PT Ramayana Lestari Sentosa Tbk

Financial statements as of December 31, 2016
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
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BOARD OF DIRECTORS' STATEMENT REGARDING THE RESPONSIBILITY FOR THE FINANCIAL STATEMENTS OF PT RAMAYANA LESTARI SENTOSA, Tbk AS OF DECEMBER 31, 2016 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 17, 2017

Agus Makmur
President Director

Suryanto
Director

PT RAMAYANA LESTARI SENTOSA Tbk
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2016 AND
FOR THE YEAR THEN ENDED
WITH INDEPENDENT AUDITORS' REPORT

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Purwantono, Sungkoro & Surja

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This report is originally issued in the Indonesian language.

Independent Auditors' Report

Report No. RPC-3227/PSS/2017

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, 2016, and the statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

This report is originally issued in the Indonesian language.

Independent Auditors' Report (continued)

Report No. RPC-3227/PSS/2017 (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, 2016, and its financial performance and cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards.

Purwantono, Sungkoro & Surja

Sinarta
Public Accountant Registration No. AP.0701

March 17, 2017

PT RAMAYANA LESTARI SENTOSA Tbk
STATEMENT OF FINANCIAL POSITION
As of December 31, 2016
(Expressed in Millions of Rupiah, Unless Otherwise Stated)

	Notes	December 31, 2016	December 31, 2015
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2c,2j 4,26,28	603,750	844,253
Time deposits	2j,5,26,28	1,156,855	984,004
Accounts receivable	28		
Trade	3		
Third parties	6	12,025	3,652
Others	26		
Related parties	2d,23	5,295	6,470
Third parties	6	34,406	23,490
Short-term investments	2j,7 26,28	68,148	483
Inventories	2e,3,8	834,400	823,909
Prepaid expenses - net	2i	7,149	6,155
Advances		16,038	17,590
Current portion of long-term prepaid rent - net	2d,2h,2i, 10a,19,23a,24	92,749	121,166
Total Current Assets		**2,830,815**	**2,831,172**
NON-CURRENT ASSETS			
Fixed assets - net	2f,3,9,20	1,279,282	1,333,227
Long-term prepaid rent - net of current portion and impairment loss	2d,2h,2i 10a,19,23a,24	454,652	342,432
Security deposits	2j,10b,23b,28	29,241	28,369
Deferred tax assets - net	2o,3,12	45,437	33,457
Other non-current assets	2j,28	7,582	6,247
Total Non-Current Assets		**1,816,194**	**1,743,732**
TOTAL ASSETS		**4,647,009**	**4,574,904**

PT RAMAYANA LESTARI SENTOSA Tbk
STATEMENT OF FINANCIAL POSITION (continued)
As of December 31, 2016
(Expressed in Millions of Rupiah, Unless Otherwise Stated)

	Notes	December 31, 2016	December 31, 2015
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable - third parties	2j,27,28		
Trade	11	897,748	885,960
Others	26	6,442	13,598
Taxes payable	2o,3,12	61,718	32,283
Accrued expenses	2j,13 27,28	43,073	29,049
Total Current Liabilities		**1,008,981**	**960,890**
NON-CURRENT LIABILITIES			
Liabilities for employee benefits	2k,3,14	300,629	280,210
Total Liabilities		**1,309,610**	**1,241,100**
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	2l,15	132,494	117,570
Treasury shares - 373,181,100 shares and 208,332,000 shares on December 31, 2016 and 2015, respectively	2r,15	(339,861)	(135,846)
Retained earnings:			
Appropriated		70,000	70,000
Unappropriated	16	3,177,049	2,975,099
Other comprehensive loss	7,14	(57,083)	(47,819)
Total Equity		**3,337,399**	**3,333,804**
TOTAL LIABILITIES AND EQUITY		**4,647,009**	**4,574,904**

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, 2016
(Expressed in Millions of Rupiah, Unless Otherwise Stated)

		Year Ended December 31	
	Notes	**2016**	**2015**
REVENUES			
Outright sales	17	5,092,752	4,788,667
Commission on consignment sales	2d,17	764,285	744,337
Total Revenues	2n,17	**5,857,037**	**5,533,004**
COST OF OUTRIGHT SALES	2n,8,18	**(3,654,539)**	**(3,537,000)**
GROSS PROFIT		**2,202,498**	**1,996,004**
Selling expenses	2d,2n,19	(408,190)	(385,212)
General and administrative expenses	2d,2n,20	(1,436,917)	(1,377,266)
Other income	2n,7,8,21	15,345	19,420
Other expenses	2n,8,21	(4,582)	(2,252)
INCOME FROM OPERATIONS		**368,154**	**250,694**
Finance income	2n	119,834	141,645
Tax on finance income		(22,923)	(27,719)
INCOME BEFORE INCOME TAX		**465,065**	**364,620**
Income tax expense - net	2o,12	(56,586)	(28,566)
INCOME FOR THE YEAR		**408,479**	**336,054**
OTHER COMPREHENSIVE LOSS			
Items that may be reclassified to profit or loss:			
Changes in fair value of available-for-sale financial assets	2j	(329)	(2,303)
Related income tax		82	535
Items that will not be reclassified to profit or loss:			
Remeasurement of gain (loss) on liabilities for employee benefits	14	(12,025)	1,701
Related income tax		3,008	(425)
OTHER COMPREHENSIVE LOSS FOR THE YEAR AFTER TAX		**(9,264)**	**(492)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**399,215**	**335,562**
EARNINGS PER SHARE (full amount)	2q,22	**60.02**	**47.64**

PT RAMAYANA LESTARI SENTOSA Tbk
STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2016
(Expressed in Millions of Rupiah, Unless Otherwise Stated)

					Retained Earnings		Other Comprehensive Loss		
	Notes	Share Capital - Issued and Fully Paid	Additional Paid-in Capital - Net	Treasury Shares	Appropriated	Unappropriated	Changes in fair value of available-for-sale financial assets - net	Remeasurement of gain (loss) on liabilities for employee benefits - net	Total Equity
Balance as of December 31, 2014		**354,800**	**117,570**	**-**	**70,000**	**2,830,637**	**(8,403)**	**(38,924)**	**3,325,680**
Acquisition of treasury shares	15	-	-	(135,846)	-	-	-	-	(135,846)
Total comprehensive income for the year		-	-	-	-	336,054	(1,768)	1,276	335,562
Cash dividend	16	-	-	-	-	(191,592)	-	-	(191,592)
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**

