PT INDONESIA FIBREBOARD INDUSTRY AND SUBSIDIARY

Consolidated Financial Statements
As of December 31, 2016
And For The Year Then Ended
With Independent Auditors' Report
(Indonesian Rupiah Currency)

IFI

**BOARD OF DIRECTORS' STATEMENT LETTER
REGARDING THE RESPONSIBILITY FOR
THE CONSOLIDATED FINANCIAL STATEMENTS OF
PT INDONESIA FIBREBOARD INDUSTRY AND SUBSIDIARY
AS OF DECEMBER 31, 2016
AND FOR THE YEAR THEN ENDED**

I am, the undersigned:

1. Name : Heffy Hartono

   Office Address : Jl. Pluit Raya 1 No. 1, Jakarta Utara

   Residential Address : Jl. Pinisi Permai 6 No. 25, RT/RW 005/007, Penjaringan, Jakarta Utara

   Position : President Director

Declare that:

1. I am responsible for the preparation and presentation of PT Indonesia Fibreboard Industry and Subsidiary's consolidated financial statements;

2. PT Indonesia Fibreboard Industry and Subsidiary's consolidated financial statements have been prepared and presented in accordance with Indonesian Financial Accounting Standards;

3. a. All information in the PT Indonesia Fibreboard Industry and Subsidiary's consolidated financial statements have been disclosed in a complete and truthful manner;

   b. PT Indonesia Fibreboard Industry and Subsidiary's consolidated financial statements do not contain any incorrect material information or facts, and do not omit material information or facts;

4. I am responsible for PT Indonesia Fibreboard Industry and Subsidiary's internal control system.

Thus this statement letter is made truthfully.

Jakarta, March 27, 2017
For and on behalf of the Board of Directors

METERAI TEMPEL
6BA07AEF604437575
6000
ENAM RIBU RUPIAH

<u>Heffy Hartono</u>
President Director

PT. Indonesia Fibreboard Industry
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PT INDONESIA FIBREBOARD INDUSTRY AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2016
AND FOR THE YEAR THEN ENDED
WITH INDEPENDENT AUDITORS' REPORT

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Rödl & Partner

Teramihardja, Pradhono & Chandra
Registered Public Accountants
License No. 487/KM. 1/2011
Member firm of Rödl International GmbH

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Jl. Prof. Dr. Satrio Kav. 18, Kuningan, Setiabudi
Jakarta 12940 - INDONESIA
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INDEPENDENT AUDITORS' REPORT

Report No. 0085/TPC-GA/FID/17

The Shareholders, the Boards of Commissioners and Directors
PT Indonesia Fibreboard Industry

We have audited the accompanying consolidated financial statements of PT Indonesia Fibreboard Industry and its subsidiary, which comprise the consolidated statement of financial position as of December 31, 2016, and the consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of PT Indonesia Fibreboard Industry and its subsidiary as of December 31, 2016, and their consolidated financial performance and cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards.

Other Matters

Our audit of the accompanying consolidated financial statements of PT Indonesia Fibreboard Industry and its subsidiary as of December 31, 2016 and for the year then ended was performed for the purpose of forming an opinion on such consolidated financial statements taken as a whole. The accompanying separate financial information of PT Indonesia Fibreboard Industry (parent entity), which comprises the statement of financial position as of December 31, 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended (collectively referred to as the "Parent Entity Financial Information"), which is presented as a supplementary information to the accompanying consolidated financial statements, is presented for the purposes of additional analysis and is not a required part of the accompanying consolidated financial statements under Indonesian Financial Accounting Standards. The Parent Entity Financial Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the accompanying consolidated financial statements. The Parent Entity Financial Information has been subjected to the auditing procedures applied in the audit of the accompanying consolidated financial statements in accordance with Standards on Auditing establish by the Indonesian Institute of Certified Public Accountants. In our opinion, the Parent Entity Financial Information is fairly stated, in all material respects, in relation to the accompanying consolidated financial statements taken as a whole.

Registered Public Accountants
TERAMIHARDJA, PRADHONO & CHANDRA

Fitradewata Teramihardja, S.E., Ak., CPA
Licence of Public Accountant No. AP.0455

March 27, 2017

PT INDONESIA FIBREBOARD INDUSTRY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016
(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

	Notes	2016	2015
ASSETS			
CURRENT ASSETS			
Cash and banks	2j, 2m, 4	10,301,876,321	3,949,514,124
Account receivables	2c, 2d, 2j 5, 6, 11	48,979,160,550	61,475,580,515
Other receivables	2j	787,875,237	671,401,299
Inventories	2e, 7, 11	109,401,365,538	141,684,466,163
Purchases advances		18,921,858,250	11,190,268,677
Prepaid expenses	2f, 8	917,246,339	1,337,890,843
Prepaid taxes	2n, 13	17,513,299,825	21,034,974,714
Total Current Assets		206,822,682,060	241,344,096,335
NON-CURRENT ASSETS			
Advances for purchases of fixed assets	9	340,000,000	1,583,273,251
Deferred tax assets	2n, 13	7,053,762,618	5,518,542,662
Fixed assets - net of accumulated depreciation of Rp 273,278,947,987 in 2016 and Rp 205,497,114,949 in 2015	2g, 2i, 9, 11	906,472,593,814	931,309,497,481
Other non-current assets	2h, 10	903,156,603	9,613,930,214
Total Non-Current Assets		914,769,513,035	948,025,243,608
TOTAL ASSETS		**1,121,592,195,095**	**1,189,369,339,943**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements.

PT INDONESIA FIBREBOARD INDUSTRY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
DECEMBER 31, 2016
(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

	Notes	2016	2015
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Short-term bank loans	2j, 11	38,339,857,284	47,805,760,309
Account payables	2d, 2j, 6, 12	10,264,447,252	24,013,786,783
Taxes payable	2n, 13	1,029,716,023	842,407,641
Advance from customers	19	-	788,959,396
Accrued expenses	2j, 15	4,261,538,294	13,152,185,815
Other payables	2j, 14	14,351,208,593	8,408,741,239
Current maturities of long-term loan			
Bank loans	2j, 11	113,537,409,789	104,002,528,137
Total Current Liabilities		181,784,177,235	199,014,369,320
NON CURRENT LIABILITIES			
Long-term loan - net of current maturities			
Bank loans	2j, 11	223,660,911,664	308,231,941,325
Other payable	2d, 2j, 6, 14	207,785,023,496	212,555,023,496
Estimated liabilities for employees' benefit	2l, 16	9,903,412,133	6,703,906,934
Total Non-Current Liabilities		441,349,347,293	527,490,871,755
Total Liabilities		623,133,524,528	726,505,241,075
EQUITY			
Equity Attributable to the Equity Holders of the Parent Company			
Capital stock - Rp 100,000 par value per share			
Authorized - 10,000,000 shares			
Issued and fully paid - 4,500,000 shares	17	450,000,000,000	450,000,000,000
Advance for capital stock subscription	18	150,000,000,000	150,000,000,000
Differences arising from changes in equity of Subsidiary	2o, 9, 13	64,740,000	-
Deficit		(101,620,807,808)	(137,150,427,754)
Sub Total		498,443,932,192	462,849,572,246
Non-Controlling Interest		14,738,375	14,526,622
Total Equity		498,458,670,567	462,864,098,868
TOTAL LIABILITIES AND EQUITY		**1,121,592,195,095**	**1,189,369,339,943**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements.

PT INDONESIA FIBREBOARD INDUSTRY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

	Notes	2016	2015
NET SALES	2k,19	569,554,323,931	567,190,301,122
COST OF GOODS SOLD	2k, 20	(488,286,443,639)	(424,280,258,170)
GROSS PROFIT		81,267,880,292	142,910,042,952
General and administrative expenses	2k, 21	(26,948,616,954)	(25,574,980,659)
Financing charges	2k	(27,617,980,300)	(34,552,261,640)
Foreign exchange differentials - net	2m	6,340,704,240	(33,843,801,280)
Interest income	2k	43,712,811	42,128,276
Miscellaneous - net		1,244,938,160	692,270,201
PROFIT BEFORE INCOME TAX BENEFIT		**34,330,638,249**	**49,673,397,850**
INCOME TAX BENEFIT	2n, 13		
Deferred tax		1,451,148,329	885,710,259
PROFIT FOR THE YEAR		**35,781,786,578**	**50,559,108,109**
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that Will Not be Reclassified Subsequently to Profit or Loss			
Actuarial gain (loss) of employee benefits liabilities	2l, 16	(336,286,506)	77,361,591
Income tax of actuarial gain (loss) of employee benefits liabilities	2n, 13	84,071,627	(19,340,398)
Other Comprehensive Income (Loss) For The Year - Net of Tax		**(252,214,879)**	**58,021,193**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**35,529,571,699**	**50,617,129,302**
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Parent Company		35,781,834,825	50,559,108,424
Non-Controlling Interest		(48,247)	(315)
TOTAL		**35,781,786,578**	**50,559,108,109**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Parent Company		35,529,619,946	50,617,129,617
Non-Controlling Interest		(48,247)	(315)
TOTAL		**35,529,571,699**	**50,617,129,302**

The accompanying notes to the consolidated financial statements form
an integral part of these consolidated financial statements.

PT INDONESIA FIBREBOARD INDUSTRY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

		Equity Attributable to the Equity Holders of the Parent Company						
	Notes	Capital Stock	Advance for Capital Stock Subscription	Differences Arising from Changes in Equity of Subsidiary	Deficit	Sub-Total	Non-Controlling Interest	Total Equity
Balance as of December 31, 2014		**450,000,000,000**	**-**	**-**	**(187,767,557,371)**	**262,232,442,629**	**14,526,937**	**262,246,969,566**
Advance for capital stock subscription	18	-	150,000,000,000	-	-	150,000,000,000	-	150,000,000,000
Profit for the year		-	-	-	50,559,108,424	50,559,108,424	(315)	50,559,108,109
Other comprehensive income for the year - net of tax		-	-	-	58,021,193	58,021,193	-	58,021,193
Balance as of December 31, 2015		**450,000,000,000**	**150,000,000,000**	**-**	**(137,150,427,754)**	**462,849,572,246**	**14,526,622**	**462,864,098,868**
Impact due to implementation of PSAK No. 70 - Tax Amnesty Asset	2o, 9, 13	-	-	64,740,000	-	64,740,000	260,000	65,000,000
Profit for the year		-	-	-	35,781,834,825	35,781,834,825	(48,247)	35,781,786,578
Other comprehensive loss for the year - net of tax		-	-	-	(252,214,879)	(252,214,879)	-	(252,214,879)
Balance as of December 31, 2016		**450,000,000,000**	**150,000,000,000**	**64,740,000**	**(101,620,807,808)**	**498,443,932,192**	**14,738,375**	**498,458,670,567**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements.

