taxable income for the year computed using 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 to the extent that it is probable that taxable income will be available in future periods against which the deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted by the date of financial statements. 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 offset in the statements of financial position, except if these are for different legal entities, in the same manner the current tax assets and liabilities are presented.

Amendments to tax obligation are recorded when an assessment is received or, if appealed against by the Company and its subsidiaries, when the result of the appeal is determined.

p. Use of Estimates

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 amounts of revenues and expenses during the reporting period. Actual results could be different from these estimates.

PT BAJAJ AUTO INDONESIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013
(Expressed in Indonesian Rupiah, unless otherwise stated)

3. CASH AND CASH EQUIVALENTS

	2014 IDR	2013 IDR	2014 INR (Crore)	2013 INR (Crore)
Cash on hand - Rupiah	2,279,052	14,237,302	-	0.01
Cash in banks				
Citibank N.A.	8,185,785,906	10,797,547,060	4.29	5.67
PT Bank Central Asia, Tbk	677,918,695	257,030,943	0.36	0.14
PT Bank Danamon Indonesia, Tbk	402,362,433	1,136,456	0.21	-
Subtotal	9,266,067,034	11,055,714,459	4.86	5.81
Total	9,268,346,086	11,069,951,761	4.86	5.82

By Currency

	2014 IDR	2013 IDR	2014 INR (Crore)	2013 INR (Crore)
United States Dollar	6,120,169,513	1,342,627,367	3.21	0.71
Indonesian Rupiah	3,148,176,573	9,727,324,394	1.65	5.11
Total	9,268,346,086	11,069,951,761	4.86	5.82

4. INVENTORIES

	2014 IDR	2013 IDR	2014 INR (Crore)	2013 INR (Crore)
Finished goods				
Vehicles - two wheelers	2,126,045,775	12,774,366,610	1.12	6.71
Spareparts	473,706,141	3,352,255,150	0.25	1.76
Semi finished components	230,916,895	441,859,677	0.12	0.23
Goods in transit				
Spareparts	516,887,805	-	0.27	-
Total	3,347,556,616	16,568,481,437	1.76	8.70

Inventory were insured to:

	2014 USD	2013 USD	2014 INR (Crore)	2013 INR (Crore)
PT Asuransi Indrapura (terrorism and sabotage risk)	-	5,000,000	-	29.96
PT Asuransi Allianz (fire, theft, earthquake and other possible risks)	-	5,000,000	-	29.96

Management believes that the insurance coverage is adequate to cover possible losses till 2014 (end of March 31, 2014), the Company is reviewing the possibility to insure only the finished goods and spareparts in financial year 2014/2015.

5. NATURE OF RELATIONSHIP AND TRANSACTIONS WITH RELATED PARTIES

a. Nature of Relationship

- Bajaj Auto Limited and Mr. Teguh Boentoro are the stockholders of the Company.
- PT Abdi Raharja is a related party wherein stockholder is the same as the stockholder of the Company.

b. Sales

Net sales to PT Abdi Raharja amounting to nil and IDR 60,879,850 (INR 0.03 Crore) for the years ended March 31, 2014 and 2013 respectively, and constituted approximately 0.00% in 2014 and 0.04% in 2013 of the total sales.

c. Purchases

Purchases from Bajaj Auto Limited amounting to IDR 3,000,250,000 (INR 1.56 Crore) and IDR 76,914,580,960 (INR 40 Crore) for the years ended March 31, 2014 and 2013 respectively and constituted approximately 17.46% and 70.17% of the total Cost of Goods Sold for 2014 and 2013 which, according to management, were made at normal terms and conditions as those done with third parties.

d. Trade Payables

At financial position date, the liabilities for purchases from related party were presented as trade payables which constituted 0.00% and 50.10% of the total liabilities as of March 31, 2014 and 2013, respectively.

