PT Ramayana Lestari Sentosa Tbk

Financial statements with independent auditors' report
December 31, 2012 and 2011

PT. Ramayana Lestari Sentosa,Tbk
Jl. K.H. Wahid Hasyim No. 220 A-B Jakarta 10250 Indonesia

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BOARD OF DIRECTOR'S STATEMENT LETTER
RELATING TO
THE RESPONSIBILITY ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011
PT RAMAYANA LESTARI SENTOSA, Tbk

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 company financial statements;

2. The financial statements have been prepared and presented in accordance with accounting principles generally accepted;

3. a. All information in the company financial statements has been disclosed in a complete and truthful manner;
   b. The company 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 internal control systems .

Thus, this statement is made truthfully.

Jakarta, March 18, 2013

METERAI TEMPEL
9B169ABF289528818
6000 DJP

Agus Makmur
President Director

Suryanto
Director

These financial statements are originally issued in Indonesian language.

PT RAMAYANA LESTARI SENTOSA Tbk
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2012 AND 2011

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ERNST & YOUNG

Purwantono, Suherman & Surja

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This report is originally issued in Indonesian language.

Independent Auditors' Report

Report No. RPC-3433/PSS/2013

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

We have audited the statements of financial position of PT Ramayana Lestari Sentosa Tbk (the "Company") as of December 31, 2012 and 2011, and the related statements of comprehensive income, changes in equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards established by the Indonesian Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PT Ramayana Lestari Sentosa Tbk as of December 31, 2012 and 2011, and the results of its operations, and its cash flows for the years then ended in conformity with Indonesian Financial Accounting Standards.

Purwantono, Suherman & Surja

Sinarta
Public Accountant Registration No. AP.0701

March 18, 2013

The accompanying financial statements are not intended to present the financial position, results of operations, and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Indonesia. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in Indonesia.

PT RAMAYANA LESTARI SENTOSA Tbk
STATEMENTS OF FINANCIAL POSITION
December 31, 2012 and 2011
(Expressed in Millions of Rupiah, Except Par Value per Share)

	Notes	2012	2011
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2b,2i,2l, 4,26,28	1,169,416	927,030
Time deposits	2i,2l,5,26,28	152,264	119,700
Accounts receivable - third parties	2i,6,28		
Trade		2,115	4,227
Others	2l,26,28	8,342	14,567
Short-term investments	2i,2l,7,26,28	1,692	228,831
Inventories	2d,3,8	763,117	715,843
Prepaid expenses	2h	798	856
Advances		41,846	16,910
Current portion of long-term prepaid rent	2c,2f,2g,2h, 10a,19,23a,24	179,701	105,290
Total Current Assets		2,319,291	2,133,254
NON-CURRENT ASSETS			
Advances for purchases of property and equipment	29	-	1,265
Property and equipment - net of accumulated depreciation of Rp1,350,651 as of December 31, 2012 and Rp1,182,282 as of December 31, 2011	2e,2f,3, 9,20	1,201,874	1,145,447
Long-term prepaid rent - net of current portion and impairment loss	2c,2f,2g,2h, 10a,19,23a,24	510,015	440,697
Security deposits	2c,2i,10b,23b,28	29,958	28,720
Deferred tax assets - net	2n,3,12	5,641	-
Other non-current monetary assets	2i,28	6,586	9,660
Total Non-Current Assets		1,754,074	1,625,789
TOTAL ASSETS	25	**4,073,365**	**3,759,043**

PT RAMAYANA LESTARI SENTOSA Tbk
STATEMENTS OF FINANCIAL POSITION (continued)
December 31, 2012 and 2011
(Expressed in Millions of Rupiah, Except Par Value per Share)

	Notes	2012	2011
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable - third parties	2i,28		
Trade	11	723,184	691,049
Others	2l,26	50,955	18,106
Taxes payable	2n,3,12	63,726	44,077
Accrued expenses	2i,13,28	33,689	27,236
Total Current Liabilities		871,554	780,468
NON-CURRENT LIABILITIES			
Liabilities for employees' benefits	2j,3,14	159,926	135,565
Deferred tax liabilities - net	2n,3,12	-	1,613
Total Non-Current Liabilities		159,926	137,178
Total Liabilities	25	1,031,480	917,646
EQUITY			
Share capital - Rp50 par value per share			
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	2k	117,570	117,570
Retained earnings:			
Appropriated	16	65,000	60,000
Unappropriated		2,510,630	2,304,782
Other comprehensive income (loss)	2i,7	(6,115)	4,245
Net Equity		3,041,885	2,841,397
TOTAL LIABILITIES AND EQUITY		**4,073,365**	**3,759,043**

PT RAMAYANA LESTARI SENTOSA Tbk
STATEMENTS OF COMPREHENSIVE INCOME
Years Ended December 31, 2012 and 2011
(Expressed in Millions of Rupiah, Except Basic Earnings per Share)

	Notes	2012	2011
REVENUES	2m,17,25		
Outright sales		4,992,478	4,467,995
Consignment sales	2c,23c	2,461,155	2,129,119
Cost of consignment sales		(1,753,924)	(1,510,956)
Commission on consignment sales		707,231	618,163
Total Revenues		**5,699,709**	**5,086,158**
COST OF OUTRIGHT SALES	2m,18,25	3,724,637	3,315,084
GROSS PROFIT	25	**1,975,072**	**1,771,074**
Selling expenses	2c,2m,10, 19,24,25	(377,556)	(312,218)
General and administrative expenses	2c,2m,9,10, 12,14,20,25	(1,179,852)	(1,094,796)
Other operating income	2m,21,25	28,753	13,561
Other operating expense	2m,25	-	(39)
INCOME FROM OPERATIONS	25	**446,417**	**377,582**
Finance income	25	48,435	56,673
INCOME BEFORE INCOME TAX	25	**494,852**	**434,255**
Income tax expense - net	2n,3,12,25	71,124	56,667
INCOME FOR THE YEAR	25	**423,728**	**377,588**
OTHER COMPREHENSIVE INCOME (LOSS)			
Net changes in fair value of available-for-sale financial asset	2i	(12,597)	(4,732)
Income tax relating to components of other comprehensive income (loss)		2,237	985
OTHER COMPREHENSIVE LOSS FOR THE YEAR AFTER TAX		**(10,360)**	**(3,747)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**413,368**	**373,841**
BASIC EARNINGS PER SHARE	2p,22	**59.71**	**53.21**

PT RAMAYANA LESTARI SENTOSA Tbk
STATEMENTS OF CHANGES IN EQUITY
Years Ended December 31, 2012 and 2011
(Expressed in Millions of Rupiah)

	Notes	Issued and Fully Paid Share Capital	Additional Paid-in Capital - Net	Retained Earnings		Other Comprehensive Income (Loss)	Total Equity
				Appropriated	Unappropriated		
Balance, January 1, 2011		**354,800**	**117,570**	**55,000**	**2,145,074**	**7,992**	**2,680,436**
Income for the year 2011		-	-	-	377,588	-	377,588
Fair value adjustment - net		-	-	-	-	(3,747)	(3,747)
Appropriation for general reserve	16	-	-	5,000	(5,000)	-	-
Cash dividend declaration	16	-	-	-	(212,880)	-	(212,880)
Balance, December 31, 2011		**354,800**	**117,570**	**60,000**	**2,304,782**	**4,245**	**2,841,397**
Income for the year 2012		-	-	-	423,728	-	423,728
Fair value adjustment - net		-	-	-	-	(10,360)	(10,360)
Appropriation for general reserve	16	-	-	5,000	(5,000)	-	-
Cash dividend declaration	16	-	-	-	(212,880)	-	(212,880)
Balance, December 31, 2012		**354,800**	**117,570**	**65,000**	**2,510,630**	**(6,115)**	**3,041,885**

PT RAMAYANA LESTARI SENTOSA Tbk
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2012 and 2011
(Expressed in Millions of Rupiah)

	Notes	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from sales		7,469,463	6,589,278
Cash payments to suppliers		(6,186,191)	(5,373,023)
Cash payments for salaries and employees' welfare		(470,818)	(442,391)
Payments for income taxes		(65,895)	(52,467)
Cash receipts from:			
Interest income		52,817	56,686
Other operating activities		24,660	14,208
Net Cash Provided by Operating Activities		**824,036**	**792,291**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of short-term investments	7	268,833	203,518
Proceeds from sale of property and equipment	9	2,713	2,591
Additions in long-term prepaid rent		(339,194)	(230,841)
Acquisitions of property and equipment	9	(227,703)	(163,023)
Placement of short-term investments		(40,000)	(193,728)
Placement of time deposits - net		(32,564)	(64,879)
Additions in security deposits		(855)	(2,203)
Net Cash Used in Investing Activities		**(368,770)**	**(448,565)**
CASH FLOWS FROM FINANCING ACTIVITY			
Payments of cash dividends	16	(212,880)	(212,880)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**242,386**	**130,846**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		927,030	796,184
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	**1,169,416**	**927,030**

1. GENERAL

a. Company's Establishment

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 of which as notarized under Notarial Deed No. 13 dated May 30, 2008 of Rianto, S.H., pertains to the compliance with stipulation under Law No. 40 Year 2007 regarding "Corporate Law". The latest amendment of the Articles of Association was approved by the Ministry of Law and Human Rights of the Republic of Indonesia in its Decision Letter No. AHU-29866.AH.01.02.Tahun 2009 dated July 2, 2009.

