PT INDONESIA FIBREBOARD INDUSTRY AND SUBSIDIARY

Consolidated Financial Statements
As of December 31, 2018
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, 2018
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, April 22, 2019
For and on behalf of the Board of Directors

METERAI TEMPEL
75BC8AFF823070978
6000
ENAM RIBU RUPIAH

Heffy Hartono
President Director

PT. Indonesia Fibreboard Industry
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PT INDONESIA FIBREBOARD INDUSTRY AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2018
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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INDEPENDENT AUDITORS' REPORT

Report No. 00178/2.0851/AU.1/04/0272-1/1/IV/2019

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, 2018, 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, 2018, 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, 2018 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, 2018, 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

Drs. Nursal Ak., CA., CPA
Licence of Public Accountant No. AP.0272

April 22, 2019

PT INDONESIA FIBREBOARD INDUSTRY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

	Notes	2018	2017
ASSETS			
CURRENT ASSETS			
Cash and banks	2j, 2m, 4	12,053,472,462	11,125,527,597
Account receivables	2c, 2d, 2j 5, 6, 11	74,683,148,621	47,648,656,923
Other receivables	2j	2,567,029,254	487,935,630
Inventories	2e, 7, 11	136,622,637,680	99,867,079,238
Prepaid expense and advance	2f, 8	34,978,799,138	9,789,882,175
Prepaid taxes	2n, 13	21,263,213,021	13,115,509,480
Total Current Assets		282,168,300,176	182,034,591,043
NON-CURRENT ASSETS			
Fixed assets - net of accumulated depreciation of Rp 420,092,102,239 in 2018 and Rp 345,154,811,160 in 2017	2g, 2i, 9, 11	814,442,950,840	859,045,248,386
Advances for purchases of fixed assets	9	340,000,000	2,872,299,952
Deferred tax assets	2n, 13	9,702,017,514	9,039,513,861
Other non-current assets	2h, 10	642,091,946	681,766,694
Estimated claims for income tax refunds	2n, 13	2,284,754,409	2,284,754,409
Total Non-Current Assets		827,411,814,709	873,923,583,302
TOTAL ASSETS		**1,109,580,114,885**	**1,055,958,174,345**

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, 2018
(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

	Notes	2018	2017
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Short-term bank loans	2j, 11	69,887,699,756	35,000,000,000
Account payables	2d, 2j, 6, 12	24,779,613,189	15,789,235,156
Taxes payable	2n, 13	10,379,158,437	1,048,110,233
Advance from customers	19	242,516,548	134,686,669
Accrued expenses	2j, 15	8,534,651,865	5,867,121,305
Other payables	2j, 14	2,595,460,048	6,995,274,617
Current maturities of long-term loan			
Bank loans	2j, 11	71,537,359,675	69,894,661,204
Total Current Liabilities		187,956,459,518	134,729,089,184
NON CURRENT LIABILITIES			
Long-term loan - net of current maturities			
Bank loans	2j, 11	108,817,016,943	155,699,390,413
Other payable	2d, 2j, 6, 14	32,985,023,496	48,185,023,496
Estimated liabilities for employees' benefit	2l, 16	15,409,964,835	13,561,865,554
Total Non-Current Liabilities		157,212,005,274	217,446,279,463
Total Liabilities		345,168,464,792	352,175,368,647
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	350,000,000,000	350,000,000,000
Differences arising from changes in equity of Subsidiary	2o, 9	64,740,000	64,740,000
Deficit		(35,664,524,919)	(96,296,556,915)
Sub Total		764,400,215,081	703,768,183,085
Non-Controlling Interest		11,435,012	14,622,613
Total Equity		764,411,650,093	703,782,805,698
TOTAL LIABILITIES AND EQUITY		**1,109,580,114,885**	**1,055,958,174,345**

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, 2018
(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

