PT Ramayana Lestari Sentosa Tbk

Financial statements as of December 31, 2017
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 AS OF DECEMBER 31, 2017 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, March 27, 2018

METERAI TEMPEL
ED86ZAEF833610514
6000
ENAM RIBU RUPIAH

Agus Makmur	Suryanto
President Director	Director

These financial statements are originally issued in the Indonesian language.

PT RAMAYANA LESTARI SENTOSA Tbk
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2017 AND
FOR THE YEAR THEN ENDED
WITH INDEPENDENT AUDITORS' REPORT

Table of Contents

	Page
Independent Auditors' Report	
Statement of Financial Position …………………………………………………………………………	1-2
Statement of Profit or Loss and Other Comprehensive Income ………………………………………	3
Statement of Changes in Equity …………………………………………………………………………	4
Statement of Cash Flows ………………………………………………………………………………	5
Notes to the Financial Statements ………………………………………………………………………..	6-50

****

Purwantono, Sungkoro & Surja

Indonesia Stock Exchange Building
Tower 2, 7th Floor
Jl. Jend. Sudirman Kav. 52-53
Jakarta 12190, Indonesia

Tel : +62 21 5289 5000
Fax: +62 21 5289 4100
ey.com/id

This report is originally issued in the Indonesian language.

Independent Auditors' Report

Report No. RPC-5956/PSS/2018

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, 2017, 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.

Independent Auditors' Report (continued)

Report No. RPC-5956/PSS/2018 (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, 2017, and its financial performance and cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards.

Purwantono, Sungkoro & Surja

Agung Purwanto
Public Accountant Registration No. AP.0687

March 27, 2018

PT RAMAYANA LESTARI SENTOSA Tbk
STATEMENT OF FINANCIAL POSITION
As of December 31, 2017
(Expressed in Millions of Rupiah, Unless Otherwise Stated)

	Notes	December 31, 2017	December 31, 2016
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2,4,26,28	751,901	603,750
Time deposits	2,5,26,28	1,279,068	1,156,855
Accounts receivable	28		
Trade	3		
Third parties	6	10,046	12,025
Others	26		
Related parties	2,23	16,807	5,295
Third parties	6	30,269	34,406
Short-term investments	2,7,28	127,509	68,148
Inventories	2,3,8,18,21	740,993	834,400
Prepaid expenses - net	2	6,323	7,149
Advances		29,208	16,038
Current portion of long-term prepaid rent - net	2 10a,19,23a,24	101,372	92,749
Total Current Assets		**3,093,496**	**2,830,815**
NON-CURRENT ASSETS			
Fixed assets - net	2,3,9,20	1,235,256	1,279,282
Long-term prepaid rent - net of current portion and impairment loss	2 10a,19,23a,24	452,372	454,652
Security deposits	2,10b,23b,28	30,602	29,241
Deferred tax assets - net	2,3,12	58,537	45,437
Intangible assets - net	2,3	14,669	2,040
Other non-current assets	2,28	6,990	5,542
Total Non-Current Assets		**1,798,426**	**1,816,194**
TOTAL ASSETS		**4,891,922**	**4,647,009**

PT RAMAYANA LESTARI SENTOSA Tbk
STATEMENT OF FINANCIAL POSITION (continued)
As of December 31, 2017
(Expressed in Millions of Rupiah, Unless Otherwise Stated)

	Notes	December 31, 2017	December 31, 2016
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable - third parties	2,27,28		
Trade	11	949,543	897,748
Others	26	6,878	6,442
Taxes payable	2,3,12	48,691	61,718
Accrued expenses	2,13,27,28	43,528	43,073
Total Current Liabilities		**1,048,640**	**1,008,981**
NON-CURRENT LIABILITIES			
Liabilities for employee benefits	2,3,14	348,937	300,629
Total Liabilities		**1,397,577**	**1,309,610**
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	15	354,800	354,800
Additional paid-in capital - net	2,12,15	132,494	132,494
Treasury share - 373,181,100 shares	2,15	(339,861)	(339,861)
Retained earnings:			
Appropriated		70,000	70,000
Unappropriated	16	3,341,608	3,177,049
Other comprehensive loss	7,14	(64,696)	(57,083)
Total Equity		**3,494,345**	**3,337,399**
TOTAL LIABILITIES AND EQUITY		**4,891,922**	**4,647,009**

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 PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
For the Year Ended December 31, 2017
(Expressed in Millions of Rupiah, Unless Otherwise Stated)

		Year Ended December 31	
	Notes	**2017**	**2016**
REVENUES	2		
Outright sales	17	4,786,508	5,092,752
Commission on consignment sales	17	836,220	764,285
Total Revenues	17	**5,622,728**	**5,857,037**
COST OF OUTRIGHT SALES	2,8,18	**(3,410,434)**	**(3,654,539)**
GROSS PROFIT		**2,212,294**	**2,202,498**
Selling expenses	2,10a,10b,19 23b,23c,23d,24	(379,456)	(408,190)
General and administrative expenses	2,9,14,20,23b	(1,476,485)	(1,436,917)
Other income	2,7,8,21	20,432	15,345
Other expenses	2,8,21	(1)	(4,582)
INCOME FROM OPERATIONS		**376,784**	**368,154**
Finance income	2	109,525	119,834
Tax on finance income		(19,717)	(22,923)
INCOME BEFORE INCOME TAX		**466,592**	**465,065**
Income tax expense - net	2,12	(60,012)	(56,586)
INCOME FOR THE YEAR		**406,580**	**408,479**
OTHER COMPREHENSIVE LOSS			
Items that may be reclassified to profit or loss:			
Changes in fair value of available-for-sale financial assets	2	5,380	(329)
Related income tax		(1,345)	82
Items that will not be reclassified to profit or loss:			
Remeasurement of loss on liabilities for employee benefits	14	(15,532)	(12,025)
Related income tax		3,884	3,008
OTHER COMPREHENSIVE LOSS FOR THE YEAR AFTER TAX		**(7,613)**	**(9,264)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**398,967**	**399,215**
EARNINGS PER SHARE (full amount)	2,22	**60.48**	**60.02**

PT RAMAYANA LESTARI SENTOSA Tbk
STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2017
(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 of gain (loss) on liabilities for employee benefits - net	
Balance as of December 31, 2015		**354,800**	**117,570**	**(135,846)**	**70,000**	**2,975,099**	**(10,171)**	**(37,648)**	**3,333,804**
Acquisition of treasury shares	15	-	-	(204,015)	-	-	-	-	(204,015)
Other additional paid-in capital	12,15	-	14,924	-	-	-	-	-	14,924
Total comprehensive income for the year		-	-	-	-	408,479	(247)	(9,017)	399,215
Cash dividend	16	-	-	-	-	(206,529)	-	-	(206,529)
Balance as of December 31, 2016		**354,800**	**132,494**	**(339,861)**	**70,000**	**3,177,049**	**(10,418)**	**(46,665)**	**3,337,399**
Total comprehensive income for the year		-	-	-	-	406,580	4,035	(11,648)	398,967
Cash dividend	16	-	-	-	-	(242,021)	-	-	(242,021)
Balance as of December 31, 2017		**354,800**	**132,494**	**(339,861)**	**70,000**	**3,341,608**	**(6,383)**	**(58,313)**	**3,494,345**

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, 2017
(Expressed in Millions of Rupiah, Unless Otherwise Stated)