PT RAMAYANA LESTARI SENTOSA Tbk
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016
(Expressed in Millions of Rupiah, Unless Otherwise Stated)

		Year Ended December 31	
	Notes	**2016**	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from sales		8,228,775	7,805,695
Cash payments to suppliers		(6,928,997)	(6,650,420)
Cash payments for salaries and employee welfare		(601,254)	(583,353)
Payments for income taxes		(34,894)	(36,091)
Cash receipts from (cash payments for):			
Finance income - net		97,947	115,467
Other operating activities		(4,529)	6,871
Net Cash Provided by Operating Activities		**757,048**	**658,169**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of fixed assets	9	330	316
Proceeds from sales of short-term investments	7	-	35,585
Additions in security deposits		(882)	(332)
Placement of short-term investments	7	(68,360)	-
Acquisitions of fixed assets	9,29	(120,422)	(145,442)
Withdrawal (placement) of time deposits - net		(172,852)	42,101
Additions in long-term rent	10a	(224,821)	(44,079)
Net Cash Used in Investing Activities		**(587,007)**	**(111,851)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of cash dividend	16	(206,529)	(191,592)
Acquisition of treasury shares	15	(204,015)	(135,846)
Net Cash Used in Financing Activities		**(410,544)**	**(327,438)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(240,503)**	**218,880**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4	844,253	625,373
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	**603,750**	**844,253**

(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. 11 dated August 23, 2016 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-0099442.AH.01.11 Tahun 2016 dated August 26, 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 2016, the Company closed three (3) stores and opened two (2) new stores. As of December 31, 2016 and 2015, the number of stores operated by the Company are as follows:

	December 31, 2016	December 31, 2015
Ramayana	104	106
Robinson	7	6
Cahaya	2	2

On December 31, 2016 and 2015, the above stores include 23 and 15 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, 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, 2015, 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
Koh Boon Kim	- Independent Commissioner	Kismanto	- Director
Selamat	- Independent Commissioner	Gantang Nitipranatio	- Director
		Halomoan Hutabarat	- Director

As of December 31, 2016 and 2015, 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.

1. GENERAL (continued)

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

As of December 31, 2016 and 2015, the Company has 10,407 and 11,279 employees, respectively (unaudited).

The Company's financial statements were completed and authorized for issuance by the Company's Board of Directors on March 17, 2017.

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 2013), "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. Changes of Accounting Principles

On January 1, 2016, the Company adopted new and revised PSAKs and interpretations of statements of financial accounting standards ("ISAK") that are effective on that date. The adoption of these new and revised standards and interpretation did not result in substantial changes to the Company's accounting policies and had no material effect on the amounts reported for the current or prior financial periods:

- Amendments to PSAK 1: Presentation of Financial Statements regarding Disclosure Initiative.
- Amendments to PSAK 16: Property, Plant and Equipment on Clarification of the Accepted Method for Depreciation and Amortization.
- Amendments to PSAK 24: Employee Benefits on Defined Benefit Plans: Employee Contributions.
- ISAK 30 (2015): Levies, adopted from IFRIC 21.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Changes of Accounting Principles (continued)

The adoption of these new and revised standards and interpretation did not result in substantial changes to Company's accounting policies and had no material effect on the amounts reported for the current or prior financial periods: (continued)

- PSAK 5 (2015 Improvement): Operating Segments.
- PSAK 7 (2015 Improvement): Related Party Disclosures.
- PSAK 16 (2015 Improvement): Property, Plant and Equipment.
- PSAK 25 (2015 Improvement): Accounting Policies, Changes in Accounting Estimates and Errors.
- PSAK 68 (2015 Improvement): Fair value Measurement.

c. Cash and Cash Equivalents

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

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

d. Transactions with Related Parties

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

e. Inventories

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Fixed Assets

Effective January 1, 2016, the Company applied amendments to PSAK 16 (Revised 2014), “Property, Plant and Equipment”, on the Clarification of the Accepted Method for Depreciation.

The amendments clarify the principles in PSAK 16 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate the property, plant and equipment. The adoption of PSAK 16 (Revised 2014) has no significant impact on the financial statements.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Fixed Assets (continued)

Construction in Progress

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.

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.

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 2011), "Lease", when a lease includes both land and building elements, an entity should assess the classification of each element separately whether as a finance or an operating lease.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Leases (continued)

Finance Lease - as Lessee

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

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

The Company applied PSAK 50 (Revised 2014), “Financial Instruments: Presentation”, PSAK 55 (Revised 2014), “Financial Instruments: Recognition and Measurement” and PSAK 60 (Revised 2014), “Financial Instruments: Disclosures”.

<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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Financial Instruments (continued)

Financial Assets (continued)

Loans and receivables

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

Available-for-sale (“AFS”) financial assets

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

Impairment of financial assets

The Company 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

Effective January 1, 2016, the Company applied Amendment to PSAK 24 (Revised 2015), “Employee Benefits”, on Defined Benefit Plans: Employee Contributions.

Amendment to this PSAK is to simplify accounting for contributions from employees or third parties that do not depend on the number of years of service, for example, worker contributions are calculated based on a fixed percentage of salary.

Where the contributions are linked to service, these should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of service years, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered instead of allocating the contributions to the periods of service.

The adoption of PSAK 24 (Revised 2015) has no significant impact on the financial statements.

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.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Additional Paid-in Capital - Net

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

m. Foreign Currency Transactions and Balances

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

Transactions involving foreign currencies are recorded in Rupiah amounts at the rates of exchange prevailing at the time the transactions are made. At the reporting date, monetary assets and liabilities denominated in foreign currency are adjusted to Rupiah by taking the average of transaction exchange rate by Bank Indonesia as of December 31, 2016 and 2015. Resulting gains or losses are credited or charged to operations of the current year.