PT INDONESIA FIBREBOARD INDUSTRY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		35,781,786,578	50,559,108,109
Adjustments to reconcile profit for the year to net cash provided by operating activities:			
Depreciation	9	68,212,071,770	63,460,694,862
Financing charges		27,617,980,300	34,552,261,640
Foreign exchanges differentials		93,548,221	11,146,399
Loss on disposals and sales of fixed assets	9	29,665,814	46,606,819
Deferred tax		(1,451,148,329)	(885,710,259)
Employees' benefit expenses	16	2,863,218,693	2,098,900,557
Changes in operating assets and liabilities:			
Account receivables		12,496,419,965	12,571,137,105
Other receivables		(116,473,938)	1,418,569,792
Inventories		32,620,672,185	(51,749,076,728)
Purchase advances		(7,731,589,573)	(2,635,282,702)
Prepaid expenses		420,644,504	61,933,617
Prepaid taxes		3,521,674,889	21,670,873,692
Account payables		(13,749,339,531)	22,067,191,334
Taxes payable		187,308,382	(54,566,033)
Advance from customers		(788,959,396)	738,376,141
Accrued expenses		(8,569,093,797)	377,082,282
Other payables		5,942,467,354	(18,128,998,961)
Net Cash Provided by Operating Activities		157,380,854,091	136,180,247,666
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of fixed assets	9	(43,981,950,931)	(49,230,141,420)
Deduction (Addition) in other non-current assets		8,710,773,611	(7,072,685,602)
Advance for purchases of fixed assets		1,243,273,251	(1,583,273,251)
Proceed from sales of fixed assets	9	304,545,454	1,598,309,939
Net Cash Used in Investing Activities		(33,723,358,615)	(56,287,790,334)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in bank loans		(84,502,051,034)	(60,074,737,299)
Payment of interest		(27,939,534,024)	(35,085,324,708)
Increase (Decrease) in other payable		(4,770,000,000)	5,500,000,000
Net Cash Used in Financing Activities		(117,211,585,058)	(89,660,062,007)
NET INCREASE (DECREASE) IN CASH AND BANKS		6,445,910,418	(9,767,604,675)
NET EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND BANKS		(93,548,221)	(11,146,399)
CASH AND BANKS AT BEGINNING OF YEAR		3,949,514,124	13,728,265,198
CASH AND BANKS AT END OF YEAR		**10,301,876,321**	**3,949,514,124**

The accompanying notes to the consolidated financial statements form
an integral part of these consolidated financial statements.

1. GENERAL

a. Establishment of the Company

PT Indonesia Fibreboard Industry (the "Company") was established in Indonesia on September 24, 2007 based on the Notarial Deed No. 94 of Johny Dwikora Aron, S.H. The deed of establishment was approved by the Ministry of Justice and Human Rights of the Republic of Indonesia through its decision letter No. C-05183 HT.01.01.TH.2007 dated December 3, 2007. The Company's Articles of Association has been amended from time to time, the latest amendment was made by Notarial Deed of Silvy Solivan, S.H, No. 17 dated March 9, 2015, concerning the scope of activities. This amendment was approved by the Ministry of Law and Human Rights of the Republic of Indonesia in its decision letter No. AHU-0004075.AH.01.02 Tahun 2015 dated March 16, 2015.

Based on Article 3 of the Company's Articles of Assocation, the scope of activities, mainly in medium density fibreboard industry, veneer, laminated veneer lumber, sawn timber and plywood. The Company domiciled in Jakarta and located at Wisma ADR, Jalan Pluit Raya No. 1, North Jakarta, while the production plant is located in South Sumatra. The Company started its commercial operations in October 2012.

b. Commissioners, Directors and Employees

The composition of the Boards of Commissioners and Directors of the Company as of December 31, 2016 and 2015 are as follows:

Board of Commissioners

President Commissioner	:	Eddy Hartono
Commissioner	:	Surja Hartono

Board of Directors

President Director	:	Heffy Hartono
Director	:	Djojo Hartono
Director	:	Ang Andri Pribadi

Total remuneration incurred and paid to the Company's Commissioners and Directors totaled approximately Rp 2,5 billion and Rp 1,7 billion in 2016 and 2015, respectively.

As of December 31, 2016 and 2015, the Company and Subsidiary have a total of 707 employees and 715 employees, respectively (unaudited).

c. Subsidiary

The Company have the following Subsidiary:

Subsidiary	Principal Activity	Commencement of Commercials Operations	Domicile	Percentage of Ownership December 31		Total Assets Before Elimination (in Billions Rupiah) December 31	
				2016	2015	2016	2015
Held Directly by the Company							
PT First Light Pratama (FLP) Manufacturing	Industrial Glue	2008	Jakarta	99.60%	99.60%	4	4

FLP was established in Indonesia on April 7, 2008 based on the Notarial Deed No. 21 of Johny Dwikora Aron, S.H. The deed of establishment was approved by the Ministry of Law and Human Rights of the Republic of Indonesia through its decision letter No. AHU-25276.AH.01.01.Tahun 2008 dated May 14, 2008. FLP started its commercial operations in October 2012. On May 1, 2014, FLP has stopped its operation.

1. GENERAL (continued)

d. Completion of The Consolidated Financial Statements

The financial statements were completed and authorized for issuance by the Company's Board of Directors on March 27, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance and Basis for Preparation of Consolidated Financial Statement

The consolidated financial statements have been prepared in accordance with Indonesian Financial Accounting Standards ("SAK"), which comprise the Statements and Interpretations issued by the Board of Financial Accounting Standards of the Indonesian Institute of Accountants.

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those adopted in the preparation of the consolidated financial statements as of December 31, 2015 and for the year then ended.

The consolidated financial statements have been prepared on the accrual basis, except for the consolidated statement of cash flows, using the historical cost concept of accounting, except as disclosed in the relevant Notes to the consolidated financial statements herein.

The consolidated statement of cash flows have been prepared using indirect method which classify cash flows into operating, investing and financing activities.

The reporting currency used in the consolidated financial statements is Rupiah, which is the Company and Subsidiary's functional currency.

b. Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its Subsidiary as at December 31, each year. Control is achieved when the Company and Subsidiary is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, the Company and Subsidiary control an investee if and only if the Company and Subsidiary have all of the following:

i) Power over the investee, that is existing rights that give the Company and Subsidiary current ability to direct the relevant activities of the investee,
ii) Exposure, or rights, to variable returns from its involvement with the investee, and
iii) The ability to use its power over the investee to affect its returns.

When the Company and Subsidiary have less than a majority of the voting or similiar rights of an investee, the Company and Subsidiary consider all relevant facts and circumstances in assessing whether it has power over an investee, including:

i) The contractual arrangement with the other vote holders of the investee,
ii) Rights arising from other contractual arrangements, and
iii) The Company and Subsidiary's voting rights and potential voting rights.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Principles of Consolidation (continued)

The Company and Subsidiary re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company and Subsidiary obtain the control over the Subsidiary and ceases when the Company and Subsidiary loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired during the year are included in the consolidated financial statements from the date the Company and Subsidiary gain control until the date the Company and Subsidiary cease to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Company and Subsidiary and to the non-controlling interest ("NCI"), even if this results in the NCI having deficit balance. When necessary, adjusments are made to the financial statements of subsidiary to bring their accounting policies into the line with the Company and Subsidiary's accounting policies.

All significant intra and inter-group balances, transactions, income and expenses, and unrealized profits and losses resulting from intra-group transactions and dividends are eleminated on consolidations.

A change in the parent's ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Company and Subsidiary loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, NCI and other component of equity, while any resultant gain or loss is recognized in the profit or loss. Any investment retained is recognized at fair value.

Change of carrying value of investment transaction which derived from the issuance of new shares of Subsidiary to the Company is recorded as "Differences Arising from Changes in Equity of Subsidiary" account which is presented under "the Equity" account in the consolidated statement of financial position.

c. Account Receivables

Account receivables (if any) are recorded net of allowance for impairment of account receivables. The accounting policy for allowance for impairment is described in Note 2j.

d. Transactions with Related Parties

The Company and Subsidiary have transactions with related parties as defined under PSAK No. 7 "Related Party Disclosures".

The transactions are made based on terms agreed by the parties, which may not be the same as those of the transactions between unrelated parties.

All significant transactions and balances with related parties, have been disclosed in the notes to the consolidated financial statements.

e. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the moving average method. Allowance for decline in the value of inventory is provided based on the review of the inventories condition at year end to reduce the carrying values of inventories to their net realizable values.

f. Prepaid Expenses

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Fixed Assets

All fixed assets are initially recognized at cost, which comprises its purchase price and any costs directly attributable in bringing the asset to its working condition and to the location where it is intended to be used.

Subsequent to initial recognition, are carried at cost less any subsequent accumulated depreciation and impairment losses. At the end of each reporting period, the estimated useful lives and methods of depreciation of property and equipment are reviewed by management and adjusted prospectively, if appropriate.

Depreciation of assets starts when it is available for use. Depreciation is computed using the straight-line method over the estimated useful lives if the assets as follows:

	Useful lives years
Buildings and infrastructure	20
Machinery and equipments	8 - 16
Office equipments	4 - 8
Furniture and fixtures	4 - 8
Vehicles	4 - 8

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 cost of land rights in the form of HGU, HGB and HP were recognized in the consolidated statement of financial position and were amortized over the shorter of the rights’ legal life and land’s economic life.

Assets under construction represent the accumulated cost of materials and other costs related to the assets under construction. The accumulated cost is reclassified to the appropriate fixed assets accounts when the construction is completed and the constructed assets are ready for their intended use.

The costs of repairs and maintenance are charged to profit or loss as incurred; significant renewals and betterments are capitalized. When assets are retired or otherwise disposed of, their net book values are removed from the accounts and any resulting gain or loss is reflected in the consolidated statement of profit or loss and other comprehensive income for the year.

h. Intangible Assets and Deferred Charges

<u>Landrights</u>

The Company and Subsidiary adopted ISAK 25, Landrights, which has resulted to reclassification of deferred charges for landrights to cost of land acquisition (Note 2g).

<u>Software</u>

Expenses related to the software cost were deferred and are being amortized using the straight-line method over their beneficial periods.

The estimated useful live and amortization method are reviewed at the end of each year end, with the effect of any changes in estimate being accounted for on a prospective basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Impairment of Non - Financial Asset Values

The Company and Subsidiary assess at each end of reporting period, whether there is any indication that an asset may be impaired. If such indication exists, recoverable amount shall be estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company and Subsidiary determine the recoverable amount of the Cash-Generating Unit (CGU) to which the asset belongs (the asset's of CGU).