		Year Ended December 31	
	Notes	**2017**	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from sales		8,153,381	8,228,775
Cash payments to suppliers		(6,680,906)	(6,926,921)
Cash payments for salaries and employee welfare		(638,880)	(601,254)
Payments for income taxes		(89,588)	(34,894)
Cash receipts from (cash payments for):			
Finance income - net		89,095	97,947
Other operating activities		18,477	(4,529)
Net Cash Provided by Operating Activities		**851,579**	**759,124**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of fixed assets	9	992	330
Additions in security deposits		(2,435)	(882)
Additions in intangible assets		(14,130)	(2,076)
Placement of short-term investments	7	(53,979)	(68,360)
Placement of time deposits - net		(122,212)	(172,852)
Additions in long-term rent	10a	(129,499)	(224,821)
Additions in fixed assets	9,29	(140,144)	(120,422)
Net Cash Used in Investing Activities		**(461,407)**	**(589,083)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of cash dividend	16	(242,021)	(206,529)
Acquisition of treasury shares	15	-	(204,015)
Net Cash Used in Financing Activities		**(242,021)**	**(410,544)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**148,151**	**(240,503)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4	603,750	844,253
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	**751,901**	**603,750**

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

(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 store and supermarket. In 2017, the Company closed three (3) stores and opened six (6) new stores. As of December 31, 2017 and 2016, the number of stores operated by the Company are as follows:

	December 31, 2017	December 31, 2016
Ramayana	107	104
Robinson	7	7
Cahaya	2	2

On December 31, 2017 and 2016, the above stores include 22 and 23 supermarkets under the Spar name. 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 58.98% ownership in the Company.

b. 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. 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.

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, 2017 and 2016, 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
Muhammad Iqbal	- Commissioner	Suryanto	- Director
Kismanto	- Commissioner	Gantang Nitipranatio	- Director
Koh Boon Kim	- Independent Commissioner	Muhamad Yani	- Director
Selamat	- Independent Commissioner	Halomoan Hutabarat	- Director

As of December 31, 2017 and 2016, the composition of the Audit Committee are as follows:

Chairman:	- Selamat
Members:	- Ruddy Hermawan Wongso
	- Tonang Sendjaja

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, 2017 and 2016, the Company has 9,352 and 10,407 employees, respectively (unaudited).

The Company's financial statements were completed and authorized for issuance by the Company's Board of Directors on March 27, 2018.

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 (Revised 2014), "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.

b. 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.

c. Transactions with Related Parties

The Company has transactions with related parties as defined in PSAK 7 (Revised 2015).

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.

d. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. 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 equipment	4 - 8
Transportation equipment	4
Office equipment	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 de-recognition 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Intangible Asset

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 4 (four) years.

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

g. 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.

h. Leases

The Company adopted PSAK 30 (Revised 2014), "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.

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 current year operation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Leases (continued)

Finance Lease - as Lessee (continued)

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 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.

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.

i. Prepaid Expenses

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 one (1) year is presented as “Current Portion of Long-term Prepaid Rent - net” 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 and Impairment Loss” account in the statement of financial position.

j. Financial Instruments

<u>Financial Assets</u>

The Company’s financial assets include cash and cash equivalents, time deposits, accounts receivable - trade, accounts receivable - others, security deposits 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Financial Instruments (continued)

Financial Assets (continued)

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 assesses at each reporting date whether there is any objective evidence that a financial asset or a group 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 group 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.

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 group 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Financial Instruments (continued)

Financial Liabilities

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

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 costs in the statement of profit or loss and other comprehensive income.

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 de-recognition 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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).

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.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Foreign Currency Transactions and Balances (continued)

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, 2017 and 2016. Resulting gains or losses are credited or charged to operations of the current year.

As of December 31, 2017 and 2016, the exchange rates used are as follows (full amount):

	December 31, 2017	December 31, 2016
United States Dollar	13,548	13,436
Singapore Dollar	10,134	9,299

n. Recognition of Revenues and Expenses

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Taxation (continued)

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.

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-group balances and intra-group transactions are eliminated.

q. Earnings per Share (“EPS”)

Earnings per share is computed based on the weighted average number of issued and fully paid shares during the year.

The weighted-average number of shares outstanding for 2017 and 2016 are 6,722,818,900 shares and 6,805,564,499 shares, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 consideration, if reissued, is recognized as part of additional paid-in capital in the equity.

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 2017 financial statements:

i. PSAK 71: Financial Instruments, adopted from IFRS 9, effective January 1, 2020 with earlier application is permitted.

   This PSAK provides for classification and measurement of financial instruments based on the characteristics of contractual cash flows and business model of the entity; expected credit loss impairment model that resulting information more timely, relevant and understandable to users of financial statements; accounting for hedging that reflect the entity's risk management better by introduce a more general requirements based on management's judgment.

ii. PSAK 72: Revenue from Contracts with Customers, adopted from IFRS 15, effective January 1, 2020 with earlier application is permitted.

   This PSAK is a single standards that a joint project between the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB), provides revenue recognition from contracts with customers, and the entity is expected to have analizing before recognizing the revenue.

iii. PSAK 73: Leases, adopted from IFRS 16, effective January 1, 2020 with earlier application is permitted, but not before an entity applies PSAK 72: Revenue from Contracts with Customers

   This PSAK establish the principles of recognition, measurement, presentation, and disclosure of the lease by introducing a single accounting model, with the requirement to recognize the right-of-use assets and liability of the lease; there are 2 optional exclusions in the recognition of the lease assets and liabilities: (i) short-term lease and (ii) lease with low-value underlying assets.

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 2017 financial statements: (continued)

iv. Amandemen PSAK 2: Statement of Cash Flows on the Disclosures Initiative, effective January 1, 2018 with earlier application is permitted.

This amendments requires entities to provide disclosures that enable the financial statements users to evaluate the changes in liabilities arising from financing activities, including changes from cash flow and non-cash.

v. Amandemen PSAK 46: Income Taxes on the Recognition of Deferred Tax Assets for Unrealized Losses, effective January 1, 2018 with earlier application is permitted.

This amendments clarifies that to determine whether the taxable income will be available so that the deductible temporary differences can be utilized; estimates of the most likely future taxable income can include recovery of certain assets of the entity exceeds its carrying amount.

At the issuance of these financial statements, the Company is still evaluating the potential impact of these new and revised standards to the Company's financial statements.

3. SOURCE OF ESTIMATION UNCERTAINTY

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting 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>Leases</u>

The Company has several leases whereas the Company act as lessee in respect of rental of land and spaces for warehouses and stores. The Company evaluates whether significant risks and rewards of ownership of the leased assets are transferred based on PSAK 30 (Revised 2014), "Leases", which requires the Company to make judgment and estimates of the transfer of risks and rewards related to the ownership of asset. Based on the review performed by the Company for the current rental agreement, accordingly, the rent transactions were classified as operating lease.

The Company entered into agreement where the Company acts as lessor to rent space at the stores. The Company has determined, based on evaluating term and condition of agreements, that all risks and rewards of ownership of the rented space at the store are not transferred, accordingly the Company records the rent transaction as operating lease.

3. SOURCE OF ESTIMATION UNCERTAINTY (continued)

<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 55 (Revised 2014). Accordingly, the financial assets and financial liabilities are accounted for in accordance with the Company's accounting policies disclosed in Note 2j.

<u>Allowance for Impairment of Trade Receivables</u>

The Company evaluates specific accounts where it has information that certain customers are unable to meet their financial obligations. In these cases, the Company uses judgment, based on the best available facts and circumstances, including but not limited to the length of its relationship with the customer and the customer's current credit status based on third party credit reports and known market factors, to record specific provisions for customers against amounts due to reduce its receivable amounts that the Company expects to collect. These specific provisions are re-evaluated and adjusted as additional information received affects the amounts of allowance for impairment of trade receivables.