6. TAXATION

a. Prepaid Taxes

	2014 IDR	2013 IDR	2014 INR (Crore)	2013 INR (Crore)
Income tax - Article 28a				
2014	74,355,000	-	0.04	-
2013	211,099,000	211,099,000	0.11	0.11
2012	-	21,434,000	-	0.01
Tax receivable (Note 6d)				
Income tax article 23	23,664,960	35,478,560	0.01	0.02
Value Added Taxes	20,224,802	20,224,802	0.01	0.01
Income tax article 21	-	153,779,076	-	0.08
Total	329,343,762	442,015,438	0.17	0.23

b. Taxes Payable

	2014 IDR	2013 IDR	2014 INR (Crore)	2013 INR (Crore)
Income taxes:				
Article 21	31,552,156	81,489,054	0.02	0.04
Article 23	4,966,553	21,740,508	-	0.01
Article 22	-	6,414,227	-	-
Article 26	-	230,110,313	-	0.12
Value Added Taxes	299,605	188,377,507	-	0.10
Total	36,818,314	528,131,609	0.02	0.27

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c. **Tax Benefit**

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

	2014 IDR	2013 IDR	2014 INR (Crore)	2013 INR (Crore)
Loss before tax per statements of income	(25,264,547,262)	(41,638,643,392)	(13.28)	(21.87)
Temporary differences:				
Provision for employees' benefit income - provision	-	413,909,202	-	0.21
Provision for employees' benefit income - realization	(2,324,618,206)	(2,000,000)	(1.22)	-
Total	(2,324,618,206)	411,909,202	(1.22)	0.21
Nondeductible expenses (income):				
Employees' benefit in kinds:				
Residence rental	461,901,274	881,278,225	0.24	0.46
Other compensation	260,087,331	-	0.14	-
Entertainment	174,509,970	313,304,515	0.09	0.16
Employees' residence telephone and mobilephones	88,357,968	115,878,798	0.05	0.06
Other employees benefit in kinds	84,887,600	175,386,260	0.04	0.09
Medical allowance and benefit	41,253,453	98,121,002	0.02	0.05
Pantry	25,759,547	52,231,808	0.01	0.03
Employees expense	5,433,514	1,704,526,491	-	0.90
Gift and presents	2,742,996	5,948,000	-	-
Uniforms	-	94,354,900	-	0.05
Miscellaneous expense	348,807,533	25,921,734	0.18	0.01
Depreciation	46,812,500	112,106,146	0.02	0.06
Interest income	(3,850,179)	(9,009,380)	-	-
Adjustment in value of inventory	(1,069,965,310)	(165,275,090)	(0.56)	(0.09)
Total	466,738,197	3,404,773,409	0.23	1.78
Fiscal loss for current year	(27,122,427,272)	(37,821,960,782)	(14.27)	(19.88)
Compensated prior year fiscal loss:				
2013	(37,821,960,782)		(19.87)	-
2012	(18,344,845,869)	(18,344,845,868.50)	(9.64)	(9.64)
Adjustment of tax decision letter for income tax 2012	18,344,845,869	-	9.64	-
2011	(21,590,369,920)	(21,590,369,920)	(11.34)	(11.34)
Adjustment of tax decision letter for income tax 2011	1,231,227,900	1,231,227,900	0.65	0.65
2010	(34,414,091,767)	(34,414,091,767)	(18.08)	(18.08)
Adjustment of tax decision letter for income tax 2010	747,189,291	747,189,291	0.39	0.39
2009	-	(134,952,475,387)	-	(70.90)
Adjustment of tax decision letter for income tax 2009	-	8,631,523,375	-	4.53
Accumulated fiscal loss	(118,970,432,549)	(236,513,803,158)	(62.52)	(124.27)

The fiscal loss in 2012 has been adjusted by tax office with the transfer pricing issue. The adjustment is IDR 29,845,218,629 (INR 15.52 Crore) hence the fiscal loss of IDR 18,344,845,869 (INR 9.64 Crore) to be profit IDR 11,500,372,760 (INR 5.88 Crore). The profit is compensated with fiscal loss for year 2007. The Company applies for the objection to Tax Regional Office on this adjustment.

d. Tax Decision Letter

The Company obtained Tax Decision Letter from Chief of Jakarta Tax Service Office as follows:

