PT Ramayana Lestari Sentosa Tbk

Financial statements as of December 31, 2020
and for the year then ended
with independent auditors' report

PT.Ramayana Lestari Sentosa, Tbk
Jl. K.H. Wahid Hasyim No. 220 A-B Jakarta 10250 Indonesia
Telp. (021) 3914566 - 3151563, 3106653 (Hunting)
Fax. (021) 31934245

BOARD OF DIRECTORS' STATEMENT
REGARDING THE RESPONSIBILITY FOR
THE FINANCIAL STATEMENTS OF
PT RAMAYANA LESTARI SENTOSA Tbk ("the Company")
AS OF DECEMBER 31, 2020
AND FOR THE YEAR THEN ENDED
WITH INDEPENDENT AUDITORS' REPORT

We, the undersigned :

1. Name	: AGUS MAKMUR
Office address	: Jl. K.H. Wahid Hasyim No. 220 A-B, Jak-Pus
Home address / As stated in ID	: Kp. Paragajen RT / RW. 03 / 06, Cisarua - Bogor
Phone number	: (021) 3151563
Title	: President Director
2. Name	: SURYANTO
Office address	: Jl. K.H. Wahid Hasyim No. 220 A-B, Jak-Pus
Home address / As stated in ID	: Jl. Mangga Besar IVL No. 71A, Jak-Bar
Phone number	: (021) 3151563
Title	: Director

Declare that :

1. We are responsible for the preparation and presentation of the Company's financial statements;

2. The financial statements have been prepared and presented in accordance with Indonesian Financial Accounting Standards;

3. a. All information contained in the Company's financial statements has been disclosed in a complete and truthful manner;
   b. The Company's financial statements do not contain any incorrect information or material facts, and do not omit material information and facts;

4. We are responsible for the Company's internal control systems .

Thus, this statement is made truthfully.

Jakarta, April 12, 2021

METERAI TEMPEL
40AJX056240276

Agus Makmur
President Director

Suryanto
Director

These financial statements are originally issued in the Indonesian language.

PT RAMAYANA LESTARI SENTOSA Tbk
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2020 AND
FOR THE YEAR THEN ENDED
WITH INDEPENDENT AUDITORS' REPORT

Table of Contents

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Purwantono, Sungkoro & Surja

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This report is originally issued in the Indonesian language.

Independent Auditors' Report

Report No. 00441/2.1032/AU.1/05/0701-1/1/IV/2021

The Shareholders, Boards of Commissioners and Directors
PT Ramayana Lestari Sentosa Tbk

We have audited the accompanying financial statements of PT Ramayana Lestari Sentosa Tbk, which comprise the statement of financial position as of December 31, 2020, and the statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of such financial statements in accordance with Indonesian Financial Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on such financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether such financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

This report is originally issued in the Indonesian language.

Independent Auditors' Report (continued)

Report No. 00441/2.1032/AU.1/05/0701-1/1/IV/2021 (continued)

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PT Ramayana Lestari Sentosa Tbk as of December 31, 2020, and its financial performance and cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards.

Purwantono, Sungkoro & Surja

Sinarta
Public Accountant Registration No. AP.0701

April 12, 2021

PT RAMAYANA LESTARI SENTOSA Tbk
STATEMENT OF FINANCIAL POSITION
As of December 31, 2020
(Expressed in Millions of Rupiah, Unless Otherwise Stated)

	Notes	December 31, 2020	December 31, 2019
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2,5,28,30	1,554,228	2,208,119
Time deposits	2,6,30	1,001,100	714,600
Accounts receivable	30		
Trade	3		
Third parties	7	7,623	12,523
Others - net			
Related parties	2,25	4,393	1,961
Third parties	7,28	33,066	21,003
Short-term investments	2,8,30	79,261	110,093
Inventories - net	2,3,9,20,23	493,436	791,194
Prepaid expenses - net	2	3,533	6,647
Prepaid Value Added Tax - net		1,594	-
Advances		22,620	62,497
Current portion of long-term prepaid rent - net	2,11a 21,25a	-	89,022
Total Current Assets		**3,200,854**	**4,017,659**
NON-CURRENT ASSETS			
Fixed assets - net	2,3,10a,11a,22	1,002,168	1,107,325
Advances for purchase of fixed assets	11a	36,728	-
Right of use assets - net	2,3,10b,11a,22	873,570	-
Long-term prepaid rent - net of current portion and impairment loss - net	2,11a 21,25a	-	393,709
Security deposits - net	2,11b,25b,30	28,922	32,990
Deferred tax assets - net	2,3,13	107,093	75,472
Intangible assets - net	2,3	5,318	10,312
Estimated claim for tax refund	13	17,619	-
Other non-current assets	2,30	12,946	12,356
Total Non-Current Assets		**2,084,364**	**1,632,164**
TOTAL ASSETS		**5,285,218**	**5,649,823**

The accompanying notes to the financial statements form an integral part of these financial statements taken as a whole.

PT RAMAYANA LESTARI SENTOSA Tbk
STATEMENT OF FINANCIAL POSITION (continued)
As of December 31, 2020
(Expressed in Millions of Rupiah, Unless Otherwise Stated)

	Notes	December 31, 2020	December 31, 2019
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable - third parties	2,29,30		
Trade	12	604,163	970,449
Others	28	68,334	79,595
Taxes payable	2,3,13	5,246	30,748
Accrued expenses	2,14,29,30	28,214	54,846
Current portion of long-term liabilities:			
Lease liabilities	2,3,15,29,30	219,701	-
Total Current Liabilities		**925,658**	**1,135,638**
NON-CURRENT LIABILITIES			
Liabilities for employee benefits	2,3,16	262,351	345,255
Long-term liabilities - net of current portion:			
Lease liabilites	2,3,15,29,30	378,465	-
Total Non-Current Liabilities		**640,816**	**345,255**
Total Liabilities		**1,566,474**	**1,480,893**
EQUITY			
Share capital - Rp50 par value per share (full amount) Authorized - 28,000,000,000 shares Issued and fully paid - 7,096,000,000 shares	17	354,800	354,800
Additional paid-in capital - net	2	147,525	149,662
Treasury share - 353,515,600 shares and 353,181,100 shares as of December 31, 2020 and 2019, respectively	2,17	(319,638)	(321,647)
Retained earnings:			
Appropriated		70,000	70,000
Unappropriated	18	3,494,559	3,970,557
Other comprehensive loss - net	8,16	(28,502)	(54,442)
Total Equity		**3,718,744**	**4,168,930**
TOTAL LIABILITIES AND EQUITY		**5,285,218**	**5,649,823**

PT RAMAYANA LESTARI SENTOSA Tbk
STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
For the Year Ended December 31, 2020
(Expressed in Millions of Rupiah, Unless Otherwise Stated)

		Year Ended December 31,	
	Notes	**2020**	**2019**
REVENUES	2		
Outright sales	19	2,061,686	4,578,951
Commission on consignment sales	19	466,265	1,017,447
Total Revenues	19	**2,527,951**	**5,596,398**
COST OF OUTRIGHT SALES	2,9,20	**(1,450,362)**	**(3,102,317)**
GROSS PROFIT		**1,077,589**	**2,494,081**
Selling expenses	2,11a,11b,21,25b	(106,968)	(405,125)
General and administrative expenses	2,10,16,22,25b	(1,266,663)	(1,517,474)
Other income	2,9,23	78,244	17,386
Other expenses	2,7,8,10a,10b,23	(36,303)	(7,316)
INCOME (LOSS) FROM OPERATIONS		**(254,101)**	**581,552**
Finance income	2	133,179	186,900
Finance cost		(35,627)	-
Tax on finance income		(24,896)	(35,291)
INCOME (LOSS) BEFORE INCOME TAX		**(181,445)**	**733,161**
Income tax benefit (expense) - net	2,13	42,571	(85,263)
INCOME (LOSS) FOR THE YEAR		**(138,874)**	**647,898**
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may be reclassified to profit or loss:			
Changes in fair value of available-for-sale financial assets	2,8	9,224	(5,930)
Related income tax		(2,876)	1,483
Items that will not be reclassified to profit or loss:			
Remeasurement on liabilities for employee benefits	16	27,666	(302)
Related income tax		(8,074)	75
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR AFTER TAX		**25,940**	**(4,674)**
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**(112,934)**	**643,224**
EARNINGS (LOSS) PER SHARE (full amount)	2,24	**(20.60)**	**96.12**

The accompanying notes to the financial statements form an integral part of these financial statements taken as a whole.

PT RAMAYANA LESTARI SENTOSA Tbk
STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2020
(Expressed in Millions of Rupiah, Unless Otherwise Stated)

	Notes	Share Capital - Issued and Fully Paid	Additional Paid-in Capital - Net	Treasury Shares	Retained Earnings		Other Comprehensive Loss		Total Equity
					Appropriated	Unappropriated	Changes in Fair Value of Available-for-Sale Financial Assets - Net	Remeasurement on Liabilities for Employee Benefits - Net	
Balance as of December 31, 2018		**354,800**	**132,494**	**(339,861)**	**70,000**	**3,659,800**	**(11,034)**	**(38,734)**	**3,827,465**
Sales of treasury shares	17	-	17,168	18,214	-	-	-	-	35,382
Total comprehensive income for the year		-	-	-	-	647,898	(4,447)	(227)	643,224
Payments of cash dividend	18	-	-	-	-	(337,141)	-	-	(337,141)
Balance as of December 31, 2019		**354,800**	**149,662**	**(321,647)**	**70,000**	**3,970,557**	**(15,481)**	**(38,961)**	**4,168,930**
Purchase of treasury shares	17	-	-	(4,320)	-	-	-	-	(4,320)
Sales of treasury shares	17	-	(2,137)	6,329	-	-	-	-	4,192
Total comprehensive loss for the year		-	-	-	-	(138,874)	6, 348	19,592	(112,934)
Payments of cash dividend	18	-	-	-	-	(337,124)	-	-	(337,124)
Balance as of December 31, 2020		**354,800**	**147,525**	**(319,638)**	**70,000**	**3,494,559**	**(9,133)**	**(19,369)**	**3,718,744**

The accompanying notes to the financial statements form an integral part of these financial statements taken as a whole.

PT RAMAYANA LESTARI SENTOSA Tbk
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020
(Expressed in Millions of Rupiah, Unless Otherwise Stated)

		Year Ended December 31,	
	Notes	**2020**	**2019**
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from sales		3,861,852	8,525,972
Cash payments to suppliers		(3,406,932)	(6,837,548)
Cash payments for salaries and employee welfare		(441,028)	(664,017)
Payments for income taxes		(18,947)	(173,011)
Cash receipts from:			
Finance income - net		111,334	150,966
Other operating activities		62,142	73,272
Net Cash Provided by Operating Activities		**168,421**	**1,075,634**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of short-term investments	8	33,578	10,045
Additions in security deposits		(263)	(1,789)
Additions in intangible assets		(1,013)	(4,025)
Additions in fixed assets	10a	(66,467)	(133,276)
Placement of time deposits - net	6	(286,500)	(249,944)
Proceeds from sales of fixed assets	10a	-	1,114
Placement of short-term investments	8	-	(40,000)
Additions in long-term rent	11a	-	(98,656)
Net Cash Used in Investing Activities		**(320,665)**	**(516,531)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Sales of treasury shares	17	4,192	35,382
Purchase of treasury shares	17	(4,320)	-
Payment of lease liabilities		(164,395)	-
Payments of cash dividend	18	(337,124)	(337,141)
Net Cash Used in Financing Activities		**(501,647)**	**(301,759)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(653,891)**	**257,344**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**2,208,119**	**1,950,775**
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	**1,554,228**	**2,208,119**

Supplementary information on non-cash transactions are disclosed in Note 31.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

1. GENERAL

a. Establishment of the Company

PT Ramayana Lestari Sentosa Tbk (the "Company") was established in Indonesia based on Notarial Deed No. 60 dated December 14, 1983 of R. Muh. Hendarmawan, S.H. The Deed of Establishment was approved by the Ministry of Justice of the Republic of Indonesia in its Decision Letter No. C2-5877.HT.01.01.TH.85 dated September 17, 1985 and was published in the Addendum No. 589 of the State Gazette No. 9 dated October 3, 1985. The Company's Articles of Association has been amended several times, the latest amendment regarding the approval from shareholders for the changes the Company's Article of Association to adjust with the regulation of Financial Service Authority ("OJK") of which as notarized under Notarial Deed No. 5 dated September 16, 2015 of Rianto, S.H. The amendment of the Articles of Association has been approved by the Ministry of Law and Human Rights of the Republic of Indonesia in its Decision Letter No. AHU-0024968.AH.01.11.Tahun 2016 dated February 25, 2016.