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. In 2012, the Company closed its one (1) store and opened seven (7) new stores. As of December 31, 2012, the Company operates several stores known as "Ramayana" (103 stores), "Robinson" (7 stores) and "Cahaya" (3 stores), that 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 at Jl. K.H. Wahid Hasyim No. 220 A-B, Jakarta 10250.

The Company's ultimate shareholder is PT Ramayana Makmursentosa with 55.88% 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 its 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.
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.

(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)

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.

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

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

As of December 31, 2012 and 2011, 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
Kardinal Alamsyah Karim	- Independent Commissioner	Gantang Nitipranatio	- Director
		Setyadi Surya	- Director

As of December 31, 2012 and 2011, the composition of the audit committee is as follows:

Chairman:	- Kardinal Alamsyah Karim
Members:	- Ruddy Hermawan Wongso
	- Tonang Sendjaja

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

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

As of December 31, 2012 and 2011, the Company has 15,265 and 16,693 employees, respectively (unaudited).

The Company's financial statements were completed and authorized for issuance by the Company's Board of Directors on March 18, 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. 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 of Financial Accounting Standards ("PSAKs") and Interpretations to Financial Acccounting Standards ("ISAKs") issued by the Financial Accounting Standards Board of the Indonesian Institute of Accountants, and Rule No. VIII.G.7 regarding Presentation and Disclosures of Listed or Public Company issued by the BAPEPAM-LK. As disclosed further in the relevant succeeding notes, several amended and published accounting standards were adopted effective January 1, 2012, prospectively or retrospectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Basis of Preparation of the Financial Statements (continued)

The financial statements have been prepared using the accrual basis, and the measurement basis used is historical cost, except for certain accounts which are measured on the basis as described in the relevant notes herein.

The statements of cash flows present receipts and payments of cash and cash equivalents into operating, investing and financing activities, with operating activities presented using the direct method.

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

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

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

b. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash in banks and time and on call deposits with maturities of 3 (three) months or less at the time of placement and not pledged as collateral.

c. Transactions with Related Parties

The Company applied PSAK No. 7 (Revised 2010), "Related Party Disclosures". The revised PSAK requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the Company's financial statements.

A party is considered to be related to the Company if the party:
a. has control or joint control over the Company;
b. has significant influence over the Company;
c. is a member of the key management personnel of the Company or of a parent of the Company;
d. is a member of the same group with the Company (which means that each parent, subsidiary and fellow subsidiary is related to each other);
e. is an associate or joint venture of the Company (or an associate or joint venture of a member of a group of which the Company are a member);
f. together with the Company, is a joint venture of the same third party;
g. is a joint venture of an associate of the Company or is an associate of a joint venture of the Company;
h. is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
i. is controlled or jointly controlled by the person identified in (a-c above); and
j. has significant influence by the person identified in (a above).

Transactions with related parties are made based on terms agreed by the parties, in which such terms may not be the same as those of the transactions between third parties.

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

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the moving-average method which includes all costs that occur to get these inventories to the current location and 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. Allowance for inventory obsolescence is provided based on a review of the condition of the inventories at the end of the year.

e. Property and Equipment

Effective January 1, 2012, the Company adopted PSAK No.16 (Revised 2011) ,“Fixed Assets”. PSAK No. 16 (Revised 2011) stipulates on the recognition of assets, the determination of their carrying amounts and the depreciation charges and impairment losses to be recognized in relation to them. The adoption of PSAK No. 16 (Revised 2011) has no significant impact on the Company’s financial statements.

Effective January 1, 2012, the Company has also adopted Interpretation of Financial Accounting Standards (ISAK) No. 25 , ”Land Rights”. ISAK No. 25 prescribes that the 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 “Property and Equipment” 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 statements of financial position and were amortized over the shorter of the rights' legal life and land's economic life. The adoption of ISAK No. 25 has no significant impact on the Company’s financial statement.

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, except land, are carried at cost less any subsequent accumulated depreciation and impairment losses.

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

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

Land is stated at cost and not amortized.

The carrying amounts of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be fully recoverable.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Property and Equipment (continued)

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

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.

Construction in progress

Construction in progress is stated at cost and presented as part of property and equipment. The accumulated cost will be reclassified to the appropriate property and equipment account when construction is completed and the asset is ready for its intended use.

f. Impairment of Non-Financial Assets

The Company adopted PSAK No. 48 (Revised 2009), "Impairment of Assets".

PSAK No. 48 (Revised 2009) prescribes the procedures to be employed by an entity to ensure that its assets are carried at no more than their recoverable amounts. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described as impaired and this revised PSAK requires the entity to recognize an impairment loss. This revised PSAK also specifies when an entity should reverse an impairment loss and prescribes disclosures.

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

An asset's recoverable amount is the higher of the asset's or cash generating unit's fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognized in the statements of comprehensive income as "Impairment Losses". In assessing the value in use, the estimated net future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used to determine the fair value of the assets. These calculations are corroborated by valuation multiples or other available fair value indicators.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Impairment of Non-Financial Assets (continued)

An assessment is made at each reporting period as to whether there is any indication that previously recognized impairment losses recognized for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss for an asset other than goodwill is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior periods. Reversal of an impairment loss is recognized in the statement of comprehensive income. After such a reversal, the depreciation charge on the said asset is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

g. Leases

Before January 1, 2012, there was no requirement to separately evaluate lease agreement that contained land and building elements. As such, the assessment was performed on a combined basis. One of the considerations in the determining the lease classification was a comparison of the lease term with the economic life of the assets. Further, land could only be owned in the form of landrights which were not amortized and were considered as having an indefinite life. Therefore, a lease agreement that contained land and building elements would mostly be classified as an operating lease.

Starting January 1, 2012, based on PSAK No. 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.

The adoption of PSAK No. 30 (Revised 2011) has no significant impact on the financial reporting and disclosures in the financial statements.

The Company 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.

The Company 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. Initial direct cost incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Lease income from operating leases shall be recognized as income on a straight-line basis over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Prepaid Expenses

Prepaid expenses are amortized and charged to operations over the periods benefited. The long-term portion of prepaid rent expenses are presented as "Long-Term Prepaid Rent" account in the statements of financial position.

i. Financial Instruments

Effective January 1, 2012, the Company adopted PSAK No. 50 (Revised 2010), "Financial Instruments: Presentation", PSAK No. 55 (Revised 2011), "Financial Instruments: Recognition and Measurement", and PSAK No. 60, "Financial Instruments: Disclosures". The adoption of PSAK No. 50 (Revised 2010), PSAK No. 55 (Revised 2011) and PSAK No. 60 has no significant impact on the financial statements.

PSAK No. 50 (Revised 2010) contains the requirements for the presentation of financial instruments and identifies the information that should be disclosed. The presentation requirements apply to classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset. This PSAK requires the disclosure of, among others, information about factors that affect the amount, timing and certainty of an entity future cash flows relating to financial instruments and the accounting policies adopted to those instruments.

PSAK No. 55 (Revised 2011) establishes the principles for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This PSAK provides the definitions and characteristics of derivatives, the categories of financial instruments, recognition and measurement, hedge accounting and determination of hedging relationships, among others.

PSAK No. 60 requires disclosures of significance of financial instruments for financial position and performance; and the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the end of the reporting period, and how the entity manages those risks.

i. Financial Assets

<u>Initial recognition</u>

Financial assets within the scope of PSAK No. 55 (Revised 2011) are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

When financial assets are recognized initially, they are measured at fair value, and in the case of financial assets not at fair value through profit or loss, plus directly attributable transaction costs.

The Company's financial assets as of December 31, 2012 and 2011 include cash and cash equivalents, time deposits, accounts receivable - trade, accounts receivable - others, short-term investments, certain security deposits and other non-current financial assets - loan to employees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Financial Instruments (continued)

i. Financial Assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, PSAK No. 55 (Revised 2011) requires such assets to be carried at amortized cost using the effective interest (EIR) method, and the related gains or losses are recognized in the statements of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Cash and cash equivalents, trade and other receivables, other non-current assets - loan to employees, other non-current assets - security deposits are classified and accounted for as loans and receivables under PSAK No. 55 (Revised 2011).

An allowance is made for uncollectible amounts when there is an objective evidence that the Company will not be able to collect the receivables. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are disclosed in the relevant succeeding paragraphs under this Note.

(b) Available-For-Sale (“AFS”) financial assets

AFS financial assets are non-derivative financial assets that are designated as available-for-sale. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized in the shareholders’ equity until the investment is derecognized. At that time, the cumulative gain or loss previously recognized in equity will be reclassified to profit or loss as a reclassification adjustment.

The Company has short-term investments that are classified under this category.