These specific allowance are re-evaluated and adjusted as additional information received affects the amounts of allowance for impairment of trade receivable. As of December 31, 2017 and 2016, the Company's management believes that all trade receivables are collectible and therefore no allowance for impairment loss is needed. Further details on trade receivables are disclosed in Note 6.

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>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.

3. SOURCE OF ESTIMATION UNCERTAINTY (continued)

Estimates and Assumptions (continued)

Impairment of Non-financial Assets (continued)

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.

Management believes that there is no event or change in circumstances that may indicate any impairment in the value of its non-financial assets as of December 31, 2017 and 2016.

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.

The net carrying amount of the Company's liabilities for employee benefits as of December 31, 2017 and 2016 was Rp348,937 and Rp300,629, respectively. Further details on employee benefits are disclosed in Note 14.

Depreciation of Fixed Assets and Amortization of Intangible Assets

The costs of fixed assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these fixed assets to be within 4 to 20 years. These are common life expectancies applied in the industry where the Company conducts its business. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised. The net carrying amount of the Company's fixed assets amounting to Rp1,235,256 and Rp1,279,282 as of December 31, 2017 and 2016, respectively. Further details are disclosed in Note 9.

The costs of intangible asset are amortized on a straight-line basis over their estimated useful lives within 4. These are common life expectancies applied in the industry where the Company conducts its business. The net carrying amount of the Company's intangible asset amounting to Rp14,669 and Rp2,040 as of December 31, 2017 and 2016, respectively.

3. SOURCE OF ESTIMATION UNCERTAINTY (continued)

Estimates and Assumptions (continued)

Income Tax

The Company recognizes liabilities for corporate income tax based on estimation of whether additional corporate income tax will be due. The net carrying amount of the Company's corporate income tax payable amounting to Rp11,808 and Rp28,719 as of December 31, 2017 and 2016, respectively. Further details are disclosed in Note 12.

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.

The carrying amount of deferred tax assets - net of the Company amounting to Rp58,537 and Rp45,437 as of December 31, 2017 and 2016, respectively. Further details are disclosed in Note 12.

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 as additional information received affects the amount estimated.

The carrying amount of the Company's inventories before allowance for obsolescence and decline in value amounting to Rp740,993 and Rp834,400 as of December 31, 2017 and 2016, respectively. Further details are disclosed in Note 8.

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 (Revised 2014), "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.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	December 31, 2017	December 31, 2016
Cash on hand	23,646	22,308
Cash in banks - third parties:		
Rupiah		
PT Bank Danamon Indonesia Tbk	202,883	151,863
PT Bank Negara Indonesia (Persero) Tbk	138,845	113,109
Citibank N.A., Indonesia Branch	49,253	49,551
PT Bank Central Asia Tbk	42,837	32,919
PT Bank Mandiri (Persero) Tbk	17,854	10,073
PT Bank Rakyat Indonesia (Persero) Tbk	10,144	6,137
Deutsche Bank AG, Jakarta Branch	8,652	177
PT Bank DKI	2,051	4,469
PT Bank CIMB Niaga Tbk	1,193	1,324
PT Bank Maybank Indonesia Tbk	442	1,458
PT Bank Permata Tbk	12	362
United States Dollar		
Deutsche Bank AG, Jakarta Branch (US$213,253 as of December 31, 2017 and US$208,418 as of December 31, 2016)	2,889	2,800
Sub-total	477,055	374,242
Cash equivalents (time deposits and on call deposits) - third parties:		
Rupiah		
PT Bank Maybank Indonesia Tbk	110,400	-
PT Bank Negara Indonesia (Persero) Tbk	63,200	15,000
PT Bank DKI	50,000	30,000
PT Bank Central Asia Tbk	22,800	50,000
Citibank N.A., Indonesia Branch	4,800	-
PT Bank Bukopin Tbk	-	50,300
PT Bank Rakyat Indonesia (Persero) Tbk	-	23,000
PT Bank CIMB Niaga Tbk	-	20,000
PT Bank Danamon Indonesia Tbk	-	14,400
Deutsche Bank AG, Jakarta Branch	-	4,500
Sub-total	251,200	207,200
Total	**751,901**	**603,750**

Annual interest rates for time deposits and on call deposits ranged from 3.10% to 7.50% and 2.50% to 7.50% for the years ended December 31, 2017 and 2016, respectively.

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

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

5. TIME DEPOSITS

This account represents Rupiah and United States Dollar time deposits which placed at the following third parties banks:

	December 31, 2017	December 31, 2016
Rupiah		
PT Bank Rakyat Indonesia (Persero) Tbk	383,600	379,500
PT Bank Danamon Indonesia Tbk	337,300	159,300
PT Bank CIMB Niaga Tbk	195,900	66,400
PT Bank Maybank Indonesia Tbk	112,300	310,100
PT Bank Bukopin Tbk	89,200	53,800
Deutsche Bank AG, Jakarta Branch	-	30,000
United States Dollar		
Credit Suisse AG, Singapore Branch (US$7,581,505 as of December 31, 2017 and US$7,499,578 as of December 31, 2016)	102,714	100,764
UBS AG, Singapore Branch (US$4,285,062 as of December 31, 2017 and US$4,241,663 as of December 31, 2016)	58,054	56,991
Total	**1,279,068**	**1,156,855**

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	
	2017	2016
Rupiah	6.00% - 7.00%	6.75% - 7.50%
United States Dollar	1.09% - 1.45%	0.60% - 0.80%

There were no time deposits placed to a related party.

6. ACCOUNTS RECEIVABLE - TRADE AND OTHERS - THIRD PARTIES

Accounts receivable - trade - third parties represents receivables from banks for purchase payments made by the customers for using credit cards with details as follows:

	31 Desember 2017	31 Desember 2016
Rupiah		
PT Bank Central Asia Tbk	6,751	7,786
PT Bank Negara Indonesia (Persero) Tbk	1,359	707
PT Bank Mandiri (Persero) Tbk	1,183	1,059
PT Bank Rakyat Indonesia (Persero) Tbk	401	201
PT Bank DKI	345	2,265
PT Bank CIMB Niaga Tbk	7	7
Total	**10,046**	**12,025**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

6. ACCOUNTS RECEIVABLE - TRADE AND OTHERS - THIRD PARTIES (continued)

Accounts receivable - others - third parties represents receivables from rent income, promotion replacement and rebate. All receivables are denominated in Rupiah. All receivables are in current category and are not impaired. Based on the review of the possibility of impairment at the end of the year, management believes that no allowance for impairment loss is needed to cover the possibility of impairment.

7. SHORT-TERM INVESTMENTS

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

	31 Desember 2017	31 Desember 2016
Debt securities - third parties:		
Rupiah		
Obligasi Subordinasi Berkelanjutan II Bank Maybank Indonesia Tahap II Tahun 2016	26,175	24,750
Obligasi Berkelanjutan I Summarecon Agung Tahap I Tahun 2013	18,454	18,045
Obligasi Berkelanjutan I Bank Mandiri Tahap II Tahun 2017 Seri A	10,485	-
Obligasi Indofood Sukses Makmur VIII Tahun 2017	10,465	-
Obligasi Berkelanjutan III Astra Sedaya Finance Tahap III Tahun 2017	10,330	-
Sukuk Ijarah II TPS Food Tahun 2016	10,150	10,000
Obligasi Berkelanjutan I Antam Tahun 2011	10,082	9,950
Obligasi Berkelanjutan II Adhi Karya Tahap I Tahun 2017	9,976	-
Obligasi Berkelanjutan II Indosat Tahap I Tahun 2017 Seri B	7,102	-
Obligasi Subordinasi Berkelanjutan I Bank UOB Indonesia Tahap II Tahun 2017	7,001	-
Obligasi Sukuk Mudharabah Subordinasi I Bank BRI Syariah Tahun 2016	5,075	5,000
Dolar Amerika Serikat		
BLT Finance B.V. Guaranteed Senior Notes US$30,000 pada 31 Desember 2016)	-	403
Share securities - third parties		
Rupiah		
Saham PT Berlian Laju Tanker Tbk	2,214	-
Total	**127,509**	**68,148**

On January 2017, the debt securities of BLT Finance were amounting to Rp403 has been converted into share securities amounting to 11,294,148 shares with a price of Rp706 at the conversion date.