The Company started its commercial operations in 1983. According to Article 3 of the Company's Articles of Association, the Company operates a chain of department stores, which sell various items such as clothes, accessories, bags, shoes, cosmetics and daily needs through the Company's department store and supermarket. In 2020 and 2019, the Company closed thirteen (13) and two (2) stores, respectively. As of December 31, 2020 and 2019, the number of stores operated by the Company are as follows:

	December 31, 2020	December 31, 2019
Ramayana	101	112
Robinson	3	3
Cahaya	2	2

All the stores operated by the Company are located in Jakarta, Java (West Java, East Java and Central Java), Sumatera, Bali, Kalimantan, Nusa Tenggara, Sulawesi and Papua. The Company's head office is located in Jl. K.H. Wahid Hasyim No. 220 A-B, Jakarta 10250.

The Company's ultimate shareholder is PT Ramayana Makmursentosa with 58.80% ownership in the Company.

b. The Company's Public Offering

On June 26, 1996, the Company received the effective statement from the Chairman of the Capital Market and Financial Institution Supervisory Agency ("BAPEPAM-LK") in its Decision Letter No. 1038/PM/1996 to offer 80 million shares to the public with par value of Rp500 (full amount) per share through the Indonesia Stock Exchange at offering price of Rp3,200 (full amount) per share. Since then, the Company has conducted the following capital transactions:

1. On September 15, 1997, the Company issued bonus shares, whereby each shareholders holding one share was entitled to receive one new share. The outstanding shares became 700,000,000 shares.
2. On June 8, 2000, the Company changed the par value per share from Rp500 (full amount) per share to Rp250 (full amount) per share. The outstanding shares became 1,400,000,000 shares.
3. On June 18, 2004, the Company changed the par value per share from Rp250 (full amount) per share to Rp50 (full amount) per share. The outstanding shares became 7,000,000,000 shares.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

1. GENERAL (continued)

b. The Company's Public Offering (continued)

Since then, the Company has conducted the following capital transactions: (continued)

4. On July 4, 2005, the Company issued 32,000,000 shares in connection with the exercise of share options by the employees (ESOP). The outstanding shares became 7,032,000,000 shares.
5. On October 2, 2006, the Company issued 32,000,000 shares in connection with the exercise of share options by the employees (ESOP). The outstanding shares became 7,064,000,000 shares.
6. On July 28, 2010, the Company issued 32,000,000 shares in connection with the exercise of share options by the employees (ESOP). The outstanding shares became 7,096,000,000 shares.
7. Starting on August 25, 2015 until December 31, 2015, the Company has purchased 208,332,000 treasury shares. The outstanding shares became 6,887,668,000 shares.
8. During 2016, the Company has purchased 164,849,100 treasury shares. The outstanding shares became 6,722,818,900 shares.
9. On February 15, 2019, the Company has sold 20,000,000 treasury shares. The outstanding shares became 6,742,818,900 shares.
10. During 2020, the Company has purchased 7,334,500 treasury shares. The outstanding shares became 6,735,484,400 shares.
11. On July 22, 2020, the Company has sold 7,000,000 treasury shares. The outstanding shared became 6,742,484,400 (Note 17).

The Company has listed all of its shares in the Indonesia Stock Exchange.

c. Boards of Commissioners and Directors, Audit Committee and Employees

As of December 31, 2020 and 2019, the composition of the Company's Boards of Commissioners and Directors are as follows:

Board of Commissioners		Board of Directors	
Paulus Tumewu	- President Commissioner	Agus Makmur	- President Director
Jane Melinda Tumewu	- Commissioner	Suryanto	- Director
Mohammad Iqbal	- Commissioner	Gantang Nitipranatio	- Director
Kismanto	- Commissioner	Muhamad Yani	- Director
Koh Boon Kim	- Independent Commissioner	Halomoan Hutabarat	- Indepedent Director
Selamat	- Independent Commissioner		

1. GENERAL (continued)

c. Boards of Commissioners and Directors, Audit Committee and Employees (continued)

As of December 31, 2020 and 2019 the composition of the Company's audit committee are as follows:

Chairman:	- Selamat
Members:	- Ruddy Hermawan Wongso
	- Andreas Lesmana

The establishment of the Company's audit committee has complied with OJK Rule No. IX.I.5.

The Company's key management consists of Boards of Commissioners and Directors.

As of December 31, 2020 and 2019, the Company has 4,603 and 6,659 employees, respectively (unaudited).

The Company's financial statements were completed and authorized for issuance by the Company's Board of Directors on April 12, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance and Basis of Preparation of the Financial Statements

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 and the Regulations and Guidelines on Financial Statement Presentation and Disclosures issued by OJK.

The financial statements have been prepared in accordance with Statement of Financial Accounting Standards ("PSAK") 1, "Presentation of Financial Statements".

The financial statements have been prepared on accrual basis and using the historical cost basis except as otherwise disclosed in the related notes herein.

The statement of cash flows present receipts and disbursements of cash and cash equivalents classified into operating, investing and financing activities, where the cash flows from operating activities are presented using the direct method.

The financial reporting period of the Company is January 1 - December 31.

The accounts included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Rupiah which is the functional currency of the Company.

All amounts in the financial statements are rounded to and presented in millions of Rupiah, unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Changes in Accounting Principles

The Company applied PSAK 71: Financial Instruments, PSAK 72: Revenue from Contracts with Customers and PSAK 73: Leases for the first time. The nature and effect of the changes as a result of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective as of January 1, 2020.

1) PSAK 71: Financial Instruments

PSAK 71: Financial Instruments replaces PSAK 55: Financial Instruments: Recognition and Measurements for annual periods beginning on or after January 1, 2020, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Company has not restated corresponding information for 2019 for financial instruments in the scope of PSAK 71. Therefore, the corresponding information for 2019 is reported under PSAK 55 and is not comparable with the information presented for 2020. Differences, if any, arising from the adoption of PSAK 71 have been recognized directly in retained earnings as of January 1, 2020.

The impact of the implementation of PSAK 71 on January 1, 2020 were disclosed in Note 4.

2) PSAK 72: Revenue from Contracts with Customers

PSAK 72 supersedes PSAK 34: Construction Contracts, PSAK 23: Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. PSAK 72 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

PSAK 72 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted PSAK 72 using the modified retrospective method of adoption with the date of initial application of January 1, 2020. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to all contracts as at January 1, 2020.

There is no significant effect on the application of PSAK 72 on the Company’s financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Changes in Accounting Principles (continued)

3) PSAK 73: Leases

PSAK 73 supersedes PSAK 30: Leases, ISAK 8: Determining whether an Arrangement contains a Lease, ISAK 23: Operating Leases-Incentives and ISAK 24: Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under PSAK 73 is substantially unchanged from PSAK 30. Lessors will continue to classify leases as either operating or finance leases using similar principles as in PSAK 30. Therefore, PSAK 73 did not have an impact for leases where the Company is the lessor.

The Company adopted PSAK 73 using the modified retrospective method of adoption with the date of initial application of January 1, 2020. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at January 1, 2020. Instead, the Company applied the standard only to contracts that were previously identified as leases applying PSAK 30 and ISAK 8 at the date of initial application.

The Company has lease contracts for rent of stores, warehouses and employees' housing. Before the adoption of PSAK 73, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 2i Leases for the accounting policy prior to January 1, 2020.

Upon adoption of PSAK 73, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2i Leases for the accounting policy beginning January 1, 2020. The standard provides specific transition requirements and practical expedients, which have been applied by the Company.

- Leases previously classified as finance lease

  The Company did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right of use assets and lease liabilities equal the lease assets and liabilities recognised under PSAK 30). The requirements of PSAK 71 were applied to these leases from January 1, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Changes in Accounting Principles (continued)

3) PSAK 73: Leases (continued)

- Leases previously accounted for as operating leases

  The Company recognized right of use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right of use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right of use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right of use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The impact of the implementation of PSAK 73 on January 1, 2020 were disclosed in Note 4.

c. Cash and Cash Equivalents

Cash and cash equivalents represent cash on hand and in banks and time deposits with maturities of three (3) months or less at the time of placement, not pledged as collateral for loans and without restrictions in the usage.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand and in banks and time deposits as defined above, net of outstanding overdraft, if any.

d. Transactions with Related Parties

The Company has transactions with related parties as defined in PSAK 7.

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

All significant transactions and balances with related parties are disclosed in the relevant notes to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by moving-average method which includes all costs that occur to get this inventories to the location and current conditions. Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated cost necessary to make the sale.

The Company provides allowance for obsolescence and/or decline in values of inventories based on periodic reviews of the physical condition and net realizable values of the inventories.

f. Fixed Assets

All fixed assets are initially recognized at cost, which comprises its purchase price and any costs directly attributable in bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent to initial recognition, fixed assets are carried at cost less any subsequent accumulated depreciation and impairment losses.

Depreciation of an asset starts when it is available for use and is computed using the straight-line method based on the estimated useful lives of the assets:

	Years
Buildings	10 - 20
Building renovations and improvements	4 - 8
Store equipments	4 - 8
Transportation equipments	4 - 8
Office equipments	4 - 8

An item of fixed asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in statement of profit or loss and other comprehensive income in the year the asset is derecognized.

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

Lands are stated at cost and not depreciated.

Legal cost of land rights in the form of Business Usage Rights (“*Hak Guna Usaha*” or “HGU”), Building Usage Right (“*Hak Guna Bangunan*” or “HGB”) and Usage Rights (“*Hak Pakai*” or “HP”) when the land was acquired initially are recognized as part of the cost of the land under the “Fixed Assets” account and not amortized. Meanwhile the extension or the legal renewal costs of land rights in the form of HGU, HGB and HP were recognized as part of “Deferred Charges” account in the statement of financial position and were amortized over the shorter of the rights’ legal life and land's economic life.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Fixed Assets (continued)

Repairs and maintenance are taken to the profit or loss when these are incurred. The cost of major renovation and restoration is included in the carrying amount of the related fixed asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company and is depreciated over the remaining useful life of the related asset.

<u>Construction in Progress</u>

Construction in progress is stated at cost and presented as part of the fixed assets. The accumulated costs will be reclassified to the appropriate fixed assets account when construction is substantially completed and the asset is ready for its intended use. Assets under construction are not depreciated as these are not yet available for use.

g. Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Subsequent to initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets comprising of application development, system development and computer software, include all direct costs related to preparation of the assets for their intended use, amortized using the straight-line method over four (4) years.

At each reporting date, the useful lives and amortization method are reviewed by the management of the Company, and adjusted prospectively, if appropriate.

h. Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Company estimates the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment 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 is recognized. Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss and other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Leases

Effective beginning January 1, 2020

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets.

i) Right of use assets

The Company recognizes right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

As of December 31, 2020, there is impairment of right of use assets amounting to Rp12,390 (Note 10b).

ii) Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Leases (continued)

Effective beginning January 1, 2020 (continued)

Company as a lessee (continued)

ii) Lease liabilities (continued)

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in interest-bearing loans and borrowings.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of stores, warehouses and employees' housing (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss and other comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned. Rental income were recognized as a part of "Other Income" in the statement of profit or loss and other comprehensive income.

Effective prior to January 1, 2020

The Company adopted PSAK 30, "Lease", when a lease includes both land and building elements, an entity should assess the classification of each element separately whether as a finance or an operating lease.

The Company classifies leases based on the extent to which risks and rewards incidental to the ownership of a leased asset are vested upon the lessor or the lessee, and the substance of the transaction rather than the form of the contract.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Leases (continued)

Effective prior to January 1, 2020 (continued)

Finance Lease - as Lessee

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the leased assets. Such leases are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of liability. Finance cost are charged directly to the profit or loss.

If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the leased asset is depreciated over the estimated useful lives of the assets. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term. Any excess or deficit of sales proceeds over the carrying amount of an asset in a sale-and-leaseback transaction is deferred and amortized over the lease term.

Operating Lease - as Lessee

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of the leased asset. Accordingly, the related lease payments are recognized in profit or loss on a straight-line basis over the lease term. Prepaid rent is amortized using the straight-line method over the rental period. The current portion of the prepaid rent to be charged to operation within 1 (one) year is presented as “Current Portion of Long-term Prepaid Rent” account in the statement of financial position.

On the other hand, the long-term portion of prepaid rent is presented as “Long-term Prepaid Rent - Net of Current Portion” account in the statement of financial position.

Operating Lease - as Lessor

Leases where the Company does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Rental income are recognized as a deduction of rental expense and presented as part of “Selling Expenses” account in the statement of profit or loss and other comprehensive income

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Effective beginning January 1, 2020

Financial Assets

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under PSAK 72.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Financial Instruments (continued)

Effective beginning January 1, 2020 (continued)

Financial Assets (continued)

Subsequent Measurement (continued)

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes cash and cash equivalents, time deposits, trade receivables, other receivables - net, security deposits - net and other non-current assets.