Derecognition

A financial asset, or where applicable, a part of a financial asset or part of a group of similar financial assets is derecognized when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company’s continuing involvement in the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Financial Instruments (continued)

i. Financial Assets (continued)

Derecognition (continued)

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

In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (i) the consideration received, including any new asset obtained less any new liability assumed; and (ii) any cumulative gain or loss that has been recognized directly in equity, is recognized in the statements of comprehensive income.

Impairment of Financial Assets

At reporting date, the Company assesses 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.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

a) Financial assets carried at amortized cost

For loans and receivables carried at amortized cost, 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, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed 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.

If there is an objective evidence that an impairment loss has occurred, 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. If a loan or receivable financial asset has a variable interest rate, the discount rate for measuring impairment loss is the current effective interest rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Financial Instruments (continued)

i. Financial Assets (continued)

Impairment of Financial Assets (continued)

a) Financial assets carried at amortized cost (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is directly recognized through profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced (reversed) by adjusting the allowance account. The recovery should not lead to the carrying amount of the asset exceeding its amortized cost that would have been determined had no impairment loss been recognized for the asset at the reversal date. The amount of reversal is recognized as profit or loss. If a future write-off is later recovered, the recovery is recognized in the statements of comprehensive income.

b) Financial assets carried at cost

When there is objective evidence that an impairment loss has occured, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset (excluding future expected credit losses that have not yet been incurred).

c) AFS financial assets

In the case of an equity investment classified as an AFS financial asset, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost.

Where there is objective evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statements of comprehensive income - is reclassified from equity to comprehensive income. Impairment loss on equity investment is not reversed through the statements of comprehensive income; increases in its fair value after impairment is recognized in equity.

In the case of a debt instrument classified as an AFS financial asset, impairment is assessed based on the same criteria as financial asset carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of the “Finance Income” account in the statements of comprehensive income. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statements of comprehensive income, the impairment loss is reversed through the statements of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Financial Instruments (continued)

ii. Financial Liabilities

Initial recognition

Financial liabilities within the scope of PSAK No. 55 (Revised 2011) are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. As at the reporting dates, the Company has no other financial liabilities other than those classified as loans and borrowings. The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities in the form of loans and borrowings are initially recognized at their fair values plus directly attributable transaction costs.

The Company's financial liabilities include accounts payable - trade, accounts payable - others and accrued expenses.

Subsequent measurement

Liabilities for accounts payable - trade, accounts payable - others, and accrued expenses are stated at carrying amounts (nominal amounts), which approximate their fair values.

Derecognition

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

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

iii. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements 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.

iv. Fair Value of Financial Instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market bid prices at the close of business at the end of the reporting period.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's-length market transaction; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis; or other valuation models.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Financial Instruments (continued)

iv. Fair Value of Financial Instruments (continued)

Credit risk adjustment

The Company adjusts the price in the more advantageous market to reflect any differences in counterparty credit risk between instruments traded in that market and the ones being valued for financial asset positions. In determining the fair value of financial liability positions, the Company's own credit risk associated with the instrument is taken into account.

v. Amortized Cost of Financial Instruments

Amortized cost is computed using the effective interest rate method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

j. Employee Benefits

Effective January 1, 2012, the Company has applied PSAK No. 24 (Revised 2010), "Employee Benefits", which regulates the accounting and disclosure for employee benefits, both short-term and long-term. PSAK No. 24 (Revised 2010) add another option for recognition of actuarial gain/loss from post employment benefits which is full recognition through other comprehensive income. The Company has chosen to retain the *"10% corridor method"* for the recognition of actuarial gains or losses. The actuarial gains or losses in excess of the said 10% threshold are recognized on a straight-line method over the expected average remaining service years of the qualified employees. The adoption of PSAK No. 24 (Revised 2010) did not have significant impact on the Company's financial statement except for the related disclosures.

The Company provides post employment benefits under the Company's regulations and Labor Law No. 13/2003 dated March 25, 2003.

The cost of providing employee benefits is determined using the "Projected Unit Credit" actuarial valuation method. Actuarial gains and losses are recognized as income or expenses when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded 10% of the present value of defined benefit obligation at that date. These gains or losses are recognized over the expected average remaining working lives of the employees. Further, past service costs arising from the introduction of a defined benefit plan or changes in the benefit payable of an existing plan are required to be amortized over the period until the benefits concerned become vested.

k. 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.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Foreign Currencies Transactions and Balances

Effective January 1, 2012, the Company applied PSAK No. 10 (Revised 2010), "The Effects of Changes in Foreign Exchange Rates", which describes how to include foreign currency transactions and foreign operations in the financial statements of an entity and translate financial statements into a presentation currency. 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 judgments to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The adoption of PSAK No. 10 (Revised 2010) has no significant impact on the financial statements.

The financial statements are presented in Rupiah, which is the Company's functional currency and the presentation currency. Transactions involving foreign currencies are recorded at the rates of exchange prevailing at the time the transactions are made. At reporting date, monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the prevailing exchange rates at such date and the resulting gains or losses are credited or charged to current year operations.

As of December 31, 2012 and 2011, the exchange rates used are as follows (full amount):

	2012	2011
United States dollar	9,670	9,068
Singapore dollar	7,907	6,974

The rates of exchange used were computed by taking the average of the transaction exchange rate by Bank Indonesia as of December 28, 2012 and December 30, 2011, respectively.

m. Recognition of Revenues and Expenses

The Company adopted PSAK No. 23 (Revised 2010), "Revenue". This revised PSAK identifies the circumstances in which the criteria on revenue recognition will be met and, therefore, revenue may be recognized, and prescribes the accounting treatment of revenue arising from certain types of transactions and events, and also provides practical guidance on the application of the criteria on revenue recognition.

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, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts and Value Added Taxes ("VAT"). The following specific recognition criteria must also be met before revenue is recognized. Revenues from outright and consignment sales are recognized when the goods are sold at the sales counter. Commission on consignment sales are recognized at the amounts of the sales of consignment goods to customers less the related costs which are recognized at the amounts due to consignors.

Expenses are recognized as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Income Tax

Effective January 1, 2012, the Company applied PSAK No. 46 (Revised 2010),"Income Taxes", which requires the Company to account for the current and future tax consequences of the future recovery (settlement) of the carrying amount of assets (liabilities) that are recognized in the statement of financial position, and transactions and other events of the current period that are recognized in the financial statements.

The adoption of PSAK No. 46 (Revised 2010) has no significant impact on the financial reporting and disclosures in the financial statements.

Current tax expense is provided based on the estimated taxable income for the current year. Deferred tax assets and liabilities are recognized for temporary differences between the financial and the tax bases of assets and liabilities at each reporting date.

Deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and carry forward of unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the benefit of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled based on tax laws that have been enacted or substantively enacted by the end of the reporting period. The related tax effects of the provisions for and/or reversals of all temporary differences during the year, including the effect of change in tax rates, are recognized as “Income Tax Expense - Net” and included in the determination of net profit or loss for the year, except to the extent that they relate to items previously charged or credited to equity.

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

Prior to January 1, 2012, the Company presented interest and penalties for the underpayment of income tax, if any, as part of “General and Administrative Expenses - Taxes and Licenses” in the statement of comprehensive income.

Effective January 1, 2012, the Company applied PSAK No. 46 (Revised 2010), which requires the Company to present interest and penalties for the underpayment/overpayment of income tax, if any, as part of “Income Tax Expense - Net” in the statement of comprehensive income.

o. Segment Reporting

The Company’s applied PSAK No. 5 (Revised 2009), “Operating Segments”, which superseded PSAK No. 5 (Revised 2000), “Segment Reporting”. The revised PSAK requires disclosures that will enable users of financial statements to evaluate the nature and financial effects of the business activities in which the entity engages in and the economic environments in which it operates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Segment Reporting (continued)

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.

p. Earnings per Share (“EPS”)

Effective January 1, 2012, the Company adopted PSAK No. 56 (Revised 2011),“Earnings Per Share”.

The adoption of PSAK No. 56 (Revised 2011) has no significant impact on the Company’s financial statements.

EPS is computed by dividing income for the year with the weighted-average number of shares outstanding during the year. The weighted-average numbers of shares outstanding are 7,096,000,000 shares in 2012 and 2011, respectively.

As of December 31, 2012 and 2011, the Company has no outstanding potential dilutive ordinary shares, accordingly, no diluted earnings per share are calculated and presented in the statements of comprehensive income.

q. Provisions

The Company adopted PSAK No. 57 (Revised 2009), “Provisions, Contingent Liabilities, and Contingent Assets”. This revised PSAK is to be applied prospectively and provides that appropriate recognition criteria and measurement basis are applied to provisions, contingent liabilities and contingent assets, and to ensure that sufficient information is disclosed in the notes to the financial statements to enable users to understand the nature, timing and amount related to the information.

Provisions are recognized when the Company has 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Accounting Standards that have been Published but not yet Effective

The following summarizes the revised PSAK which was issued by the Financial Accounting Standards Board (“DSAK”), effective on or after January 1, 2013:

PSAK No. 38 (Revised 2012) "Business Combinations Entities". This revised PSAK prescribes the accounting treatment for business combinations under common control and applied to business combinations under common control that meet the requirements in PSAK No. 22 "Business Combinations", both for recipient and withdrawal entity.