As of December 31, 2016 and 2015, the exchange rates used are as follows (full amount):

	December 31, 2016	December 31, 2015
United States Dollar	13,436	13,795
Singapore Dollar	9,299	9,751

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 2016 and 2015 are 6,805,564,499 shares and 7,053,445,913 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

Financial Accounting Standard Board (“DSAK-IAI”) issued new standard and revised of current standard in 2016. The standard is not applied in 2016. Following are new and revised standard:

- Amendments PSAK 2: Statement of Cash Flow on the Disclosure Initiative, effective January 1, 2018.
- Amendments PSAK 46: Income Taxes on the Recognition of Deferred Tax Asset for Unrealized Losses, effective January 1, 2018.
- PSAK 24: Employee Benefits (Improvement 2016), effective January 1, 2017.
- PSAK 58: Non-Current Assets Held for Sale and Discontinued Operation (Improvement 2016), effective January 1, 2017.
- PSAK 60: Financial Instrument: Disclosure (Improvement 2016), effective January 1, 2017.

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.

3. SOURCE OF ESTIMATION UNCERTAINTY (continued)

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:

Leases

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 2011), "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.

Determination of Functional Currency

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.

Classification of Financial Assets and Financial Liabilities

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.

Allowance for Impairment of Trade Receivables

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, 2016 and 2015, 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.

3. SOURCE OF ESTIMATION UNCERTAINTY (continued)

Estimates and Assumptions

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

Impairment of Non-financial Assets

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. In assessing the value in use, the estimated net future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the specific risks to the asset.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used to determine the fair value of the assets. These calculations are corroborated by valuation multiples or other available fair value indicators. The value in use calculation is based on a discounted cash flow model. The future cash flow projection is for a period of ten years and does not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

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, 2016 and 2015.

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, 2016 and 2015 was Rp300,629 and Rp280,210, respectively. Further details on employee benefits are disclosed in Note 14.

3. SOURCE OF ESTIMATION UNCERTAINTY (continued)

Estimates and Assumptions (continued)

Useful Lives of Fixed Assets

The costs of fixed assets, except land, 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 amounted to Rp1,279,282 and Rp1,333,227 as of December 31, 2016 and 2015, respectively. Further details are disclosed in Note 9.

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 amounted to Rp28,719 and Rp239 as of December 31, 2016 and 2015, 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 amounted to Rp45,437 and Rp33,457 as of December 31, 2016 and 2015, 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 amounted to Rp834,400 and Rp823,909 as of December 31, 2016 and 2015, respectively. Further details are disclosed in Note 8.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

3. SOURCE OF ESTIMATION UNCERTAINTY (continued)

Estimates and Assumptions (continued)

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 2009), “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.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	December 31, 2016	December 31, 2015
Cash on hand	22,308	26,509
Cash in banks - third parties:		
Rupiah		
PT Bank Danamon Indonesia Tbk	151,863	97,656
PT Bank Negara Indonesia (Persero) Tbk	113,109	59,630
Citibank N.A., Indonesia	49,551	26,957
PT Bank Central Asia Tbk	32,919	7,956
PT Bank Mandiri (Persero) Tbk	10,073	2,137
PT Bank Rakyat Indonesia (Persero) Tbk	6,137	3,126
PT Bank DKI	4,469	-
PT Bank Maybank Indonesia Tbk	1,458	4,017
PT Bank CIMB Niaga Tbk	1,324	1,041
PT Bank Permata Tbk	362	1,821
Deutsche Bank AG, Indonesia	177	9,578
United States Dollar		
Deutsche Bank AG, Indonesia (US$208,418 as of December 31, 2016 and US$197,530 as of December 31, 2015)	2,800	2,725
Sub-total	374,242	216,644

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

4. CASH AND CASH EQUIVALENTS (continued)

Cash and cash equivalents consist of: (continued)

	December 31, 2016	**December 31, 2015**
Cash equivalents (time deposits and on call deposits) - third parties:		
Rupiah		
PT Bank Bukopin Tbk	50,300	25,000
PT Bank Central Asia Tbk	50,000	30,000
PT Bank DKI	30,000	-
PT Bank Rakyat Indonesia (Persero) Tbk	23,000	290,100
PT Bank CIMB Niaga Tbk	20,000	69,600
PT Bank Negara Indonesia (Persero) Tbk	15,000	15,000
PT Bank Danamon Indonesia Tbk	14,400	92,900
Deutsche Bank AG, Indonesia	4,500	-
PT Bank Permata Tbk	-	74,600
Citibank N.A., Indonesia	-	3,900
Sub-total	207,200	601,100
Total	**603,750**	**844,253**

Annual interest rates for time deposits and on call deposits ranged from 2.50% to 7.50% and 3.36% to 10.00% for the years ended December 31, 2016 and 2015, respectively.

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

5. TIME DEPOSITS

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

	December 31, 2016	**December 31, 2015**
Rupiah		
PT Bank Rakyat Indonesia (Persero) Tbk	379,500	103,400
PT Bank Maybank Indonesia Tbk	310,100	370,000
PT Bank Danamon Indonesia Tbk	159,300	349,400
PT Bank CIMB Niaga Tbk	66,400	-
PT Bank Bukopin Tbk	53,800	-
Deutsche Bank AG, Indonesia	30,000	-
United States Dollar		
Credit Suisse AG, Singapore (US$7,499,578 as of December 31, 2016 and US$7,458,158 as of December 31, 2015)	100,764	102,885
UBS AG, Singapore (US$4,241,663 as of December 31, 2016 and US$4,227,509 as of December 31, 2015)	56,991	58,319
Total	**1,156,855**	**984,004**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

5. TIME DEPOSITS (continued)

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	
	2016	**2015**
Rupiah	6.75% - 7.50%	8.50% - 10.00%
United States Dollar	0.60% - 0.80%	0.13% - 0.30%

There were no time deposits placed to a related party.