Financial assets at fair value through OCI (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company's financial assets at fair value through OCI includes short-term investments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Financial Instruments (continued)

Effective beginning January 1, 2020 (continued)

Financial Assets (continued)

Subsequent Measurement (continued)

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PSAK 50: Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company elected to classify irrevocably its non-listed equity investments under this category.

The Company's financial assets designated at fair value through OCI includes short-term investments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss and other comprehensive income.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the statement of profit or loss when the right of payment has been established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Financial Instruments (continued)

Effective beginning January 1, 2020 (continued)

Financial Assets (continued)

Subsequent Measurement (continued)

Financial assets at fair value through profit or loss (continued)

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Financial Instruments (continued)

Effective beginning January 1, 2020 (continued)

Financial Assets (continued)

Impairment of Financial Assets

The Company recognizes an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12 month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

For debt instruments at fair value through OCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Company’s debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category (Very Good and Good) by the Good Credit Rating Agency and, therefore, are considered to be low credit risk investments. It is the Company’s policy to measure ECLs on such instruments on a 12 months basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from the Good Credit Rating Agency both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written-off when there is no reasonable expectation of recovering the contractual cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Financial Instruments (continued)

Effective beginning January 1, 2020 (continued)

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade payables, other payables, accrued expenses, and lease liabilities.

Subsequent Measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by PSAK 71. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PSAK 71 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Financial Instruments (continued)

Effective beginning January 1, 2020 (continued)

Financial Liabilities (continued)

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss and other comprehensive income.

Offsetting of Financial Instruments

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

Effective prior to January 1, 2020

Financial Assets

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at FVTPL, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and cash equivalents, time deposits, trade receivables, other receivables - net, security deposits - net and other non-current assets, which are classified as loans and receivables, and short-term investments, which are classified as available-for-sale financial assets. Financial assets are initially recognized at fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Financial Instruments (continued)

Effective prior to January 1, 2020 (continued)

Financial Assets (continued)

Subsequent Measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment, if any. The losses arising from impairment are recognized in the statement of profit or loss and other comprehensive income.

Available-For-Sale ("AFS") Financial Assets

AFS financial assets are non-derivative financial assets that are designated as available-for-sale or those that are not classified as financial assets at fair value through statement of profit or loss and other comprehensive income, loans and receivables or held-to-maturity investments. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized in equity in the statement of financial position until the investment is derecognized. At that time, the cumulative gain or loss previously recognized in equity shall be reclassified to profit or loss as a reclassification adjustment.

Impairment of Financial Assets

The Company assess at each reporting date whether there is any objective evidence that a financial asset or a Company of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated.

Trade receivables are carried at original invoice amount net of allowance for impairment loss, if any. An estimate of allowance for impairment loss is made when there is objective evidence (such as probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect the receivables under the original terms of the invoice and is established through provisions charged to income. The outstanding balance of trade receivables is derecognized and written-off against the allowance for impairment loss when assessed to be uncollectible.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Financial Instruments (continued)

Effective prior to January 1, 2020 (continued)

Financial Assets (continued)

Impairment of Financial Assets (continued)

If there is objective evidence that an impairment loss has been incurred, 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 expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Company of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

Financial Liabilities

Initial Recognition and Measurement

The Company's financial liabilities include trade payables, other payables and accrued expenses are initially recognized at fair value, inclusive of directly attributable transaction costs.

Subsequent Measurement

Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the statement of profit or loss and other comprehensive income when the liabilities are derecognized as well as through the effective interest method amortization process.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Financial Instruments (continued)

Effective prior to January 1, 2020 (continued)

Derecognition of Financial Assets and Liabilities

Financial Assets

A financial asset is derecognized when (i) the rights to receive cash flows from the asset expired, or (ii) the Company transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement, or (iii) the Company have transferred substantially all the risks and rewards of the asset, or have neither transferred nor retained substantially all the risks and rewards of the asset but have transferred the control of the asset.

Financial Liabilities

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

When an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss and other comprehensive income.

Offsetting of Financial Instruments

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

k. Employee Benefits

The cost of providing benefits under the defined benefits plan is determined using the Projected Unit Credit method.

Re-measurements of the net defined benefit liability (asset), which are recognized as other comprehensive income, consists of:
i. Actuarial gains and losses;
ii. The return on plan assets, excluding the amounts included in net interest on the net defined benefit liability (asset); and
iii. Any change in the effect of the asset ceiling, excluding the amounts included in net interest on the net defined benefit liability (asset).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Employee Benefits (continued)

Re-measurements of the net defined benefit liability (asset) recognized in other comprehensive income will not be reclassified to profit or loss in the next periods. Past service costs are recognized in profit or loss at the earlier of:

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

Net interest is calculated by applying discount rate to the net defined benefit liability (asset). The Company recognizes the following changes in the net defined benefit obligation under “General and Administrative Expenses” in the statement of profit or loss and other comprehensive income:

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

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs.

A curtailment occurs when an entity either:

i. Is demonstrably committed to make a significant reduction in the number of employees covered by a plan; or
ii. Amends the terms of a defined benefit plan so that a significant element of future service by current employees will no longer qualify for benefits, or will qualify only for reduced benefits.

A settlement occurs when the Company enters into a transaction that eliminates all further legal or constructive obligation for part or all of the benefits provided under a defined benefit plan.

l. Additional Paid-in Capital - Net

Additional paid-in capital - net represents the difference between the offering price and the par value of share capital, net of share issuance costs and additional paid-in capital in relation with tax amnesty program.

m. Foreign Currency Transactions and Balances

The Company considers the primary indicators and other indicators in determining its functional currency, if indicators are mixed and the functional currency is not obvious, management uses its judgements to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

Transactions involving foreign currencies are recorded in Rupiah amounts at the rates of exchange prevailing at the time the transactions are made. At the reporting date, monetary assets and liabilities denominated in foreign currency are adjusted to Rupiah by taking the average of transaction exchange rate by Bank Indonesia as of December 31, 2020 and 2019. Resulting gains or losses are credited or charged to operations of the current year.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Foreign Currency Transactions and Balances (continued)

As of December 31, 2020 and 2019, the exchange rates used are as follows (full amount):

	December 31, 2020	December 31, 2019
United States Dollar	14,105	13,901
Singapore Dollar	10,644	10,321

n. Recognition of Revenues and Expenses

Effective beginning January 1, 2020

The Company has adopted PSAK 72, “Revenue from Contracts with Customers” which requires revenue recognition to fulfill five (5) steps of assessment as follows:

1. Identify contract(s) with a customer.
2. Identify the performance obligations in the contract. Performance obligations are promises in a contract to transfer to a customer goods that are distinct.
3. Determine the transaction price, net of discounts, returns, sales incentives and value added tax, which an entity expects to be entitled in exchange for transferring the promised goods to a customer.
4. Allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct goods promised in the contract. When these are not directly observable, the relative standalone selling price are estimated based on expected cost plus margin.
5. Recognize revenue when performance obligation is satisfied by transferring a promised goods to a customer (which is when the customer obtains control of those goods).

Revenue is recognized when the Company satisfies a performance obligation by transfering a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation.

Sales is recognized when goods are delivered to customers net of returns and discounts allowed. Net revenue represent sales of products, including the amortization of deferred income from the contract for promotional activities, net of returns and discounts allowed.

Revenues from outright and consignment sales are recognized when the goods are sold at the sales counter. Commission on consignment sales are recognized as the amount of the sales of consignment goods to customers less the related costs, which are recognized as amount due to consignors.

Expenses are recognized as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Recognition of Revenues and Expenses (continued)

Effective prior to January 1, 2020

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Sales is recognized when goods are delivered to customers net of returns and discounts allowed. Revenue from services is recognized when services are rendered to customers. Net revenue represent sales of products, including the amortization of deferred income from the contract for promotional activities, net of returns and discounts allowed. Revenues from outright and consignment sales are recognized when the goods are sold at the sales counter. Commission on consignment sales are recognized as the amount of the sales of consignment goods to customers less the related costs, which are recognized as amount due to consignors.

Expenses are recognized as incurred.

o. Taxation

Final Tax

Tax regulation in Indonesia determined that certain taxable income is subject to final tax. Final tax applied to the gross value of transactions is applied even when the parties carrying the transaction recognizing losses.

Referring to revised PSAK 46 as mentioned above, final tax is no longer governed by PSAK 46.

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

Current Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authority.

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

Underpayment/overpayment of income tax are presented as part of “Income Tax Expense - current” in the statements of profit or loss and other comprehensive income. The Company also presented interest/penalty, if any, as part of “Income Tax Expense - Current”.

Amendments to tax obligations are recorded when a tax assessment letter is received or, if appealed against, when the result of the appeal is determined.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Taxation (continued)

Deferred Tax

Deferred tax assets and liabilities are recognized using the liability method for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the financial statements and their respective tax bases at each reporting date. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences and accumulated fiscal losses to the extent that it is probable that taxable profit will be available in future years against which the deductible temporary differences and accumulated fiscal losses can be utilized.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduced 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 utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax assets to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

p. Segment Reporting

A segment is a distinguishable component of the Company that is engaged either in providing certain products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. They are determined before intra-company balances and intra-company transactions are eliminated.

q. Earnings (loss) per Share

Earnings or loss per share is computed based on the weighted average number of shares outstanding during the year.

The weighted-average number of shares outstanding for 2020 and 2019 are 6,741,095,323 shares and 6,740,298,352 shares, respectively.

r. Treasury Shares

Repurchase of equity instruments (treasury shares) are recognized at reacquisition cost and deducted from equity. No gain or loss is recognized in profit or loss on the acquisition, resale, issuance or cancellation of the Company's equity instrument. The difference between the carrying amount and the receipt, if reissued, is recognized as part of additional paid-in capital in the equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s. Provisions

Provisions are recognized when the Company have a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

t. Accounting Standards Issued but not yet Effective

The following are several issued accounting standards by the Indonesian Financial Accounting Standards Board ("DSAK") that are considered relevant to the financial reporting of the Company but not yet effective for 2020 financial statements:

<u>Effective beginning on or after January 1, 2021</u>

1) Amendments to PSAK 22: Definition of a Business

   The amendment to PSAK: 22 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

   These amendments effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2021 and to asset acquisitions that occur on or after the beginning of that period with earlier application permitted.

2) Amendments to PSAK 71: Financial Instruments, Amendments to PSAK 55: Financial Instruments: Recognition and Measurement, Amendments to PSAK 60: Financial Instruments: Disclosures, Amendments to PSAK 62: Insurance Contracts and Amendments to PSAK 73: Leases on Interest Rate Reference Reform - Stage 2

   Amendments to PSAK 71, Amendments to PSAK 55, Amendments to PSAK 60, Amendments to PSAK 62 and Amendments to PSAK 73 concerning Interest Rate Reference Reform - Phase 2 were adopted from IFRS concerning Interest Rate Benchmark Reform - Phase 2.

   Interest Rate Reference Reform - Stage 2 addresses issues that may affect financial reporting during the benchmark interest rate reform, including the impact of changes in contractual cash flows or hedging relationships that arise from replacing the benchmark interest rate with a new alternative reference. These amendments amend the requirements of PSAK 71: Financial Instruments, PSAK 55: Financial Instruments: Recognition and Measurement, PSAK 60: Financial Instruments: Disclosures, PSAK 62: Insurance Contracts and PSAK 73: Leases related to:
   - Changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities;
   - Hedge accounting; and
   - Disclosure.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t. Accounting Standards Issued but not yet Effective (continued)

The following are several issued accounting standards by the Indonesian Financial Accounting Standards Board ("DSAK") that are considered relevant to the financial reporting of the Company but not yet effective for 2020 financial statements: (continued)

Effective beginning on or after January 1, 2021 (continued)

2) Amendments to PSAK 71: Financial Instruments, Amendments to PSAK 55: Financial Instruments: Recognition and Measurement, Amendments to PSAK 60: Financial Instruments: Disclosures, Amendments to PSAK 62: Insurance Contracts and Amendments to PSAK 73: Leases on Interest Rate Reference Reform - Stage 2 (continued)

   Interest Rate Reference Reform - Stage 2 applies only to changes required by the benchmark interest rate reform for financial instruments and hedge relationships.

   These amendments are effective as of January 1, 2021 with earlier application permitted.

Effective beginning on or after January 1, 2022

1) Amendments to PSAK 57: Provisions, Contingent Liabilities, and Contingent Assets regarding Aggravating Contracts - Contract Fulfillment Costs

   This amendment clarifies the cost of fulfilling a contract in relation to determining whether a contract is a burdensome contract.

   The amendments to PSAK 57 provide that costs to fulfill a contract consist of costs that are directly related to the contract. Costs that are directly related to the contract consist of:
   1. Incremental costs to fulfill the contract, and
   2. Allocation of other costs that are directly related to fulfilling the contract.