Total nominal values of the debt securities in United States Dollar were amounting to US$1,000,000 or equal to Rp13,436 as of December 31, 2016. As of December 31, 2016, total nominal values in Rupiah amounting to Rp68,000.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

7. SHORT-TERM INVESTMENTS (continued)

In 2017 and 2016, annual interest rates of debt securities are as follows:

	Year Ended December 31	
	2017	**2016**
Rupiah	8.00% - 10.85%	9.05% - 10.85%
United States Dollar	-	3.00%

In 2017 and 2016, the Company has buy short-term investments amounting to Rp53,979 and Rp68,360, respectively. Up to December 31, 2017, all of these short-term investments are not yet realized. As of December 31, 2017 and 2016 changes in fair value of available for sale financial assets, net of deferred tax, resulted unrealized loss were amounting to Rp6,383 and Rp10,418, respectively, which were presented as part of "Other Comprehensive Loss" account in the equity section of the statement of financial position.

Based on PT Pemeringkat Efek Indonesia, securities rating agency, as of December 31, 2017 and 2016, the ratings of the bonds are as follows:

	31 Desember 2017	**31 Desember 2016**
Obligasi Subordinasi Berkelanjutan II Bank Maybank Indonesia Tahap II Tahun 2016	AA	AA+
Obligasi Berkelanjutan I Summarecon Agung Tahap I Tahun 2013	A+	A+
Obligasi Berkelanjutan I Bank Mandiri Tahap II Tahun 2017 Seri A	AAA	-
Obligasi Indofood Sukses Makmur VIII Tahun 2017	AA+	-
Obligasi Berkelanjutan III Astra Sedaya Finance Tahap III Tahun 2017	AA	-
Sukuk Ijarah II TPS Food Tahun 2016	BBB	A
Obligasi Berkelanjutan I Antam Tahun 2011	BBB+	BBB+
Obligasi Berkelanjutan II Adhi Karya Tahap I Tahun 2017	A-	-
Obligasi Berkelanjutan II Indosat Tahap I Tahun 2017 Seri	AAA	-
Obligasi Subordinasi Berkelanjutan I Bank UOB Indonesia Tahap II Tahun 2017	AA	-
Obligasi Sukuk Mudharabah Subordinasi I Bank BRI Syariah Tahun 2016	AA+	A+
BLT Finance B.V. Guaranteed Senior Notes	-	RR5

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

8. INVENTORIES

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

	December 31, 2017	December 31, 2016
West Java	225,732	245,003
Jakarta	173,887	162,229
Sumatera	120,553	151,435
East Java	52,799	69,029
Kalimantan	51,329	64,853
Bali and Nusa Tenggara	38,920	43,044
Sulawesi	30,468	38,329
Central Java	26,128	35,203
Papua	21,177	25,275
Total (Note 18)	**740,993**	**834,400**

The above inventories are covered by insurance against losses from fire, damage, natural disasters, riots and other risks amounting to Rp704,047 as of December 31, 2017 (2016: Rp699,327), which in the opinion of the Company's management is adequate to cover possible losses arising from such risks. As of December 31, 2017 and 2016, there are no inventories pledged as collateral.

Based on the review of the condition of inventories at the end of the year, management assesses that there are no indications for decline in value for above inventories.

In 2017, there was fire accident in one of the Company's store that resulted in losses on inventories amounting to Rp7,124 and fixed assets amounting to Rp419 (Note 9), respectively. Currently, the Company is still in the process of resubmission of the insurance claims and still could not yet determined the total compensation.

In 2016, there were fire accidents in several of the Company's stores that resulted in losses of inventories amounting to Rp6,093 and fixed assets amounting to Rp1,837 (Note 9). In 2016, for the losses of inventories and fixed assets amounting to Rp3,095, the Company has received compensation from insurance claim amounting to Rp5,858. In 2017, for the losses of inventories and fixed assets amounting to Rp4,835, the Company has received compensation from insurance claim amounting to Rp14,915.

In 2017 and 2016, the Company has received reimbursement from insurance claim amounting to Rp4,050 dan Rp14,597, respectively, for losses of inventories and fixed assets incurred in 2015.

The net gain from these fire incidents in 2017 and 2016 amounting to Rp11,422 and Rp12,525, respectively, which were recorded as part of "Other Income" in the statement of profit or loss and other comprehensive income (Note 21).

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

9. FIXED ASSETS

Fixed assets consists of:

	Year Ended December 31, 2017				
	Beginning Balance	**Additions**	**Deductions**	**Reclassification**	**Ending Balance**
Cost					
Land	367,723	-	-	-	367,723
Buildings	885,708	-	-	-	885,708
Building renovations and improvements	1,082,583	19,913	2,672	54,084	1,153,908
Store equipment	779,343	24,941	729	32,028	835,583
Transportation equipment	50,572	3,235	1,852	-	51,955
Office equipment	80,484	2,066	11	-	82,539
Sub-total	3,246,413	50,155	5,264	86,112	3,377,416
Construction in Progress					
Building renovations and improvements	42,052	66,036	-	(54,084)	54,004
Store equipment	27,060	23,953	-	(32,028)	18,985
Office equipment	190	-	-	-	190
Sub-total	69,302	89,989	-	(86,112)	73,179
Total Cost	3,315,715	140,144	5,264	-	3,450,595
Accumulated Depreciation					
Buildings	433,243	42,863	-	-	476,106
Building renovations and improvements	830,934	86,541	2,299	-	915,176
Store equipment	663,805	44,735	627	-	707,913
Transportation equipment	44,401	3,212	1,852	-	45,761
Office equipment	64,050	6,333	-	-	70,383
Total Accumulated Depreciation	2,036,433	183,684	4,778	-	2,215,339
Net Book Value	**1,279,282**				**1,235,256**

	Year Ended December 31, 2016				
	Beginning Balance	**Additions**	**Deductions**	**Reclassification**	**Ending Balance**
Cost					
Land	367,723	-	-	-	367,723
Buildings	870,784	14,924	-	-	885,708
Building renovations and improvements	1,013,038	17,515	13,619	65,649	1,082,583
Store equipment	745,277	18,734	2,425	17,757	779,343
Transportation equipment	49,702	3,925	3,055	-	50,572
Office equipment	73,951	5,993	-	540	80,484
Sub-total	3,120,475	61,091	19,099	83,946	3,246,413
Construction in Progress					
Building renovations and improvements	58,118	49,924	341	(65,649)	42,052
Store equipment	20,505	24,331	19	(17,757)	27,060
Office equipment	730	-	-	(540)	190
Sub-total	79,353	74,255	360	(83,946)	69,302
Total Cost	3,199,828	135,346	19,459	-	3,315,715
Accumulated Depreciation					
Buildings	390,016	43,227	-	-	433,243
Building renovations and improvements	757,443	86,443	12,952	-	830,934
Store equipment	617,680	47,400	1,275	-	663,805
Transportation equipment	43,755	3,274	2,628	-	44,401
Office equipment	57,707	6,343	-	-	64,050
Total Accumulated Depreciation	1,866,601	186,687	16,855	-	2,036,433
Net Book Value	**1,333,227**				**1,279,282**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

9. FIXED ASSETS (continued)

Depreciation charged to general and administrative expenses were amounting to Rp183,684 in 2017 and Rp186,687 in 2016 (Note 20).