6. ACCOUNTS RECEIVABLE - TRADE AND OTHERS - THIRD PARTIES

Trade receivable - third parties represents receivables from some banks for payments made by customers for their purchases using credit cards. Others receivables - 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:

	December 31, 2016	**December 31, 2015**
Debt securities - third parties:		
United States Dollar		
BLT Finance B.V. Guaranteed Senior Notes (US$30,000 as of December 31, 2016 and US$35,000 as of December 31, 2015)	403	483
Rupiah		
Obligasi Subordinasi Berkelanjutan II Bank Maybank Indonesia Tahap II Tahun 2016	24,750	-
Obligasi Berkelanjutan I Summarecon Agung Tahap I Tahun 2013	18,045	-
Sukuk Ijarah II TPS Food Tahun 2016	10,000	-
Obligasi Berkelanjutan I Antam Tahun 2011	9,950	-
Obligasi Sukuk Mudharabah Subordinasi I Bank BRI Syariah Tahun 2016	5,000	-
Total	**68,148**	**483**

Total nominal values of the debt securities in United States Dollar were amounted to US$1,000,000 or equal to Rp13,436 and Rp13,795 as of December 31, 2016 and 2015, respectively. As of December 31, 2016, total nominal values in Rupiah amounted to Rp68,000.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

7. SHORT-TERM INVESTMENTS (continued)

In 2016 and 2015, annual interest rates of debt securities are as follows:

	Year Ended December 31	
	2016	**2015**
Rupiah	9.05% - 10.85%	10.00% - 11.75%
United States Dollar	3.00%	7.50%

In 2016, the Company has buy short-term investments amounting to Rp68,360 and until December 31, 2016, all these short-term investments are still unrealized. In 2015, proceeds from sales of short-term investments were amounting to Rp35,585. Total realized gain on the related sales were amounting to Rp514 and was presented in "Other Income - Gain on sale of short-term investments - net" account in the statement of profit or loss and other comprehensive income (Note 21). As of December 31, 2016 and 2015 changes in fair value of available for sale financial assets, net of deferred tax, resulted unrealized loss were amounting to Rp10,418 and Rp10,171, respectively, and were presented as "Other Comprehensive Loss" account in the equity section of the statement of financial position.

Based on Fitch Ratings, securities rating agency, as of December 31, 2016 and 2015, the ratings of the bonds are as follows:

	December 31, 2016	**December 31, 2015**
BLT Finance B.V. Guaranteed Senior Notes	RR5	RR5

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

	Rating
Obligasi Subordinasi Berkelanjutan II Bank Maybank Indonesia	AA+
Obligasi Berkelanjutan I Summarecon Agung Tahap I Tahun 2013	A+
Sukuk Ijarah II TPS Food Tahun 2016	A
Obligasi Berkelanjutan I Antam Tahun 2011	BBB+
Obligasi Sukuk Mudharabah Subordinasi I Bank BRI Syariah Tahun 2016	A+

8. INVENTORIES

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

	December 31, 2016	**December 31, 2015**
West Java	245,003	241,074
Jakarta	162,229	156,543
Sumatera	151,435	160,433
East Java	69,029	71,488
Kalimantan	64,853	64,706
Bali and Nusa Tenggara	43,044	41,498
Sulawesi	38,329	38,827
Central Java	35,203	28,845
Papua	25,275	20,495
Total (Note 18)	**834,400**	**823,909**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

8. INVENTORIES (continued)

The above inventories are covered by insurance against losses from fire, damage, natural disasters, riots and other risks amounting to Rp699,327 as of December 31, 2016 (2015: Rp705,176), which in the opinion of the Company's management is adequate to cover possible losses arising from such risks. As of December 31, 2016 and 2015, 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 2016, there were fire accidents in one of the Company's store that resulted in losses on inventories amounted to Rp6,093 and fixed assets amounted to Rp1,837 (Note 9), respectively. In 2016, for the losses on inventories and fixed assets, the Company has received the first compensation from insurance claims amounted to Rp5,858. Currently, the Company is still in the process of resubmission of the insurance claims and still could not yet determined the total compensation.

In 2015, there were fire accidents in several of the Company's stores that resulted in losses of inventories amounted to Rp8,438 and fixed assets amounted to Rp2,034 (Note 9). In 2015, for the losses of inventories and fixed assets amounted to Rp3,095, the Company has received compensation from insurance claim amounted to Rp8,220. In 2016, for the losses of inventories and fixed assets amounting to Rp7,377, the Company has received compensation from insurance claim amounted to Rp14,597.

The net gain over these fire incidents in 2016 amounting to Rp12,525 were recorded as part of "Other Income" in the statement of profit or loss and other comprehensive income. The net loss over these fire incidents charged by the Company in 2015 were amounted to Rp2,252 and were recorded as part of "Other Expenses" in the statement of profit or loss and other comprehensive income in 2015 (Note 21).

9. FIXED ASSETS

Fixed assets consists of:

	Year Ended December 31, 2016				
	Beginning Balance	**Additions**	**Deductions**	**Reclassification**	**Ending Balance**
<u>Cost</u>					
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
<u>Construction in Progress</u>					
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

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

9. FIXED ASSETS (continued)

Fixed assets consists of: (continued)

	Year Ended December 31, 2016				
	Beginning Balance	**Additions**	**Deductions**	**Reclassification**	**Ending Balance**
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**

	Year Ended December 31, 2015				
	Beginning Balance	**Additions**	**Deductions**	**Reclassification**	**Ending Balance**
Cost					
Land	367,723	-	-	-	367,723
Buildings	818,724	16,655	1,595	37,000	870,784
Building renovations and improvements	967,645	26,888	19,557	38,062	1,013,038
Store equipment	732,203	16,777	20,316	16,613	745,277
Transportation equipment	48,295	1,407	-	-	49,702
Office equipment	64,904	4,621	-	4,426	73,951
Sub-total	2,999,494	66,348	41,468	96,101	3,120,475
Construction in Progress					
Buildings	27,880	9,120	-	(37,000)	-
Building renovations and improvements	52,603	43,665	88	(38,062)	58,118
Store equipment	11,603	25,574	59	(16,613)	20,505
Office equipment	4,421	735	-	(4,426)	730
Sub-total	96,507	79,094	147	(96,101)	79,353
Total Cost	3,096,001	145,442	41,615	-	3,199,828
Accumulated Depreciation					
Buildings	348,829	42,311	1,124	-	390,016
Building renovations and improvements	690,569	85,717	18,843	-	757,443
Store equipment	588,542	48,752	19,614	-	617,680
Transportation equipment	40,460	3,295	-	-	43,755
Office equipment	52,199	5,508	-	-	57,707
Total Accumulated Depreciation	1,720,599	185,583	39,581	-	1,866,601
Net Book Value	**1,375,402**				**1,333,227**

Depreciation charged to general and administrative expenses were amounted to Rp186,687 in 2016 and Rp185,583 in 2015 (Note 20).