   An entity shall apply those amendments to contracts existing at the beginning of the annual reporting period in which the entity first applies the amendments (the date of initial application). The entity shall not restate comparative information. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application. Earlier application is permitted.

2) 2020 Annual Improvements - PSAK 71: Financial Instruments

   This improvements clarifies the fees that are recognized by the borrower in relation to derecognition of financial liabilities. In determining the fee to be paid after deducting the fee received, the borrower only includes the fees paid or received between the borrower and lender, including fees paid or received by either the borrower or lender on other's behalf.

   An entity applies the annual improvements 2020 to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. Earlier application is permitted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t. Accounting Standards Issued but not yet Effective (continued)

The following are several issued accounting standards by the Indonesian Financial Accounting Standards Board ("DSAK") that are considered relevant to the financial reporting of the Company but not yet effective for 2020 financial statements: (continued)

<u>Effective beginning on or after January 1, 2023</u>

1) Amendments to PSAK 1: Classification of Liabilities as Current or Non-current

The amendments specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation. Earlier application is permitted.

3. SOURCE OF ESTIMATION UNCERTAINTY

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of the assets and liabilities affected in future periods.

Judgments

The following judgments are made by management in the process of applying the Company's accounting policies that have the most significant effects on the amounts recognized in the Company's financial statements:

<u>Determination of Functional Currency</u>

The Company's functional currency is the currency from the primary economic environment where the Company conducts business. The functional currency is the currency that has impact on revenue and expenses from product given.

<u>Classification of Financial Assets and Financial Liabilities</u>

The Company determines the classification of certain assets and liabilities as financial assets and financial liabilities by judging if they meet the definition set forth in PSAK 71. Accordingly, the financial assets and financial liabilities are accounted for in accordance with the Company's accounting policies disclosed in Note 2j.

3. SOURCE OF ESTIMATION UNCERTAINTY (continued)

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below. The Company based its assumptions and estimates on parameters available when the Company's financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

<u>Provisions For Expected Credit Losses of Trade Receivables (Effective beginning January 1, 2020)</u>

The Company calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The Company's historically observed default rates. The Company will calibrate to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables and contract assets is disclosed in Note 7.

<u>Impairment of Non-Financial Assets</u>

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. In assessing the value in use, the estimated net future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the specific risks 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. The value in use calculation is based on a discounted cash flow model. The future cash flow projection is for a period of ten years and does not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

As of December 31, 2020 the Company has provided allowance for impairment of right of use assets and fixed assets, each amounting to Rp12,390 (Note 10b) and Rp6,151 (Note 10a), respectively. Meanwhile, as of December 31, 2019, management believes that there are no events or changes in circumstances that may indicate any impairment in value of the Company's non-financial assets.

3. SOURCE OF ESTIMATION UNCERTAINTY (continued)

Estimates and Assumptions (continued)

Depreciation of Fixed Assets, Right of Use Assets and Intangible Assets

Fixed assets and right of use assets are depreciated using the straight-line method based on estimated useful lives of the related assets which is a range that is generally thought of in similar industries. Changes in the pattern of usage and the level of technological development could impact the economic useful lives and residual values of fixed assets, right of use assets and deferred charges' estimated useful lives. Therefore future depreciation charges are likely to be changed. Management estimates the useful lives of these fixed assets to be within four (4) to twenty (20) years and the useful lives of the right of use assets are over the lease term. These are common life expectancies applied in the industry where the Company conducts its business. Further details are disclosed in Note 10.

The costs of intangible asset are amortized on a straight-line basis over their estimated useful lives within four (4) years. These are common life expectancies applied in the industry where the Company conducts its business.

Income Tax

The Company recognize liabilities for corporate income tax based on estimation of whether additional corporate income tax will be due. Net carrying amount of the corporate income tax liability. Further details are disclosed in Note 13.

Employee Benefits

The measurement of the Company's obligations and cost for pension and liabilities for employee benefits is dependent on its selection of certain assumptions used by the independent actuaries in calculating such amounts. Those assumptions include among others, discount rates, future annual salary increase, annual employee turn-over rate, disability rate, retirement age and mortality rate. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately in the financial position through other comprehensive income the period in which they occur.

While the Company believes that its assumptions are reasonable and appropriate, significant differences in the Company's actual experiences or significant changes in the Company's assumptions may materially affect its estimated liabilities for pension and employee benefits and net employee benefits expense. Further details on employee benefits are disclosed in Note 16.

Deferred Tax Assets

The Company reviews the carrying amounts of deferred tax assets at the end of each reporting period and reduces these to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

The Company's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the level and timing of forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenues and expenses as well as future tax planning strategies. However, there is no assurance that the Company will generate sufficient taxable income to allow all or part of the deferred tax assets to be utilized. Further details are disclosed in Note 13.

3. SOURCE OF ESTIMATION UNCERTAINTY (continued)

Estimates and Assumptions (continued)

Allowance for Obsolescence and Decline in Value of Inventories

Allowance for obsolescence and decline in value of inventories is estimated based on the best available facts and circumstances, including but not limited to, the inventories' own physical conditions, their market selling prices and estimated costs to sell. The allowance are re-evaluated and adjusted if additional information received affects the amount estimated. Further details are disclosed in Note 9.

Uncertain Tax Exposure

In certain circumstances, the Company may not able to determine the exact amount of current or future tax liabilities due to possibility of examination by the taxation authority. Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. In determining the amount to be recognized in respect of an uncertain tax liability, the Company applies similar considerations as it would use in determining the amount of a provision to be recognized in accordance with PSAK 57, “Provisions, Contingent Liabilities and Contingent Assets”. The Company analyzes all tax positions related to income taxes to determine if a tax liability for unrecognized tax expense should be recognized.

Financial Instruments

The Company records certain financial assets and liabilities at fair values, which requires the use of accounting estimates. While significant components of fair value measurement were determined using verifiable objective evidences, the amount of changes in fair values would differ if the Company utilized different valuation methodology. Any changes in fair values of these financial assets and liabilities would affect directly to the Company's profit or loss.

Fair Value Measurement of Financial Instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discontinued cash flow (“DCF”). The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. Further details are disclosed in Note 30.

3. SOURCE OF ESTIMATION UNCERTAINTY (continued)

Estimates and Assumptions (continued)

Revenue from Contracts with Customers

The Company applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- Determining method to estimate variable consideration and assessing the constraint

  Certain contracts for the retail sales include a volume rebates that give rise to variable consideration. In estimating the variable consideration, the Company is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

  The Company determined that the expected value method is the appropriate method to use in estimating the variable consideration for the retail sales, given the large number of customer contracts that have similar characteristics. In estimating the variable consideration for the sale of equipment with volume rebates, the Company determined that using a combination of the most likely amount method and expected value method is appropriate. The selected method that better predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract. The most likely amount method is used for those contracts with a single volume threshold, while the expected value method is used for contracts with more than one volume threshold.

  Before including any amount of variable consideration in the transaction price, the Company considers whether the amount of variable consideration is constrained. The Company determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

  Leases - Estimating the Incremental Borrowing Rate

  The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment. The IBR therefore reflects what the Company ‘would have to pay’, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

4. IMPACT OF IMPLEMENTATION OF PSAK 71 AND PSAK 73

The impact to the Company's financial statements for the first time adoption of the PSAK 71 and PSAK 73 are as follows:

PSAK 71

Classification of financial assets and liabilities

The table below shows the classification of financial assets and liabilities according to PSAK 55 and the new classification of financial assets and liabilities in accordance with PSAK 71 as of January 1, 2020:

Notes	Classification based on PSAK 55 December 31, 2019	Classification based on PSAK 71 January 1, 2020	Classification based on PSAK 55 December 31, 2019	Classification based on PSAK 71 January 1, 2020
Financial assets				
Cash and cash equivalents	Loans and receivables	Amortized cost	2,208,119	2,208,119
Time deposits	Loans and receivables	Amortized cost	714,600	714,600
Trade receivables	Loans and receivables	Amortized cost	12,523	12,523
Other receivables - net	Loans and receivables	Amortized cost	22,964	22,964
Short-term investments	Available-for-sale financial assets	Fair value through OCI	110,093	110,093
Security deposits - net	Loans and receivables	Amortized cost	1,209	1,209
Other non-current assets	Loans and receivables	Amortized cost	12,327	12,327
Financial liabilities				
Trade payables	Financial liabilities at amortized cost	Financial liabilities at amortized cost	970,449	970,449
Other payables	Financial liabilities at amortized cost	Financial liabilities at amortized cost	79,595	79,595
Accrued expenses	Financial liabilities at amortized cost	Financial liabilities at amortized cost	54,846	54,846

There is no significant effect on the application of PSAK 71 on the Company's financial statements.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

4. IMPACT OF IMPLEMENTATION OF PSAK 71 AND PSAK 73 (continued)

The impact to the Company's financial statements for the first time adoption of the PSAK 71 and PSAK 73 are as follows: (continued)

PSAK 73

The following table presents the impact of the implementation of PSAK 73 on January 1, 2020:

	January 1, 2020		
	Before Adjustments	**PSAK 73 Adjutments**	**After Adjustments**
Assets			
Prepaid expense - net	6,647	(218)	6,429
Advances	62,497	(2,531)	59,966
Long-term prepaid rent	482,731	(425,675)	57,056
Right of use assets - net	-	1,155,358	1,155,358
Liabilities			
Lease liabilities	-	726,934	726,934

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	December 31, 2020	**December 31, 2019**
Cash on hand	32,943	24,644
Cash in banks - third parties:		
Rupiah		
PT Bank Danamon Indonesia Tbk	44,325	193,928
PT Bank Central Asia Tbk	28,021	81,717
Standard Chartered Bank Indonesia	21,775	68,143
Citibank, N.A., Indonesia Branch	14,125	43,913
PT Bank Mandiri (Persero) Tbk	10,916	20,580
PT Bank Rakyat Indonesia (Persero) Tbk	9,292	9,190
PT Bank Negara Indonesia (Persero) Tbk	4,904	12,952
PT Bank DKI	3,134	3,447
PT Bank CIMB Niaga Tbk	3,017	11,699
PT Bank Maybank Indonesia Tbk	-	5,005
United States Dollar		
PT Bank Central Asia Tbk (US$214,019 as of December 31, 2020 and US$214,074 as of December 31, 2019)	3,019	2,976
Sub-total	142,528	453,550

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

5. CASH AND CASH EQUIVALENTS (continued)

Cash and cash equivalents consist of: (continued)

	December 31, 2020	**December 31, 2019**
Cash equivalents (time deposits and on call deposits) - third parties:		
Rupiah		
PT Bank UOB Indonesia	368,400	220,000
PT Bank Rakyat Indonesia (Persero) Tbk	321,300	594,400
PT Bank Danamon Indonesia Tbk	260,900	374,900
PT Bank Mandiri (Persero) Tbk	124,000	-
PT Bank Central Asia Tbk	52,000	47,000
PT Bank DKI	30,000	30,000
Citibank, N.A., Indonesia Branch	19,300	-
PT Bank CIMB Niaga Tbk	15,000	15,000
PT Bank Negara Indonesia (Persero) Tbk	12,000	26,000
PT Bank Maybank Indonesia Tbk	-	250,600
United States Dollar		
Credit Suisse AG, Singapore Branch (US$7,952,045 as of December 31, 2020 and US$7,901,093 as of December 31, 2019)	112,164	109,833
UBS AG, Singapore Branch (US$4,515,619 as of December 31, 2020 and US$4,473,934 as of December 31, 2019	63,693	62,192
Sub-total	1,378,757	1,729,925
Total	**1,554,228**	**2,208,119**

The annual interest rates for the time deposits and on call deposits are as follows:

	Year Ended December 31,	
	2020	**2019**
Rupiah	0.25% - 7.25%	1.50% - 8.25%
United States Dollar	0.15% - 1.80%	1.58% - 2.41%

There were no cash and cash equivalents balances placed to a related party.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

6. TIME DEPOSITS

This account represents Rupiah time deposits which placed at the following third parties banks:

	December 31, 2020	**December 31, 2019**
Rupiah		
PT Bank Rakyat Indonesia (Persero) Tbk	445,800	147,200
PT Bank Danamon Indonesia Tbk	346,300	125,300
PT Bank UOB Indonesia	209,000	178,100
PT Bank Maybank Indonesia Tbk	-	264,000
Total	**1,001,100**	**714,600**

The above time deposits have maturities within three (3) months to six (6) months from the time of placement and not pledged as collateral. The annual interest for the time deposits are as follows:

	Year Ended December 31,	
	2020	**2019**
Rupiah	3.90% - 7.50%	3.50% - 8.00%

There were no time deposits placed to a related party.