2014					
Date	No. Tax Decision Letter	Description	Period	Over (under) payment IDR	Over (under) payment INR (Crore)
July 25, 2013	00162/406/11/055/13	Corporate income tax	2012 (fiscal year 2011)	21,434,000	0.01
	00017/503/11/055/13	Income tax - article 23	April - December 2011	Nil	Nil
	00002/203/12/055/13	Income tax - article 23	Januari - Maret 2012	(23,664,960)	(0.01)
	00002/240/12/055/13	Income tax - article 4 (2)	April - December 2011	Nil	Nil
	00002/240/12/055/13	Income tax - article 4 (2)	Januari - Maret 2012	(686,434)	-
	00123/501/11/055/13	Income tax - article 21	January - December 2011	Nil	Nil
	00002/502/11/055/13	Income tax - article 22	April - December 2011	Nil	Nil
	00001/502/12/055/13	Income tax - article 22	Januari - Maret 2012	Nil	Nil
	00019/504/11/055/13	Income tax - article 26	April - December 2011	Nil	Nil
	00003/504/12/055/13	Income tax - article 26	Januari - Maret 2012	Nil	Nil
	00984/507/11/055/13	Value Added Tax	April 2011	Nil	Nil
	00985/507/11/055/13	Value Added Tax	May 2011	Nil	Nil
	00886/207/11/055/13	Value Added Tax	June 2011	(857,290)	-
	00887/207/11/055/13	Value Added Tax	July 2011	(19,034,734)	(0.01)
	00888/207/11/055/13	Value Added Tax	August 2011	(9,844,842)	(0.01)
	00889/207/11/055/13	Value Added Tax	September 2011	(18,411,200)	(0.01)
	00890/207/11/055/13	Value Added Tax	October 2011	(15,204,792)	(0.01)
	00891/207/11/055/13	Value Added Tax	November 2011	(809,200)	-
	00892/207/11/055/13	Value Added Tax	Desember 2011	(1,943,040)	-
	00049/207/12/055/13	Value Added Tax	January 2012	(9,654,980)	(0.01)
	00050/207/12/055/13	Value Added Tax	February 2012	(22,708,800)	(0.01)
	00051/207/12/055/13	Value Added Tax	March 2012	(10,214,400)	(0.01)
	00154/577/11/055/13	Value Added Tax Service	August 2011	Nil	Nil

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2013						
No.	Date	No. Tax Decision Letter	Description	Period	Over (under) payment IDR	Over (under) payment INR (Crore)
1	July 27, 2012	00137/406/10/055/12	Corporate income tax	2011 (fiscal year 2010)	1,716,518,265	0.90
		00021/201/10/055/12	Income tax - article 21	January - December 2010	(153,779,076)	(0.08)
		00001/203/11/055/12	Income tax - article 23	Januari - Maret 2011	(35,478,560)	(0.02)
2	August 1, 2012	00003/502/10/055/12	Income tax - article 22	April - December 2010	Nil	Nil
		00001/502/11/055/12	Income tax - article 22	Januari - Maret 2011	Nil	Nil
		00009/503/10/055/12	Income tax - article 23	April - December 2010	Nil	Nil
		00018/540/10/055/12	Income tax - article 4 (2)	April - December 2010	Nil	Nil
		00001/540/11/055/12	Income tax - article 4 (2)	Januari - Maret 2011	Nil	Nil
1	July 27, 2012	00137/406/10/055/12	Corporate income tax	2011 (fiscal year 2010)	1,716,518,265	0.90
		00021/201/10/055/12	Income tax - article 21	January - December 2010	(153,779,076)	(0.08)
		00001/203/11/055/12	Income tax - article 23	Januari - Maret 2011	(35,478,560)	(0.02)
2	August 1, 2012	00003/502/10/055/12	Income tax - article 22	April - December 2010	Nil	Nil
		00001/502/11/055/12	Income tax - article 22	Januari - Maret 2011	Nil	Nil
		00009/503/10/055/12	Income tax - article 23	April - December 2010	Nil	Nil
		00018/540/10/055/12	Income tax - article 4 (2)	April - December 2010	Nil	Nil
		00001/540/11/055/12	Income tax - article 4 (2)	Januari - Maret 2011	Nil	Nil
		00018/504/10/055/12	Income tax - article 26	April - December 2010	Nil	Nil
		00002/504/11/055/12	Income tax - article 26	Januari - Maret 2011	Nil	Nil
		00905/507/10/055/12	Value Added Tax	April 2010	Nil	Nil
		00906/507/10/055/12	Value Added Tax	May 2010	Nil	Nil
		00907/507/10/055/12	Value Added Tax	June 2010	Nil	Nil
		00908/507/10/055/12	Value Added Tax	July 2010	Nil	Nil
		00909/507/10/055/12	Value Added Tax	August 2010	Nil	Nil
		00910/507/10/055/12	Value Added Tax	September 2010	Nil	Nil
		00911/507/10/055/12	Value Added Tax	October 2010	Nil	Nil
		00912/507/10/055/12	Value Added Tax	November 2010	Nil	Nil
		00913/507/10/055/12	Value Added Tax	December 2010	Nil	Nil
		00058/507/11/055/12	Value Added Tax	January 2011	Nil	Nil
		00059/507/11/055/12	Value Added Tax	February 2011	Nil	Nil
		00060/507/11/055/12	Value Added Tax	March 2011	Nil	Nil
		00186/577/10/055/12	VAT - service utilization from the outside customs territory	April 2010	Nil	Nil
00187/577/10/055/12	VAT - service utilization from the outside customs territory	Juli 2010	Nil	Nil		