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

	Year Ended December 31	
	2016	**2015**
Proceeds from sales	330	316
Net book value	-	-
Gain on disposal of fixed assets	**330**	**316**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

9. FIXED ASSETS (continued)

Gain on disposal of fixed assets is presented as part of “Other Income - Others - Net”. In 2016, the Company has written off construction in progress amounting to Rp767.

As a result of fire accidents in several of the Company’s store in 2016 and 2015, the Company suffered losses on fixed assets amounting to Rp1,837 and Rp2,034, 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 2016 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, 2016 and 2015 are Rp720,088 and Rp671,439 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, 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**	

December 31, 2015	Estimated Percentage of Completion from Financial Point of View	Accumulated Costs	Estimated Completion
Building renovations and improvements	10-94%	58,118	Year 2016
Store equipment	10-94%	20,505	Year 2016
Office equipment	90-94%	730	Year 2016
Total		**79,353**	

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 Rp2,449,419 as of December 31, 2016 and Rp1,648,308 as of December 31, 2015, which in the opinion of the Company’s management is adequate to cover possible losses arising from such risks.

As of December 31, 2016 and 2015, 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, 2016 and 2015, there were no fixed assets pledged as collateral.

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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, 2016 and 2015 are as follows:

	December 31, 2016	**December 31, 2015**
Contract value		
PT Jakarta Intiland, a related party	496,650	421,685
Third parties	441,956	472,373
Total	938,606	894,058
Less accumulated amortization	(382,205)	(421,460)
Unamortized portion	556,401	472,598
Less:		
Impairment loss	(9,000)	(9,000)
Current portion	(92,749)	(121,166)
Long-term portion	**454,652**	**342,432**

The outstanding balance of long-term prepaid rent with related party amounted to Rp282,655 and Rp177,421 as of December 31, 2016 and 2015, respectively, or representing 6.08% and 3.88% of total assets, respectively (Note 23a).

Total additions of long-term prepaid rent in 2016 and 2015 amounted to Rp224,821 and Rp44,079, respectively.

Amortization of long-term prepaid rent charged to operations amounted to Rp135,320 in 2016 and Rp159,708 in 2015 (Note 19).

As of December 31, 2016, store and warehouse long-term rent agreements with JIL cover 44 locations (December 31, 2015: 38 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, 2016, these agreements will expire at various dates from 2017 until 2021, which can be renewed for another period to be agreed by both parties. Total additions of long-term prepaid rent to JIL in 2016 amounted to Rp193,863. In 2015, there was no addition of long-term prepaid rent to JIL.

(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 2016 and 2015 were amounting to Rp228,238 and Rp201,536, respectively, including rental with a related party of Rp138,630 and Rp133,327, respectively, or representing 33.96% and 34.61% 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, 2016 and 2015, the outstanding refundable security deposits paid by the Company to JIL amounted to Rp2,905 or representing 0.06% and 0.06% of total assets, respectively, are presented as part of "Security Deposits" account in the statement of financial position (Note 23b).

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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, 2016	December 31, 2015
Current	861,084	851,745
1 - 2 months	4,376	6,317
More than 2 months	32,288	27,898
Total	**897,748**	**885,960**

As of December 31, 2016 and 2015, there was no collateral provided by the Company for the accounts payable - trade stated above.

12. TAXATION

Taxes payable consists of:

	December 31, 2016	December 31, 2015
Income taxes:		
Article 4 (2)	9,272	5,338
Article 21	786	761
Article 23	857	534
Article 25	2,104	-
Article 26	77	459
Article 29	28,719	239
Value Added Tax - net	19,903	24,952
Total	**61,718**	**32,283**

(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, 2016 and 2015 are presented as follows:

	Year Ended December 31	
	2016	**2015**
Income before income tax as shown in the statement of profit or loss and other comprehensive income	465,065	364,620
Temporary differences:		
Amortization of long-term prepaid rent	17,516	14,208
Depreciation of fixed assets	10,649	8,043
Provision for liabilities for employee benefits	8,396	9,213
Amortization of prepaid expenses	(994)	(4,940)
Permanent differences:		
Donations and entertainment	4,214	8,769
Employee welfare	3,041	12,007
Business trip	2,366	1,184
Tax penalties	305	11
Rent	-	1,155
Others	505	391
Income already subjected to final tax:		
Interest	(95,907)	(113,508)
Rent	(153,244)	(148,905)
Gain on sale of short-term investments	-	(514)
Taxable income	**261,912**	**151,734**
Income tax expense - current		
Income tax expense - current	65,478	30,347
Expense related to correction of prior years corporate income tax	-	4,850
Total income tax expense - current	**65,478**	**35,197**
Income tax expense (benefit) - deferred		
Amortization of prepaid expenses	249	1,235
Provision for liabilities for employee benefits - net	(2,099)	(2,303)
Depreciation of fixed assets	(2,663)	(2,011)
Amortization of prepaid long-term rent	(4,379)	(3,552)
Income tax benefit - deferred - net	**(8,892)**	**(6,631)**
Income tax expense - net	**56,586**	**28,566**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

12. TAXATION (continued)

The Company will report its 2016 Annual Income Tax Return ("SPT") based on the abovementioned calculation. The Company's estimated taxable income for the year ended December 31, 2015 was consistent with the Annual Income Tax Return as reported to the Tax Office.