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

	Year Ended December 31	
	2017	**2016**
Proceeds from sales	992	330
Net book value	-	-
Gain on disposal of fixed assets	**992**	**330**

Gain on disposal of fixed assets is presented as part of "Other Income - Others - Net". In 2017 and 2016, the Company has written off fixed asset and construction in progress amounting to Rp67 and Rp767, respectively.

As a result of fire accidents in several of the Company's stores in 2017 and 2016, the Company suffered losses on fixed assets amounting to Rp419 and Rp1,837, respectively (Note 8).

Land under Building Usage Right ("HGB") status owned by the Company is located in several cities in Indonesia. These HGBs will expire on various dates from 2018 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, 2017 and 2016 are Rp727,093 and Rp720,088 that has been determined based on the Tax Office's sale value of tax objects ("NJOP").

The details of constructions in progress are as follows:

December 31, 2017	**Estimated Percentage of Completion from Financial Point of View**	**Accumulated Costs**	**Estimated Completion**
Building renovations and improvements	10-90%	54,004	Year 2018
Store equipment	10-90%	18,985	Year 2018
Office equipment	10-80%	190	Year 2018
Total		**73,179**	

December 31, 2016	**Estimated Percentage of Completion from Financial Point of View**	**Accumulated Costs**	**Estimated Completion**
Building renovations and improvements	10-93%	42,052	Year 2017
Store equipment	10-93%	27,060	Year 2017
Office equipment	10-80%	190	Year 2017
Total		**69,302**	

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

9. FIXED ASSETS (continued)

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 Rp2,476,134 as of December 31, 2017 and Rp2,449,419 as of December 31, 2016, which in the opinion of the Company's management is adequate to cover possible losses arising from such risks.

As of December 31, 2017 and 2016, 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, 2017 and 2016, there were no fixed assets pledged as collateral.

10. 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 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 25 years.

The details of long-term prepaid rent as of December 31, 2017 and 2016 are as follows:

	December 31, 2017	**December 31, 2016**
Contract value		
PT Jakarta Intiland, a related party	459,228	496,650
Third parties	461,881	441,956
Total	921,109	938,606
Less accumulated amortization	(358,365)	(382,205)
Unamortized portion	562,744	556,401
Less:		
Impairment loss	(9,000)	(9,000)
Current portion	(101,372)	(92,749)
Long-term portion	**452,372**	**454,652**

The outstanding balance of long-term prepaid rent with related party amounting to Rp280,085 and Rp282,655 as of December 31, 2017 and 2016, respectively, or representing 5.73% and 6.08% of total assets, respectively (Note 23a).

Total additions of long-term prepaid rent in 2017 and 2016 amounting to Rp129,499 and Rp224,821, respectively.

Amortization of long-term prepaid rent charged to operations amounting to Rp123,156 in 2017 and Rp135,320 in 2016 (Note 19).

As of December 31, 2017, store and warehouse long-term rent agreements with JIL cover 40 locations (December 31, 2016: 44 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, 2017, these agreements will expire at various dates from 2018 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 2017 amounting to Rp70,860. In 2016, there was addition of long-term prepaid rent to JIL amounting to Rp193,863.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

10. LONG-TERM PREPAID RENT (continued)

(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 2017 and 2016 were amounting to Rp240,569 and Rp228,238, respectively, including rental with a related party of Rp166,517 and Rp138,630, respectively, or representing 43.88% and 33.96% 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 19). As of December 31, 2017 and 2016, the outstanding refundable security deposits paid by the Company to JIL amounting to Rp2,905 or representing 0.06% of total assets, are presented as part of "Security Deposits" account in the statement of financial position (Note 23b).

11. 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, 2017	**December 31, 2016**
Current	899,199	861,084
1 - 2 months	9,065	4,376
More than 2 months	41,279	32,288
Total	**949,543**	**897,748**

As of December 31, 2017 and 2016, there was no collateral provided by the Company for the accounts payable - trade stated above.

12. TAXATION

Taxes payable consists of:

	December 31, 2017	**December 31, 2016**
Income taxes:		
Article 4 (2)	4,777	9,272
Article 21	1,149	786
Article 23	776	857
Article 25	-	2,104
Article 26	60	77
Article 29	11,808	28,719
Value Added Tax - net	30,121	19,903
Total	48,691	61,718

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

12. 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, 2017 and 2016 are presented as follows:

	Year Ended December 31	
	2017	**2016**
Income before income tax as shown in the statement of profit or loss and other comprehensive income	466,592	465,065
Temporary differences:		
Provision for liabilities for employee benefits	32,777	8,396
Depreciation of fixed assets	6,373	10,649
Amortization of long-term prepaid rent	2,272	17,516
Amortization of prepaid expenses	826	(994)
Permanent differences:		
Employee welfare	7,829	3,041
Donations and entertainment	7,091	4,214
Business trip	1,492	2,366
Others	540	810
Income already subjected to final tax:		
Interest	(87,938)	(95,907)
Rent	(155,558)	(153,244)
Taxable income	**282,296**	**261,912**
Total income tax expense - current	**70,574**	**65,478**
Income tax expense (benefit) - deferred		
Amortization of prepaid expenses	(207)	249
Amortization of prepaid long-term rent	(568)	(4,379)
Depreciation of fixed assets	(1,593)	(2,663)
Provision for liabilities for employee benefits - net	(8,194)	(2,099)
Income tax benefit - deferred - net	**(10,562)**	**(8,892)**
Income tax expense - net	**60,012**	**56,586**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

12. TAXATION (continued)

The Company will report its 2017 Annual Income Tax Return ("SPT") based on the abovementioned calculation. The Company's estimated taxable income for the year ended December 31, 2016 was consistent with the Annual Income Tax Return as reported to the Tax Office.

The computation of income tax payable - Article 29 are as follows:

	December 31, 2017	December 31, 2016
Income tax expense - current	70,574	65,478
Prepayments of income taxes:		
Article 22	6	8
Article 23	7,835	6,293
Article 25	50,925	30,458
Total	58,766	36,759
Income tax payable - Article 29	**11,808**	**28,719**

For the 2017 and 2016 corporate income tax calculation, tax rate applied is 25%.

The reconciliation between income tax computed by using applicable tax rate from income before income tax, with income tax expense as shown in the statement of profit or loss and other comprehensive income for the years ended December 31, 2017 and 2016 are as follows:

	Year Ended December 31	
	2017	2016
Income before income tax as shown in the statement of profit or loss and other comprehensive income	466,592	465,065
Income tax expense at applicable tax rate	116,648	116,266
Tax effect of permanent differences:		
Donations and entertainment	1,773	1,053
Employee welfare	1,957	760
Business trip	373	592
Others	135	203
Income already subjected to final tax:		
Interest	(21,985)	(23,977)
Rent	(38,889)	(38,311)
Income tax expense - net	**60,012**	**56,586**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

12. TAXATION (continued)

The deferred tax assets and liabilities as of December 31, 2017, and 2016 are as follows:

	December 31, 2017	December 31, 2016
Deferred tax assets on:		
Liabilities for employee benefits	87,234	75,157
Unrealized loss on available-for-sale financial assets	2,127	3,472
Total	89,361	78,629
Deferred tax liabilities on:		
Fixed assets	(19,922)	(21,516)
Long-term rent	(9,321)	(9,889)
Prepaid expenses	(1,581)	(1,787)
Total	(30,824)	(33,192)
Deferred tax assets - net	**58,537**	**45,437**

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

In 2016, the Company participated in tax amnesty program by declaring additional new fixed assets amounting to Rp14,924 and paid the redemption amounting to Rp298.