	Notes	2018	2017
NET SALES	2k,19	608,680,140,771	442,688,501,663
COST OF GOODS SOLD	2k, 20	(482,038,335,787)	(388,777,088,203)
GROSS PROFIT		126,641,804,984	53,911,413,460
General and administrative expenses	2k, 21	(34,575,368,233)	(31,763,372,255)
Financing charges	2k	(16,751,617,054)	(20,855,834,868)
Foreign exchange differentials - net	2m	(8,104,227,732)	18,887,289
Interest income	2k	32,031,526	20,128,894
Miscellaneous - net		3,419,320,536	2,462,450,806
PROFIT BEFORE INCOME TAX BENEFIT		**70,661,944,027**	**3,793,673,326**
INCOME TAX BENEFIT (EXPENSE)	2n, 13		
Current tax		(11,677,075,750)	-
Deferred tax		907,871,769	1,871,928,883
INCOME TAX BENEFIT (EXPENSE)		(10,769,203,981)	1,871,928,883
PROFIT FOR THE YEAR		**59,892,740,046**	**5,665,602,209**
OTHER COMPREHENSIVE LOSS			
Item that Will Not be Reclassified Subsequently to Profit or Loss			
Actuarial gain (loss) of employee benefits liabilities	2l, 16	981,472,465	(455,289,438)
Income tax of actuarial gain (loss) of employee benefits liabilities	2n, 13	(245,368,116)	113,822,360
Other Comprehensive Loss For The Year - Net of Tax		**736,104,349**	**(341,467,078)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**60,628,844,395**	**5,324,135,131**
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Parent Company		59,895,927,647	5,665,717,971
Non-Controlling Interest		(3,187,601)	(115,762)
TOTAL		**59,892,740,046**	**5,665,602,209**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Parent Company		60,632,031,996	5,324,250,893
Non-Controlling Interest		(3,187,601)	(115,762)
TOTAL		**60,628,844,395**	**5,324,135,131**

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, 2018
(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, 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**
Advance for capital stock subscription	18	-	200,000,000,000	-	-	200,000,000,000	-	200,000,000,000
Profit for the year		-	-	-	5,665,717,971	5,665,717,971	(115,762)	5,665,602,209
Other comprehensive loss for the year - net of tax		-	-	-	(341,467,078)	(341,467,078)	-	(341,467,078)
Balance as of December 31, 2017		**450,000,000,000**	**350,000,000,000**	**64,740,000**	**(96,296,556,915)**	**703,768,183,085**	**14,622,613**	**703,782,805,698**
Profit for the year		-	-	-	59,895,927,647	59,895,927,647	(3,187,601)	59,892,740,046
Other comprehensive income for the year - net of tax		-	-	-	736,104,349	736,104,349	-	736,104,349
Balance as of December 31, 2018		**450,000,000,000**	**350,000,000,000**	**64,740,000**	**(35,664,524,919)**	**764,400,215,081**	**11,435,012**	**764,411,650,093**

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, 2018
(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		59,892,740,046	5,665,602,209
Adjustments to reconcile profit for the year to net cash provided by operating activities:			
Depreciation	9	79,325,985,965	74,264,928,348
Amortization		61,612,748	263,789,909
Financing charges		16,751,617,054	20,855,834,868
Foreign exchanges differentials		(113,260,887)	(19,151,930)
Loss (gain) on disposals and sales of fixed assets	9	471,616,946	(863,338,730)
Deferred tax		(907,871,769)	(1,871,928,883)
Employees' benefit expenses	16	2,829,571,746	3,203,163,983
Changes in operating assets and liabilities:			
Account receivables		(27,034,491,698)	1,330,503,627
Other receivables		(2,079,093,624)	299,939,607
Inventories		(36,755,558,442)	9,534,286,300
Prepaid expense and advance		(25,188,916,963)	10,049,222,414
Prepaid taxes		(8,147,703,541)	2,113,035,936
Account payables		8,990,378,033	(229,814,104)
Taxes payable		9,331,048,204	18,394,210
Advance from customers		107,829,879	134,686,669
Accrued expenses		2,689,356,472	2,506,733,694
Other payables		(4,399,814,569)	(1,601,331,968)
Net Cash Provided by Operating Activities		75,825,045,600	125,654,556,159
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of fixed assets	9	(33,496,927,004)	(28,611,516,916)
Proceed from sales of fixed assets	9	833,921,591	2,637,272,726
Deduction in other non-current assets		(21,938,000)	(42,400,000)
Advance for purchases of fixed assets		-	(2,532,299,952)
Net Cash Used in Investing Activities		(32,684,943,413)	(28,548,944,142)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in bank loans		(10,351,975,243)	(114,944,127,120)
Increase (decrease) in other payable		(15,200,000,000)	40,400,000,000
Payment of interest		(16,773,442,966)	(21,756,985,551)
Net Cash Used in Financing Activities		(42,325,418,209)	(96,301,112,671)
NET INCREASE IN CASH AND BANKS		814,683,978	804,499,346
NET EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND BANKS		113,260,887	19,151,930
CASH AND BANKS AT BEGINNING OF YEAR		11,125,527,597	10,301,876,321
CASH AND BANKS AT END OF YEAR		**12,053,472,462**	**11,125,527,597**

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., M.Kn., No. 5 dated October 4, 2017, 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-0020708.AH.01.02. Tahun 2017 dated October 9, 2017.