An asset's (either individual asset or CGU) recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss as "impairment losses". In assessing the value in use, the estimated 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 in used to determine the fair value of the asset. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses, if any, are recognized in profit or loss under expense categories that are consistent with the functions of the impaired assets.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses recognized for an asset 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 is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss is recognized.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds 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 consolidated statement of profit or loss and other comprehensive income. After such a reversal is recognized, 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.

j. Financial Instruments

1. Financial Assets

<u>Initial recognition and measurement</u>

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Company and Subsidiary determine the classification of their financial assets at initial recognition and, where allowed and appropriate, re-evaluate the designation of such assets at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Financial Instruments (continued)

1. Financial Assets (continued)

Initial recognition and measurement (continued)

Financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery if assets within a time frame established by regulation or convention in the market place (regular way accounts) are recognized on the account date, i.e., the date that the Company and Subsidiary commit to purchase or sell the assets.

The Company and Subsidiary's financial assets include cash and banks, account receivables and other receivables.

Subsequent measurement

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

- Financial assets at fair value through profit or loss

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

  As of December 31, 2016 dan 2015, the Company and Subsidiary do not have financial assets classified as fair value through profit or loss.

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of profit or loss and other comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

  The Company and Subsidiary's cash and banks, account receivables and other receivables are includes in this category.

- Held to Maturity (HTM) investments

  Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Company and Subsidiary have the positive intention and ability to hold them to maturity. After initial measurement, HTM investments are measured at amortized cost using the effective interest method.

  This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

  Gains and losses are recognized in the consolidated statement of profit or loss and other comprehensive income when the investments are derecognized or impaired, as well as through the amortization process.

  As of December 31, 2016 and 2015, the Company and Subsidiary do not have any HTM investments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Financial Instruments (continued)

1. Financial Assets (continued)

Subsequent measurement (continued)

- Available-for-sale (AFS) financial assets

  AFS financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized in stockholders' equity until the investment is derecognized. At that time, the cumulative gain or loss previously recognized in stockholders' equity shall be reclassified to profit or loss comprehensive as a reclassification adjustment.

  As of December 31, 2016 and 2015, the Company and Subsidiary do not have any AFS financial assets.

2. Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss or financial liabilities at amortized cost, as appropriate. The Company and Subsidiary determine the classification or their financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, inclusive of directly attributable transaction costs.

The Company and Subsidiary's financial liabilities include bank loans, account payables, accrued expenses and other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

- Financial liabilities at fair value through profit or loss

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

  Financial liabilities are classified as held for trading if they are acquired for the purposes of selling or repurchasing in the short term. Liabilities are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the consolidated statement of profit or loss and other comprehensive income.

  The Company and Subsidiary do not have any financial liabilities at fair value through profit or loss as of December 31, 2016 and 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Financial Instruments (continued)

2. Financial Liabilities (continued)

Subsequent measurement (continued)

- Financial liabilities at amortized cost

  Financial liabilities that are not classified as at fair value through profit and loss fall into this category and are measured at amortized cost.

  After initial recognition, the Company and Subsidiary measured all financial liabilities at amortized cost using effective interest rate method.

  The Company and Subsidiary's bank loans, account payables, accrued expenses and other payables are include in this category.

3. Offsetting of Financial Instruments

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

4. Fair Value of Financial Instruments

The fair value of financial instruments that are actively traded in organized financial 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 transactions; references to the current fair value of another instrument that is substantial the same, discounted cash flow analysis; or other valuation models.

Credit risk adjustment

The Company and Subsidiary adjusted 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 position, the Company's own credit risk associated with the instrument is taken into account.

5. Impairment of Financial Assets

The Company and Subsidiary assess at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is an 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 when 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Financial Instruments (continued)

5. Impairment of Financial Assets (continued)

- Financial assets carried at amortized cost

  For loans and receivables carried at amortized cost, the Company and Subsidiary first assess individually 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 and Subsidiary determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, they include the asset in Company and Subsidiary of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment or impairment.

  If there is 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 carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is directly recognized in the 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 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 and Subsidiary.

  If, in a subsequently period, the amount of the estimated impairment loss increase of decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increases or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in the consolidated statement of profit or loss and other comprehensive income.

- Financial assets carried at cost

  When there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, 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. Such impairment losses cannot be reversed in the subsequent period.

6. Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or where applicable, a part of a financial asset of part of a group of similar financial asset) is derecognized when: (1) the rights to receive cash flows from the asset have expired or (2) the Company and Subsidiary have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company and Subsidiary have transferred substantial all the risks and rewards of the asset, or (b) the Company and Subsidiary have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Financial Instruments (continued)

6. Derecognition of Financial Assets and Liabilities (continued)

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged of cancelled or has 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 of modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in consolidated statement of profit or loss and other comprehensive income.

k. Revenue and Expense Recognition

Revenues from local sales are recognized when the goods are delivered to the customers and title has passed, while export sales are recognized when the goods are shipped (F.O.B Shipping Point). Revenue is measured at the fair value of the considerations received or receivable.

Expenses are recognized when these are incurred (accrual basis) or based on their beneficial periods.

l. Employees' Benefits

Short-term Employee Benefits

The Company and Subsidiary recognize short-term employee benefits liability when services are rendered and the compensation for such services are to be paid within twelve months after the rendering of such services.

Post-employment Benefits

The Company and Subsidiary provides post-employment benefits to its employees in conformity with the requirements of Labor Law No. 13/2003 dated March 25, 2003 and PSAK No. 24, "Employee Benefits". The said provision are estimated using the projected-unit-credit actuarial valuation method.

Re-measurements, comprising of actuarial gains and losses, are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which the occur. Re-measurement are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss at the earlier between:

i. The date of the plant amendment or curtailment, and
ii. The date the Company and Subsidiary recognize related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability. The Company and Subsidiary recognized the following changes in the net defined benefit obligation under "General and Administrative Expenses" as appropriate in the consolidated statement of profit or loss and other comprehensive income:

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

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Foreign Currency Transactions and Balances

Transactions involving foreign currencies are recorded at the rates of exchange prevailing at the time the transactions are made. At statement of financial position date, monetary assets and liabilities denominated in foreign currencies are adjusted to Rupiah based on the average rates of exchange published by Bank Indonesia at that date. The resulting gains or losses are credited or charged to the current year operations.

As of consolidated statement of financial position date, the average exchanges rates of main currencies used are as follows:

	2016	2015
United States Dollar (US$) 1	13,436	13,795
Europe Euro (EUR) 1	14,162	15,070
Renminbi (RMB) 1	1,937	2,124
Japanese Yen (JP¥) 1	115	114

n. Income Taxes

Current tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as the reporting date in the countries where the Company and Subsidiary operate and generate taxable income.

Interests and penalties are presented as part of other operating income or expenses since they are not considered as part of income tax expense.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the end of the reporting period.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither accounting profit nor taxable profit or loss,
ii. In respect of taxable temporary differences associated with investment in subsidiary, when the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the forseeable future.

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 taxable profit will be available againts which deductible temporary differences, and carry forward of unused tax losses can be utilized, except:

i. Where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor the taxable profit or loss, or

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Income Taxes (continued)

Deferred tax (continued)

ii. In respect of deductible temporary differences associated with investments in subsidiary, deferred tax assets are recognized only to extent that it is probable that the temporary differences will not reverse in the foreseeable future and taxable profit will be available againts which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

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 rates and tax laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exist to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value Added Tax

Revenue, expenses and assets are recognized net of the amount of value added tax (“VAT”) except:

- Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense of the asset or as part of the expense item as applicable, and
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authorities is included as part of receivables or payables in the consolidated statement of financial position.

Final Tax

In accordance with the tax regulation in Indonesia, final tax is applied to the gross value of transactions, even when the parties carrying the transaction recognizing loss.

Final tax is scoped out from PSAK 46: Income Tax.

o. Assets and Liabilities of Tax Amnesty

Tax Amnesty Assets and Liabilities are recognized upon the issuance of Surat Keterangan Pengampunan Pajak (SKPP) by the Ministry of Finance of Republic of Indonesia, and they are not recognized as net amount (offset). The difference between Tax Amnesty Assets and Tax Amnesty Liabilities are recognized as Additional Paid-in Capital.

Tax Amnesty Assets are initially recognized at the value stated in SKPP.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Assets and Liabilities of Tax Amnesty (continued)

Tax Amnesty Liabilities are initially measured at the amount of cash or cash equivalents to be settled by the Company and Subsidiary according to the contractual obligation with respect to the acquisition of respective Tax Amnesty Assets.

The redemption money paid by the Company and Subsidiary to obtain the tax amnesty is recognized as expense in the period in which the Company receives SKPP.

After initial recognition, Tax Amnesty Assets and Liabilities are measured in accordance with respective relevant SAKs according to the classification of each Tax Amnesty Assets and Liabilities.

In accordance with PSAK No. 70, the outstanding amount of claim, deferred tax assets and provision in the profit and loss will be adjusted in the period of Declaration Letter for Tax Amnesty (“Surat Pernyataan Harta untuk Pengampunan Pajak”) submisition as a result of the loss of right which had been recognized as claim for tax refund, deferred tax assets of accumulated fiscal loss (not compensated) and tax provision in accordance with the Tax Amnesty Law.

p. Provisions

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates. 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.

q. Leases

The Company and Subsidiary classifies leases based on the extent to which risks and rewards incidental to the ownership of a lessor or the lessee, and the substance of the transaction rather than the form of the contract, at inception date.

<u>Finance Lease</u>

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an asset. As of December 31, 2016 and 2015, the Company and Subsidiary do not have any finance lease transaction.

<u>Operating Lease</u>

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 lease payments made by the Company and Subsidiary as a lessee are recognized as expense using the straight-line method over the lease term.

r. Fair Value Measurement

The Company and Subsidiary initially measure financial instruments at fair value, and assets and liabilities of the acquirees upon business combinations. The Company and Subsidiary also measure certain recoverable amounts of the cash generating unit (“CGU”) using fair value less cost of disposal (“FVLCD”), and non-interest bearing receivables at their fair values.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Fair Value Measurement (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

i. In the principal market for the asset or liability, or
ii. In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company and Subsidiary.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the assets in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company and Subsidiary use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

i. Level 1-Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
ii. Level 2-Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
iii. Level 3-Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on recurring basis, the Company and Subsidiary determine whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

s. Changes to the Statements of Financial Accounting Standards ("PSAK") and Interpretations of Statement of Financial Accounting Standards ("ISAK")

On January 1, 2016, the Company and Subsidiary adopted new and amended PSAK and ISAK which are effective for application from that date. In addition, on January 1, 2016, the Company and Subsidiary also applied annual improvements to PSAK in 2015 which effective on January 1, 2016. Changes to the Company and Subsidiary's accounting policies have been made as required, in accordance with the transitional provisions in the respective standards and interpretations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s. Changes to the Statements of Financial Accounting Standards (“PSAK”) and Interpretations of Statement of Financial Accounting Standards (“ISAK”) (continued)

The adoption of these new and amended standards, interpretations and annual improvements which are relevant to the Company and Subsidiary’s operation, but did not result in substantial changes to the Company and Subsidiary’s accounting policies and had no material effect on the amounts reported for the current or prior financial years are as follows:

1. Amendments to PSAK No. 4, “Separate Financial Statements”.
2. PSAK No. 7 (Improvement 2015), “Related Party Disclosure”.
3. Amendment to PSAK No.15, “Investments in Associates and Joint Ventures“.
4. Amandements to PSAK No. 16, “Fixed Assets”.
5. Amandements to PSAK No. 19, “Intangible Assets”.
6. PSAK No. 22 (Improvement 2015), “Business Combination”.
7. Amandements to PSAK No. 24, “Employee Benefits”.
8. PSAK No. 25 (Improvement 2015), “Accounting Policies, Changes in Accounting Estimates and Errors”.
9. Amendments to PSAK No. 65, “Consolidated Financial Statements”.
10. Amendments to PSAK No. 67, “Disclosure of Interests in Other Entities on Investment Entities: Application of Consolidation Exceptions”.
11. PSAK No. 70, “Accounting for Tax Amnesty Assets and Liabilities”.
12. ISAK No. 30, “Levies”.