7. ACCOUNTS RECEIVABLE - TRADE AND OTHERS - THIRD PARTIES

Accounts receivable - trade - third parties represents receivables in Rupiah for purchase payments made by the customers using credit cards, debit cards and electronic money with details as follows:

	December 31, 2020	**December 31, 2019**
PT Bank Central Asia Tbk	3,890	3,803
PT Bank Mandiri (Persero) Tbk	1,572	1,488
PT Bank Rakyat Indonesia (Persero) Tbk	716	854
PT Shopee International Indonesia	417	-
PT Bank Negara Indonesia (Persero) Tbk	357	671
PT Espay Debit Indonesia Koe	353	4,494
Others (below Rp250)	318	1,213
Total	**7,623**	**12,523**

Based on the review of the possibility of impairment at the end of the year, management believes that no allowance for impairment loss of trade receivables is needed to cover the possibility of impairment.

Accounts receivable - others - third parties - net represents receivables from rental income, promotion replacement and rebate and interest receivables from time deposits. All receivables are denominated in Rupiah and foreign currency. All receivables are in current category. Based on the review of possibility of impairment at the end of the year, management believes that the allowance for impairment losses is adequate to cover possible losses from accounts receivable - others - third parties.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

8. SHORT-TERM INVESTMENTS

This account represents investments in debt and share securities in Rupiah which are classified as available-for-sale financial assets as follows:

	December 31, 2020	December 31, 2019
Debt securities - third parties:		
Rupiah		
Obligasi Berkelanjutan III Bank CIMB Niaga Tahap I Tahun 2019 Seri B	41,200	40,000
Obligasi Subordinasi BKLJT I BCA Tahap I Tahun 2018 SR A	30,225	29,505
Obligasi Subordinasi Berkelanjutan I Bank UOB Indonesia Tahap II Tahun 2017	7,271	7,379
Obligasi Subordinasi Berkelanjutan II Bank Maybank Indonesia Tahap II Tahun 2016	-	25,483
Obligasi Sukuk Mudharabah Subordinasi I Bank BRI Syariah Tahun 2016	-	4,999
Sukuk Ijarah II TPS Food Tahun 2016	-	2,162
Share securities - third parties:		
Rupiah		
Saham PT Berlian Laju Tanker Tbk	565	565
Total	**79,261**	**110,093**

In 2020 and 2019, annual interest rates of debt securities are as follows:

	Year Ended December 31,	
	2020	**2019**
Rupiah	7.55% - 10.55%	7.55% - 9.63%

In 2020, the Company did not purchase any short-term investments. In 2019, the Company has purchased short-term investments amounting to Rp40,000. In 2020, short-term investments amounting to Rp40,055 has been realized with total proceed amounting to Rp33,578, which resulting net realized loss amounting to Rp6,477 (Note 23). In 2019, short-term investments amounting to Rp10,045 has been realized with total proceed amounting to Rp10,045, which did not resulting net realized loss or gain. As of December 31, 2020 and 2019, changes in fair value of available for sale financial assets, net of deferred tax, resulted a net unrealized loss amounting to Rp9,133 and Rp15,481, respectively, which were presented as part of “Other Comprehensive Loss - Net” account in the equity section of the statement of financial position.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

8. SHORT-TERM INVESTMENTS (continued)

Based on PT Pemeringkat Efek Indonesia and Fitch Ratings, securities rating agency, as of December 31, 2020 and 2019, the ratings of the bonds are as follows:

	December 31, 2020	December 31, 2019
Obligasi Berkelanjutan III Bank CIMB Niaga Tahap I Tahun 2019 Seri B	AAA	AAA
Obligasi Subordinasi BKLJT I BCA Tahap I Tahun 2018 SR A	AA	AA
Obligasi Subordinasi Berkelanjutan I Bank UOB Indonesia Tahap II Tahun 2017	AA	AA
Obligasi Subordinasi Berkelanjutan II Bank Maybank Indonesia Tahap II Tahun 2016	-	AA
Obligasi Sukuk Mudharabah Subordinasi I Bank BRI Syariah Tahun 2016	-	A
Sukuk Ijarah II TPS Food Tahun 2016	-	BBB+

9. INVENTORIES

This account represents merchandise inventories owned by the Company which are located in the following regions:

	December 31, 2020	December 31, 2019
West Java	157,083	262,394
Jakarta	145,444	192,638
Sumatera	79,139	134,037
East Java	43,344	65,457
Kalimantan	39,202	62,145
Central Java	23,753	40,609
Bali and Nusa Tenggara	23,537	37,456
Sulawesi	17,602	23,707
Papua	14,077	25,380
Sub-total (Note 20)	543,181	843,823
Allowance for decline in value of inventories	(49,745)	(52,629)
Total	**493,436**	**791,194**

The movements of allowance for decline in value of inventories are as follows:

	Year Ended December 31,	
	2020	2019
Beginning balance	52,629	-
Provision during the year	15,000	52,629
Write-off of inventories	(17,884)	-
Ending balance	**49,745**	**52,629**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

9. INVENTORIES (continued)

Based on the review of market price and the condition inventories at the end of the year, management believes that allowance for decline in value of inventories is adequate to cover possible losses that may arise from obsolescence and decline in values of inventories.

The above inventories are covered by insurance against losses from fire, damage, natural disasters, riots and other risks amounting to Rp408,175 as of December 31, 2020 (2019: 716,222), which in the opinion of the Company's management is adequate to cover possible losses arising from such risks. As of December 31, 2020 and 2019, there are no inventories pledged as collateral.

In 2018, there was earthquake disaster in one of the Company's store that resulted losses on inventories, long-term prepaid rent, fixed assets and security deposits each amounting to Rp8,780, Rp4,026, Rp1,712 and Rp185, respectively. In 2019, for the losses of inventories and fixed assets, the Company has received compensation from insurance claim amounting to Rp8,871, which were recorded as part of "Other Income" in the statement of profit or loss and other comprehensive income (Note 23).

10. FIXED ASSETS AND RIGHT OF USE ASSETS

a. Fixed assets - net

Fixed assets consists of:

	Year Ended December 31, 2020				
	Beginning Balance	**Additions**	**Deductions**	**Reclassification**	**Ending Balance**
Cost					
Land	366,503	-	-	-	366,503
Buildings	885,708	-	-	20,328	906,036
Building renovations and improvements	1,280,366	21,743	-	27,056	1,329,165
Store equipments	898,892	14,041	-	2,935	915,868
Transportation equipments	54,289	1,744	-	-	56,033
Office equipments	94,958	2,263	1,013	-	96,208
Sub-total	3,580,716	39,791	1,013	50,319	3,669,813
Construction in Progress					
Building renovations and improvements	58,603	25,698	3,769	(27,056)	53,476
Store and office equipments	22,263	978	3,460	(2,935)	16,846
Sub-total	80,866	26,676	7,229	(29,991)	70,322
Total Cost	3,661,582	66,467	8,242	20,328	3,740,135
Accumulated Depreciation					
Buildings	564,870	45,049	-	-	609,919
Building renovations and improvements	1,066,820	78,878	-	-	1,145,698
Store equipments	792,299	45,285	-	-	837,584
Transportation equipments	48,156	3,405	-	-	51,561
Office equipments	82,112	5,216	274	-	87,054
Total Accumulated Depreciation	2,554,257	177,833	274	-	2,731,816
Allowance for impairment of fixed assets	-				(6,151)
Net Book Value	**1,107,325**				**1,002,168**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

10. FIXED ASSETS AND RIGHT OF USE ASSETS (continued)

a. Fixed assets - net (continued)

Fixed assets consists of: (continued)

	Year Ended December 31, 2019				
	Beginning Balance	**Additions**	**Deductions**	**Reclassification**	**Ending Balance**
<u>Cost</u>					
Land	367,723	-	-	(1,220)	366,503
Buildings	885,708	-	-	-	885,708
Building renovations and improvements	1,213,461	21,508	-	45,397	1,280,366
Store equipments	861,600	25,068	-	12,224	898,892
Transportation equipments	54,921	4,513	5,145	-	54,289
Office equipments	89,196	5,714	-	48	94,958
Sub-total	3,472,609	56,803	5,145	56,449	3,580,716
<u>Construction in Progress</u>					
Building renovations and improvements	51,320	55,901	3,221	(45,397)	58,603
Store and office equipments	18,892	20,572	4,929	(12,272)	22,263
Sub-total	70,212	76,473	8,150	(57,669)	80,866
Total Cost	3,542,821	133,276	13,295	(1,220)	3,661,582
<u>Accumulated Depreciation</u>					
Buildings	518,337	46,533	-	-	564,870
Building renovations and improvements	987,874	78,946	-	-	1,066,820
Store equipments	747,896	44,403	-	-	792,299
Transportation equipments	48,538	4,552	4,934	-	48,156
Office equipments	75,951	6,161	-	-	82,112
Total Accumulated Depreciation	2,378,596	180,595	4,934	-	2,554,257
Net Book Value	**1,164,225**				**1,107,325**

Depreciation charged to general and administrative expenses were amounting to Rp177,833 in 2020 and Rp180,595 in 2019 (Note 22).

The computation of gain on disposal of fixed assets are as follows:

	Year Ended December 31,	
	2020	**2019**
Proceeds from sales	-	1,114
Net book value	-	(211)
Gain on disposal of fixed assets	**-**	**903**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

10. FIXED ASSETS AND RIGHT OF USE ASSETS (continued)

a. Fixed assets - net (continued)

Gain on disposal of fixed assets is presented as part of “Other Income - Others - Net”. In 2020 and 2019, the Company has written off fixed asset and construction in progress amounting to Rp7,968 and Rp8,150, respectively.

In 2020, the Company’s long-term prepaid rent amounting to Rp20,328 were reclassified to fixed assets (Note 11a).

In 2019, the Company’s fixed assets with book value of Rp1,220 were reclassified to long-term prepaid rent.

Land under HGB status owned by the Company is located in several cities in Indonesia. These HGBs will expire on various dates from 2021 until 2040 and the Company’s management believes that these rights can be renewed upon their expiry.

Fair value of land as of December 31, 2020 and 2019 are amounting to Rp963,856 and Rp842,204, respectively, which were determined based on the Tax Office’s Sale Value of Tax Objects (“NJOP”).

The details of constructions in progress are as follows:

December, 31 2020	Estimated Percentage of Completion from Financial Point of View	Accumulated Costs	Estimated Completion
Building renovations and improvements	15-90%	53,476	Year 2021
Store and office equipments	15-90%	16,846	Year 2021
Total		**70,322**	

December, 31 2019	Estimated Percentage of Completion from Financial Point of View	Accumulated Costs	Estimated Completion
Building renovations and improvements	10-90%	58,603	Year 2020
Store and office equipments	15-80%	22,263	Year 2020
Total		**80,866**	

Fixed assets, except for land and construction in progress, are covered by insurance against losses from fire, damage, natural disasters, riots and other risks amounting to Rp2,476,101 and Rp2,540,343 as of December 31, 2020 and 2019, respectively, which in the management’s opinion is adequate to cover possible losses arising from such risks.

As of December 31, 2020, the Company has indicated and provided allowance for impairment of fixed assets amounting to Rp6,151 (Note 23). Meanwhile, as of December 31, 2019, the Company’s management believes that there is no event or change in circumstances that may indicate any impairment in value of its fixed assets.

As of December 31, 2020 and 2019, there were no fixed assets pledged as collateral.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

10. FIXED ASSETS AND RIGHT OF USE ASSETS (continued)

b. Right of use assets - net

Details of right of use assets are as follows:

	Year Ended December 31, 2020			
	Begining Balance	**Addition**	**Deduction**	**Ending Balance**
Cost				
Leased Assets				
Building	-	1,155,358	-	1,155,358
Accumulated Depreciation				
Leased Assets				
Building	-	269,398	-	269,398
Allowance for impairment of right of use assets	-			(12,390)
Net Book Value	**-**			**873,570**

*) Addition of right of use assets in 2020 including reclassification from long-term prepaid rent, advances and prepaid expense amounting to Rp425,675, Rp2,531 and Rp218, respectively on January 1, 2020 due to implementation of PSAK 73 (Note 4).

Depreciation charged to general and administrative expenses were amounting to Rp269,398 in 2020 (Note 22).

As of December 31, 2020, the Company has indicated and provided allowance for impairment of right of use assets amounting to Rp12,390 (Note 23).

11. LONG-TERM PREPAID RENT

(a) This account represents long-term prepaid rent for several land and spaces for stores and warehouses. The Company entered into various long-term rental agreements with PT Jakarta Intiland (“JIL”), a related party, and with third parties for several stores and warehouses spaces which in general are valid for five (5) years. The Company also entered into various long-term land rental agreements with third parties which are used for store buildings. The land rental agreements in general are valid for twenty five (25) years.