The Company's has appealed the objection about the Tax Decision Letters for the year 2011 to the Tax Service Office in 2012.

No.	Date	No.	Description	Period	Tax Payable IDR	Tax Payable INR (Crore)
1	September 7, 2012	BAIFIN/09/12/174	Underpayment income tax art 21	Jan - Des 2010	(153,779,076)	(0.08)
2	September 7, 2012	BAIFIN/09/12/173	Underpayment income tax art 23	Jan - Mar 2011	(35,478,560)	(0.02)

Regional tax office has been decided on the objection No. BAIFIN/09/12/174 with his letter No KEP-1833/WPJ.07/2013 dated September 06, 2013, which agreeing to refund IDR 3,315,520 (INR 0.002 Crore) and rejecting the balance of IDR 150,463,556 (INR 0.08 Crore).

Regional tax office has also decided on the objection No. BAIFIN/09/12/173 with his letter No KEP-1834/WPJ.07/2013 dated September 06, 2013, which rejecting the appeal of IDR 35,478,560 (INR 0.19 Crore).

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e. **Deferred Tax**

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

	April 1, 2012 Rp	Credited to loss for the year Rp	March 31, 2013 Rp	Credited/ (charged) to loss for the year Rp	March 31, 2014 Rp
Deferred tax asset:					
Fiscal loss	69,827,020,654	(10,698,569,864)	59,128,450,789	(59,128,450,789)	-
Post-employment benefit	591,457,435	102,977,301	694,434,735	(694,434,735)	-
Total	70,418,478,089	(10,595,592,564)	59,822,885,525	(59,822,885,525)	-

	April 1, 2012 INR (Crore)	Credited to loss for the year INR (Crore)	March 31, 2013 INR (Crore)	Credited/ (charged) to loss for the year INR (Crore)	March 31, 2014 INR (Crore)
Deferred tax asset:					
Fiscal loss	36.69	(5.62)	31.07	(31.07)	-
Post-employment benefit	0.31	0.05	0.36	(0.36)	-
Total	37.00	(5.57)	31.43	(31.43)	-

The fiscal loss can be utilized against the taxable income for a period of five years subsequent to the year the fiscal loss was incurred. Management considers there is no future taxable profits can be utilize from the fiscal losses, hence deferred tax assets has been written off. The Company currently employs only 4 persons and provide the post-employment benefits accordingly. The Company considers that the provision on this post-employment benefits will be paid in the year of 2014/2015, hence no deferred tax assets to be provided on this provision.

7. PROPERTY, PLANT AND EQUIPMENT

	April 1, 2013 IDR	Additions IDR	Deductions IDR	March 31, 2014 IDR	March 31, 2014 INR (Crore)
At cost:					
Machinery	6,427,349,106	-	(705,867,435)	5,721,481,671	3.01
Computer and data processing equipment	1,493,613,391	-	(635,348,986)	858,264,405	0.46
Factory equipment	1,822,070,797	-	(424,923,504)	1,397,147,293	0.74
Home and office appliances	1,457,779,206	-	(474,966,608)	982,812,598	0.52
Transportation equipment	2,582,826,048	-	(1,430,199,121)	1,152,626,927	0.61
Electric Installations	1,615,432,053	-	-	1,615,432,053	0.85
Total	15,399,070,601	-	(3,671,305,654)	11,727,764,947	6.19
Accumulated depreciation:					
Machinery	4,408,769,100	1,655,524,985	(342,812,444)	5,721,481,641	3.01
Computer and data processing equipment	1,376,453,771	41,818,696	(596,234,846)	822,037,621	0.44
Factory equipment	1,167,091,419	378,464,260	(264,704,853)	1,280,850,826	0.68
Home and office appliances	1,084,586,707	170,965,820	(393,743,320)	861,809,207	0.45
Transportation equipment	1,518,402,680	348,938,738	(1,163,363,479)	703,977,939	0.37
Electric Installations	950,995,847	664,436,198	-	1,615,432,045	0.86
Total	10,506,299,524	3,260,148,697	(2,760,858,942)	11,005,589,279	5.81
Net Book Value	4,892,771,077			722,175,668	0.38