3. SOURCE OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements, in conformity with Indonesian Financial Accounting Standards, requires management to make judgments, estimations and assumptions that affect amounts reported therein. Due to inherent uncertainty in making estimates, actual results reported in future periods may differ from those estimates.

Judgments

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

Determination of Functional Currency

The currency of Company and Subsidiary is the currency of the primary economic environment in which Company and Subsidiary operations. It is the currency that mainly influences the revenue and cost from operations.

Classification of Financial Assets and Financial Liabilities

The Company and Subsidiary determine 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 2014). Accordingly, the financial assets and financial liabilities are accounted for in accordance with the Company and its Subsidiary‘s accounting policies disclosed in Note 2j.

3. SOURCE OF ESTIMATION UNCERTAINTY (continued)

Judgments (continued)

Allowance for Impairment of Account Receivables

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

The carrying amount of the Company and Subsidiary's account receivables as of December 31, 2016 and 2015 amounted to Rp 48,979,160,550 and Rp 61,475,580,515. Further details are disclosed in Note 5.

Estimates and Assumptions

The key assumptions concering 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/period are disclosed below. The Company and Subsidiary based its assumptions and estimates on parameters available when the 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 and Subsidiary‘s. Such changes are reflected in the assumptions as they occur.

Employee Benefits

The determination of the Company and its Subsidiary employee benefits liabilities is dependent on its selection of certain assumptions used by the independent actuaries in calculating such amounts. Those assumptions include, among others, discount rates, annual salary increase rate, annual employee turn-over rate, disability rate, retirement age and mortality rate. The Company and Subsidiary believed that its assumptions are reasonable and appropriate. The carrying amount of the Company and Subsidiary‘s estimated liabilities for employees‘ benefits as of December 31, 2016 and 2015 amounted to Rp 9,903,412,133 and Rp 6,703,906,934. Further details are disclosed in Note 16.

Depreciation of Fixed Assets (FA)

The costs of all the fixed asstes are depreciated on a straight-line method their estimated useful lives. Management properly estimates the useful lives of these FA ranging rate 4 to 20 per years. These are common life expectations applied in the industries where the Company and Subsidiary‘s conduct its businesses. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual value of these assets, and therefore future depreciation charges could be revised. The net carrying amount of the Company and Subsidiary's FA as of December 31, 2016 and 2015 amounted to Rp 906,472,593,814 and Rp 931,309,497,481. Further details are disclosed in Note 9.

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

3. SOURCE OF ESTIMATION UNCERTAINTY (continued)

Estimates and Assumptions (continued)

Income Tax

Significant judgment is involved in determining provision for corporate income tax. There are certain transaction and computation for which the ultimate tax determination is uncertain during the ordinary course of business. The Company and Subsidiary recognize liabilities for expected corporate income tax issues based on estimates of whether additional corporate income tax will be due.

Financial Instruments

The Company and Subsidiary carry certain financial assets and liabilities at fair value, which requires the use of accounting estimates. While significant components of fair value measurement were determined using verifiable objective evidences, the amount of changes in fair value would differ if the Company and Subsidiary utilized a different valuation methodology. Any changes in a fair value of these financial assets and liabilities would directly affect the Company and Subsidiary's financial statements. Further details are discussed in Note 23.

4. CASH AND BANKS

Cash and banks consists of:

	2016	2015
Cash on hand	72,108,774	74,265,080
Cash in banks		
Rupiah		
PT Bank Mandiri (Persero) Tbk	327,777,942	298,771,613
PT Bank Rakyat Indonesia (Persero) Tbk	245,620,783	147,606,148
PT Bank CIMB Niaga Tbk	11,590,728	11,880,683
United States Dollar		
PT Bank Mandiri (Persero) Tbk (US$ 247,098 in 2016 and US$ 234,154 in 2015)	3,320,002,279	3,230,155,396
PT Bank DBS Indonesia (US$ 237,172 in 2016 and US$ 7,684 in 2015)	3,186,649,441	106,006,988
PT Bank CIMB Niaga Tbk (US$ 216,568 in 2016 and US$ 5,859 in 2015)	2,909,813,157	80,828,216
Euro		
PT Bank DBS Indonesia (EUR 16,122 in 2016)	228,313,217	-
Total	**10,301,876,321**	**3,949,514,124**

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

5. ACCOUNT RECEIVABLES

Account receivables consist of:

	2016	2015
Third Parties		
Local	10,312,381,412	12,529,285,705
Export	7,836,205,457	15,536,102,825
Sub-Total	18,148,586,869	28,065,388,530
Related Party		
Local (Note 6)	30,830,573,681	33,410,191,985
Total	**48,979,160,550**	**61,475,580,515**

Management believes that all of the above account receivables are fully collectible, and hence, no allowance for impairment of account receivables is necessary.

The above receivables are used as collateral through fiduciary transfer of proprietary rights to loan facilities obtained from PT Bank CIMB Niaga Tbk (Note 11).

6. ACCOUNTS AND TRANSACTIONS WITH RELATED PARTIES

The Company and Subsidiary, in their regular conduct of business, engages in account and financial transactions with certain related parties, consisting of sales, purchases and financing transaction.

The details of accounts and transactions with related parties are as follows:

	Amount		Percentage to Total Assets (%)	
	2016	2015	2016	2015
Account Receivable				
PT Karya Agung Abadi	30,830,573,681	33,410,191,985	2.749	2.809

	Amount		Percentage to Total Liabilities (%)	
	2016	2015	2016	2015
Account Payable				
PT Agronusa Alam Sejahtera	894,501,021	-	0.144	-
Other Payable				
PT Adrindo Intiperkasa	207,785,023,496	212,555,023,496	33.345	29.257

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

6. ACCOUNTS AND TRANSACTIONS WITH RELATED PARTIES (continued)

The details of accounts and transactions based on the nature of relationship with the related parties mentioned in the foregoing are as follows :

Name of Related Parties	Nature of Relationship	Nature of Transactions
PT Adrindo Intiperkasa	Parent Entity	Financial transaction
PT Karya Agung Abadi	Other Related Party	Trade transaction
PT Agronusa Alam Sejahtera	Entities under Common Control	Purchase transaction

Terms and Conditions of the Transactions with Related Parties

On January 3, 2011, the Company obtained non-bearing loan facility from PT Adrindo Intiperkasa (PT AIP) with maximum amount of Rp 300,000,000,000 and maturity date until December 31, 2012 and has been extended until December 31, 2014. On December 31, 2014 the agreement has been amended to become maximum amount of Rp 450,000,000,000 with term of facility up to December 31, 2014. Based on amendment of loan agreement dated August 31, 2015 the Company and PT AIP agreed to change maximum loan facility from Rp 450,000,000,000 became Rp 300,000,000,000 and will be mature on June 30, 2018 (see Note 18). As of December 31, 2016 and 2015, this account is presented as part of “Other Payable” account in consolidated statement of financial position.

7. INVENTORIES

Inventories consist of:

	2016	2015
Raw materials	16,244,307,237	27,137,784,833
Work in process	4,721,627,814	2,043,308,192
Finished goods	31,544,034,569	58,763,019,624
Supplies and spareparts	56,891,395,918	53,740,353,514
Inventories - Net	**109,401,365,538**	**141,684,466,163**

Management believes that the carrying value of the inventories is not exceeding its net realizable value, accordingly the provision for decline in market value and obsolescence of inventories is not necessary.

As of December 31, 2016 inventories are covered by insurance against losses by fire and other risks under blanket policies with total coverage amounting to approximately Rp 136 billion.

Inventories are used as collateral through fiduciary transfer of proprietary rights to loan facilities obtained from PT Bank CIMB Niaga Tbk (Note 11).

8. PREPAID EXPENSES

Prepaid expenses consist of:

	2016	2015
Insurance	917,246,339	1,319,557,508
Rental	-	18,333,335
Total	**917,246,339**	**1,337,890,843**

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

9. FIXED ASSETS

The details of fixed assets are as follows:

	2016				
	Beginning Balance	Additions	Deductions	Reclassifications	Ending Balance
Cost					
Land	20,209,967,850	-	-	-	20,209,967,850
Buildings and infrastructure	431,696,623,212	10,241,852,121	-	6,776,317,050	448,714,792,383
Machinery and equipments	617,838,874,273	25,994,619,267	-	10,793,010,337	654,626,503,877
Office equipments	8,890,084,339	480,410,438	-	-	9,370,494,777
Furniture and fixtures	1,521,702,979	140,417,000	-	-	1,662,119,979
Vehicles	38,742,460,830	3,932,494,000	764,450,000	-	41,910,504,830
Total	1,118,899,713,483	40,789,792,826	764,450,000	17,569,327,387	1,176,494,383,696
Construction in Progress					
Buildings and infrastructure	6,271,879,557	2,267,158,105	-	(6,271,879,557)	2,267,158,105
Machinery and equipments	11,635,019,390	990,000,000	-	(11,635,019,390)	990,000,000
Total Construction in Progress	17,906,898,947	3,257,158,105	-	(17,906,898,947)	3,257,158,105
Total Cost	1,136,806,612,430	44,046,950,931	764,450,000	(337,571,560)	1,179,751,541,801
Accumulated Depreciation					
Buildings and infrastructure	60,175,627,527	21,879,705,667	-	-	82,055,333,194
Machinery and equipments	126,158,427,924	39,917,171,205	-	-	166,075,599,129
Office equipments	4,592,152,179	1,187,323,250	-	-	5,779,475,429
Furniture and fixtures	1,252,962,676	210,392,944	-	-	1,463,355,620
Vehicles	13,317,944,643	5,017,478,704	430,238,732	-	17,905,184,615
Total Accumulated Depreciation	205,497,114,949	68,212,071,770	430,238,732	-	273,278,947,987
Book Value	**931,309,497,481**				**906,472,593,814**