The details of long-term prepaid rent as of December 31, 2020 and 2019 are as follows:

	December 31, 2020	**December 31, 2019**
Contract value		
PT Jakarta Intiland, a related party	-	258,997
Third parties	-	516,503
Total	-	775,500
Less accumulated amortization	-	(283,769)
Unamortized portion	-	491,731
Less:		
Impairment loss	-	(9,000)
Current portion	-	(89,022)
Long-term portion	**-**	**393,709**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

11. LONG-TERM PREPAID RENT (continued)

(a) The outstanding balance of long-term prepaid rent with related party amounting to Rp204,469 as of December 31, 2019 or representing 3.62% of total assets (Note 25a).

Total additions of long-term prepaid rent in 2019 amounting to Rp99,876.

Amortization of long-term prepaid rent charged to operations amounting to Rp121,224 in 2019 (Note 21).

As of December 31, 2019, store and warehouse long-term rent agreements with JIL cover 42 locations. Under these agreements, JIL has given the right to use the stores and warehouse locations to the Company for a period of 4 to 5 years. As of December 31, 2019, these agreements will expire at various dates from 2020 until 2029, which can be renewed for another period to be agreed by both parties. Total additions of long-term prepaid rent to JIL in 2019 amounting to Rp14,523.

As of January 1, 2020, after the application of PSAK 73, balance of long-term prepaid rent were reclassify to right of use assets amounting to Rp425,675 (Note 10b). In 2020, the Company's long-term prepaid rent has been reclassified to fixed assets and advances for purchase of fixed assets each amounting to Rp20,328 (Note 10a) and Rp36,728, respectively.

(b) The Company also have several rental agreements with JIL and third parties which payments were spread over the rental period and the Company is required to paid security deposit. Total rent expense for these rental agreements in 2019 amounting to Rp269,749, including rental with a related party of Rp217,460, or representing 53.68% of total selling expenses, respectively, are presented as part of “Selling Expenses - Rent - Net” account in the statement of profit or loss and other comprehensive income (Note 21). As of December 31, 2020 and 2019, the outstanding refundable security deposits paid by the Company to JIL amounting to Rp2,905 or representing 0.05% of total assets, are presented as part of “Security Deposits - Net” account in the statement of financial position (Note 25b).

12. ACCOUNTS PAYABLE - TRADE - THIRD PARTIES

This account represents liabilities to suppliers for purchases of merchandise inventories in Rupiah. The terms of payments for the suppliers are ranging from one (1) month to three (3) months from the date of purchase.

The Company’s aging analysis of accounts payable - trade - third parties based on due date is as follows:

	December 31, 2020	December 31, 2019
Current	275,252	601,699
1 - 2 months	80,983	246,160
More than 2 months	247,928	122,590
Total	**604,163**	**970,449**

As of December 31, 2020 and 2019, there was no collateral provided by the Company for the accounts payable - trade stated above.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

13. TAXATION

Taxes payable consists of:

	December 31, 2020	December 31, 2019
Income taxes:		
Article 4 (2)	4,353	4,351
Article 21	791	1,335
Article 23	102	252
Article 29	-	1,329
Value Added Tax - net	-	23,481
Total	**5,246**	**30,748**

The reconciliation between income before income tax as shown in the statement of profit or loss and other comprehensive income and taxable income for the years ended December 31, 2020 and 2019 are presented as follows:

	Year Ended December 31,	
	2020	2019
Income (loss) before income tax as shown in the statement of profit or loss and other comprehensive income	(181,445)	733,161
Temporary differences:		
Depreciation of fixed assets	26,301	13,873
Allowance for impairment of right of use assets	12,390	-
Allowance for impairment of fixed assets	6,151	-
Allowance for impairment of security deposits	3,419	-
Amortization of prepaid expenses	3,114	231
Allowance for impairment of other receivables	1,460	-
Allowance (reversal of allowance) for decline in value of inventories	(2,884)	52,629
Amortization of long-term prepaid rent	(6,666)	1,061
Provision for liabilities for employee benefits - net	(55,238)	22,466
Permanent differences:		
Finance cost of lease liabilities	35,627	-
Loss from sales of short-term investment - net	6,477	-
Donations and entertainment	5,253	6,104
Employee welfare	3,262	1,408
Depreciation of fixed assets	1,492	4,477
Tax penalties	1,024	11
Others	34,191	3,758
Income already subjected to final tax:		
Rent	(59,236)	(152,157)
Interest	(107,053)	(147,884)
Taxable income (loss)	**(272,361)**	**539,138**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

13. TAXATION (continued)

The reconciliation between income before income tax as shown in the statement of profit or loss and other comprehensive income and taxable income for the years ended December 31, 2020 and 2019 are presented as follows: (continued)

	Year Ended December 31,	
	2020	**2019**
Income tax expense - current	**-**	**107,828**
Income tax (benefit) expense - deferred		
Provision for liabilities for employee benefits - net	25,152	(5,617)
Allowance (reversal of allowance) for decline in value of inventories	2,213	(13,157)
Allowance for impairment of other receivables	(321)	-
Allowance for impairment of security deposits	(752)	-
Amortization of prepaid expenses	(885)	(58)
Amortization of long-term prepaid rent	(1,108)	(265)
Allowance for impairment of fixed assets	(1,353)	-
Allowance for impairment of right of use assets	(2,726)	-
Depreciation of fixed assets	(8,319)	(3,468)
Tax loss	(54,472)	-
Income tax benefit - deferred - net	**(42,571)**	**(22,565)**
Income tax (benefit) expense - net	**(42,571)**	**85,263**

The Company will report its 2020 Annual Income Tax Return ("SPT") based on the abovementioned calculation. The Company's estimated taxable income for the year ended December 31, 2019 was consistent with the Annual Income Tax Return as reported to the Tax Office.

The computation of income tax payable - Article 29 (estimated claim for tax refund) are as follows:

	December 31, 2020	**December 31, 2019**
Income tax expense - current	-	107,828
Prepayments of income taxes:		
Article 22	1	1
Article 23	114	2,914
Article 25	17,504	103,584
Total	17,619	106,499
Income tax payable - Article 29 (estimated claim for tax refund)	**(17,619)**	**1,329**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

13. TAXATION (continued)

On March 31, 2020, the President of the Republic of Indonesia signed Perpu No. 1/2020 regarding "State Financial Policy and Financial System Stability for Handling Corona Virus Disease ("Covid-19") and/or in Order to Face Threats to Harm the National Economy and/or Financial System Stability", which regulates the adjustment of corporate income tax rate as follows:

a. 22% effective starting Fiscal Year 2020 and 2021.
b. 20% effective starting Fiscal Year 2022.
c. Resident publicly-listed companies in Indonesia whose at least 40% or more of the total paid-up shares or other equity instruments are listed for trading in the Indonesia stock exchanges and meet certain requirements in accordance with the government regulations, can earn a tariff of 3% lower than tariff as stated in point a and b above.

The calculation of income tax in 2020, the rate used is 22%. On January 7, 2020, the Company obtained letter from the Securities Administration Agency confirming its compliance with criteria of PP No. 77/2013 on "Reduction of income Tax Rate on Domestic Corporate Taxpayers in the Form of Publicly-listed Companies". Accordingly, the Company applied the reduction of the tax rate to become 20% for the 2019 corporate income tax calculations.

The reconciliation between income tax computed by using applicable tax rate from income before income tax, with income tax (benefit) expense as shown in the statement of profit or loss and other comprehensive income for the years ended December 31, 2020 and 2019 are as follows:

	Year Ended December 31,	
	2020	**2019**
Income (loss) before income tax as shown in the statement of profit or loss and other comprehensive income	(181,445)	733,161
Income tax (benefit) expense at applicable tax rate	(39,918)	146,632
Tax effect of permanent differences:		
Finance cost of lease liabilities	7,838	-
Loss from sales of short-term investment - net	1,425	-
Donations and entertainment	1,156	1,221
Employee welfare	718	282
Depreciation of fixed assets	328	895
Tax penalties	225	2
Others	7,522	752
Income already subjected to final tax:		
Rent	(13,032)	(30,431)
Interest	(23,552)	(29,577)
Effect of changes in tax rate	14,719	-
Effect of tax rate reduction	-	(4,513)
Income tax (benefit) expense - net	**(42,571)**	**85,263**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

13. TAXATION (continued)

The deferred tax assets and liabilities as of December 31, 2020, and 2019 are as follows:

	December 31, 2020	**December 31, 2019**
Deferred tax assets on:		
Tax loss	54,472	-
Liabilities for employee benefits	53,088	86,314
Allowance for decline in value of inventories	10,944	13,157
Allowance for impairment of right of use assets	2,726	-
Unrealized loss on available-for-sale financial assets	2,285	5,161
Allowance for impairment of fixed assets	1,353	-
Allowance for impairment of security deposits	752	-
Allowance for impairment of other receivables	321	-
Total	125,941	104,632
Deferred tax liabilities on:		
Prepaid expenses	(777)	(1,662)
Fixed assets	(6,975)	(15,294)
Long-term rent	(11,096)	(12,204)
Total	(18,848)	(29,160)
Deferred tax assets - net	**107,093**	**75,472**

The Company's management believes that the deferred tax assets can be utilized through its future taxable income.

14. ACCRUED EXPENSES

Accrued expenses consist of :

	December 31, 2020	**December 31, 2019**
Electricity and energy	15,741	21,718
Maintenance and repair	1,935	2,706
Professional fee	1,798	1,170
Promotion	1,563	4,463
Store supplies	1,261	2,226
Rent	184	4,331
Others	5,732	18,232
Total	**28,214**	**54,846**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

15. LEASE LIABILITIES

The Company entered into several lease agreements to lease the Company's stores, warehouses and employees' housing with period according to the lease terms.

The details of lease liabilities are as follows:

	December 31, 2020
Total lease liabilities	598,166
Less current maturities	(219,701)
Total	**378,465**

As of December 31, 2020, the future minimum rental payments required under these lease agreements are as follows:

	December 31, 2020
Within one year	247,113
More than one year but not later than 21 years	411,492
Total	**658,605**
Less amount applicable to interest	(60,439)
Present value of minimum rental payments	598,166
Less current portion	(219,701)
Long-term portion	**378,465**

16. LIABILITIES FOR EMPLOYEE BENEFITS

The Company recognized liabilities for employee benefits as of December 31, 2020 and 2019 based on actuarial valuations performed by PT Dayamandiri Dharmakonsilindo, an independent actuary, based on its reports dated January 27, 2021.

The liabilities for employee benefits are calculated using the "Projected Unit Credit" method based on the following assumptions:

	December 31, 2020	**December 31, 2019**
Discount rate	7.15% per year	7.70% per year
Salary increase rate	5% per year	7% per year
Pension age	55 years old	55 years old
Mortality rate	TMI 2019	TMI 2011

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

16. LIABILITIES FOR EMPLOYEE BENEFITS (continued)

The employee benefits expense are as follows:

	Year Ended December 31,	
	2020	**2019**
Excess of benefits payments during the year	89,122	38,683
Interest cost	24,784	24,872
Current service cost	15,902	18,500
Adjustment for past services	673	254
Past service cost of curtailment	(63,515)	-
Total	**66,966**	**82,309**

Movements in the present value of defined benefit obligation are as follows:

	Year Ended December 31,	
	2020	**2019**
Balance at beginning of year	345,255	322,487
Excess of benefits payments during the year	89,122	38,683
Interest cost	24,784	24,872
Current service cost	15,902	18,500
Adjustment for past services	673	254
Benefits payments during the year	(33,082)	(21,160)
Excess of benefits payments during the year	(89,122)	(38,683)
Past service cost of curtailment	(63,515)	-
Remeasurement of present value of defined benefit obligation:		
Gain from changes in demographic assumptions	(7,448)	-
Loss (gain) from changes in financial assumption	(35,883)	22,929
Loss (gain) from experience adjustments	15,665	(22,627)
Balance at end of year	**262,351**	**345,255**

The movements in the liabilities for employee benefits for the years ended December 31, 2020 and 2019 are as follows:

	Year Ended December 31,	
	2020	**2019**
Balance at beginning of year	345,255	322,487
Provision during the year	66,966	82,309
Benefits payments during the year	(33,082)	(21,160)
Excess of benefits payments during the year	(89,122)	(38,683)
Other comprehensive (income) loss	(27,666)	302
Balance at end of year	**262,351**	**345,255**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

16. LIABILITIES FOR EMPLOYEE BENEFITS (continued)

Mutation of other comprehensive loss for the years ended December 31, 2020 and 2019 are as follows:

	Year Ended December 31,	
	2020	**2019**
Balance at beginning of year	51,950	51,648
Loss (gain) in current year	(27,666)	302
Balance at end of year	**24,284**	**51,950**

As of December 31, 2020, a one percentage point change in the assumed rate of discount rate would have the following effects:

	Discount rates		Future salary increases	
	Percentage	**Effect on Present Value of Benefits Obligation**	**Percentage**	**Effect on Present Value of Benefits Obligation**
Increase	1%	(18,830)	1%	22,531
Decrease	(1%)	21,556	(1%)	(19,958)