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	April 1, 2012	Additions	Deductions	March 31, 2013	March 31, 2013
	IDR	IDR	IDR	IDR	INR (Crore)
<u>At cost:</u>					
Machinery	6,427,349,106	-	-	6,427,349,106	3.38
Computer and data processing equipment	1,445,715,541	47,897,850	-	1,493,613,391	0.79
Factory equipment	1,822,070,797	-	-	1,822,070,797	0.96
Home and office appliances	1,456,654,206	1,125,000	-	1,457,779,206	0.77
Transportation equipment	2,858,226,200	164,324,735	439,724,887	2,582,826,048	1.36
Electric Installations	1,615,432,053	-	-	1,615,432,053	0.85
Total	15,625,447,903	213,347,585	439,724,887	15,399,070,601	8.11
<u>Accumulated depreciation:</u>					
Machinery	3,605,350,460	803,418,640	-	4,408,769,100	2.32
Computer and data processing equipment	1,303,840,675	72,613,096	-	1,376,453,771	0.73
Factory equipment	931,355,967	235,735,452	-	1,167,091,419	0.62
Home and office appliances	856,479,727	228,106,980	-	1,084,586,707	0.57
Transportation equipment	1,495,057,260	329,968,240	306,622,820	1,518,402,680	0.80
Electric Installations	749,066,840	201,929,007	-	950,995,847	0.50
Total	8,941,150,929	1,871,771,415	306,622,820	10,506,299,524	5.54
Net Book Value	6,684,296,974			4,892,771,077	2.57

Depreciation charges to operation amounting to IDR 3,260,148,697 (INR 1.71 Crore) for 2014 and IDR 1,871,771,415 (INR 0.98 Crore) for 2013.

The company's decided to close down the assembly line therefore the carrying value of assembly related assets are carried down to IDR 1 each. The used vehicles for market research and testing are also impaired to IDR 1 each.

The equipment was insured up to March 31, 2014 amounting to USD 1,340,400. However, the Company is reviewing to insure only the office equipment for year 2014/2015.

8. BANK LOAN

Citibank N.A.

On July 23, 2010, the Company obtained an extension on a revolving credit from Citibank N.A, Indonesia Branch with maximum credit amounting to USD 3,000,000. This loan due on July 19, 2012 and has been extended for one year and will be due on July 19, 2013. The Company has paid off the loan in 2013.

On May 5, 2011, the Company obtained a Loan Initiation facility amounting USD 2,000,000 to repay its Overdraft Facility from RBS obtained on April 6, 2011. This loan due on May 03, 2012 and has been extended for one year and will be due on May 03, 2013. The Company has paid off the loan in 2013

Hence, the balance is Nil and IDR 48,595,000,000 (INR 25.53 crore) as of March 31, 2014 and 2013, respectively.

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9. TRADE PAYABLES

By Creditors

	2014 IDR	2013 IDR	2014 INR (Crore)	2013 INR (Crore)
Related parties (Note 5d)	-	60,669,712,505	-	31.88
Third parties				
PT Dapur Media Atmosfir	-	-	-	-
PT Telekomunikasi Selular (Telkomsel)	-	16,477,041	-	0.01
PT Jamsostek	-	19,964,506	-	0.01
PT Wisuda Kharisma	-	15,108,240	-	0.02
PT Summit Oto Finance	-	7,600,000	-	-
Others	-	8,693,216	-	-
Subtotal	-	67,843,003	-	0.04
Total	-	60,737,555,508	-	31.92

By Currencies

	2014 IDR	2013 IDR	2014 INR (Crore)	2013 INR (Crore)
United States Dollar	-	60,669,712,505	-	31.88
Indonesian Rupiah	-	67,843,003	-	0.04
Total	-	60,737,555,508	-	31.92

10. EMPLOYEES' BENEFITS

The Company provides defined post-employment benefits for all its local permanent employees based on the Labor Law No. 13 Year 2003 concerning the settlement of labor dismissal and the stipulation of severance pay, gratuity, and compensation in companies. The provision for 2013 is prepared by PT Dian Artha Tama while the Company prepared his own calculation for 2014, because there are only 4 employees left in the Company.