	2015				
	Beginning Balance	Additions	Deductions	Reclassifications	Ending Balance
Cost					
Land	20,209,967,850	-	-	-	20,209,967,850
Buildings and infrastructure	389,026,384,814	6,980,174,915	143,540,670	35,833,604,153	431,696,623,212
Machinery and equipments	581,005,668,051	23,025,352,708	930,881,004	14,738,734,518	617,838,874,273
Office equipments	8,361,832,844	452,286,544	-	75,964,951	8,890,084,339
Furniture and fixtures	1,438,828,979	82,874,000	-	-	1,521,702,979
Vehicles	35,262,587,784	5,359,553,410	1,879,680,364	-	38,742,460,830
Total	1,035,305,270,322	35,900,241,577	2,954,102,038	50,648,303,622	1,118,899,713,483
Construction in Progress					
Buildings and infrastructure	49,238,303,622	6,271,879,557	-	(49,238,303,622)	6,271,879,557
Machinery and equipments	1,410,000,000	11,635,019,390	-	(1,410,000,000)	11,635,019,390
Total Construction in Progress	50,648,303,622	17,906,898,947	-	(50,648,303,622)	17,906,898,947
Total Cost	1,085,953,573,944	53,807,140,524	2,954,102,038	-	1,136,806,612,430
Accumulated Depreciation					
Buildings and infrastructure	39,374,581,095	20,819,587,097	18,540,665	-	60,175,627,527
Machinery and equipments	90,880,167,945	36,209,140,983	930,881,004	-	126,158,427,924
Office equipments	3,323,995,735	1,268,156,444	-	-	4,592,152,179
Furniture and fixtures	908,024,380	344,938,296	-	-	1,252,962,676
Vehicles	8,858,836,212	4,818,872,042	359,763,611	-	13,317,944,643
Total Accumulated Depreciation	143,345,605,367	63,460,694,862	1,309,185,280	-	205,497,114,949
Book Value	**942,607,968,577**				**931,309,497,481**

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

9. FIXED ASSETS (continued)

Depreciation charged to operations amounted to Rp 68,212,071,770 and Rp 63,460,694,862 in 2016 and 2015, respectively.

Additions to fixed assets in 2015 include the reclassification from advances for purchase of fixed assets of Rp 4,576,999,104.

The details of disposals and sales of fixed assets in 2016 and 2015 are as follows:

	2016	2015
Cost	764,450,000	2,954,102,038
Accumulated depreciation	(430,238,732)	(1,309,185,280)
Net book value	334,211,268	1,644,916,758
Proceeds from sale of fixed assets	304,545,454	1,598,309,939
Loss on disposals and sales of fixed assets	**(29,665,814)**	**(46,606,819)**

Loss on disposals and sales of fixed assets are presented as part of “Miscellaneous-net” in the consolidated statement of profit or loss and other comprehensive income.

On December 31, 2016, additional of fixed assets - machinery and equipments is included tax amnesty asset:

Cost	
Machinery and equipments	65,000,000
Accumulated Depreciation	
Machinery and equipments	9,285,714
Book value	55,714,286

As of December 31, 2016, fixed assets are covered by insurance against losses by fire and other risk under blanket policies with total coverage amounting to Rp 579 billion and USD 43,987,762 which management believes is adequate to cover possible losses that may arise from such risk.

The Company and Subsidiary’s land building rights have original durations of 30 years. As of December 31, 2016, the remaining terms of the Company and Subsidiary’s landrights is about 24 years. Management believes that the terms of the said landrights can be renewed/extended upon expiration.

Fixed assets are used as collateral through fiduciary transfer of proprietary rights for the loan facilities obtained from PT Bank CIMB Niaga Tbk and Nord LB (Note 11).

As of December 31, 2016 and 2015, the Company and Subsidiary have advance in relation to the purchase of fixed assets amounted to Rp 340,000,000 and Rp 1,583,273,251, respectively, which is presented as “Advances for Purchases of Fixed Assets” account in the consolidated statement of financial position.

Management believes that the carrying values of all the Company and Subsidiary’s assets are fully recoverable, and therefore, no write down for impairment in assets values is necessary.

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

10. OTHER NON-CURRENT ASSETS

This account consist of:

	2016	2015
Registration costs	208,150,007	455,900,003
Intangible assets - net	1,217,004	421,314,687
Other deferred charges	693,789,592	8,736,715,524
Total	**903,156,603**	**9,613,930,214**

11. BANK LOANS

This account consists of:

	2016	2015
Short-term loan facilities:		
PT Bank CIMB Niaga Tbk		
Fixed loan revolving	35,000,000,000	35,000,000,000
Overdraft	3,339,857,284	12,805,760,309
Total	**38,339,857,284**	**47,805,760,309**
Long-term loan facilities:		
Nord LB		
Tranche A (US$ 14,002,013 in 2016 and US$ 16,782,029 in 2015)	188,131,056,341	231,508,093,331
Tranche B (US$ 1,635,742 in 2016 and US$ 1,960,610 in 2015)	21,977,822,888	27,046,614,950
Tranche C (US$ 205,647 in 2016 and US$ 246,245 in 2015)	2,763,066,467	3,396,949,775
PT Bank CIMB Niaga Tbk		
Investment Loan I (Contract value of Rp 44,000,000,000 net of unamortized bank provisions of Rp 53,036,969 in 2016 and Rp 88,000,000,000 net of unamortized bank provisions Rp 197,608,471 in 2015	43,946,963,031	87,802,391,529
PT Bank CIMB Niaga Tbk		
Investment Loan II (Contract value of Rp 46,666,666,667 net of unamortized bank provisions of Rp 107,253,941 in 2016 and Rp 62,666,666,667 net of unamortized bank provisions of Rp 186,246,790 in 2015	46,559,412,726	62,480,419,877

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

11. BANK LOANS (continued)

	2016	2015
PT Bank CIMB Niaga Tbk		
Special Transaction Loan I	16,720,000,000	-
PT Bank CIMB Niaga Tbk		
Special Transaction Loan II	17,100,000,000	-
Total	337,198,321,453	412,234,469,462
Less current maturities of long-term loans	(113,537,409,789)	(104,002,528,137)
Long-term loans - net	**223,660,911,664**	**308,231,941,325**

Norddeutsche Landesbank Girozentrale Hanover (Nord LB)

Based on the loan facility agreement dated March 22, 2010, as amended by supplemental agreement dated June 4, 2010, the Company obtained loan facility from Norddeutsche Landesbank Girozentrale Hanover, Germany, with maximum loan facility of EUR 25,191,524.50, which divided into as follows:

a. Tranche A Facility with the maximum amount of EUR 20,691,524.50
b. Tranche B Facility with the maximum amount of EUR 3,000,000.00
c. Tranche C Facility with the maximum amount of EUR 1,500,000.00

Tranche C facility related to accrued interest of Tranche A and Tranche B during construction period, which is capitalized into Tranche C Facility on the interest payment date. As of December 31, 2016 and 2015, the balance of accrued interest expense amounted to Rp 1,999,860,729 (US$ 148,843) and Rp 1,835,702,995 (US$ 133,070), respectively.

For accounting and financial reporting purposes, the above bank loans is carried and presented in the consolidated statement of financial position at amortized cost using effective interest as of December 31, 2016 and 2015. The annual effective interest rate ranging from 2.28% up to 2.55% and 2.23% up to 2.49%, respectively.

The contract value of the above bank loans as of December 31, 2016 is amounted to US$ 14,095,573, US$ 1,645,027, US$ 208,124 for Tranche A, Tranche B and Tranche C, respectively. The contract value of the above bank loans as of December 31, 2015 is amounted to US$ 16,914,687, US$ 1,974,031, US$ 249,749 for Tranche A, Tranche B and Tranche C, respectively.

The loan facilities is provided to principally finance the purchase of services and equipment for the implementation and the construction of medium density fibreboard production plant of the Company. This facilities interest rate is floating rate, at the rate per annum from time to time determined by the lender to the aggregate of the margin 1.5% plus LIBOR 6 months. The loan facilities will be repaid by 20 successive semi annual installments and is secured by corporate guarantee from PT Adrindo Intiperkasa, the Company’s shareholder.

11. BANK LOANS (continued)

PT Bank CIMB Niaga Tbk (Bank CIMB Niaga)

Based on loan agreement dated December 29, 2011, the Company obtained term loan facility for refinance the investment project in rupiah currency from Bank CIMB Niaga with the maximum loan amounting to Rp 220,000,000,000, which will be matured on October 27, 2012.

On November 23, 2012, the Company signed the Amendment and Restatement of the loan agreement dated December 29, 2011. In the amendment of the loan agreement, the term loan facility amounted to Rp 220,000,000,000 had been allocated to Investment Loan I (PI I) and the Company obtained additional loan facilities, which consist of:

a. Investment Loan II (PI II) facility with the maximum amount of Rp 80,000,000,000
b. Fixed Loan revolving facility with the maximum amount of Rp 35,000,000,000
c. Overdraft Loan facility with the maximum amount of Rp 15,000,000,000

The Investment Loan I facility is repayable in five years monthly installment with the last installment in December 2017. The purpose of the loan is to finance the construction of Medium Density Fibreboard (MDF) Plant.

The Investment Loan II is repayable in five years monthly installment, plus 24 months grace periods, with the last installment in November 2019. The purpose of the loan is to finance or refinance the relocation of resin plant and finished good warehouse.

Based on the Amendment of Loan Agreement dated July 28, 2016, Bank CIMB Niaga agreed to change maximum facilities and additional loan facilities, which consists of:

a. Investment Loan I (PI) facility from the maximum amount of Rp 220,000,000,000 became Rp 66,000,000,000, which will be mature on December 26, 2017 and with annual interest of 10.75% in 2016.
b. Investment Loan II (PII) facility from the maximum amount of Rp 80,000,000,000 became Rp 54,666,666,673, which will be mature on November 23, 2019 and with annual interest of 10.75% in 2016.
c. Discounted Notes Export (DWE) facility with the maximum amount of US$ 3,000,000, which will be mature on November 23, 2016 and with annual interest of 5.00% for United States Dollar currency and 10.75% for Rupiah currency in 2016.
d. Special Transaction Loan I (PTK I) facility with the maximum amount of Rp 18,920,000,000, which will be mature on February 18, 2020 and with annual interest of 10.75% in 2016.
e. Special Transaction Loan II (PTK II) facility with the maximum amount of Rp 19,350,000,000, which will be mature on February 18, 2020 and with annual interest of 10.75% in 2016.

Furthermore, based on the Amendment of Loan Agreement dated November 18, 2016, Bank CIMB Niaga agreed to change maximum facilities, interest rate and additional loan facilities, which consists of:

a. Investment Loan I (PI) facility from the maximum amount of Rp 66,000,000,000 became Rp 51,333,333,364 and with annual interest of 10.00% in 2016.
b. Investment Loan II (PII) facility from the maximum amount of Rp 54,666,666,673 became Rp 49,333,333,341 and with annual interest of 10.00% in 2016.