Currently, the Company is in the process of evaluating and have not yet determined the impact of the amended PSAK No. 38 on the 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 amount of the asset and liability affected in future periods.

Judgments

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

Leases

The Company has several leases where the Company acts as lessee for several rental of land and space for stores and warehouses. The Company evaluates whether significant risks and rewards of ownership of the leased assets are transferred based on PSAK No. 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.

Determination of Functional Currency

The Company’s functional currency is the currency from the primary economic environment where the Company conduct 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 classifications of certain assets and liabilities as financial assets and financial liabilities by judging if they meet the definition set forth in PSAK No. 55 (Revised 2011). Accordingly, the financial assets and financial liabilities are accounted for in accordance with the Company’s accounting policies disclosed in Note 2i.

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 cash generating unit (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, 2012 and 2011.

Employee Benefits

The determination of the Company's employee benefits liabilities is dependent on its selection of certain assumptions used by the independent actuaries and the Company's management 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. Actual results that differ from the Company assumptions with effects exceeding 10% of defined benefit obligation is deferred and amortized on a straight-line basis over the expected average remaining working lives of the employee. While the Company believes that its assumptions are reasonable and appropriate, significant differences in the actual results or significant changes in the Company assumptions may materially affect its estimated liabilities for employee benefits of Rp159.93 billion and Rp135.57 billion as of December 31, 2012 and 2011, respectively. Further details are disclosed in Note 14.

3. SOURCE OF ESTIMATION UNCERTAINTY (continued)

Estimates and Assumptions (continued)

Useful Lives of Property and Equipment

The costs of property and equipment, except land, are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property and equipment to be within 4 to 20 years. These are common life expectancies applied in the industry where the Company conduct 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 property and equipment amounted to Rp1.20 trillion and Rp1.15 trillion as of December 31, 2012 and 2011, respectively. Further details are disclosed in Note 9.

Income Tax

The Company recognize 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 Rp36.26 billion and Rp26.01 billion as of December 31, 2012 and 2011, 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 of the Company amounted to Rp42.02 billion and Rp33.89 billion as of December 31, 2012 and 2011. More detailed information is disclosed in Note 12.

Allowance for Obsolescence and Decline in Values of Inventories

Allowance for obsolescence and decline in values 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 values amounted Rp763.12 billion and Rp715.84 billion as of December 31, 2012 and 2011, 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 its 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 No. 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 benefit should be recognized.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2012	2011
Cash on hand	23,034	17,362
Cash in banks - third parties:		
Rupiah		
PT Bank Negara Indonesia (Persero) Tbk	143,241	108,203
PT Bank Danamon Indonesia Tbk	142,993	118,098
Citibank N.A., Indonesia	40,329	61,809
PT Bank Central Asia Tbk	17,262	8,061
PT Bank Mandiri (Persero) Tbk	7,762	5,512
PT Bank Internasional Indonesia Tbk	1,681	1,065
PT Bank Rakyat Indonesia (Persero) Tbk	413	1,432
PT Bank CIMB Niaga Tbk	580	-
Deutsche Bank AG, Indonesia	158	914
United States dollar		
Deutsche Bank AG, Indonesia (US$56,572 in 2012 and US$1,233,652 in 2011)	547	11,187
Others (below Rp1 billion each) (US$70)	-	1
Singapore dollar		
Deutsche Bank AG, Indonesia (Sin$126,527 in 2012 and Sin$126,615 in 2011)	1,001	883
Sub-total	355,967	317,165

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

4. CASH AND CASH EQUIVALENTS (continued)

Cash and cash equivalents consist of: (continued)

	2012	2011
Cash equivalents (time and on call deposits) - third parties:		
Rupiah		
PT Bank Internasional Indonesia Tbk	220,900	15,700
PT Bank UOB Indonesia	187,000	202,000
PT Bank CIMB Niaga Tbk	125,000	23,400
PT Bank Negara Indonesia (Persero) Tbk	35,000	-
PT Bank Bukopin Tbk	34,500	125,500
PT Bank Rakyat Indonesia (Persero) Tbk	32,000	30,800
PT Bank Danamon Indonesia Tbk	22,000	10,000
PT Bank Mandiri (Persero) Tbk	10,000	11,000
Citibank N.A., Indonesia	600	10,000
PT Bank Central Asia Tbk	-	142,800
United States dollar		
UBS AG, Singapore (US$10,301,361 in 2012 and US$2,349,259 in 2011)	99,614	21,303
Credit Suisse AG, Singapore (US$2,461,318)	23,801	-
Sub-total	790,415	592,503
Total	**1,169,416**	**927,030**

The annual interest for time and on call deposits range as follows:

	2012	2011
Rupiah	5.50% - 7.00%	2.60% - 7.75%
United States dollar	0.15% - 0.20%	0.15%

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

5. TIME DEPOSITS

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

	2012	2011
Rupiah		
PT Bank Internasional Indonesia Tbk	62,400	-
PT Bank Central Asia Tbk	42,000	-
PT Bank UOB Indonesia	-	41,500

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

5. TIME DEPOSITS (continued)

This account represents Rupiah and United States dollar time deposits placed at the following third parties banks: (continued)

	2012	2011
United States dollar		
Credit Suisse AG, Singapore (US$4,469,087 in 2012 and US$5,127,316 in 2011)	43,216	46,495
Deutsche Bank AG, Singapore (US$480,669 in 2012 and US$477,605 in 2011)	4,648	4,331
UBS AG, Singapore (US$3,018,761)	-	27,374
Total	**152,264**	**119,700**

The above time deposits have maturities of six months from the time of placement and not pledged as collateral. The annual interest for the time deposits range as follows:

	2012	2011
Rupiah	3.75% - 5.50%	5.50% - 8.25%
United States dollar	0.45% - 0.61%	0.25% - 0.65%

There are no time deposits balances placed to a related party.

6. ACCOUNT RECEIVABLE - THIRD PARTIES

This account represents receivable from some banks for payments made by the customers for their purchase using credit cards. All receivables are denominated in Rupiah.

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:

	2012	2011
Debt securities - third parties:		
Rupiah		
Duta Pertiwi Bond V Year 2007	-	28,560
Bank Mandiri Subordinated Bond I Year 2009	-	22,060
Bank Mega Subordinated Bond Year 2007	-	20,300
Agung Podomoro Land Bond I Year 2011	-	15,206
Perusahaan Listrik Negara Bond VII Year 2004	-	10,900
Bakrie Telecom Bond I Year 2007	-	9,158
BNI Securities Bond I Year 2007	-	8,080

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

7. SHORT-TERM INVESTMENTS (continued)

This account represents investments in debt securities denominated in United States dollar and Rupiah, which are classified as available-for-sale financial assets as follows: (continued)

	2012	2011
Debt securities - third parties: (continued)		
Rupiah (continued)		
Bank CIMB Niaga Subordinated Bond I Year 2010	-	6,354
Panin Sekuritas Bond III Year 2007	-	6,120
Indofood Sukses Makmur Bond V Year 2009	-	5,610
Telkom Bond II Year 2010 Series B	-	3,240
Indofood Sukses Makmur Bond IV Year 2007	-	3,038
Sub-total - Rupiah	-	138,626
United States dollar		
BLT Finance B.V. Guaranteed Senior Notes due 2014 (US$175,000 in 2012 and US$425,000 in 2011)	1,692	3,854
Adaro Indonesia Guaranteed Senior Notes due 2019 (US$3,421,275)	-	31,024
Listrindo Capital B.V. Senior Notes due 2015 (US$2,160,000)	-	19,587
Indosat Palapa Company B.V Guaranteed Notes due 2020 (US$1,680,210)	-	15,236
Majapahit Holding B.V. 2006 Guaranteed Notes due 2016 (US$1,135,000)	-	10,292
Socialist Republic of Vietnam Notes due 2020 (US$693,600)	-	6,290
Country Garden Holdings Co., Ltd. Senior Notes due 2017 (US$432,500)	-	3,922
Sub-total - United States dollar	1,692	90,205
Total	**1,692**	**228,831**

Total nominal values of the debt securities are US$1,000,000 or equal to Rp9.67 billion as of December 31, 2012 and US$9,802,000 and Rp133 billion or totalling Rp221.88 billion as of December 31, 2011.

In 2012 and 2011, annual interest rate of debt securities in Rupiah and United States dollar are as follows:

	2012	2011
Rupiah	10.00% - 13.00%	10.00% - 13.00%
United States dollar	6.75% - 11.25%	6.75%- 11.25%

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

7. SHORT-TERM INVESTMENTS (continued)

Proceeds from sales of short-term investments amounted to Rp268.83 billion and Rp203.52 billion in 2012 and 2011, respectively. The related realized gain on the sale of short-term investments amounting to Rp10.10 billion and Rp8.03 billion in 2012 and 2011, respectively, presented in "Other Operating Income - Gain on Sale of Short-term Investments - Net" account in the statements of comprehensive income. The changes in fair value on available-for-sale financial assets, net of deferred tax effect, represents unrealized loss amounting to Rp6.12 billion as of December 31, 2012 and unrealized gain amounting to Rp4.25 billion as of December 31, 2011, respectively, and presented in "Other Comprehensive Income (Loss)" account in the equity section in the statements of financial position.