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

	December 31, 2016	December 31, 2015
Income tax expense - current	65,478	30,347
Prepayments of income taxes:		
Article 22	8	10
Article 23	6,293	1,600
Article 25	30,458	28,498
Total	36,759	30,108
Income tax payable - Article 29	**28,719**	**239**

On January 8, 2016, the Company obtained letter from the Securities Administration Agency confirming its compliance with criteria of PP No. 77/2013 on "Reduction of Income Tax Rate on Domestic Corporate Taxpayers in the Form of Publicly-listed Companies". Accordingly, the Company applied the reduction of the tax rate of 20% for the 2015 corporate income tax calculations. For the 2016 corporate income tax calculations, the Company does not meet criteria of PP No. 77/2013 on "Reduction of Income Tax Rate on Domestic Corporate Taxpayers in the Form of Publicly-listed Companies", so the 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, 2016 and 2015 are as follows:

	Year Ended December 31	
	2016	2015
Income before income tax as shown in the statement of profit or loss and other comprehensive income	465,065	364,620
Income tax expense at applicable tax rate	116,266	72,924
Tax effect of permanent differences:		
Donations and entertainment	1,053	1,754
Employee walfare	760	2,401
Business trip	592	237
Rent	-	231
Others	203	80
Income already subjected to final tax:		
Interest	(23,977)	(22,702)
Rent	(38,311)	(29,781)
Gain on sale of short-term investments	-	(103)
Impact on changes in corporate income tax rates under PP No. 77/2013	-	(1,325)
Expense related to correction of prior years corporate income tax	-	4,850
Income tax expense - net	**56,586**	**28,566**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

12. TAXATION (continued)

The deferred tax assets and liabilities as of December 31, 2016, and 2015 are as follows:

	December 31, 2016	December 31, 2015
Deferred tax assets on:		
Liabilities for employee benefits	75,157	70,052
Unrealized loss on available-for-sale financial assets	3,472	3,390
Total	78,629	73,442
Deferred tax liabilities on:		
Fixed assets	(21,516)	(24,179)
Long-term rent	(9,889)	(14,268)
Prepaid expenses	(1,787)	(1,538)
Total	(33,192)	(39,985)
Deferred tax assets - net	**45,437**	**33,457**

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

On November 30, 2015, the Company revised its 2011, 2012, 2013 and 2014 Annual Income Tax Return ("SPT") as the result of the prior year tax audit. Based on the revision of those SPTs, the Company has paid underpayment of corporate income tax amounted to Rp503, Rp1,627, Rp1,333 and Rp1,387 for the year 2011, 2012, 2013 and 2014, respectively. The settlement for underpayment of corporate tax income is recorded as "Expense related to correction of prior years corporate income tax", as part of "Income tax expense" in the 2015 statement of profit or loss and other comprehensive 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, 2016	December 31, 2015
Electricity and energy	21,459	13,795
Rent	14,370	5,391
Promotion	170	159
Others	7,074	9,704
Total	**43,073**	**29,049**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

14. LIABILITIES FOR EMPLOYEE BENEFITS

The Company recognized liabilities for employee benefits amounting to Rp300,629 and Rp280,210 as of December 31, 2016 and 2015, respectively, presented in "Liabilities for Employee Benefits" account in the statement of financial position. The related expenses amounting to Rp47,644 and Rp39,680 in 2016 and 2015, 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 employees benefits were determined based on actuarial valuations performed by PT Dayamandiri Dharmakonsilindo, an independent actuary, based on its reports dated February 28, 2017.

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

	December 31, 2016	December 31, 2015
Discount rate	8.4% per year	9.1% per year
Salary increase rate	7% per year	8% 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	
	2016	2015
Current service cost	21,156	21,756
Past service cost of curtailment	(25,115)	(23,038)
Interest cost	23,800	21,274
Adjustment for new employees	532	-
Excess of benefits payments	27,271	19,688
Total	**47,644**	**39,680**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

14. LIABILITIES FOR EMPLOYEE BENEFITS (continued)

Movements in the present value of defined benefit obligation as of December 31, 2016 and 2015 are as follows:

	Year Ended December 31	
	2016	**2015**
Balance at beginning of year	280,210	272,699
Current service cost	21,156	21,756
Past service cost of curtailment	(25,115)	(23,038)
Interest cost	23,800	21,274
Provision of excess benefit payment	27,271	19,688
Benefits payments during the year	(11,977)	(10,780)
Excess of benefits payments during the year	(27,271)	(19,688)
Adjustment for new employees	532	-
Remeasurement of present value of defined benefit obligation:		
Gain from changes in financial assumption	(9,150)	(24,352)
Loss from experience adjustments	21,173	22,651
Balance at end of year	**300,629**	**280,210**

The movements in the liabilities for employee benefits for the years ended December 31, 2016 and 2015 are as follows:

	Year Ended December 31	
	2016	**2015**
Balance at beginning of year	280,210	272,699
Provision during the year	47,644	39,680
Payment during the year	(11,977)	(10,780)
Provision of excess benefit payment	(27,273)	(19,688)
Other comprehensive loss (income)	12,025	(1,701)
Balance at end of year	**300,629**	**280,210**

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

	Year Ended December 31	
	2016	**2015**
Balance at beginning of year	50,197	51,898
Loss (gain) in current year	12,025	(1,701)
Balance at end of year	**62,222**	**50,197**

The amounts of experience adjustments arising on liabilities for the years ended December 31, 2016 and 2015 are as follows:

	December 31, 2016	**December 31, 2015**
Present value of defined benefit obligation	300,629	280,210
Experience adjustments on liability	21,173	22,651

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14. LIABILITIES FOR EMPLOYEE BENEFITS (continued)

As of December 31, 2016, 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%	(25,027)	1%	8,260
Decrease	(1%)	29,007	(1%)	(45,437)

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

	Year Ended December 31	
	2016	2015
Within the next 12 months	43,193	37,346
Between 1 and 2 years	12,245	9,697
Between 2 and 5 years	42,459	34,972
Beyond 5 years	437,863	442,700
Total	**535,760**	**524,715**

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

Share Capital

The shareholders and their share ownership as of December 31, 2016 and 2015 are as follows:

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
Paulus Tumewu (President Commissioner)	260,000,000	3.87%	13,000
Public (below 5% ownership each)	2,101,078,100	31.25%	105,054
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)