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

11. BANK LOANS (continued)

PT Bank CIMB Niaga Tbk (Bank CIMB Niaga) (continued)

c. Special Transaction Loan I (PTK I) facility from the maximum amount of Rp 18,920,000,000 became Rp 17,600,000,000 and with annual interest of 10.25% in 2016.
d. Special Transaction Loan II (PTK II) facility from the maximum amount of Rp 19,350,000,000 became Rp 18,000,000,000 and with annual interest of 10.25% in 2016.
e. Export Loan facility with the maximum amount of US$ 3,000,000, which will be mature on November 23, 2017 and with annual interest of 5.00% for United States Dollar currency and 10.75% for Rupiah currency in 2016.

Based on those amendment loan, the Fixed Loan, Overdraft facilities and Discounted Notes Export have been extended until November 23, 2017, respectively.

The annual interest rate of Fixed Loan facility from Bank CIMB Niaga was 10.00% and 11.50% for the years 2016 and 2015, respectively. The annual interest rate of overdraft facility from Bank CIMB Niaga was 10.25% and 11.50% for the years 2016 and 2015, respectively.

As of December 31, 2016, Discounted Notes Export (DWE) facility and Export Loan facility have not been used.

This facilities collateralized by the Company's MDF Plant and related infrastructures, fiduciary on building and infrastructures of resin plant and finished good warehouse, fiduciary on 1 (one) set of 15 MW Power Plant Machine from Shandong Machinery I & E Group Corporation, fiduciary on account receivables, fiduciary on inventories, fiduciary on machinery and equipments veneer and barecore, corporate guarantee from PT Adrindo Intiperkasa (the Company's shareholders) and personal guarantee from Eddy Hartono.

Based on the loan agreement, the Company is require to comply with certain covenants such as financial ratio covenants that consist of leverage ratio, current ratio, debt service coverage ratio and bank loan to earning before interest, tax, depreciation and amortization ratio.

Based on the loan agreement, without prior approval from Bank CIMB Niaga, the Company is not allowed to, among others, enter into merger, acquisitions, change the majority shareholders and top management, obtained additional loan from other bank or creditor, distribute dividend unless the Company comply with the financial covenants, enter into new investment, act as a guarantor to obligation of other parties.

12. ACCOUNT PAYABLES

This account represents liabilities incurred mainly from purchase of inventories, with details are as follows:

	2016	**2015**
Third parties		
Local	8,340,459,593	23,125,879,333
Import	1,029,486,638	887,907,450
Related party		
Local (Note 6)	894,501,021	-
Total	**10,264,447,252**	**24,013,786,783**

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

13. TAXATION

a. Taxes Payable and Prepaid Taxes

Taxes Payable

Taxes payable consist of:

	2016	2015
Income taxes:		
Article 4 (2)	277,200	23,264,000
Article 15	5,394,576	13,867,500
Article 21	915,723,184	715,751,208
Article 22	11,049,931	15,295,151
Article 23/26	97,271,132	74,229,782
Total	**1,029,716,023**	**842,407,641**

Prepaid Taxes

Prepaid taxes consist of:

	2016	2015
Income tax Article 22	2,130,229,532	2,325,012,160
Value Added Tax	15,383,070,293	18,709,962,554
Total	**17,513,299,825**	**21,034,974,714**

b. Income Tax Benefit

The reconciliation between profit before income tax benefit according to the consolidated statement of profit or loss and other comprehensive income and estimated fiscal loss for the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
Profit before income tax benefit per consolidated statement of profit or loss and other comprehensive income	34,330,638,249	49,673,397,850
Income of subsidiary before income tax expenses - net	12,061,810	78,834
Others	(12,167,674)	(12,167,674)
Profit before income tax expenses attributable to the Company	34,330,532,385	49,661,309,010
Permanent differences:		
Donation and representation	701,572,261	453,464,648
Income already subjected to final tax	(43,325,760)	(41,163,253)
Others	340,703,807	1,032,232,129
Timing differences:		
Estimated liabilities for employees' benefit	2,863,218,693	2,098,900,557
Depreciation	2,941,374,622	1,443,940,480
Fiscal gain - current year	41,134,076,008	54,648,683,571
Fiscal loss carry forward from prior year	(103,649,345,897)	(158,298,029,468)
Unrealizable tax loss carry forward	3,984,327,157	-
Realizable tax loss carry forward	4,753,013,670	-
Fiscal loss carry forward at end of year	**(53,777,929,062)**	**(103,649,345,897)**

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

13. TAXATION (continued)

b. Income Tax Benefit (continued)

There is no provision for corporate income tax for the years ended December 31, 2016 and 2015 because the Company still incurred cumulative tax loss. Under the existing tax regulations, the prescription period for fiscal loss carry forward is five years from the date the tax loss has been incurred.

The Company received Overpayment Tax Assessment Letter No. 00002/406/14/041/16 dated March 7, 2016 for the 2014 corporate income tax from the Directorate General of Taxation amounted to Rp 1,273,750,100.

On March 7, 2016, the Company received Tax Assessment Letter on Income Tax for the fiscal years of 2014 and 2013 which stated the fiscal gain (loss) of the company amounted to Rp 30,357,239,630 and Rp (96,579,565,751), respectively. Accordingly, the accumulated fiscal loss after the adjustment as stimulated in the Tax Assessment Letter for fiscal years of 2013 and 2014 amounted to Rp 94,912,005,070.

The reconciliation between income tax benefit calculated by applying the prevailling tax rate to the profit before income tax benefit and the income tax benefit as shown in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2016	2015
Profit before income tax benefit per consolidated statement of profit or loss and other comprehensive income	34,318,470,575	49,661,230,176
Income tax expense computed using the prevailling tax rate	(8,579,617,644)	(12,415,307,544)
Tax effects on permanent differences:		
Donation and representation	(175,393,065)	(113,466,162)
Income already subjected to final tax	10,928,203	10,532,069
Others	(82,529,523)	(258,058,032)
Current year tax loss which deferred tax benefit was not recognized	10,277,760,358	13,662,009,928
Income tax benefit - net	**1,451,148,329**	**885,710,259**

c. Deferred Tax Assets

The deferred tax effect of the significant temporary differences between commercial and tax reporting are as follows:

	2016			
	Beginning Balance	Credited to Profit or Loss	Credited to Other Comprehensive Income	Ending Balance
Company				
Estimated liabilities for employees' benefits	1,636,659,915	715,804,673	84,071,627	2,436,536,215
Fixed assets	2,963,000,370	735,343,656	-	3,698,344,026
Deferred tax assets	**4,599,660,285**	**1,451,148,329**	**84,071,627**	**6,134,880,241**

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

13. TAXATION (continued)

c. Deferred Tax Assets (continued)

	2016			
	Beginning Balance	**Credited to Profit or Loss**	**Credited to Other Comprehensive Income**	**Ending Balance**
Subsidiary				
Estimated liabilities for employees' benefits	39,316,816	-	-	39,316,816
Fixed assets	879,565,561	-	-	879,565,561
Deferred tax assets	**918,882,377**	**-**	**-**	**918,882,377**
Total deferred tax assets - net	**5,518,542,662**	**1,451,148,329**	**84,071,627**	**7,053,762,618**

	2015			
	Beginning Balance	**Credited to Profit or Loss**	**Charged to Other Comprehensive Income**	**Ending Balance**
Company				
Estimated liabilities for employees' benefits	1,131,275,174	524,725,139	(19,340,398)	1,636,659,915
Fixed assets	2,602,015,250	360,985,120	-	2,963,000,370
Deferred tax assets	**3,733,290,424**	**885,710,259**	**(19,340,398)**	**4,599,660,285**
Subsidiary				
Estimated liabilities for employees' benefits	39,316,816	-	-	39,316,816
Fixed assets	879,565,561	-	-	879,565,561
Deferred tax assets	**918,882,377**	**-**	**-**	**918,882,377**
Total deferred tax assets - net	**4,652,172,801**	**885,710,259**	**(19,340,398)**	**5,518,542,662**

d. Administration

Under the taxation laws of Indonesia, the Company submit tax return on the basis of self assessment. The Directorate General of Taxation (DGT) may assess or amend taxes within 5 (five) years of the time the tax becomes due.

On December 23, 2015, the Company received overpayment tax assessment letter of value added tax for period December 2011 No. 00010/407/14/041/15, which stated that Company has an overpayment amounting to Rp 12,319,597,518. As of February 3, 2016, the Company was received refund of value added tax.

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

13. TAXATION (continued)

d. Administration (continued)

In 2016, the Subsidiary participated in tax amnesty program.

The Subsidiary has received Approval Letters of Tax Amnesty (SKPP) No. KET-2910/PP/WPJ.21/2016 dated September 18, 2016. Declared of tax amnesty asset was machinery. Total tax amnesty asset amounted to Rp 65,000,000 (Note 9).

Redemption money which was paid for tax amnesty program amounted to Rp 1,300,000 was recorded as part of the general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2016 (Note 21).

The Company recognize the difference between tax amnesty assets and liabilities in equity as the Additional Paid-in Capital. The difference between tax amnesty assets and liabilities of Subsidiary were recognized in Differences Arising from Changes in Equity of Subsidiary account in equity.

On December 31, 2016, the Company and Subsidiary remeasured tax amnesty asset at the date of SKPP. There is no difference between tax amnesty asset that has been remeasured and declared asset accordance with SKPP.

14. OTHER PAYABLES

This account consist of:

	2016	2015
Current Liabilities		
Third parties	14,351,208,593	8,408,741,239
Non-Current Liabilities		
Related party (Note 6)		
PT Adrindo Intiperkasa	207,785,023,496	212,555,023,496

15. ACCRUED EXPENSES

This account consist of:

	2016	2015
Interest	3,391,417,788	3,712,971,512
Others	870,120,506	9,439,214,303
Total	**4,261,538,294**	**13,152,185,815**

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

16. ESTIMATED LIABILITIES FOR EMPLOYEES' BENEFITS

As of December 31, 2016 and 2015, the Company and Subsidiary accrued a provision for employees' benefits based on the actuarial calculation prepared by PT Prima Bhaksana Lestari, independent actuary, which reports applied the "Projected-Unit-Credit" method. Key assumptions used for the actuarial calculation in 2016 and 2015 are as follows:

Discount rate	:	8.475% per year in 2016 (2015: 9.179% per year)
Mortality table	:	TMI-2011
Retirement age	:	55 year
Annual salary increase rate	:	6%
Disability rate	:	5% from TMI-2011

Analysis of estimated liabilities for employees' benefits is presented as "Estimated Liabilities for Employees' Benefits" in the consolidated statement of financial position as of December 31, 2016 and 2015, and employees' benefits expense as recorded in the consolidated statement of profit or loss and other comprehensive income for the years then ended are as follows:

a. Estimated liabilities for employees' benefits

	2016	**2015**
Present value of defined benefit obligation	9,903,412,133	6,703,906,934
Net liabilities recognized in consolidated statement of financial position	**9,903,412,133**	**6,703,906,934**

b. Employees' benefits expenses

	2016	**2015**
Current service costs	2,528,844,123	2,030,205,716
Interest costs	578,501,355	360,421,039
Employees' benefits recognized in the current year	**3,107,345,478**	**2,390,626,755**

c. Mutation of employees' benefits liabilities

	2016	**2015**
Beginning balance of net liabilities	6,703,906,934	4,682,367,968
Employees' benefits expense for current year	3,107,345,478	2,390,626,755
Payment of employees' benefits for current year	(244,126,785)	(291,726,198)
Other comprehensive loss (income)	336,286,506	(77,361,591)
Ending balance of net liabilities	**9,903,412,133**	**6,703,906,934**

Management believes that the above accruals are adequate to cover the prevailing law requirements as of December 31, 2016 and 2015.