Rating for BLT Finance B.V. Guaranteed Senior Notes due 2014 issued by Fitch Ratings was RR5 as of December 31, 2012.

8. INVENTORIES

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

	2012	2011
West Java	182,533	169,713
Sumatera	186,687	165,014
Jakarta	142,570	149,432
East Java	66,576	66,236
Kalimantan	65,199	62,972
Bali and Nusa Tenggara	35,962	34,601
Sulawesi	32,406	29,147
Central Java	25,661	27,945
Papua	25,523	10,783
Total (Note 18)	**763,117**	**715,843**

The above inventories are covered by insurance against losses from fire, damage, natural disasters, riots and other risks of US$45.78 million (equivalent to Rp442.74 billion) as of December 31, 2012, which in the opinion of Company's management is adequate to cover possible losses arising from such risks.

As of December 31, 2012 and 2011, there are no inventories pledged as collateral.

Based on the review of the condition of inventories at the end of the year, management assessed that there are no indications of decline in value of inventories to warrant any provisions for decline in value.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

9. PROPERTY AND EQUIPMENT

Property and equipment consists of:

2012	Beginning Balance	Changes during the year: Additions/ Reclassifications	Changes during the year: Disposals/ Reclassifications	Ending Balance
Cost				
Land	228,288	-	-	228,288
Buildings	696,187	51,228	-	747,415
Building renovations and improvements	675,565	72,263	-	747,828
Store equipment	569,085	48,329	-	617,414
Transportation equipment	45,020	4,944	4,172	45,792
Office equipment	48,218	3,800	-	52,018
Subtotal	2,262,363	180,564	4,172	2,438,755
Constructions in Progress				
Buildings	9,992	34,240	37,887	6,345
Building renovations and improvements	43,475	88,149	59,184	72,440
Store equipment	11,899	42,513	19,427	34,985
Total	65,366	164,902	116,498	113,770
Total Cost	2,327,729	345,466	120,670	2,552,525
Accumulated Depreciation				
Buildings	229,929	37,433	-	267,362
Building renovations and improvements	438,220	80,027	-	518,247
Store equipment	439,475	45,627	-	485,102
Transportation equipment	36,445	4,404	3,827	37,022
Office equipment	38,213	4,705	-	42,918
Total Accumulated Depreciation	1,182,282	172,196	3,827	1,350,651
Net Book Value	**1,145,447**			**1,201,874**

2011	Beginning Balance	Changes during the year: Additions/ Reclassifications	Changes during the year: Disposals/ Reclassifications	Ending Balance
Cost				
Land	228,288	-	-	228,288
Buildings	613,407	82,780	-	696,187
Building renovations and improvements	558,861	119,404	2,700	675,565
Store equipment	516,916	52,169	-	569,085
Transportation equipment	45,440	663	1,083	45,020
Office equipment	45,966	2,252	-	48,218
Subtotal	2,008,878	257,268	3,783	2,262,363
Constructions in Progress				
Buildings	74,487	9,992	74,487	9,992
Building renovations and improvements	67,006	74,390	97,921	43,475
Store equipment	16,385	23,192	27,678	11,899
Office equipment	-	81	81	-
Total	157,878	107,655	200,167	65,366
Total Cost	2,166,756	364,923	203,950	2,327,729

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

9. PROPERTY AND EQUIPMENT (continued)

Property and equipment consists of: (continued)

2011	Beginning Balance	Changes during the year: Additions/ Reclassifications	Changes during the year: Disposals/ Reclassifications	Ending Balance
Accumulated Depreciation				
Buildings	192,808	37,121	-	229,929
Building renovations and improvements	363,112	75,952	844	438,220
Store equipment	393,158	46,317	-	439,475
Transportation equipment	31,641	5,542	738	36,445
Office equipment	33,229	4,984	-	38,213
Total Accumulated Depreciation	1,013,948	169,916	1,582	1,182,282
Net Book Value	**1,152,808**			**1,145,447**

Depreciation charged to general and administrative expenses amounted to Rp172.20 billion in 2012 and Rp169.92 billion in 2011 (Note 20).

Additions of property and equipment in 2012 mainly represent costs of the additional seven (7) new stores located in Sumatera, West Java and Papua.

Additions of property and equipment in 2011 mainly represent costs of the additional three (3) new stores located in West Java and East Java.

The computation of gain on sale of property and equipment as part of “Other Operating Income - Others - Net” account is as follows:

	2012	2011
Proceeds	2,713	2,591
Net book value	345	2,201
Gain on sale of property and equipment	**2,368**	**390**

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 2014 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, 2012 is amounting to Rp355.34 billion, which 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, 2012	Estimated Percentage of Completion from Financial Point of View	Accumulated Costs	Estimated Completion
Buildings	18%	6,345	Year 2013
Building renovations and improvements	10-90%	72,440	Year 2013
Store equipment	10-90%	34,985	Year 2013
Total		**113,770**	

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

9. PROPERTY AND EQUIPMENT (continued)

The details of constructions in progress are as follows: (continued)

December 31, 2011	**Estimated Percentage of Completion from Financial Point of View**	**Accumulated Costs**	**Estimated Completion**
Buildings	20%	9,992	Year 2012
Building renovations and improvements	20-80%	43,475	Year 2012
Store equipment	30-90%	11,899	Year 2012
Total		**65,366**	

Property and equipment, excluding land and construction in progress, are covered by insurance against losses from fire, damage, natural disasters, riots and other risks of US$155.49 million and Rp35.72 billion with total equivalent amount of Rp1.54 trillion as of December 31, 2012, which in the opinion of Company's management is adequate to cover possible losses arising from such risks.

As of December 31, 2012 and 2011, the Company's management believes that there is no other event or change in circumstances that may indicate any impairment in value of its property and equipment.

As of December 31, 2012 and 2011, there are no property and equipment pledged as collateral.

10. LONG-TERM PREPAID RENT

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

The details of long-term prepaid rent as of December 31, 2012 and 2011 are as follows:

	2012	**2011**
Contract value		
PT Jakarta Intiland, a related party	563,281	404,805
Third parties	484,666	456,733
Total	1,047,947	861,538
Less cumulative expired portion	(349,231)	(306,551)
Unexpired portion	698,716	554,987
Less:		
Impairment loss	(9,000)	(9,000)
Current portion	(179,701)	(105,290)
Long-term portion	**510,015**	**440,697**

The outstanding balance of long-term prepaid rent with related party amounted to Rp401.44 billion and Rp265.14 billion as of December 31, 2012 and 2011, respectively, or representing 9.86% and 7.05% of total assets, respectively.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

10. LONG-TERM PREPAID RENT (continued)

Total additions of long-term prepaid rent in 2012 and 2011 amounted to Rp339.19 billion and Rp211.44 billion, respectively.

Amortization of long-term prepaid rent charged to operations amounted to Rp195.46 billion in 2012 and Rp109.76 billion in 2011, respectively (Note 19).

In connection with the long-term rent agreements with JIL, the existing store and warehouse rentals cover 33 locations as of December 31, 2012 (December 31, 2011: 20 locations). Under these agreements, the Company has the right to use the stores and warehouse locations for a period from 4 years until 5 years. These agreements will expire at various dates from 2013 until 2017, which can be renewed for another period to be agreed by both parties. Total additions of long-term prepaid rent to JIL in 2012 and 2011 amounting to Rp296.16 billion and Rp177.30 billion, respectively.

(b) The Company also has agreements with JIL and third parties, of which the related rents are payable periodically during the rental periods and the Company has to pay refundable security deposits. Total expenses for the rental payable periodically amounting to Rp83.13 billion in 2012 and Rp154.70 billion in 2011, including rental with a related party of Rp23.67 billion and Rp91.67 billion, respectively, or representing 6.27% and 29.36% of total selling expenses, respectively, are presented as part of “Selling Expenses - Rent - Net” account in the statements of comprehensive income (Note 19). As of December 31, 2012 and 2011, the outstanding refundable security deposits paid by the Company to JIL of Rp2.91 billion or representing 0.07% and 0.08% of total assets, respectively, are presented as part of “Security Deposits” account in the statements of financial position.

(c) The Company is required to pay service charges under the rental agreements. Total service charges of Rp66.83 billion in 2012 and Rp64.13 billion in 2011, including payments to a related party, are presented as part of “General and Administrative Expenses - Repairs and Maintenance” in the statements of comprehensive income (Note 20).