Share Capital (continued)

The shareholders and their share ownership as of December 31, 2016 and 2015 are as follows: (continued)

December 31, 2015

Shareholders	Number of Shares Issued and Fully Paid	Percentage of Ownership	Amount
PT Ramayana Makmursentosa	3,965,000,000	57.57%	198,250
Paulus Tumewu (President Commissioner)	260,000,000	3.77%	13,000
Public (below 5% ownership each)	2,662,668,000	38.66%	133,133
Sub-total	**6,887,668,000**	**100.00%**	**344,383**
Treasury shares	208,332,000		10,417
Total	**7,096,000,000**		**354,800**

Additional Paid-in Capital - Net

	December 31, 2016	December 31, 2015
Balance at beginning of year	117,570	117,570
Addition during the year (Note 12)	14,924	-
Balane at end of year	**132,494**	**117,570**

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 and 2015, the Company has repurchased 164,849,100 shares and 208,332,000 shares, respectively, with total costs amounting to Rp204,015 and Rp135,846, respectively, which presented in "Treasury Shares" account as deduction of equity in the statement of financial position.

16. RETAINED EARNINGS

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.

In the Annual Shareholder's General Meeting held on May 29, 2015, which were notarized by Deed No. 6 on the same date of Rianto, S.H., the shareholders approved the declaration of cash dividend of Rp27 (full amount) per share or in total amount of Rp191,592.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

17. REVENUES

The details of revenues are as follows:

	Year Ended December 31	
	2016	**2015**
Outright sales	5,092,752	4,788,667
Consignment sales	3,141,892	2,997,527
Cost of consignment sales	(2,377,607)	(2,253,190)
Commission on consignment sales	764,285	744,337
Total	**5,857,037**	**5,533,004**

There were no sales to a customer that exceeded 10% of total revenues in 2016 and 2015.

18. COST OF OUTRIGHT SALES

The details of cost of outright sales are as follows:

	Year Ended December 31	
	2016	**2015**
Beginning inventories	823,909	808,569
Net purchases	3,665,030	3,552,340
Inventories available for sale	4,488,939	4,360,909
Ending inventories (Note 8)	(834,400)	(823,909)
Cost of outright sales	**3,654,539**	**3,537,000**

There were no purchases from a supplier of the Company that exceeded 10% of total revenues in 2016 and 2015.

19. SELLING EXPENSES

The details of selling expenses are as follows:

	Year Ended December 31	
	2016	**2015**
Rent - net (Notes 10a,10b, 23b and 24)	195,138	195,765
Promotion	97,104	83,584
Transportation	70,075	62,260
Plastic bags	24,250	23,571
Credit card charges	6,941	6,840
Royalty and travel fees (Note 24)	5,823	6,478
Others	8,859	6,714
Total	**408,190**	**385,212**

(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	
	2016	**2015**
Salaries and employee welfare (Note 14)	610,354	596,200
Electricity and energy	285,756	289,842
Depreciation (Note 9)	186,687	185,583
Repairs and maintenance (Note 23b)	166,970	138,862
Supplies	40,018	34,146
Taxes and licenses (Note 12)	26,142	25,484
Insurance	24,712	24,260
Stationeries and printing	23,574	17,388
Social security contribution	20,148	14,106
Business trips	16,052	12,164
Others (below Rp10,000 each)	36,504	39,231
Total	**1,436,917**	**1,377,266**

21. OTHER INCOME AND EXPENSES

The details of other income are as follows:

	Year Ended December 31	
	2016	**2015**
Gain on fire disaster - net (Note 8)	12,525	-
Gain on foreign exchange - net	-	15,246
Gain on sale of short-term investment - net (Note 7)	-	514
Others - net	2,820	3,660
Total	**15,345**	**19,420**

The details of other expenses are as follows:

	Year Ended December 31	
	2016	**2015**
Loss on foreign exchange - net	4,582	-
Loss on fire disaster - net (Note 8)	-	2,252
Total	**4,582**	**2,252**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

22. EARNINGS PER SHARE ("EPS")

The computation of earnings per share in 2016 and 2015 is as follows:

	Year Ended December 31	
	2016	**2015**
Income for the year	408,479	336,054
Weighted average number of shares outstanding	6,805,564,499	7,053,445,913
Earnings per share (full amount)	**60.02**	**47.64**

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, 2016	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**
Other receivables				
PT Ramayana Makmursentosa	4,409	4,726	0.09	0.10
PT Indonesia Fantasi Sentosa	728	1,544	0.02	0.03
PT Jakarta Intiland	158	200	0.00	0.00
Total	**5,295**	**6,470**	**0.11**	**0.13**
Long-term prepaid rent (Note 10a)				
PT Jakarta Intiland (a)	282,655	177,421	6.08	3.88
Security deposits (Note 10b)				
PT Jakarta Intiland (b)	2,905	2,905	0.06	0.06

			Percentage to Related Total Income/Expenses *)	
	Year Ended December 31		Year Ended December 31	
	2016	**2015**	**2016**	**2015**
Rental revenue				
PT Ramayana Makmursentosa (c)	62,681	66,882	1.07	1.21
PT Indonesia Fantasi Sentosa (d)	11,236	9,926	0.19	0.18
Total	**73,917**	**76,808**	**1.26**	**1.39**
Selling expenses - Rent (Note 10b)				
PT Jakarta Intiland (b)	239,551	242,473	58.69	62.95
General and administrative expenses - Repairs and maintenance				
PT Jakarta Intiland (b)	35.835	11,657	2.49	0.85

***)** 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	
	2016	**2015**	**2016**	**2015**
<u>Short-term employee benefits</u>				
Board of Commissioners	6,239	5,498	1.02	0.92
Board of Directors	5,687	5,610	0.93	0.94
Sub-total	11,926	11,108	1.95	1.86
<u>Long-term employee benefits</u>				
Board of Commissioners	577	580	0.09	0.10
Board of Directors	444	595	0.07	0.10
Sub-total	1,021	1,175	0.16	0.20
Total	**12,947**	**12,283**	**2.11**	**2.06**

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 amounted to Rp282,655 dan Rp177,421 as of December 31, 2016 and 2015, 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, 2016 and 2015 are presented as part of "Security Deposits" account in the statement of financial position. Total rent expense incurred from these agreements amounted to Rp239,551 and Rp242,473 in 2016 and 2015, 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, amounted to Rp35,835 and Rp11,657 in 2016 and 2015, 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 Rp62,681 and Rp66,882 in 2016 and 2015, 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 Rp11,236 and Rp9,926 in 2016 and 2015, 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 AGREEMENT

Rental

The Company entered into various rental agreements with related party and third parties to lease certain stores area. The rental income from these agreements amounted to Rp172,317 and Rp167,711 in 2016 and 2015, respectively, are presented as a deduction of rental expense in selling expense (Note 19).