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

17. CAPITAL STOCK

The detail of shares ownership of the Company as of December 31, 2016 and 2015 are as follows:

Shareholders	Number of Shares Issued and Fully Paid	Percentage of Ownership	Amount
PT Adrindo Intiperkasa	3,825,000	85%	382,500,000,000
Premium Trust Pte Ltd	675,000	15%	67,500,000,000
Total	**4,500,000**	**100%**	**450,000,000,000**

Capital Management

The primary objective of the Company and Subsidiary's capital management is to ensure that they maintain healthy capital ratios in order to support its business and maximize shareholders value.

The Company and Subsidiary are also required by the Limited Liability Company Law No. 40, Year 2007 to contribute and maintain a non-distributable reserve fund until the said reserve reaches 20% of the issued and fully paid share capital. As of December 31, 2016 and 2015 the Company and Subsidiary have not made any appropriation to general reserve. Management intends to make the general reserve in the future periods.

The Company and Subsidiary manage their capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company and Subsidiary 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 managing capital during the years ended December 31, 2016 and 2015.

The Company and Subsidiary's policy is to maintain a healthy capital structure in order to secure access to finance at a reasonable cost, among others, as follows using debt to equity ratio and gearing ratio.

18. ADVANCE FOR CAPITAL STOCK SUBSCRIPTION

Based on the shareholders' resolution dated August 31, 2015, the shareholders agreed to convert other payable (due to related party) into advance for capital stock subscription from PT Adrindo Intiperkasa (the Company's shareholder) amounted to Rp 150,000,000,000. The shareholders also resolved that the issuance of capital stock in relation to the advance will subsequently determined.

19. NET SALES

This account consist of:

	2016	2015
Export	433,515,903,613	394,530,059,205
Local	136,038,420,318	172,660,241,917
Total	**569,554,323,931**	**567,190,301,122**

As of December 31, 2015, the Company and Subsidiary have sales advance (third parties) amounted to Rp 788,959,396.

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

20. COST OF GOODS SOLD

This account consist of:

	2016	2015
Raw materials used	164,173,343,153	187,226,198,238
Direct labor	39,257,045,484	37,596,948,670
Manufacturing overhead	260,315,389,569	228,990,427,325
Total Manufacturing Cost	463,745,778,206	453,813,574,233
Work in process inventory		
Beginning balance	2,043,308,192	1,767,442,588
Ending balance	(4,721,627,814)	(2,043,308,192)
Cost of Goods Manufactured	461,067,458,584	453,537,708,629
Finished goods inventory		
Beginning balance	58,763,019,624	29,505,569,165
Ending balance	(31,544,034,569)	(58,763,019,624)
Cost of Goods Sold	**488,286,443,639**	**424,280,258,170**

21. GENERAL AND ADMINISTRATIVE EXPENSES

This account consist of:

	2016	2015
Salaries, wages and employees' benefits	20,334,585,454	17,558,485,042
Office	2,109,529,172	492,543,698
Depreciation and amortization	1,552,535,891	2,059,666,791
Rental	1,006,894,578	969,780,000
Travelling	497,203,332	545,526,633
Communication and information	410,474,535	723,467,927
Insurance	345,860,662	130,652,308
Donation and representation	200,997,192	542,161,032
Taxes and license	157,739,064	2,059,591,001
Others	332,797,074	493,106,227
Total	**26,948,616,954**	**25,574,980,659**

22. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

As of December 31, 2016 and 2015, the Company and Subsidiary have monetary assets and liabilities denominated in foreign currencies mainly as follows:

	2016		
	Foreign Currencies		Equivalent in Rupiah Amount
Assets			
Cash in banks	US$	700,838	9,416,464,877
	EUR	16,122	228,313,217
Account receivables	US$	583,225	7,836,205,457

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

22. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES (continued)

	2016		
	Foreign Currencies		Equivalent in Rupiah Amount
Liabilities			
Accrued interest	US$	148,843	1,999,860,729
Bank loans	US$	15,843,402	212,871,945,696
Account payables	US$	76,065	1,022,009,340
	EUR	528	7,477,298
Total Liabilities - net			**198,420,309,512**

	2015		
	Foreign Currencies		Equivalent in Rupiah Amount
Assets			
Cash in banks	US$	247,697	3,416,990,600
Account receivables	US$	1,126,212	15,536,094,540
Liabilities			
Accrued interest	US$	133,070	1,835,702,995
Bank loans	US$	18,988,884	261,951,658,056
Account payables	US$	156,514	2,159,110,630
	RMB	175,000	371,700,000
Total Liabilities - net			**247,365,086,541**

23. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

Potential risks arising from financial instruments of the Company and Subsidiary relate to interest rate risk, credit risk and liquidity risk. Policies of the importance of managing this risk level has increased significantly by considering some parameters change and volatility of financial markets both in Indonesia and internationally.

The Company and Subsidiary's Directors review and approve risk policies covering the risk tolerance in the strategy to manage the risks which are summarized below.

Interest Rate Risk

Interest rate risk is the risk of fair value or future cash flows of financial instruments fluctuate due to changes in market interest rates. Exposure of the Company and Subsidiary against changes in market interest rates relates to both short-term and long-term bank loans.

The Company and Subsidiary are financed through interest-bearing bank loans. Therefore, the Company and Subsidiary's exposure to market risk for changes in interest rates relate primarily to its short-term and long-term bank loans. The Company and Subsidiary's policies are to obtain the most favorable interest rates available without increasing its foreign currency exposure by managing its interest cost by making a combination of debt, long-term loans with fixed interest rates and floating interest rates.

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

23. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Interest Rate Risk (continued)

The following table sets out the carrying amounts, by maturity, of the Company and Subsidiary's financial instruments that are exposed to interest rate risk:

	2016		
Floating rate	**Less than one year**	**More than one year**	**Carrying value**
Cash in bank	10,229,767,547	-	10,229,767,547
Short-term loans	(38,339,857,284)	-	(38,339,857,284)
Current maturities of long-term loans	(113,537,409,789)	-	(113,537,409,789)
Long-terms loans-net of current maturities	-	(223,660,911,664)	(223,660,911,664)
Total	(141,647,499,526)	(223,660,911,664)	(365,308,411,190)

	2015		
Floating rate	**Less than one year**	**More than one year**	**Carrying value**
Cash in bank	3,875,249,044	-	3,875,249,044
Short-term loans	(47,805,760,309)	-	(47,805,760,309)
Current maturities of long-term loans	(104,002,528,137)	-	(104,002,528,137)
Long-terms loans-net of current maturities	-	(308,231,941,325)	(308,231,941,325)
Total	**(147,933,039,402)**	**(308,231,941,325)**	**(456,164,980,727)**

Credit Risk

Credit risk is the risk that the Company and Subsidiary will incur a loss arising from the customer, client or other party who failed to meet their contractual obligations. There is no significant concentration of credit risk. The Company and Subsidiary manage and control credit risk by setting limits of acceptable risk for customers and monitor the exposure associated with these restrictions.

The Company and Subsidiary conduct business relationships only with recognized and credible third parties. The Company and Subsidiary have a policy to go through customer credit verification procedures. In addition, the amount of receivables are monitored continuously to reduce the risk for doubtful accounts.

Liquidity Risk

Liquidity risk is a risk arising when the cash flow position of the Company and Subsidiary not enough to cover the liabilities which become due. In managing liquidity risk, the Company and Subsidiary monitor and maintain levels of cash and cash equivalents deemed adequate to finance the operations of the Company and Subsidiary, and to overcome the impact of fluctuations in cash flow. The Company and Subsidiary also regularly evaluate cash flow projections and actual cash flows, including the schedule of maturing long-term debt, and continue to examine the condition of financial markets to take a fundraising initiative. These activities may include bank loans.

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

23. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Fair Value of Financial Instruments

The carrying values and the estimated fair values of the Company and Subsidiary's financial instruments that are carried in the consolidated statement of financial position as of December 31, 2016 and 2015 are as follows:

	Carrying Amount		Fair Value	
	2016	2015	2016	2015
Current Financial Assets				
Cash and banks	10,301,876,321	3,949,514,124	10,301,876,321	3,949,514,124
Account receivables - net	48,979,160,550	61,475,580,515	48,979,160,550	61,475,580,515
Other receivables	787,875,237	671,401,299	787,875,237	671,401,299
Total Financial Assets	60,068,912,108	66,096,495,938	60,068,912,108	66,096,495,938
Current Financial Liabilities				
Short-term bank loans	38,339,857,284	47,805,760,309	38,339,857,284	47,805,760,309
Account payables	10,264,447,252	24,013,786,783	10,264,447,252	24,013,786,783
Accrued expenses	4,261,538,294	13,152,185,815	4,261,538,294	13,152,185,815
Other payables	14,351,208,593	8,408,741,239	14,351,208,593	8,408,741,239
Current maturities of long-term loan:				
Bank loans	113,537,409,789	104,002,528,137	113,537,409,789	104,002,528,137
Total Current Financial Liabilities	180,754,461,212	197,383,002,283	180,754,461,212	197,383,002,283
Non-Current Financial Liabilities				
Long-term loan-net of current maturities:				
Bank loans	223,660,911,664	308,231,941,325	223,660,911,664	308,231,941,325
Other payable	207,785,023,496	212,555,023,496	207,785,023,496	212,555,023,496
Total Non-Current Financial Liabilities	431,445,935,160	520,786,964,821	431,445,935,160	520,786,964,821
Total Financial Liabilities	612,200,396,372	718,169,967,104	612,200,396,372	718,169,967,104

The fair values of the financial assets and liabilities are determined based on the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

Financial instruments presented in the consolidated statement 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.

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

23. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Fair Value of Financial Instruments (continued)

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

The carrying value of cash and banks, account receivables, other receivables, short-term bank loans, account payables, other payables, accrued expenses and current maturities of long-term bank loans approximate their fair values due to their short-term nature.

The carrying values of long-term bank loans-net of currents maturities with floating interest rates approximate their fair values as they are re-priced frequently.

Management has determined that the fair values of refundable deposits do not have quoted prices in active markets and/or fair value cannot be measured reliably, are reasonably approximate their carrying amounts.