11. ACCOUNTS PAYABLE - TRADE - THIRD PARTIES

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

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

	2012	2011
Not yet due	611,145	581,490
1 - 2 months	92,606	96,450
More than 2 months	19,433	13,109
Total	**723,184**	**691,049**

As of December 31, 2012 and 2011, there is no collateral provided by the Company for the accounts payable - trade stated above.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

12. TAXATION

Taxes payable consists of:

	2012	2011
Income taxes:		
Article 21	1,026	805
Article 23	280	559
Article 4 (2)	4,346	10,584
Article 25 - December	1,737	882
Article 29	34,523	25,132
Value Added Tax	21,814	6,115
Total	**63,726**	**44,077**

The reconciliation between income before income tax as shown in the statements of comprehensive income and taxable income for the years ended December 31, 2012 and 2011 are presented as follows:

	2012	2011
Income before income tax as shown in the statements of comprehensive income	494,852	434,255
Temporary differences:		
Provision for liabilities for employees' benefits	31,184	24,125
Amortization of prepaid expenses	58	(124)
Payment for liabilities for employees' benefits	(6,823)	(5,898)
Gain on sale of property and equipment	(2,853)	(136)
Depreciation of property and equipment	(898)	(3,870)
Amortization of long-term prepaid rent	(598)	5,252
Permanent differences:		
Donations and entertainment	6,926	3,575
Salaries and employees' welfare	140	1,454
Tax penalties	1	307
Income already subjected to final tax:		
Rent	(91,371)	(91,844)
Interest	(46,268)	(51,222)
Gain on sale of short-term investments	(4,213)	(8,350)
Taxable income	**380,137**	**307,524**

The details of income tax expense is as follows:

	2012	2011
Taxable income	**380,137**	**307,524**
Income tax expense - current		
Income tax expense - current	76,027	61,505
Interest expense related to correction of 2010 corporate income tax	114	-
Total income tax expense - current	**76,141**	**61,505**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

12. TAXATION (continued)

The details of income tax expense is as follows: (continued)

	2012	2011
Income tax expense (benefit) - deferred		
Gain on sale of property and equipment	713	34
Depreciation of property and equipment	225	967
Amortization of long-term rent	150	(1,313)
Provision for liabilities for employees' benefits	(6,090)	(4,557)
Amortization of prepaid expenses	(15)	31
Income tax benefit - deferred - net	**(5,017)**	**(4,838)**
Income tax expense - net	**71,124**	**56,667**

The Company will file its 2012 Annual Income Tax Return (SPT) based on the calculation above. The Company's estimated taxable income for the year ended December 31, 2011 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:

	2012	2011
Income tax expense - current	76,027	61,505
Prepayments of income taxes:		
Article 22	53	60
Article 23	2,064	1,449
Article 25	39,387	34,864
Total	41,504	36,373
Income tax payable - Article 29	**34,523**	**25,132**

The single rate for corporate income tax is 25% starting fiscal year 2010.

On December 30, 2008, the Minister of Finance has issued the Ministry of Finance Regulation No. 238/PMK.03/2008 ("PMK No. 238/2008") regarding the "Guidelines on the Implementation and Supervision on the Tariff Reduction for Domestic Taxpayers in the Form of Public Companies" related with Government Regulation No. 81/2007 dated December 28, 2007. Under PMK No. 238/2008, domestic taxpayers in the form of public companies can avail of tax reduction at 5% lower than the highest income tax rate in the same manner as stated of subsection 1b of Article 17 on Law No. 7 Year 1983 regarding "Income Tax" if the following criteria are met:

1. The total publicly-owned shares is 40% (forty percent) or more than the total paid-up shares and such shares are owned by at least 300 (three hundred) parties.
2. Each of the above-mentioned can only own less than 5% shares from the total paid up shares, and should be fulfilled by the taxpayer within 6 (six) months or 183 (one hundred eighty three) calendar days in 1 (one) fiscal year.
3. The taxpayer should attach the declaration letter (*surat keterangan*) from the Securities Administration Agency (*Biro Administrasi Efek*) on the Annual Corporate Income Tax Return of the taxpayer with the form X.H.1-6 as provided in BAPEPAM-LK Rule No. X.H.1 for each concerned fiscal year.

This regulation is effective on December 30, 2008 and shall be applicable retroactively on January 1, 2008. The Company has complied with the above criteria. Accordingly, the Company has applied the tax reduction rate in the 2012 and 2011 income tax calculations.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

12. TAXATION (continued)

The reconciliation between income tax computed by using applicable tax rate from income before income tax, with income tax expense as shown in the statements of comprehensive income for the years ended December 31, 2012 and 2011 are as follows:

	2012	2011
Income before income tax as shown in the statements of comprehensive income	494,852	434,255
Income tax expense at applicable tax rate	98,970	86,851
Tax effect of permanent differences:		
Donations and entertainment	1,385	715
Salaries and employees' welfare	28	291
Tax penalties	1	61
Income already subjected to final tax:		
Rent	(18,274)	(18,369)
Interest	(9,254)	(10,244)
Gain on sale of short-term investments	(842)	(1,670)
Impact on changes in corporate income tax rates under PMK No. 238/2008	(1,004)	(968)
Interest expense related to correction of 2010 corporate income tax	114	-
Income tax expense - net	**71,124**	**56,667**

The deferred tax assets and liabilities as of December 31, 2012 and 2011 are as follows:

	2012	2011
Deferred tax assets on:		
Liabilities for employees' benefits	39,981	33,891
Unrealized loss on available-for-sale financial assets	2,038	-
Total	42,019	33,891
Deferred tax liabilities on:		
Property and equipment	(21,107)	(20,169)
Long-term rent	(15,072)	(14,922)
Prepaid expenses	(199)	(214)
Unrealized gain on available-for-sale financial assets	-	(199)
Total	(36,378)	(35,504)
Deferred tax assets (liabilities) - net	**5,641**	**(1,613)**

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

In 2012, the Company received Tax Collection Letter ("STP") for income taxes under Article 25/29 for 2010 amounting to Rp114 million. The payment of this STP is presented as part of "Income Tax Expense - Net" in the 2012 statement of comprehensive income.

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12. TAXATION (continued)

In 2011, the Company received several Tax Collection Letters ("STP") for income taxes under Article 21 for 2008, 2009 and 2010 and for Value Added Tax for 2008, 2009, 2010 and 2011 totaling Rp307 million. The payments of these STP are presented as part of "General and Administrative Expenses - Taxes and Licenses" in the 2011 statement of comprehensive income (Note 20).

13. ACCRUED EXPENSES

Accrued expenses consist of :

	2012	2011
Electricity and energy	20,288	17,192
Promotion	5,181	2,376
Rent	4,465	2,349
Others	3,755	5,319
Total	**33,689**	**27,236**

14. LIABILITIES FOR EMPLOYEES' BENEFITS

The Company recognized liabilities for employees' benefits amounting to Rp159.93 billion and Rp135.57 billion as of December 31, 2012 and 2011, respectively, presented in "Liabilities for Employees' Benefits" account in the statements of financial position. The related expenses amounting to Rp31.18 billion and Rp24.13 billion in 2012 and 2011, respectively, are presented as part of "General and Administrative Expenses - Salaries and Employees' Welfare" account in the statements of comprehensive income (Note 20). The liabilities for employees' benefit were determined based on actuarial valuations performed by PT Dayamandiri Dharmakonsilindo, an independent actuary, based on its reports dated January 14, 2013 and January 24, 2012 for 2012 and 2011, respectively.

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

	2012	2011
Discount rate	5.7% per year	8.5% per year
Salary increase rate	7% per year	7% per year
Pension age	55 years old	55 years old
Mortality rate	CSO-1980 table	CSO-1980 table

The benefit expenses recognized in the statements of comprehensive income are as follows:

	2012	2011
Current service cost	18,078	13,797
Interest cost	10,987	10,181
Amortization of past-service cost and actuarial losses	2,119	147
Net	**31,184**	**24,125**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

14. LIABILITIES FOR EMPLOYEES' BENEFITS (continued)

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

	2012	2011
Balance at beginning of year	178,917	126,086
Actuarial losses	47,676	44,269
Current service cost	18,078	13,797
Interest cost	10,987	10,181
Expected benefit payment	(19,773)	(15,416)
Balance at end of year	**235,885**	**178,917**

The details of employees' benefits liabilities are as follows:

	2012	2011
Present value of benefit obligation	235,885	178,917
Unrecognized actuarial losses	(75,801)	(43,047)
Unrecognized past-service cost	(158)	(305)
Liabilities for employees' benefits	**159,926**	**135,565**

Movements in liabilities for employees' benefits for the years ended December 31, 2012 and 2011 are as follows:

	2012	2011
Beginning balance	135,565	117,338
Provision during the year	31,184	24,125
Benefits payments during the year	(6,823)	(5,898)
Ending balance	**159,926**	**135,565**

Amounts as of December 31, 2012 and previous four annual periods of employee benefits are as follows:

	December 31				
	2012	2011	2010	2009	2008
Present value of benefit obligation	235,885	178,917	126,086	91,018	84,259
Unrecognized actuarial gain (loss)	(75,801)	(43,047)	(8,296)	11,499	13,372
Unrecognized past-service cost	(158)	(305)	(452)	(599)	(846)
Liabilities recognized in statements of financial position	**159,926**	**135,565**	**117,338**	**101,918**	**96,785**

The amounts of experience adjustments arising on plan liabilities for the year ended December 31, 2012 and previous four annual periods of employee benefits are as follows:

	December 31				
	2012	2011	2010	2009	2008
Present value of benefit obligation	235,885	178,917	126,086	91,018	84,259
Experience adjustments on liability	12,870	6,978	9,325	8,531	7,880

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

14. LIABILITIES FOR EMPLOYEES' BENEFITS (continued)

As of December 31, 2012, if the discount rate appreciated by 1% with all other variables held constant, present value of benefit obligation would have been lower by Rp26.22 billion and if the discount rate depreciated by 1% with all other variables held constant, present value of benefit obligation would have been higher by Rp31.38 billion.