The principal assumptions used by PT Dian Artha Tama, an independent actuary, for 2013 in determining the benefits cost at balance sheet date were as follows:

	2013
- Mortality :	Indonesia II
- Normal pension age	55 years
- Salary increase	10%
- Discount rate	6%
- Employee benefit formula	Projected Unit Credit

The details of employees' benefit cost were as follows:

	2013 IDR	2013 INR (Crore)
Current service cost	449,053,246	0.24
Interest cost	95,673,753	0.05
Actuary (gain) loss	(130,817,797)	(0.07)
Total retirement cost for the year	413,909,202	0.22

An analysis of employees' benefit obligation is as follows:

	2014 IDR	2013 IDR	2014 INR (Crore)	2013 INR (Crore)
Beginning balance	2,777,738,942	2,365,829,740	1.46	1.24
Retirement income for the year	-	413,909,202	-	0.22
Payment for the year	(2,324,618,206)	(2,000,000)	(1.22)	-
Ending balance	453,120,736	2,777,738,942	0.24	1.46

The Company computes the estimated post employees' benefits for 2014 amounting to IDR 453,120,736 (INR 0.24 crore)

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11. CAPITAL STOCK

2014						
Name of Stockholder	Series	Number of Share	Percentage of Ownership %	Total Paid-up Capital		INR (Crore)
				USD	IDR	
Bajaj Auto Limited	A	408,750	98.50%	40,875,000	382,385,625,000	200.89
	B	3,125	0.75%	312,500	2,923,437,500	1.54
Teguh Boentoro	B	3,125	0.75%	312,500	2,923,437,500	1.54
Total		415,000	100.00%	41,500,000	388,232,500,000	203.97

2013						
Name of Stockholder	Series	Number of Share	Percentage of Ownership %	Total Paid-up Capital		INR (Crore)
				USD	IDR	
Bajaj Auto Limited	A	288,750	97.88%	28,875,000	270,125,625,000	141.91
	B	3,125	1.06%	312,500	2,923,437,500	1.54
Teguh Boentoro	B	3,125	1.06%	312,500	2,923,437,500	1.54
Total		295,000	100.00%	29,500,000	275,972,500,000	144.99

The balance of foreign exchange difference on paid-up capital represents funds received by the Company over the par value of shares issued, as a result of differences in exchange rates between the rate used in the articles of association and the actual rate ruling on the date the foreign currency capital was contributed by the shareholders.

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12. NET SALES

	2014	2013	2014	2013
	IDR	IDR	INR (Crore)	INR (Crore)
Vehicles	9,919,954,200	125,671,343,140	5.22	66.02
Spareparts	8,204,260,659	14,630,461,690	4.31	7.69
Scrap	293,233,473	402,393,841	0.15	0.21
Net Sales	18,417,448,332	140,704,198,671	9.68	73.92

13. COST OF GOODS SOLD

	2014	2013	2014	2013
	IDR	IDR	INR (Crore)	INR (Crore)
SKD kits and materials for vehicles	11,385,085,156	99,066,029,484	5.99	52.04
Spare parts	5,735,004,489	9,907,958,517	3.01	5.21
Other consumables	64,624,944	630,898,284	0.03	0.33
Total	17,184,714,589	109,604,886,285	9.03	57.58

14. OPERATING EXPENSES

Selling Expenses

	2014	2013	2014	2013
	IDR	IDR	INR (Crore)	INR (Crore)
Incentive and sales promotion	1,945,264,306	19,173,290,674	1.02	10.07
Advertisement	420,224,600	10,464,076,029	0.22	5.50
Vehicles service charges	291,634,213	2,351,616,332	0.15	1.24
Packing and forwarding	156,602,310	382,258,641	0.08	0.20
Subvention charges - other finance companies	38,100,000	2,584,100,000	0.02	1.36
Dealer training expenses	10,529,683	384,940,894	0.01	0.20
Total	2,862,355,112	35,340,282,570	1.50	18.57