24. NON-CASH ACTIVITIES

Supplementary information to the consolidated statement of cash flows relating to non-cash activities are as follows:

	2016	2015
Reclassification of construction in progress - building to inventory - spareparts	337,571,560	-
Addition of fixed assets through tax amnesty	65,000,000	-
Reclassification of advance for capital stock subscription from convertion other payables	-	150,000,000,000
Reclassification of advance for purchases of fixed assets to fixed assets	-	4,576,999,104

25. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following are several accounting standards issued by the Board of Financial Accounting Standards of the Indonesian Institute of Accountants that are considered relevant to the Company and Subsidiary’s financial reporting.

<u>Effective for reporting periods beginning on or after January 1, 2017</u>

- Amendment PSAK No. 1, “Presentation of Financial Statements” regarding “Disclosure Initiative”.
- PSAK No. 24 (Improvement 2016), “Employee Benefits”.
- PSAK No. 58 (Improvement 2016), “Non-current Assets Held for Sale and Discontinued Operations”.
- PSAK No. 60 (Improvement 2016), “Financial Instrument: Disclosures”.

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

25. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Effective for reporting periods beginning on or after January 1, 2018

- Amendment to PSAK No. 2, “Cash Flows Statement Disclosure Intiative”.
- Amendment to PSAK No. 16, “Fixed Assets”.
- Amendment to PSAK No. 46, “Taxations - Recognition of Deferred Tax Assets for Unrealised Losses”.

Early adoption of the above standards is permitted.

The Company and Subsidiary are presently evaluating and have not yet determined the effects of these accounting standards on the consolidated financial statements.

26. SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

a. Based on the Resolution of Company’s Shareholders dated February 23, 2017, which was covered by Notarial Deed No. 36 of Silvy Solivan, S.H., M.Kn., dated March 20, 2017, the Company’s Shareholders approved, among others:

   - Sell all of ownership Premium Trust Pte. Ltd. in PT Indonesia Fibreboard Industry to Heffy Hartono amounting to 675,000 shares.
   - Sell part of ownership PT Adrindo Intiperkasa in PT Indonesia Fibreboard Industry to Tropical Resources Investment Pte. Ltd. amounting to 112,500 shares.

   Based on the amendment, the composition of shares ownership of the Company became:

Shareholders	Number of Shares Issued and Fully Paid	Percentage of Ownership	Amount
PT Adrindo Intiperkasa	3,712,500	82.5%	371,250,000,000
Heffy Hartono	675,000	15%	67,500,000,000
Tropical Resources Investment Pte. Ltd	112,500	2.5%	11,250,000,000
Total	**4,500,000**	**100%**	**450,000,000,000**

   This amendment was accepted and recorded by the Minister of Law and Human Rights of the Republic of Indonesia in its letter No. AHU-AH.01.03-0123104 dated March 31, 2017.

b. On January 5, 2017, the Company received overpayment tax assessment letter of value added tax for period December 2015 No. 00001/407/15/041/17, which stated that Company has an overpayment amounting to Rp 6,420,774,407. As of January 26, 2017, the Company was received refund of value added tax, after compensated with taxes payable amounted to Rp 916,091,667.

27. FINANCIAL INFORMATION OF THE PARENT ENTITY ONLY

The financial information of the parent entity only presents statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows information in which investments in its subsidiary were accounted using the cost method.

The following information is the separate financial statements of PT Indonesia Fibreboard Industry, parent entity, which is presented as supplementary information to the consolidated financial statements of PT Indonesia Fibreboard Industry and its Subsidiary as of December 31, 2016 and for the year then ended.

PT INDONESIA FIBREBOARD INDUSTRY
(PARENT ENTITY)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016
(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

	2016	**2015**
ASSETS		
CURRENT ASSETS		
Cash and banks	10,213,095,538	3,857,957,246
Account receivables	48,979,160,550	61,475,580,515
Other receivables	787,875,237	671,401,299
Inventories	109,401,365,538	141,684,466,163
Purchases advances	18,921,858,250	11,190,268,677
Prepaid expenses	917,246,339	1,337,890,843
Prepaid taxes	17,513,299,825	21,034,974,714
Total Current Assets	206,733,901,277	241,252,539,457
NON-CURRENT ASSETS		
Advances for purchases of fixed assets	340,000,000	1,583,273,251
Deferred tax asset	6,134,880,241	4,599,660,285
Fixed assets - net of accumulated depreciation of Rp 271,254,714,169 in 2016 and Rp 203,469,999,172 in 2015	906,588,008,820	931,492,794,446
Investment in share of stock	9,960,000,000	9,960,000,000
Other non-current assets	903,156,603	9,613,930,214
Total Non-Current Assets	923,926,045,664	957,249,658,196
TOTAL ASSETS	**1,130,659,946,941**	**1,198,502,197,653**

PT INDONESIA FIBREBOARD INDUSTRY
(PARENT ENTITY)
STATEMENT OF FINANCIAL POSITION (continued)
DECEMBER 31, 2016
(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

	2016	2015
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Short-term bank loans	38,339,857,284	47,805,760,309
Account payables	13,238,501,852	26,987,841,383
Taxes payable	1,029,716,023	842,407,641
Advance from customers	-	788,959,396
Accrued expenses	4,261,538,294	13,152,185,815
Other payables	14,351,208,593	8,408,741,239
Current maturities of long-term loan		
Bank loans	113,537,409,789	104,002,528,137
Total Current Liabilities	184,758,231,835	201,988,423,920
NON CURRENT LIABILITIES		
Long-term loan - net of current maturities		
Bank loans	223,660,911,664	308,231,941,325
Other payable	207,785,023,496	212,555,023,496
Estimated liabilities for employees' benefit	9,746,144,867	6,546,639,668
Total Non-Current Liabilities	441,192,080,027	527,333,604,489
Total Liabilities	625,950,311,862	729,322,028,409
EQUITY		
Capital stock - Rp 100,000 par value per share		
Authorized - 10,000,000 shares		
Issued and fully paid - 4,500,000 shares	450,000,000,000	450,000,000,000
Advance for capital stock subscription	150,000,000,000	150,000,000,000
Deficit	(95,290,364,921)	(130,819,830,756)
Total Equity	504,709,635,079	469,180,169,244
TOTAL LIABILITIES AND EQUITY	**1,130,659,946,941**	**1,198,502,197,653**

PT INDONESIA FIBREBOARD INDUSTRY
(PARENT ENTITY)
STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

	2016	2015
NET SALES	569,554,323,931	567,190,301,122
COST OF GOODS SOLD	(488,298,611,313)	(424,292,056,842)
GROSS PROFIT	**81,255,712,618**	**142,898,244,280**
General and administrative expenses	(26,936,561,351)	(25,574,980,659)
Financing charges	(27,617,902,887)	(34,550,206,180)
Foreign exchange differentials - net	6,341,020,085	(33,845,181,885)
Interest income	43,325,760	41,163,253
Miscellaneous - net	1,244,938,160	692,270,201
PROFIT BEFORE INCOME TAX BENEFIT	**34,330,532,385**	**49,661,309,010**
INCOME TAX BENEFIT		
Deferred tax	1,451,148,329	885,710,259
PROFIT FOR THE YEAR	**35,781,680,714**	**50,547,019,269**
OTHER COMPREHENSIVE INCOME (LOSS)		
Item that Will Not be Reclassified Subsequently to Profit or Loss		
Actuarial gain (loss) of employee benefits liabilities	(336,286,506)	77,361,591
Income tax of actuarial gain (loss) of employee benefits liabilities	84,071,627	(19,340,398)
Other Comprehensive Income (Loss) For The Year - Net of Tax	**(252,214,879)**	**58,021,193**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**35,529,465,835**	**50,605,040,462**

PT INDONESIA FIBREBOARD INDUSTRY
(PARENT ENTITY)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

	Capital Stock	Advance for Capital Stock Subscription	Deficit	Equity
Balance as of December 31, 2014	**450,000,000,000**	**-**	**(181,424,871,218)**	**268,575,128,782**
Advance for capital stock subscription	-	150,000,000,000	-	150,000,000,000
Profit for the year	-	-	50,547,019,269	50,547,019,269
Other comprehensive income for the year - net of tax	-	-	58,021,193	58,021,193
Balance as of December 31, 2015	**450,000,000,000**	**150,000,000,000**	**(130,819,830,756)**	**469,180,169,244**
Profit for the year	-	-	35,781,680,714	35,781,680,714
Other comprehensive loss for the year - net of tax	-	-	(252,214,879)	(252,214,879)
Balance as of December 31, 2016	**450,000,000,000**	**150,000,000,000**	**(95,290,364,921)**	**504,709,635,079**

PT INDONESIA FIBREBOARD INDUSTRY
(PARENT ENTITY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	35,781,680,714	50,547,019,269
Adjustments to reconcile profit for the year to net cash provided by operating activities:		
Depreciation	68,214,953,729	63,472,862,537
Financing charges	27,617,902,887	34,550,206,180
Foreign exchanges differentials	93,548,221	11,146,399
Loss on disposals and sales of fixed assets	29,665,814	46,606,819
Deferred tax	(1,451,148,329)	(885,710,259)
Employees' benefit expenses	2,863,218,693	2,098,900,557
Changes in operating assets and liabilities:		
Account receivables	12,496,419,965	12,571,137,105
Other receivables	(116,473,938)	1,418,569,792
Inventories	32,620,672,185	(51,749,076,728)
Purchase advances	(7,731,589,573)	(2,635,282,702)
Prepaid expenses	420,644,504	61,933,617
Prepaid taxes	3,521,674,889	21,670,873,692
Account payables	(13,749,339,531)	22,067,191,331
Taxes payable	187,308,382	(43,297,285)
Advance from customers	(788,959,396)	738,376,141
Accrued expense	(8,569,093,797)	377,082,282
Other payables	5,942,467,354	(18,128,998,961)
Net Cash Provided by Operating Activities	157,383,552,773	136,189,539,786
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of fixed assets	(43,981,950,931)	(49,230,141,420)
Deduction (Addition) in other non-current assets	8,710,773,611	(7,072,685,602)
Advance for purchases of fixed assets	1,243,273,251	(1,583,273,251)
Proceed from sales of fixed assets	304,545,454	1,598,309,939
Net Cash Used in Investing Activities	(33,723,358,615)	(56,287,790,334)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in bank loans	(84,502,051,034)	(60,074,737,299)
Payment of interest	(27,939,456,611)	(35,083,269,248)
Increase (Decrease) in other payable	(4,770,000,000)	5,500,000,000
Net Cash Used in Financing Activities	(117,211,507,645)	(89,658,006,547)
NET INCREASE (DECREASE) IN CASH AND BANKS	6,448,686,513	(9,756,257,095)
NET EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND BANKS	(93,548,221)	(11,146,399)
CASH AND BANKS AT BEGINNING OF YEAR	3,857,957,246	13,625,360,740
CASH AND BANKS AT END OF YEAR	**10,213,095,538**	**3,857,957,246**