15. SHARE CAPITAL

The shareholders and their share ownership as of December 31, 2012 and 2011 are as follows:

Shareholders	Number of Shares Issued and Fully Paid	Percentage of Ownership	Total
PT Ramayana Makmursentosa	3,965,000,000	55.88%	198,250
Paulus Tumewu (President Commissioner)	260,000,000	3.66%	13,000
Public (below 5% ownership each)	2,871,000,000	40.46%	143,550
Total	**7,096,000,000**	**100.00%**	**354,800**

16. RETAINED EARNINGS

In the Annual Shareholders' General Meeting held on May 25, 2012, the minutes of which were notarized by Deed No. 7 on the same date of Rianto, S.H., the shareholders approved the declaration of cash dividends of Rp30 (full amount) per share or in total amount of Rp212.88 billion, and the appropriation for general reserve of Rp5 billion from the 2011 net income.

In the Annual Shareholders' General Meeting held on May 26, 2011, the minutes of which were notarized by Deed No. 13 on the same date of Rianto, S.H., the shareholders approved the declaration of cash dividends of Rp30 (full amount) per share or in total amount of Rp212.88 billion, and the appropriation for general reserve of Rp5 billion from the 2010 net income.

17. REVENUES

The details of revenues are as follows:

	2012	2011
Outright sales	4,992,478	4,467,995
Consignment sales (Note 23c)	2,461,155	2,129,119
Cost of consignment sales	(1,753,924)	(1,510,956)
Commission on consignment sales	707,231	618,163
Total	**5,699,709**	**5,086,158**

There are no sales to a specific customer that exceeded 10% of total revenues in 2012 and 2011.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

18. COST OF OUTRIGHT SALES

The details of cost of outright sales are as follows:

	2012	2011
Beginning inventories	715,843	729,977
Net purchases	3,771,911	3,300,950
Inventories available for sale	4,487,754	4,030,927
Ending inventories (Note 8)	(763,117)	(715,843)
Cost of outright sales	**3,724,637**	**3,315,084**

There are no purchases from a supplier of the Company that exceeded 10% of total revenues in 2012 and 2011.

19. SELLING EXPENSES

The details of selling expenses are as follows:

	2012	2011
Rent - net (Notes 10a,10b,23b and 24)	196,101	167,691
Transportation	78,942	64,244
Promotion	71,601	57,645
Plastic bag	18,322	13,420
Credit card charges	7,781	6,723
Others	4,809	2,495
Total	**377,556**	**312,218**

20. GENERAL AND ADMINISTRATIVE EXPENSES

The details of general and administrative expenses are as follows:

	2012	2011
Salaries and employees' welfare (Notes 14 and 23d)	496,770	462,651
Electricity and energy	240,763	241,328
Depreciation (Note 9)	172,196	169,916
Repairs and maintenance (Notes 10c and 23b)	114,109	98,918
Supplies	40,484	24,278
Taxes and licenses (Note 12)	23,233	14,471
Insurance	17,227	15,994
Travel	14,445	11,216
Security	11,229	10,941
Stationeries and printing	11,179	9,081
Social security contribution	9,865	9,631
Telecommunications	7,417	7,280
Donations and entertainment	6,926	3,575
Contributions and retributions	6,073	6,242
Bank charges	4,418	4,945
Professional fee	2,627	3,808
Others	891	521
Total	**1,179,852**	**1,094,796**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

21. OTHER OPERATING INCOME

The details of other operating income are as follows:

	2012	2011
Gain on foreign exchange - net	12,753	1,984
Gain on sale of short-term investments - net	9,599	8,029
Others - net	6,401	3,548
Total	**28,753**	**13,561**

22. EARNINGS PER SHARE ("EPS")

The computation of basic earnings per share in 2012 and 2011 as follows:

	2012	2011
Income for the year	423,728	377,588
Weighted average number of shares outstanding	7,096,000,000	7,096,000,000
Basic earnings per share (full amount)	**59.71**	**53.21**

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/Liabilities	
	2012	**2011**	**2012**	**2011**
Long-term prepaid rent (Note 10a)				
PT Jakarta Intiland (a)	401,444	265,137	9.86	7.05
Security deposits (Note 10b)				
PT Jakarta Intiland (b)	2,905	2,905	0.07	0.08

			Percentage to Related Total Income/Expenses *)	
	2012	**2011**	**2012**	**2011**
Consignment sales (Note 17)				
PT Ramayana Makmursentosa (c)	76,581	77,597	1.34	1.53
Selling expenses - Rent (Note 10b)				
PT Jakarta Intiland (b)	184,609	166,501	48.90	53.33
General and administrative expenses - Salaries and employees' welfare (Note 20)				
Board of Commissioners and Directors	8,891	8,723	0.75	0.80

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

23. RELATED PARTIES TRANSACTIONS (continued)

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

			Percentage to Related Total Income/Expenses *)	
	2012	**2011**	**2012**	**2011**
General and administrative expenses - Repairs and maintenance (Note 10c)				
PT Jakarta Intiland (b)	10,855	10,565	0.92	0.97

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

a. The Company entered into long-term rental agreements 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 Rp401.44 billion and Rp265.14 billion as of December 31, 2012 and 2011, 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 paid refundable security deposits, as discussed in Note 10b. The outstanding balance of security deposits amounted to Rp2.91 billion as of December 31, 2012 and 2011, are presented as part of "Security Deposits" account in the statements of financial position. Total rent expense incurred from these agreements amounted to Rp23.67 billion and Rp91.67 billion in 2012 and 2011, respectively, and are presented as part of "Selling Expenses - Rent - Net" account in the statements of comprehensive income (Note 19).

   The Company is required to pay service charges under the rental agreements. Total service charges paid to PT Jakarta Intiland, a related party, amounted to Rp10.86 billion in 2012 and Rp10.56 billion in 2011, are presented as part of "Selling Expenses - Repairs and Maintenance" in the statements of comprehensive income (Note 20).

c. The Company's share in the revenue shared with PT Ramayana Makmursentosa, the Company's ultimate shareholder, from the revenue on family entertainment centre "Zone 2000" amounting to Rp76.58 billion in 2012 and Rp77.60 billion in 2011, are presented as part of revenues in the statements of comprehensive income (Note 17).

d. The compensation to Company's key management for employee services is shown below:

	2012	**2011**
Short-term employee benefits		
Board of Commissioners	4,418	4,392
Board of Directors	3,108	2,949
Subtotal	7,526	7,341
Long-term employee benefits		
Board of Commissioners	834	889
Board of Directors	531	493
Subtotal	1.365	1.382
Total	**8.891**	**8.723**

(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	Consignment sales
2	PT Jakarta Intiland	A member of the same Group with the Company	Rent of store and warehouse and service charges
3	Board of Commissioners and Directors	A member of the key management personnel of the Company	Salaries and employees' welfare

24. COMMITMENTS

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 valid for 5 years. The Company also entered into various long-term land rental agreements with third parties which are used for store buildings development. The land rental agreements in general valid for 25 years (Note 10a).

In addition, the Company entered into rental agreements with third parties to sub-lease some of the store spaces. The total rent income from these agreements of Rp96.72 billion in 2012 and Rp97.22 billion in 2011 is presented as deductions to rent expense in selling expenses (Note 19).

25. SEGMENT INFORMATION

In accordance with PSAK No. 5 (Revised 2009), "Operating Segments", 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:

	2012				
	Sumatera	**Java, Bali and Nusa Tenggara**	**Kalimantan**	**Sulawesi and Papua**	**Total Segment**
Total revenues	1,396,769	3,332,617	581,988	388,335	5,669,709
Income					
Segment income	401,989	897,113	176,756	119,143	1,595,001
Unallocated operating expenses					(1,148,584)
Income from operations					446,417
Finance income					48,435
Income before income tax					494,852
Income tax expense - net					(71,124)
Income for the year					**423,728**
Segment assets	734,727	1,439,715	268,688	241,534	2,684,664
Unallocated assets					1,388,701
Total assets					**4,073,365**
Segment liabilities	1,478	1,722	209	12,115	15,524
Unallocated liabilities					1,015,956
Total liabilities					**1,031,480**
Capital expenditures	28,122	92,894	13,600	35,440	170,056
Depreciation and amortization	91,634	227,667	40,061	20,710	380,072

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

25. SEGMENT INFORMATION (continued)

In accordance with PSAK No. 5 (Revised 2009), "Operating Segments", 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: (continued)

	2011				
	Sumatera	**Java, Bali and Nusa Tenggara**	**Kalimantan**	**Sulawesi and Papua**	**Total Segment**
Total revenues	1,283,082	2,931,424	536,315	335,337	5,086,158
Income					
Segment income	336,590	887,545	164,809	102,309	1,491,253
Unallocated operating expenses					(1,113,671)
Income from operations					377,582
Finance income					56,673
Income before income tax					434,255
Income tax expense-net					(56,667)
Income for the year					**377,588**
Segment assets	740,532	1,278,514	282,618	134,333	2,435,997
Unallocated assets					1,323,046
Total assets					**3,759,043**
Segment liabilities	1,716	1,070	510	42	3,338
Unallocated liabilities					914,308
Total liabilities					**917,646**
Capital expenditures	8,618	128,599	26,824	2,438	166,479
Depreciation and amortization	84,766	141,880	38,056	15,120	279,822

The Company determines its business segment based on the products sold consisting of fashion and accessories and non-fashion items.