General and Administrative Expenses

	2014	2013	2014	2013
	IDR	IDR	INR (Crore)	INR (Crore)
Staff on cost	7,291,829,051	14,533,851,330	3.84	7.63
Rental	5,575,368,147	5,941,194,891	2.93	3.12
Depreciation	3,260,148,697	1,871,771,415	1.71	0.98
Travelling	1,030,772,230	3,038,155,581	0.54	1.60
Welfare	918,328,015	1,922,723,149	0.48	1.01
Repair	540,373,300	290,042,030	0.28	0.15
Consultancy	532,348,999	751,957,441	0.28	0.40
Security	442,142,000	352,233,222	0.23	0.19
Professional fee	432,407,557	845,048,067	0.23	0.44
Power and electricity	399,358,590	454,987,206	0.21	0.24
Courier and communication	268,086,657	716,369,516	0.14	0.38
Data entry and others EDP	213,395,369	317,497,201	0.11	0.17
Motor car expenses	173,522,714	340,468,860	0.09	0.18
Insurance	172,986,504	186,630,598	0.09	0.10
Bank charges	52,979,493	98,689,138	0.03	0.05
Printing and stationery	47,918,650	207,793,450	0.03	0.11
Books and periodicals	8,334,500	13,744,200	-	0.01
Recruitment	-	65,634,700	-	0.03
Training and conferences	-	8,240,200	-	-
Others	552,850,046	399,856,057	0.29	0.21
Total	21,913,150,519	32,356,888,252	11.51	17.00

15. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

As of March 31, 2014 and 2013, the Company had monetary assets and liabilities in foreign currency as follows:

	2014			2013		
	Balance in USD	Equivalent in IDR	Equivalent in INR (Crore)	Balance in USD	Equivalent in IDR	Equivalent in INR (Crore)
Assets						
Cash on hand and in banks	536,668.67	6,120,169,513	3.22	138,144.60	1,342,627,367	0.71
Prepaid expenses and deposits	21,505.00	245,243,020	0.13	31,581.70	306,942,542	0.16
Total Assets	558,173.67	6,365,412,533	3.35	169,726.30	1,649,569,910	0.87
Liabilities						
Bank loan	-	-	-	5,000,000.00	48,595,000,000	25.53
Trade accounts payable	-	-	-	6,242,382.19	60,669,712,505	31.88
Total Liabilities	-	-	-	11,242,382.19	109,264,712,505	57.41
Net Liabilities	558,173.67	6,365,412,533	3.35	(11,072,655.89)	(107,615,142,595)	(56.54)

The conversion rate used by the Company is IDR 11,404 and IDR 9,719 for USD 1 as of March 31, 2014 and 2013, respectively.

16. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's treasury policies are designed to mitigate the financial impact of fluctuations in interest rates and foreign exchanges rates and to minimize potential adverse effects on the Company's financial risk.

(i) **Market Risk**

Foreign Exchange Risk

The Company is exposed to foreign exchange risk primarily arise from recognized monetary assets and liabilities that are denominated in a currency that is not the Company's functional currency.

The Company closely monitors the foreign exchange rate fluctuation and market expectation so it can take necessary actions benefits to the Company in due time. The management currently considers no need to make any forward/swaps currency transaction.

(ii) **Credit Risk**

Credit risk refers to the risk that customers will default on its contractual obligation resulting in loss to the Company.

The Company's credit risk is primarily attributed to its cash in banks and trade receivables. The credit risk on the bank balance is limited because the Company place their bank balances with credit worthy financial institutions. The Company minimizes credit risk exposure on trade receivables arising from customers by limiting the amount of credit to any particular customer and by monitoring receivables aging and managing ongoing collection.

(iii) **Liquidity Risk**

Liquidity risk is the risk that the Company is unable to meet its obligations when due. The management evaluates and monitors cash-in flows and cash-out flows to ensure the availability of fund to settle the due obligation. In general, fund needed to settle the current and longterm liabilities are obtained from sales activities to customers.

17. BUSSINESS PLAN

The Company has decided to discontinue the business of importing and selling Pulsar brand of two wheelers from India. However, the Company will continue the business of spareparts import to support the existing vehicles on road.

18. COMPLETION OF THE FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation of these financial statements that were completed on April 21, 2014.