The following payments are expected contributions to the benefit obligation in future years:

	December 31, 2020	**December 31, 2019**
Within the next 12 months	47,512	46,782
Between 1 and 2 years	11,115	19,277
Between 2 and 5 years	48,171	57,703
Beyond 5 years	296,067	434,645
Total	**402,865**	**558,407**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

17. SHARE CAPITAL AND TREASURY SHARES

Share Capital

The shareholders and their share ownership as of December 31, 2020 and 2019 are as follows:

December 31, 2020

Shareholders	Number of Shares Issued and Fully Paid	Percentage of Ownership	Amount
PT Ramayana Makmursentosa	3,965,000,000	58.80%	198,250
Paulus Tumewu (President Commissioner)	260,000,000	3.86%	13,000
Agus Makmur (President Director)	240,076,600	3.56%	12,004
Public (below 5% ownership each)	2,277,407,800	33.78%	113,870
Sub-total	**6,742,484,400**	**100.00%**	**337,124**
Treasury shares	353,515,600		17,676
Total	**7,096,000,000**		**354,800**

December 31, 2019

Shareholders	Number of Shares Issued and Fully Paid	Percentage of Ownership	Amount
PT Ramayana Makmursentosa	3,965,000,000	58.80%	198,250
Paulus Tumewu (President Commissioner)	260,000,000	3.86%	13,000
Agus Makmur (President Director)	240,076,600	3.56%	12,004
Public (below 5% ownership each)	2,277,742,300	33.78%	113,887
Sub-total	**6,742,818,900**	**100.00%**	**337,141**
Treasury shares	353,181,100		17,659
Total	**7,096,000,000**		**354,800**

Treasury Shares

In 2020, the Company has conducted purchase of 7,334,500 treasury shares with total acquisition cost amounting to Rp4,320. On July 22, 2020, the Company has conducted sales of 7,000,000 treasury shares with total average acquisition cost amounting to Rp6,329 and total net sales amounting to Rp4,192, thus resulting a net loss of Rp2,137, after reduced with the related selling costs, which presented as part of the “Additional Paid-in Capital - net” account in the equity section of the statement of financial position. Until December 31, 2020, the Company still has 353,515,600 shares, which presented as “Treasury Shares” account which presented as a deduction to the equity in the statement of financial position.

On February 15, 2019, the Company has conducted sales of 20,000,000 treasury shares with total average acquisition cost amounting to Rp18,214 and total net sales amounting to Rp35,382, resulting a net gain of Rp17,168, after reduced with the related selling costs, which presented as part of the “Additional Paid-in Capital - net” account in the equity section of the statement of financial position. Until December 31, 2019, the Company still has 353,181,100 shares, which presented as “Treasury Shares” account which presented as a deduction to the equity in the statement of financial position.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

18. RETAINED EARNINGS

In the Annual Shareholders' General Meeting held on August 14, 2020, which were notarized by Deed No. 2 on the same date of Rianto, S.H., the shareholders approved the declaration of cash dividend of Rp50 (full amount) per share or in total amount of Rp337,124.

In the Annual Shareholders' General Meeting held on May 24, 2019, which were notarized by Deed No. 10 on the same date of Rianto, S.H., the shareholders approved the declaration of cash dividend of Rp50 (full amount) per share or in total amount of Rp337,141.

19. REVENUES

The details of revenues are as follows:

	Year Ended December 31,	
	2020	**2019**
Outright sales	2,061,686	4,578,951
Consignment sales	1,820,361	3,941,259
Cost of consignment sales	(1,354,096)	(2,923,812)
Commission on consignment sales	466,265	1,017,447
Total	**2,527,951**	**5,596,398**

There were no sales to a customer that exceeded 10% of total revenues in 2020 and 2019.

20. COST OF OUTRIGHT SALES

The details of cost of outright sales are as follows:

	Year Ended December 31,	
	2020	**2019**
Beginning inventories	843,823	859,767
Net purchases	1,134,720	3,033,744
Inventories available for sale	1,978,543	3,893,511
Ending inventories (Note 9)	(543,181)	(843,823)
Allowance for decline in value of inventories (Note 9)	15,000	52,629
Cost of outright sales	**1,450,362**	**3,102,317**

There were no purchases from a supplier of the Company that exceeded 10% of total revenues in 2020 and 2019.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

21. SELLING EXPENSES

The details of selling expenses are as follows:

	Year Ended December 31,	
	2020	**2019**
Promotion	46,105	96,152
Transportation	30,769	55,458
Plastic bags	12,823	18,310
Rent - net (Notes 11a, 11b and 25b)	9,267	217,527
Credit card charges	3,807	12,556
Others	4,197	5,122
Total	**106,968**	**405,125**

22. GENERAL AND ADMINISTRATIVE EXPENSES

The details of general and administrative expenses are as follows:

	Year Ended December 31,	
	2020	**2019**
Salaries and employee welfare (Note 16)	385,217	692,355
Depreciation of right of use assets (Note 10b)	269,398	-
Depreciation of fixed assets (Note 10a)	177,833	180,595
Repairs and maintenance (Note 25b)	140,428	219,360
Electricity and energy	114,655	229,320
Taxes and licenses	48,837	17,474
Jamsostek	27,365	32,450
Insurance	27,042	26,378
Supplies	15,837	29,155
Stationeries and printing	10,288	19,085
Bank charges	10,165	9,674
Others (below Rp10,000 each)	39,598	61,628
Total	**1,266,663**	**1,517,474**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

23. OTHER INCOME AND EXPENSES

The details of other income are as follows:

	Year Ended December 31,	
	2020	**2019**
Rental income (Note 26)	73,224	-
Gain on foreign exchange - net	2,514	-
Gain on earthquake - net (Note 9)	-	8,871
Others - net	2,506	8,515
Total	**78,244**	**17,386**

The details of other expenses are as follows:

	Year Ended December 31,	
	2020	**2019**
Impairment of right of use assets (Note 10b)	12,390	-
Loss from sales of short-term invesments (Note 8)	6,477	-
Impairment of fixed assets (Note 10a)	6,151	-
Impairment of security deposits	3,419	-
Impairment of other receivables (Note 7)	1,460	-
Loss on foreign exchange - net	-	7,151
Others - net	6,406	165
Total	**36,303**	**7,316**

24. EARNINGS (LOSS) PER SHARE

The computation of earnings (loss) per share in 2020 and 2019 are as follows:

	Year Ended December 31,	
	2020	**2019**
Income (loss) for the year	(138,874)	647,898
Weighted average number of shares outstanding	6,741,095,323	6,740,298,352
Earnings (loss) per share (full amount)	**(20.60)**	**96.12**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

25. RELATED PARTIES TRANSACTIONS

The Company conducted transactions out of its main business with certain related parties. The details of the related parties transactions are as follows:

			Percentage to Total Assets	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Other receivables - net				
PT Indonesia Fantasi Sentosa	3,867	1,262	0.07	0.02
PT Jakarta Intiland	522	697	0.01	0.01
PT Ramayana Makmursentosa	4	2	0.00	0.00
Total	**4,393**	**1,961**	**0.08**	**0.03**
Long-term prepaid rent (Note 11a)				
PT Jakarta Intiland (a)	-	204,469	-	3.62
Security deposits (Note 11b)				
PT Jakarta Intiland (b)	2,905	2,905	0.05	0.05

			Percentage to Total Income/Expenses *)	
	Year Ended December 31,		Year Ended December 31,	
	2020	**2019**	**2020**	**2019**
Rental revenue				
PT Ramayana Makmursentosa (c)	22,395	71,973	0.89	1.29
PT Indonesia Fantasi Sentosa (d)	5,678	19,718	0.22	0.35
Total	**28,073**	**91,691**	**1.11**	**1.64**
Selling expenses - Rent				
PT Jakarta Intiland (b)	112	274,516	0.10	67.76
General and administrative expenses - Repairs and maintenance				
PT Jakarta Intiland (b)	53,646	83,240	4.24	5.49

*) Percentage to total revenue/selling expenses/general and administrative expenses

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

25. RELATED PARTIES TRANSACTIONS (continued)

The details of the related parties transactions are as follows: (continued)

	Year Ended December 31,		Percentage to Salaries and Employee Welfare Year Ended December 31,	
	2020	**2019**	**2020**	**2019**
Short-term employee benefits				
Board of Commissioners	5,446	23,904	1.41	3.45
Board of Directors	3,509	5,132	0.91	0.74
Sub-total	8,955	29,036	2.32	4.19
Long-term employee benefits				
Board of Commissioners	607	621	0.16	0.09
Board of Directors	352	354	0.09	0.05
Sub-total	959	975	0.25	0.14
Total	**9,914**	**30,011**	**2.57**	**4.33**

a. The Company entered into long-term rental agreements for several warehouses and spaces for stores with PT Jakarta Intiland, a related party, as discussed in Notes 11 and 26. Total net book value of these long-term prepaid rent amounting to Rp204,469 as of December 31, 2019. In 2020, the Company has made lease payment to PT Jakarta Intiland amounting to Rp106,562.

b. The Company also has agreements with PT Jakarta Intiland, a related party, of which the related rents are payable periodically during the rental periods and the Company has to pay refundable security deposits, as discussed in Note 11b. The outstanding balance of security deposits amounting to Rp2,905 as of December 31, 2020 and 2019 are presented as part of “Security Deposits - Net” account in the statement of financial position. Total rent expense incurred from these agreements amounting to Rp112 and Rp274,516 in 2020 and 2019, respectively, and are presented as part of “Selling Expenses - Rent - Net” account in the statement of profit or loss and other comprehensive income (Note 21). Based on the rent agreements, the Company is required to pay service charges. Total service charges paid to PT Jakarta Intiland, a related party, amounting to Rp53,646 and Rp83,240 in 2020 and 2019, respectively, and are presented as part of “General and Administrative Expenses - Repairs and Maintenance” in the statement of profit or loss and other comprehensive income (Note 22).

c. The Company entered into several agreements to lease certain store area to PT Ramayana Makmursentosa. Total rental income from these agreements amounting to Rp22,395 and Rp71,973 in 2020 and 2019, respectively.

d. The Company entered into several agreements to lease certain store area to PT Indonesia Fantasi Sentosa. Total rental income from these agreements amounting to Rp5,678 and Rp19,718 in 2020 and 2019, respectively.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

25. RELATED PARTIES TRANSACTIONS (continued)

Details of the nature of relationships and types of material transactions with related parties are as follows:

No.	Related Parties	Nature of Relationship	Transaction
1	PT Ramayana Makmursentosa	Ultimate shareholder of the Company	Rent of spaces
2	PT Jakarta Intiland	A member of the same group with the Company	Rent of store and warehouse and service charges
3	PT Indonesia Fantasi Sentosa	Under common control	Rent of spaces
4	Boards of Commissioners and Directors	A member of the key management personnel of the Company	Salaries and employee welfare

26. SIGNIFICANT AGREEMENTS

Rental

The Company entered into various rental agreements with related party and third parties to lease certain stores area. The rental income from these agreements amounting to Rp73,224 and Rp173,446 in 2020 and 2019, respectively.

27. SEGMENT INFORMATION

The following segment information is prepared based on the information used by management in evaluating the performance of each business segment and in determining the allocation of resources.