License

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 amounted to Rp5,823 and Rp6,478 in 2016 and 2015, 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, 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

	Year Ended December 31, 2015				
	Sumatera	**Java, Bali and Nusa Tenggara**	**Kalimantan**	**Sulawesi and Papua**	**Total Segment**
Total revenues	1,197,295	3,427,551	473,620	434,538	5,533,004
Income					
Segment income	364,538	1,001,496	156,595	128,611	1,651,240
Unallocated operating expenses					(1,400,546)
Income from operations					250,694
Finance income					141,645
Tax on finance income					(27,719)
Income before income tax					364,620
Income tax expense - net					(28,566)
Income for the year					**336,054**
Segment assets	538,643	1,700,444	197,683	213,020	2,649,790
Unallocated assets					1,925,114
Total assets					**4,574,904**
Segment liabilities	1,026	4,011	187	23	5,247
Unallocated liabilities					1,235,853
Total liabilities					**1,241,100**
Capital expenditures	12,647	125,348	3,421	4,026	145,442
Depreciation and amortization	61,521	222,525	20,610	40,107	344,763

(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, 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**

Year Ended December 31, 2015	Fashion and Accessories	Groceries	Total Segment
Outright sales	2,649,328	2,139,339	4,788,667
Commission on consignment sales	734,030	10,307	744,337
Cost of outright sales	(1,655,795)	(1,881,205)	(3,537,000)
Gross profit	**1,727,563**	**268,441**	**1,996,004**
Selling expenses	(295,774)	(89,438)	(385,212)
General and administratives expenses	(1,091,893)	(285,373)	(1,377,266)
Other income	14,490	4,930	19,420
Other expenses	(1,804)	(448)	(2,252)
Income (loss) from operations	**352,582**	**(101,888)**	**250,694**
Finance income	113,316	28,329	141,645
Tax on finance income	(22,175)	(5,544)	(27,719)
Income (loss) before income tax	**443,723**	**(79,103)**	**364,620**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

26. MONETARY ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

As of December 31, 2016, 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$208,418)	2,800
Time deposits	
United States Dollar (US$11,741,241)	157,755
Accounts receivable - others	
United States Dollar (US$16,806)	226
Short-term investments	
United States Dollar (US$30,000)	403
Total	**161,184**
Liabilities	
Accounts payable - others	
United States Dollar (US$92,663)	1,245
Singapore Dollar (Sin$4,808)	45
Total	1,290
Net monetary assets	**159,894**

On March 17, 2017, the exchange rates are Rp13,342 (full amount) per US$1 and Rp9,506 (full amount) per Sin$1.

If the net monetary assets in foreign currencies as of December 31, 2016 are converted to Rupiah using the exchange rates as of March 17, 2017, the net monetary assets will decrease by Rp1,120.

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.

27. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

a. Risk Management (continued)

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.

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, 2016		December 31, 2015	
	Change in Rupiah Rate	Effect on Income Before Tax Expenses	Change in Rupiah Rate	Effect on Income Before Tax Expenses
United States Dollar	+2%	3,199	+2%	3,265
Singapore Dollar	+2%	(1)	+2%	(1)
United States Dollar	-2%	(3,199)	-2%	(3,265)
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, 2016 and 2015:

	< 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**

	< 1 year	1 - 2 years	2 - 3 years	> 3 years	Total
As of December 31, 2015					
Accounts payable - third parties					
Trade	885,960	-	-	-	885,960
Others	13,598	-	-	-	13,598
Accrued expenses	29,049	-	-	-	29,049
Total	**928,607**	**-**	**-**	**-**	**928,607**

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, 2016 and 2015.

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, 2016 and 2015, 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, 2016 and 2015, fair value of the Company's short-term investments amounting to 68,418 and 483, 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, 2016 and 2015 are as follows:

	December 31, 2016			
	Total	Level 1	Level 2	Level 3
Current asset				
Short-term investments	68,418	68,418	-	-

	December 31, 2015			
	Total	Level 1	Level 2	Level 3
Current asset				
Short-term investments	483	483	-	-

For the years ended and December 31, 2016 and 2015, 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, 2016 and 2015:

	December 31, 2016		December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash and cash equivalents	603,750	603,750	844,253	844,253
Time deposits	1,156,855	1,156,855	984,004	984,004
Accounts receivable				
Trade				
Third parties	12,025	12,025	3,652	3,652
Others				
Related parties	5,295	5,295	6,470	6,470
Third parties	34,406	34,406	23,490	23,490
Short-term investments	68,148	68,148	483	483
Security deposits	1,370	1,370	1,278	1,278
Other non-current financial assets	7,582	7,263	6,247	5,452
Total	**1,889,431**	**1,889,112**	**1,869,877**	**1,869,082**
Financial Liabilities				
Accounts payable - third parties				
Trade	897,748	897,748	885,960	885,960
Others	6,442	6,442	13,598	13,598
Accrued expenses	43,073	43,073	29,049	29,049
Total	**947,263**	**947,263**	**928,607**	**928,607**

29. SUPPLEMENTARY CASH FLOWS INFORMATION

	Notes	Year Ended December 31 2016	2015
ACTIVITIES NOT AFFECTING CASH FLOWS			
Decrease in fair value of available-for-sale financial assets - net	7	(247)	(1,768)
Additional of fixed assets in relation with tax amnesty program	9,12	14,924	-