2012	**Fashion and Accessories**	**Non-Fashion Items**	**Total Segment**
Outright sales	2,523,693	2,468,785	4,992,478
Commission on consignment sales	689,806	17,425	707,231
Cost of outright sales	(1,565,919)	(2,158,718)	(3,724,637)
Gross profit	**1,647,580**	**327,492**	**1,975,072**
Selling expenses	(350,761)	(26,795)	(377,556)
General and administratives expenses	(865,837)	(314,015)	(1,179,852)
Other operating income	21,137	7,616	28,753
Income (loss) from operations	**452,119**	**(5,702)**	**446,417**
Finance income	32,114	16,321	48,435
Income before income tax	**484,233**	**10,619**	**494,852**

25. SEGMENT INFORMATION (continued)

2011	Fashion and Accessories	Non-Fashion items	Total Segment
Outright sales	2,231,474	2,236,521	4,467,995
Commission on consignment sales	603,529	14,634	618,163
Cost of outright sales	(1,392,127)	(1,922,957)	(3,315,084)
Gross profit	**1,442,876**	**328,198**	**1,771,074**
Selling expenses	(258,269)	(53,949)	(312,218)
General and administratives expenses	(788,669)	(306,127)	(1,094,796)
Other operating income	8,370	5,191	13,561
Other operating expense	(39)	-	(39)
Income (loss) from operations	**404,269**	**(26,687)**	**377,582**
Finance income	39,315	17,358	56,673
Income (loss) before income tax	**443,584**	**(9,329)**	**434,255**

26. MONETARY ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

As of December 31, 2012, the Company has monetary assets and liabilities denominated in foreign currencies as follows:

	In Millions of Rupiah Equivalent
Assets	
Cash and cash equivalents	
United States dollar (US$12,819,251)	123,962
Singapore dollar (Sin$126,527)	1,001
Time deposits	
United States dollar (US$4,949,756)	47,864
Short-term investments	
United States dollar (US$175,000)	1,692
Accounts receivable - others	
United States dollar (US$12,757)	123
Total	174,642
Liabilities	
Accounts payable - others	
United States dollar (US$140,058)	1,354
Singapore dollar (Sin$4,808)	38
Total	1,392
Net monetary assets	**173,250**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

26. MONETARY ASSETS AND LIABILITIES IN FOREIGN CURRENCIES (continued)

On March 18, 2013, the exchange rates are Rp9,718 (full amount) per US$1 and Rp7,770 (full amount) per Sin$1.

If the net monetary assets in foreign currencies as of December 31, 2012 are converted to Rupiah using the exchange rates as of March 18, 2013, the net monetary assets will increase by Rp839 million.

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 financial assets - loan to employees, accounts payable - trade, accounts payable - others and accrued expenses.

a. Risk Management

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

Market risk

Market risk is the risk that the fair value of future cash flows a financial instrument will fluctuate because of changes in market prices. Market prices comprise two type of risk: 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 account payable - others.

Foreign currency risk

Foreign currency risk is the risk that the fair value or 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 related primarily to cash and cash equivalent, time deposits, short-term investments, accounts receivable - others, security deposits 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 risk can be compensated with the return on investments which 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, 2012		December 31, 2011	
	Change in Rupiah Rate	**Effect on Income Before Tax Expenses**	**Change in Rupiah Rate**	**Effect on Income Before Tax Expenses**
United States dollar	+2%	3,446	+2%	4,035
Singapore dollar	+2%	19	+2%	17
United States dollar	-2%	(3,446)	-2%	(4,035)
Singapore dollar	-2%	(19)	-2%	(17)

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

27. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

a. Risk Management (continued)

Credit risk

Credit risk is the risk that the counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. The Company's financial instruments that have potential credit risk consist of cash and cash equivalents, time deposits, accounts receivable - trade, accounts receivables - others, security deposits and certain 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 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 statements of financial position.

Liquidity risk

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

The Company manages their 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 summarize the maturity profile of the Company’s financial liabilities based on contractual payments as of December 31, 2012 and 2011:

	< 1 year	1 - 2 years	2 - 3 years	> 3 years	Total
As of December 31, 2012					
Account payable - third parties					
Trade	723,184	-	-	-	723,184
Others	50,955	-	-	-	50,955
Accrued expenses	33,689	-	-	-	33,689
Total	**807,828**	**-**	**-**	**-**	**807,828**
As of December 31, 2011					
Account payable - third parties					
Trade	691,049	-	-	-	691,049
Others	18,106	-	-	-	18,106
Accrued expenses	27,236	-	-	-	27,236
Total	**736,391**	**-**	**-**	**-**	**736,391**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

27. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

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 requirements are 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, 2012 and 2011.

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

Financial instruments presented in the statements of financial position are carried at fair value, otherwise, they are presented at carrying amounts as either these are reasonable approximation of fair values or their fair values cannot be reliably measured. Further explanations are provided in the following paragraphs.

Financial instruments carried at fair value or amortized cost

Short-term investments are carried at fair value using the quoted prices published in the active market. Certain security deposits and other non-current financial assets - loan to employees are carried at amortized cost using the effective interest rate method and the discount rates used are the current market incremental lending rate for similar types of lending. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the EIR.

Financial instruments with carrying amounts that approximate their fair values

Management has determined that the carrying amounts (based on notional amounts) of cash and cash equivalents, time deposits, accounts receivable - trade, accounts receivables - others , accounts payable - trade, accounts payable - other and accrued expenses reasonably approximate their fair values because they are mostly short-term in nature.

The following table sets out the carrying values and estimated fair values of the Company's financial instruments as of December 31, 2012 and 2011:

	2012		2011	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Financial Assets				
Cash and cash equivalents	1,169,416	1,169,416	927,030	927,030
Time deposits	152,264	152,264	119,700	119,700
Accounts receivable - third parties				
Trade	2,115	2,115	4,227	4,227
Others	8,342	8,342	14,567	14,567

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

28. FINANCIAL INSTRUMENTS (continued)

The following table sets out the carrying values and estimated fair values of the Company's financial instruments as of December 31, 2012 and 2011: (continued)

	2012		2011	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Financial Assets (continued)				
Short-term investments	1,692	1,692	228,831	228,831
Security deposits	1,227	1,227	1,224	1,224
Other non-current assets - loan to employees	6,586	6,302	9,660	9,325
Total	**1,341,642**	**1,341,358**	**1,305,239**	**1,304,904**
Financial Liabilities				
Accounts payable - third parties				
Trade	723,184	723,184	691,049	691,049
Others	50,955	50,955	18,106	18,106
Accrued expenses	33,689	33,689	27,236	27,236
Total	**807,828**	**807,828**	**736,391**	**736,391**

29. SUPPLEMENTARY CASH FLOWS INFORMATION

	2012	2011
ACTIVITIES NOT AFFECTING CASH FLOWS		
Reclassification of advances for purchases of property and equipment to property and equipment	1,265	-
Decrease in fair value of available-for-sale financial assets - net	2,081	3,579
Reclassification of assets not used in operation to property and equipment	-	1,733

30. RECLASSIFICATIONS OF ACCOUNTS

The following account in the 2011 financial statements have been reclassified to conform to the presentation of accounts in the financial statements for the year ended December 31, 2012:

As Previously Reported	As Reclassified	Total
General and administrative expenses - Rent - net	Selling expenses - Rent - net	167,691
General and administrative expenses - Transportation and travel	Selling expenses - Transportation	64,244
General and administrative expenses - Transportation and travel	General and administrative expenses - Travel	11,216

30. RECLASSIFICATIONS OF ACCOUNTS (continued)

The following account in the 2011 financial statements have been reclassified to conform to the presentation of accounts in the financial statements for the year ended December 31, 2012: (continued)

As Previously Reported	As Reclassified	Total
General and administrative expenses - Promotion	Selling expenses - Promotion	57,645
General and administrative expenses - Supplies	Selling expenses - Plastic Bag	13,420
General and administrative expenses - Bank Charges	Selling expenses - Credit Card Charges	6,723
General and administrative expenses - Supplies	Selling expenses - Others	2,495