13. ACCRUED EXPENSES

Accrued expenses consist of :

	December 31, 2017	December 31, 2016
Electricity and energy	22,999	21,459
Maintenance and repair	6,276	2,367
Store supplies	3,281	1,161
Rent	2,914	14,370
Promotion	1,950	170
Others	6,108	3,546
Total	**43,528**	**43,073**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

14. LIABILITIES FOR EMPLOYEE BENEFITS

The Company recognized liabilities for employee benefits amounting to Rp348,937 and Rp300,629 as of December 31, 2017 and 2016, respectively, presented in “Liabilities for Employee Benefits” account in the statement of financial position. The related expenses amounting to Rp71,640 and Rp47,644 in 2017 and 2016, respectively, are presented as part of “General and Administrative Expenses - Salaries and Employee Welfare” account in the statement of profit or loss and other comprehensive income (Note 20). The liabilities for employee benefits were determined based on actuarial valuations performed by PT Dayamandiri Dharmakonsilindo, an independent actuary, based on its reports dated December 6, 2017.

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

	December 31, 2017	December 31, 2016
Discount rate	7.30% per year	8.4% per year
Salary increase rate	7% per year	7% per year
Pension age	55 years old	55 years old
Mortality rate	TMI 2011	TMI 2011

The benefits expense are as follows:

	Year Ended December 31	
	2017	2016
Excess of benefits payments	27,304	27,271
Interest cost	23,439	23,800
Current service cost	20,351	21,156
Adjustment for new employees	546	532
Past service cost of curtailment	-	(25,115)
Total	**71,640**	**47,644**

Movements in the present value of defined benefit obligation as of December 31, 2017 and 2016 are as follows:

	Year Ended December 31	
	2017	2016
Balance at beginning of year	300,629	280,210
Current service cost	20,351	21,156
Past service cost of curtailment	-	(25,115)
Interest cost	23,439	23,800
Provision of excess benefit payment	27,304	27,271
Benefits payments during the year	(11,560)	(11,977)
Excess of benefits payments during the year	(27,304)	(27,271)
Adjustment for new employees	546	532
Remeasurement of present value of defined benefit obligation:		
Loss (gain) from changes in financial assumption	35,558	(9,150)
Loss (gain) from experience adjustments	(20,026)	21,173
Balance at end of year	**348,937**	**300,629**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

14. LIABILITIES FOR EMPLOYEE BENEFITS (continued)

The movements in the liabilities for employee benefits for the years ended December 31, 2017 and 2016 are as follows:

	Year Ended December 31	
	2017	**2016**
Balance at beginning of year	300,629	280,210
Provision during the year	71,640	47,644
Payment during the year	(11,560)	(11,977)
Provision of excess benefit payment	(27,304)	(27,273)
Other comprehensive loss	15,532	12,025
Balance at end of year	**348,937**	**300,629**

Mutation of other comprehensive loss for the years ended December 31, 2017 and 2016 are as follows:

	Year Ended December 31	
	2017	**2016**
Balance at beginning of year	62,222	50,197
Loss in current year	15,532	12,025
Balance at end of year	**77,754**	**62,222**

The amounts of experience adjustments arising on liabilities for the years ended December 31, 2017 and 2016 are as follows:

	December 31, 2017	**December 31, 2016**
Present value of defined benefit obligation	348,937	300,629
Experience adjustments on liability	(20,026)	21,173

As of December 31, 2017, 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%	(30,310)	1%	34,960
Decrease	(1%)	35,197	(1%)	(30,647)

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

14. LIABILITIES FOR EMPLOYEE BENEFITS (continued)

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

	Year Ended December 31	
	2017	**2016**
Within the next 12 months	42,651	43,193
Between 1 and 2 years	12,349	12,245
Between 2 and 5 years	48,911	42,459
Beyond 5 years	523,126	437,863
Total	**627,037**	**535,760**

15. SHARE CAPITAL, ADDITIONAL PAID-IN CAPITAL - NET AND TREASURY SHARES

Share Capital

The shareholders and their share ownership as of December 31, 2017 and 2016 are as follows:

December 31, 2017			
Shareholders	**Number of Shares Issued and Fully Paid**	**Percentage of Ownership**	**Amount**
PT Ramayana Makmursentosa	3,965,000,000	58.98%	198,250
DB Spore DCS A/C Ntasian Discovery Master Fund	433,243,600	6.44%	21,662
Agus Makmur (President Director)	302,500,000	4.50%	15,125
Paulus Tumewu (President Commissioner)	260,000,000	3.87%	13,000
Public (below 5% ownership each)	1,762,075,300	26.21%	88,104
Sub-total	**6,722,818,900**	**100.00%**	**336,141**
Treasury shares	373,181,100		18,659
Total	**7,096,000,000**		**354,800**

December 31, 2016			
Shareholders	**Number of Shares Issued and Fully Paid**	**Percentage of Ownership**	**Amount**
PT Ramayana Makmursentosa	3,965,000,000	58.98%	198,250
HSBC-Fund Services, Cayman Island	396,740,800	5.90%	19,837
Agus Makmur (President Director)	304,500,000	4.53%	15,225
Paulus Tumewu (President Commissioner)	260,000,000	3.87%	13,000
Public (below 5% ownership each)	1,796,578,100	26.72%	89,829
Sub-total	**6,722,818,900**	**100.00%**	**336,141**
Treasury shares	373,181,100		18,659
Total	**7,096,000,000**		**354,800**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

15. SHARE CAPITAL, ADDITIONAL PAID-IN CAPITAL - NET AND TREASURY SHARES (continued)

Additional Paid-in Capital - Net

	December 31, 2017	December 31, 2016
Balance at beginning of year	132,494	117,570
Addition during the year (Note 12)	-	14,924
Balance at end of year	**132,494**	**132,494**

Treasury Shares

Based on Extraordinary General Meeting of Shareholders, the shareholders approved among others the management's plan to buyback the Company's outstanding shares with the maximum purchase amount of Rp400,000, include the transaction cost, broker fee and other costs related to the Company's buyback shares or maximum 567,680,000 shares, or 8% of the Company's issued and fully paid shares, gradually until March 15, 2017.

In 2016, the Company has repurchased 164,849,100 shares with total costs amounting to Rp204,015. Until 2016, the Company has buy 373,181,100 shares with total acquisition cost amounting to Rp339,861, which presented in "Treasury Shares" account as deduction to the equity in the statement of financial position. In 2017, the Company did not repurchase any shares.

16. RETAINED EARNINGS

In the Annual Shareholder's General Meeting held on May 16, 2017, which were notarized by Deed No. 11 on the same date of Rianto, S.H., the shareholders approved the declaration of cash dividend of Rp36 (full amount) per share or in total amount of Rp242,021.

In the Annual Shareholder's General Meeting held on May 20, 2016, which were notarized by Deed No. 4 on the same date of Rianto, S.H., the shareholders approved the declaration of cash dividend of Rp30 (full amount) per share or in total amount of Rp206,529.

17. REVENUES

The details of revenues are as follows:

	Year Ended December 31	
	2017	2016
Outright sales	4,786,508	5,092,752
Consignment sales	3,359,349	3,141,892
Cost of consignment sales	(2,523,129)	(2,377,607)
Commission on consignment sales	836,220	764,285
Total	**5,622,728**	**5,857,037**

There were no sales to a customer that exceeded 10% of total revenues in 2017 and 2016.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

18. COST OF OUTRIGHT SALES

The details of cost of outright sales are as follows:

	Year Ended December 31	
	2017	**2016**
Beginning inventories	834,400	823,909
Net purchases	3,317,027	3,665,030
Inventories available for sale	4,151,427	4,488,939
Ending inventories (Note 8)	(740,993)	(834,400)
Cost of outright sales	**3,410,434**	**3,654,539**

There were no purchases from a supplier of the Company that exceeded 10% of total revenues in 2017 and 2016.