	Year Ended December 31, 2020				
	Sumatera	**Java, Bali and Nusa Tenggara**	**Kalimantan**	**Sulawesi and Papua**	**Total Segment**
Total revenues	423,363	1,663,913	210,018	230,657	2,527,951
Income					
Segment income	132,070	324,343	77,325	96,894	630,632
Unallocated operating expenses					(884,733)
Loss from operations					(254,101)
Finance income					133,179
Finance cost					(35,627)
Tax on finance income					(24,896)
Loss before income tax					(181,445)
Income tax benefit - net					42,571
Loss for the year					**(138,874)**
Segment assets	372,916	1,721,906	169,782	138,810	2,403,414
Unallocated assets					2,881,804
Total assets					**5,285,218**
Segment liabilities	39,704	470,460	55,810	35,855	601,829
Unallocated liabilities					964,645
Total liabilities					**1,566,474**
Capital expenditures	13,140	48,189	2,061	3,077	66,467
Depreciation and amortization	52,897	340,061	20,680	33,593	447,231

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

27. SEGMENT INFORMATION (continued)

	Year Ended December 31, 2019				
	Sumatera	**Java, Bali and Nusa Tenggara**	**Kalimantan**	**Sulawesi and Papua**	**Total Segment**
Total revenues	1,007,439	3,650,897	473,085	464,977	5,596,398
Income					
Segment income	445,557	1,270,460	225,785	259,929	2,201,731
Unallocated operating expenses					(1,620,179)
Income from operations					581,552
Finance income					186,900
Tax on finance income					(35,291)
Income before income tax					733,161
Income tax expense - net					(85,263)
Income for the year					**647,898**
Segment assets	402,262	1,673,193	167,731	171,054	2,414,240
Unallocated assets					3,235,583
Total assets					**5,649,823**
Segment liabilities	466	3,104	187	23	3,780
Unallocated liabilities					1,477,113
Total liabilities					**1,480,893**
Capital expenditures	25,506	100,298	3,067	4,405	133,276
Depreciation and amortization	35,328	234,835	14,005	17,651	301,819

The Company determines its business segment based on the products sold consisting of fashion and accessories and groceries are as follows:

Year Ended December 31, 2020	**Fashion and Accessories**	**Groceries**	**Total Segment**
Outright sales	1,356,078	705,608	2,061,686
Commission on consignment sales	461,318	4,947	466,265
Cost of outright sales	(828,355)	(622,007)	(1,450,362)
Gross profit	**989,041**	**88,548**	**1,077,589**
Selling expenses	(101,027)	(5,941)	(106,968)
General and administratives expenses	(1,119,961)	(146,702)	(1,266,663)
Other income	65,274	12,970	78,244
Other expenses	(35,827)	(476)	(36,303)
Loss from operations	**(202,500)**	**(51,601)**	**(254,101)**
Finance income	111,767	21,412	133,179
Finance cost	(33,564)	(2,063)	(35,627)
Tax on finance income	(20,820)	(4,076)	(24,896)
Loss before income tax	**(145,117)**	**(36,328)**	**(181,445)**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

27. SEGMENT INFORMATION (continued)

The Company determines its business segment based on the products sold consisting of fashion and accessories and groceries are as follows: (continued)

Year Ended December 31, 2019	Fashion and Accessories	Groceries	Total Segment
Outright sales	3,117,111	1,461,840	4,578,951
Commission on consignment sales	1,007,174	10,273	1,017,447
Cost of outright sales	(1,851,042)	(1,251,275)	(3,102,317)
Gross profit	**2,273,243**	**220,838**	**2,494,081**
Selling expenses	(391,103)	(14,022)	(405,125)
General and administratives expenses	(1,310,908)	(206,566)	(1,517,474)
Other income	15,639	1,747	17,386
Other expenses	(7,311)	(5)	(7,316)
Income from operations	**579,560**	**1,992**	**581,552**
Finance income	159,325	27,575	186,900
Tax on finance income	(29,928)	(5,363)	(35,291)
Income before income tax	**708,957**	**24,204**	**733,161**

28. MONETARY ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

As of December 31, 2020, the Company has monetary assets and liabilities denominated in foreign currencies as follows:

	Equivalent in Rupiah
Assets	
Cash and cash equivalents	
United States Dollar (US$12,681,683)	178,876
Accounts receivable - others	
United States Dollar (US$1,828)	26
Total	178,902
Liabilities	
Accounts payable - others	
United States Dollar (US$92,663)	1,307
Singapore Dollar (Sin$4,808)	51
Total	1,358
Net monetary assets	**177,544**

At the reporting date, the exchange rates are Rp14,580 (full amount) per US$1 and Rp10,876 (full amount) per Sin$1.

If the net monetary assets in foreign currencies as of December 31, 2020 are converted to Rupiah using the exchange rates at the reporting date, the net monetary assets will increase by Rp5,979.

29. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Company's main financial instruments comprise cash and cash equivalents, time deposits, short-term investments, trade receivables, other receivables - net, security deposits - net, other non-current assets, trade payables, other payables, accrued expenses and lease liabilities.

a. Risk Management

The Company is exposed to market risk, credit risk and liquidity risk. Interest to manage any kind of risks has been significantly increased by considering the volatility of financial market both, in Indonesia and international. The Company's senior management oversees the risk management of these risks.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise two type of risks: interest rate risk and foreign currency risk. Financial instruments affected by market risk include cash and cash equivalents, time deposits, short-term investments, other receivables - net and other payables.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchanges rates. The Company's exposure to the risk of changes in foreign exchange rates is related primarily to cash and cash equivalents, other receivables - net and other payables which are denominated in United States Dollar and Singapore Dollar. The Company manages this risk by placing their investment selectively in financial instruments which provide high return on investment, so that the fluctuation of foreign exchange rate can be compensated with the return on investments which are denominated in several foreign currencies.

The following table demonstrates the sensitivity to a reasonably possible change in the Rupiah exchange rate against foreign currencies, with assumption that all other variables held constant, the effect to the income before corporate income tax expense is as follows:

	December 31, 2020		December 31, 2019	
	Change in Rupiah Rate	Effect on Loss Before Tax Expenses	Change in Rupiah Rate	Effect on Income Before Tax Expenses
United States Dollar	+2%	3,552	+2%	3,477
Singapore Dollar	+2%	(1)	+2%	(1)
United States Dollar	-2%	(3,552)	-2%	(3,477)
Singapore Dollar	-2%	1	-2%	1

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

29. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

a. Risk Management (continued)

Credit risk

Credit risk is the risk that the counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. The Company's financial instruments that have potential credit risk consist of cash and cash equivalents, time deposits, trade receivables, other receivables - net, security deposits - net and short-term investments. Other than as disclosed below, the Company has no concentration of credit risk.

Credit risk arising from placements of current accounts and deposits is managed in accordance with the Company’s policy. Investments of surplus funds are limited for each banks or financial institution and reviewed annually by the Board of Directors. Such limits are set to minimize the concentration of credit risk and therefore mitigate financial loss through potential failure of the banks.

At the reporting date, the Company’s maximum exposure to credit risk is represented by the carrying amount of each class of financial assets presented in the statement of financial position.

Liquidity risk

Liquidity risk is the risk that occurs when the cash flows position indicates that short-term revenue is insufficient to cover short-term expenditure.

The Company manages liquidity risk by maintaining sufficient cash and marketable securities to enable the Company fulfill the Company’s commitments to support the Company’s business activities. In addition, the Company continuously controls the projection and actual cash flows and also controls the maturity of financial assets and liabilities.

The tables below summarizes the maturity profile of the Company’s financial liabilities based on contractual payments as of December 31, 2020 and 2019:

	< 1 year	1 - 2 years	2 - 3 years	> 3 years	Total
As of December 31, 2020					
Accounts payable - third parties					
Trade	604,163	-	-	-	604,163
Others	68,334	-	-	-	68,334
Accrued expenses	28,214	-	-	-	28,214
Lease liabilities	219,701	161,319	90,627	126,519	598,166
Total	**920,412**	**161,319**	**90,627**	**126,519**	**1,298,877**

	< 1 year	1 - 2 years	2 - 3 years	> 3 years	Total
As of December 31, 2019					
Accounts payable - third parties					
Trade	970,449	-	-	-	970,449
Others	79,595	-	-	-	79,595
Accrued expenses	54,846	-	-	-	54,846
Total	**1,104,890**	**-**	**-**	**-**	**1,104,890**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

29. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

a. Risk Management (continued)

Liquidity risk (continued)

The table below summarizes the changes in liabilities arising from financing activities:

	For the Year Ended December 31, 2020			
	Beginning Balance	**Addition**	**Cash Flow - Net**	**Ending Balance**
Lease liabilities	-	762,561	(164,395)	598,166
Cash dividend	-	337,124	(337,124)	-
Total	**-**	**1,099,685**	**(501,519)**	**598,166**

	For the Year Ended December 31, 2019			
	Beginning Balance	**Addition**	**Cash Flow - Net**	**Ending Balance**
Cash dividend	-	337,141	(337,141)	-

b. Capital Management

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

In addition, the Company is also required by the Corporate Law effective August 16, 2007 to contribute and to maintain a non-distributable reserve fund until the said reserve reaches 20% of the issued and fully paid share capital. This externally imposed capital requirement is considered by the Company at the Annual General Shareholders' Meeting ("AGSM").

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, issue new shares or raise debt financing. No changes were made in the objectives, policies or processes for the years ended December 31, 2020 and 2019.

The Company's policy is to maintain a healthy capital structure in order to secure access to finance at a reasonable cost.

30. FINANCIAL INSTRUMENTS

As of December 31, 2020 and 2019, the carrying amounts of financial assets and liabilities approximate their fair value as follows:

1. Cash and cash equivalents, time deposits, trade receivables and other receivables - net.

   All of the above financial assets represent current assets which due within twelve (12) months, thus the carrying values of the financial assets approximate their fair values.

30. FINANCIAL INSTRUMENTS (continued)

As of December 31, 2020 and 2019, the carrying amounts of financial assets and liabilities approximate their fair value as follows: (continued)

2. Trade payables, other payables, accrued expenses and lease liabilities.

   All of the above financial liabilities represent current liabilities which due within twelve (12) months, thus the carrying values of the financial liabilities approximate their fair values.

3. Security deposits - net and employee receivables, including their current maturities within one (1) year.

   Long-term assets which bear no interest are presented at the net present value of the estimated future cash receipts or payments using market interest rate available for debt with approximately similar characteristics.

Short-term investments

Fair value of this financial asset is estimated using appropriate valuation techniques with market observable inputs.

Fair Value Hierarchy

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

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

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

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

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

30. FINANCIAL INSTRUMENTS (continued)

Fair Value Hierarchy (continued)

The Company's fair value hierarchy as of December 31, 2020 and 2019 are as follows:

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Current asset				
Short-term investments	79,261	79,261	-	-

	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Current asset				
Short-term investments	110,093	110,093	-	-

For the years ended December 31, 2020 and 2019, there were no transfers between each level fair value measurements.

The following table sets out the carrying values and estimated fair values of the Company's financial instruments as of December 31, 2020 and 2019:

	December 31, 2020		December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash and cash equivalents	1,554,228	1,554,228	2,208,119	2,208,119
Time deposits	1,001,100	1,001,100	714,600	714,600
Accounts receivable				
Trade				
Third parties	7,623	7,623	12,523	12,523
Others - net				
Related parties	4,393	4,393	1,961	1,961
Third parties	33,066	33,066	21,003	21,003
Short-term investments	79,261	79,261	110,093	110,093
Security deposits - net	1,200	1,200	1,209	1,209
Other non-current assets	12,946	12,026	12,327	11,182
Total	**2,693,817**	**2,692,897**	**3,081,835**	**3,080,690**
Financial Liabilities				
Accounts payable - third parties				
Trade	604,163	604,163	970,449	970,449
Others	68,334	68,334	79,595	79,595
Accrued expenses	28,214	28,214	54,846	54,846
Lease liabilities	598,166	598,166	-	-
Total	**1,298,877**	**1,298,877**	**1,104,890**	**1,104,890**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

31. SUPPLEMENTARY CASH FLOWS INFORMATION

		Year Ended December 31,	
	Note	**2020**	**2019**
ACTIVITIES NOT AFFECTING CASH FLOWS			
Acquisition of right of use assets through lease liabilities	10b	726,934	-
Acquisition of right of use assets through reclassification of long-term prepaid rent	10b,11a	425,675	-
Addition of advances for purchase of fixed assets through reclassification of long-term prepaid rent	11a	36,728	-
Addition of fixed assets through reclassification of long-term prepaid rent	10a,11a	20,328	-
Increase (decrease) in fair value of available-for-sale financial assets - net	8	6,348	(4,447)
Acquisition of right of use assets through reclassification of advances	10b	2,531	-
Acquisition of right of use assets through reclassification of prepaid expenses	10b	218	-
Addition of long-term prepaid rent through reclassification of fixed assets	10a,11a	-	(1,220)

32. EVENT AFTER REPORTING DATE

Government Regulation Number 35 Year 2021 - Job Creation Law

On February 2, 2021, the Government promulgated Government Regulation Number 35 Year 2021 (PP 35/2021) to implement the provisions of Article 81 and Article 185 (b) of Law No. 11/2020 concerning Job Creation (*Cipta Kerja*), which aims to create the widest possible employment opportunities.

PP 35/2021 regulates the work agreement for a certain period (non-permanent employees), outsourcing, working time, rest time and termination of employment, which can affect the minimum benefits that must be provided to employees.

As of the authorization date of these financial statements, the Company is still evaluating the potential impacts of PP 35/2021, including the impacts on the Company's financial statements for the next reporting period.

33. OTHER MATTER

COVID-19

The Company's operation has and may continue to be impacted by the outbreak of Covid-19 virus. The effects of Covid-19 virus to the global and Indonesian economy include effect to economic growth, decline in capital markets, increase in credit risk, depreciation of foreign currency exchange rates and disruption of business operation. The future effects of the outbreak of Covid-19 virus to Indonesia and the Company are unclear at this time. A significant rise in the number of Covid-19 virus infections or prolongation of the outbreak may affect Indonesia and the Company.

Nevertheless, after the financial statements date, management of the Company is of the opinion that the outbreak of the Covid-19 has impact to the operational activities of the Company.