19. SELLING EXPENSES

The details of selling expenses are as follows:

	Year Ended December 31	
	2017	**2016**
Rent - net (Notes 10a,10b, 23b, 23c, 23d and 24)	181,929	195,138
Promotion	90,635	97,104
Transportation	62,085	70,075
Plastic bags	25,108	24,250
Credit card charges	7,214	6,941
Royalty and travel fees (Note 24)	4,891	5,823
Others	7,594	8,859
Total	**379,456**	**408,190**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

20. GENERAL AND ADMINISTRATIVE EXPENSES

The details of general and administrative expenses are as follows:

	Year Ended December 31	
	2017	2016
Salaries and employee welfare (Note 14)	670,210	610,354
Electricity and energy	262,880	285,756
Depreciation (Note 9)	183,684	186,687
Repairs and maintenance (Note 23b)	154,498	166,970
Supplies	37,055	40,018
Taxes and licenses (Note 12)	32,763	26,142
Insurance	26,858	24,712
Jamsostek	24,659	20,148
Stationeries and printing	22,505	23,574
Business trips	14,299	16,052
Security	11,407	7,616
Contribution and retribution	10,607	8,444
Others (below Rp10,000 each)	25,060	20,444
Total	**1,476,485**	**1,436,917**

21. OTHER INCOME AND EXPENSES

The details of other income are as follows:

	Year Ended December 31	
	2017	2016
Gain on fire disaster - net (Note 8)	11,422	12,525
Gain on foreign exchange - net	1,346	-
Others - net	7,664	2,820
Total	**20,432**	**15,345**

The details of other expenses are as follows:

	Year Ended December 31	
	2017	2016
Loss on foreign exchange - net	-	4,582
Others - net	1	-
Total	**1**	**4,582**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

22. EARNINGS PER SHARE ("EPS")

The computation of earnings per share in 2017 and 2016 is as follows:

	Year Ended December 31	
	2017	**2016**
Income for the year	406,580	408,479
Weighted average number of shares outstanding	6,722,818,900	6,805,564,499
Earnings per share (full amount)	**60.48**	**60.02**

23. 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, 2017	**December 31, 2016**	**December 31, 2017**	**December 31, 2016**
Other receivables				
PT Ramayana Makmursentosa	13,639	4,409	0.28	0.09
PT Indonesia Fantasi Sentosa	3,168	728	0.06	0.02
PT Jakarta Intiland	-	158	-	0.00
Total	**16,807**	**5,295**	**0.34**	**0.11**
Long-term prepaid rent (Note 10a)				
PT Jakarta Intiland (a)	280,085	282,655	5.73	6.08
Security deposits (Note 10b)				
PT Jakarta Intiland (b)	2,905	2,905	0.06	0.06

	Year Ended December 31		Percentage to Related Total Income/Expenses *) Year Ended December 31	
	2017	**2016**	**2017**	**2016**
Rental revenue				
PT Ramayana Makmursentosa (c)	72,123	62,681	1.28	1.07
PT Indonesia Fantasi Sentosa (d)	13,750	11,236	0.24	0.19
Total	**85,873**	**73,917**	**1.52**	**1.26**
Selling expenses - Rent (Note 10b)				
PT Jakarta Intiland (b)	239,947	239,551	63.23	58.69
General and administrative expenses - Repairs and maintenance				
PT Jakarta Intiland (b)	15,338	35,835	1.04	2.49

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

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

23. RELATED PARTIES TRANSACTIONS (continued)

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

	Year Ended December 31		Percentage to Salaries and Employee's Welfare Year Ended December 31	
	2017	**2016**	**2017**	**2016**
Short-term employee benefits				
Board of Commissioners	5,532	6,239	0.83	1.02
Board of Directors	5,126	5,687	0.76	0.93
Sub-total	10,658	11,926	1.59	1.95
Long-term employee benefits				
Board of Commissioners	553	577	0.08	0.09
Board of Directors	382	444	0.06	0.07
Sub-total	935	1,021	0.14	0.16
Total	**11,593**	**12,947**	**1.73**	**2.11**

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 10 and 24. Total net book value of these long-term prepaid rent amounting to Rp280,085 dan Rp282,655 as of December 31, 2017 and 2016, respectively.

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 10b. The outstanding balance of security deposits amounting to Rp2,905 as of December 31, 2017 and 2016 are presented as part of "Security Deposits" account in the statement of financial position. Total rent expense incurred from these agreements amounting to Rp239,947 and Rp239,551 in 2017 and 2016, respectively, and are presented as part of "Selling Expenses - Rent - Net" account in the statement of profit or loss and other comprehensive income (Note 19). 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 Rp15,338 and Rp35,835 in 2017 and 2016, respectively, and are presented as part of "Selling Expenses - Repairs and Maintenance" in the statement of profit or loss and other comprehensive income (Note 20).

c. The Company entered into several agreements to lease certain store area to PT Ramayana Makmursentosa. Total rental income from these agreements amounting to Rp72,123 and Rp62,681 in 2017 and 2016, respectively, and are presented as a deduction of rental expense in selling expense (Note 19).

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 Rp13,750 and Rp11,236 in 2017 and 2016, respectively, and are presented as a deduction of rental expense in selling expense (Note 19).

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

23. 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	Board of Commissioners and Directors	A member of the key management personnel of the Company	Salaries and employees' welfare

24. SIGNIFICANT AGREEMENTS

<u>Rental</u>

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 Rp175,338 and Rp172,317 in 2017 and 2016, respectively, are presented as a deduction of rental expense in selling expense (Note 19).

<u>License</u>

Since September 1, 2014, the Company and Spar International B.V., Holand ("Spar"), a third party, engaged in a license agreement. Based on this agreement, the Company has the right to use the name and trademark of Spar along with the purchasing, warehouse, distribution, marketing and selling system owned by Spar. Related to that, the Company has to pay annual royalty fee and all traveling fee for Spar's employees that will be appointed to assist the Company. Royalty and travelling fees incurred are amounting to Rp4,891 and Rp5,823 in 2017 and 2016, respectively, are presented as part of selling expense (Note 19).

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

25. 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, 2017				
	Sumatera	**Java, Bali and Nusa Tenggara**	**Kalimantan**	**Sulawesi and Papua**	**Total Segment**
Total revenues	1,081,172	3,622,454	447,210	471,892	5,622,728
Income					
Segment income	402,285	1,159,801	162,262	181,108	1,905,456
Unallocated operating expenses					(1,528,672)
Income from operations					376,784
Finance income					109,525
Tax on finance income					(19,717)
Income before income tax					466,592
Income tax expense - net					(60,012)
Income for the year					**406,580**
Segment assets	440,021	1,735,482	187,078	198,014	2,560,595
Unallocated assets					2,331,327
Total assets					**4,891,922**
Segment liabilities	597	4,011	187	23	4,818
Unallocated liabilities					1,392,759
Total liabilities					**1,397,577**
Capital expenditures	16,534	101,525	14,910	7,175	140,144
Depreciation and amortization	39,542	225,664	13,575	28,057	306,838

	Year Ended December 31, 2016				
	Sumatera	**Java, Bali and Nusa Tenggara**	**Kalimantan**	**Sulawesi and Papua**	**Total Segment**
Total revenues	1,144,584	3,756,657	470,660	485,136	5,857,037
Income					
Segment income	361,928	1,192,317	156,570	169,676	1,880,491
Unallocated operating expenses					(1,512,337)
Income from operations					368,154
Finance income					119,834
Tax on finance income					(22,923)
Income before income tax					465,065
Income tax expense - net					(56,586)
Income for the year					**408,479**
Segment assets	490,932	1,765,206	200,330	218,931	2,675,399
Unallocated assets					1,971,610
Total assets					**4,647,009**
Segment liabilities	706	4,011	187	23	4,927
Unallocated liabilities					1,304,683
Total liabilities					**1,309,610**
Capital expenditures	15,458	107,880	5,828	6,180	135,346
Depreciation and amortization	53,627	224,222	15,319	28,839	322,007

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

25. SEGMENT INFORMATION (continued)

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, 2017	**Fashion and Accessories**	**Groceries**	**Total Segment**
Outright sales	2,950,199	1,836,309	4,786,508
Commission on consignment sales	825,464	10,756	836,220
Cost of outright sales	(1,815,628)	(1,594,806)	(3,410,434)
Gross profit	**1,960,035**	**252,259**	**2,212,294**
Selling expenses	(328,841)	(50,615)	(379,456)
General and administratives expenses	(1,235,103)	(241,382)	(1,476,485)
Other income	17,917	2,515	20,432
Other expenses	-	(1)	(1)
Income (loss) from operations	**414,008**	**(37,224)**	**376,784**
Finance income	95,535	13,990	109,525
Tax on finance income	(17,102)	(2,615)	(19,717)
Income (loss) before income tax	**492,441**	**(25,849)**	**466,592**

Year Ended December 31, 2016	**Fashion and Accessories**	**Groceries**	**Total Segment**
Outright sales	2,937,313	2,155,439	5,092,752
Commission on consignment sales	753,612	10,673	764,285
Cost of outright sales	(1,785,000)	(1,869,539)	(3,654,539)
Gross profit	**1,905,925**	**296,573**	**2,202,498**
Selling expenses	(331,128)	(77,062)	(408,190)
General and administratives expenses	(1,148,917)	(288,000)	(1,436,917)
Other income	17,770	(2,425)	15,345
Other expenses	(4,584)	2	(4,582)
Income (loss) from operations	**439,066**	**(70,912)**	**368,154**
Finance income	119,622	212	119,834
Tax on finance income	(22,915)	(8)	(22,923)
Income (loss) before income tax	**535,773**	**(70,708)**	**465,065**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

26. MONETARY ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

As of December 31, 2017, 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$213,253)	2,889
Time deposits	
United States Dollar (US$11,866,567)	160,768
Accounts receivable - others	
United States Dollar (US$28,498)	386
Total	**164,043**
Liabilities	
Accounts payable - others	
United States Dollar (US$92,663)	1,255
Singapore Dollar (Sin$4,808)	49
Total	1,304
Net monetary assets	**162,739**

On March 27, 2018, the exchange rates are Rp13,708 (full amount) per US$1 and Rp10,473 (full amount) per Sin$1.

If the net monetary assets in foreign currencies as of December 31, 2017 are converted to Rupiah using the exchange rates as of March 27, 2018, the net monetary assets will decrease by Rp1,921.

27. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Company’s main financial instruments comprise cash and cash equivalents, time deposits, short-term investments, accounts receivable - trade, accounts receivable - others, certain security deposits, other non-current assets, accounts payable - trade, accounts payable - others and accrued expenses.

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, accounts receivable - others, and accounts payable - others.

27. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

a. Risk Management (continued)

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, time deposits, short-term investments, accounts receivable - others and accounts payable - others 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, 2017		December 31, 2016	
	Change in Rupiah Rate	Effect on Income Before Tax Expenses	Change in Rupiah Rate	Effect on Income Before Tax Expenses
United States Dollar	+2%	3,256	+2%	3,199
Singapore Dollar	+2%	(1)	+2%	(1)
United States Dollar	-2%	(3,256)	-2%	(3,199)
Singapore Dollar	-2%	1	-2%	1

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, accounts receivable - trade, accounts receivables - others, security deposits 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.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

27. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

a. Risk Management (continued)

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 cash equivalents 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, 2017 and 2016:

	< 1 year	1 - 2 years	2 - 3 years	> 3 years	Total
As of December 31, 2017					
Accounts payable - third parties					
Trade	949,543	-	-	-	949,543
Others	6,878	-	-	-	6,878
Accrued expenses	43,528	-	-	-	43,528
Total	**999,949**	**-**	**-**	**-**	**999,949**

	< 1 year	1 - 2 years	2 - 3 years	> 3 years	Total
As of December 31, 2016					
Accounts payable - third parties					
Trade	897,748	-	-	-	897,748
Others	6,442	-	-	-	6,442
Accrued expenses	43,073	-	-	-	43,073
Total	**947,263**	**-**	**-**	**-**	**947,263**

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 to and 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 ("AGM").

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, 2017 and 2016.

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

28. FINANCIAL INSTRUMENTS

As of December 31, 2017 and 2016, the carrying amounts of financial assets and liabilities approximate their fair value as follows:

1. Cash and cash equivalents, time deposits, accounts receivable - trade and accounts receivable - others.
   All of the above financial assets are due within twelve (12) months, thus the carrying values of the financial assets approximate their fair values.
2. Accounts payable - trade, accounts payable - others and accrued expenses.
   All of the above financial liabilities are due within twelve (12) months, thus the carrying values of the financial liabilities approximate their fair values.
3. Security deposits, employee receivables, including their current maturities.
   Long-term assets and liabilities 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. As of December 31, 2017 and 2016, fair value of the Company's short-term investments amounting to Rp127,509 and Rp68,148, respectively (Note 7).

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)

28. FINANCIAL INSTRUMENTS (continued)

Short-term investments (continued)

Fair Value Hierarchy (continued)

The Company's fair value hierarchy as of December 31, 2017 and 2016 are as follows:

	December 31, 2017			
	Total	**Level 1**	**Level 2**	**Level 3**
Current asset				
Short-term investments	127,509	127,509		

	December 31, 2016			
	Total	**Level 1**	**Level 2**	**Level 3**
Current asset				
Short-term investments	68,148	68,148	-	-

For the years ended and December 31, 2017 and 2016, there were no transfers between the 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, 2017 and 2016:

	December 31, 2017		**December 31, 2016**	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Financial Assets				
Cash and cash equivalents	751,901	751,901	603,750	603,750
Time deposits	1,279,068	1,279,068	1,156,855	1,156,855
Accounts receivable				
Trade				
Third parties	10,046	10,046	12,025	12,025
Others				
Related parties	16,807	16,807	5,295	5,295
Third parties	30,269	30,269	34,406	34,406
Short-term investments	127,509	127,509	68,148	68,148
Security deposits	1,379	1,379	1,370	1,370
Other non-current financial assets	6,990	6,823	5,542	5,223
Total	**2,223,969**	**2,223,802**	**1,887,391**	**1,887,072**
Financial Liabilities				
Accounts payable - third parties				
Trade	949,543	949,543	897,748	897,748
Others	6,878	6,878	6,442	6,442
Accrued expenses	43,528	43,528	43,073	43,073
Total	**999,949**	**999,949**	**947,263**	**947,263**

29. SUPPLEMENTARY CASH FLOWS INFORMATION

		Year Ended December 31	
	Notes	**2017**	**2016**
ACTIVITIES NOT AFFECTING CASH FLOWS			
Increase (decrease) in fair value of available-for-sale financial assets - net	7	4,035	(247)
Additional of fixed assets in relation with tax amnesty program	9,12	-	14,924