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, barecore/block board, plywood, glue and wood working (moulding). 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, 2018 and 2017 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 4.1 billion and Rp 3,8 billion in 2018 and 2017, respectively.

As of December 31, 2018 and 2017, the Company and Subsidiary have a total of 654 employees and 653 employees, respectively (unaudited).

c. Subsidiary

The Company has 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	
				2018	2017	2018	2017
Held Directly by the Company							
PT First Light Pratama (FLP) Manufacturing	Industrial Glue	2008	Jakarta	99.60%	99.60%	3	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 April 22, 2019.

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, 2017 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, 2018 dan 2017, 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, 2018 and 2017, 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, 2018 and 2017, 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, 2018 and 2017.

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

<u>Financial assets</u>

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 sales are recognized when the goods are delivered to the customers and title has passed. 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:

	2018	2017
United States Dollar (US$) 1	14,481	13,548
Europe Euro (EUR) 1	16,560	16,174
Renminbi (RMB) 1	2,110	2,073
Japanese Yen (JP¥) 1	131	120

n. Income Taxes

<u>Current tax</u>

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.

<u>Deferred tax</u>

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.

<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. Change in accounting policies and disclosures

The Company and Subsidiaries adopted PSAK which effective on January 1, 2018 which is considered relevant to the consolidated financial statements as follows:

1. PSAK No. 2 (2016 Amendment), "Disclosure Initiative on Statement of Cash Flow".
2. PSAK No. 46 (Amendment 2016), "Taxations Recognition of deferred tax assets for unrealised losses".

The adoption of the new and revised accounting standards above do not have significant impact to the consolidated financial statements.

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. 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.

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, 2018 and 2017 amounted to Rp 74,683,148,621 and Rp 47,648,656,923. 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.

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

3. SOURCE OF ESTIMATION UNCERTAINTY (continued)

Estimates and Assumptions (continued)

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, 2018 and 2017 amounted to Rp 15,409,964,835 and Rp 13,561,865,554. 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, 2018 and 2017 amounted to Rp 814,442,950,840 and Rp 859,045,248,386. Further details are disclosed in Note 9.

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:

	2018	2017
Cash on hand	39,972,850	47,675,134
Cash in banks		
Rupiah		
PT Bank Rakyat Indonesia (Persero) Tbk	407,760,252	361,773,741
PT Bank Mandiri (Persero) Tbk	102,926,494	2,158,616,774
PT Bank CIMB Niaga Tbk	10,763,588	1,367,410,717

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4. CASH AND BANKS (continued)

	2018	2017
Cash in banks (continued)		
United States Dollar		
PT Bank Mandiri (Persero) Tbk (US$ 336,196 in 2018 and US$ 230,134 in 2017)	4,868,460,792	3,117,849,877
PT Bank CIMB Niaga Tbk (US$ 335,446 in 2018 and US$ 65,794 in 2017)	4,857,594,540	891,378,874
PT Bank DBS Indonesia (US$ 111,248 in 2018 and US$ 220,802 in 2017)	1,610,984,750	2,991,423,464
Euro		
PT Bank DBS Indonesia (EUR 9,360 in 2018 and EUR 11,710 in 2017)	155,009,196	189,399,016
Total	**12,053,472,462**	**11,125,527,597**

5. ACCOUNT RECEIVABLES

Account receivables consist of:

	2018	2017
Third Parties		
Export	29,928,671,058	11,199,413,684
Local	10,811,637,380	8,860,343,600
Sub-Total	40,740,308,438	20,059,757,284
Related Party		
Local (Note 6)	33,942,840,183	27,588,899,639
Total	**74,683,148,621**	**47,648,656,923**

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).

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

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 (%)	
	2018	2017	2018	2017
Account Receivable				
PT Karya Agung Abadi	33,942,840,183	27,588,899,639	3.060	2.613

	Amount		Percentage to Total Liabilities (%)	
	2018	2017	2018	2017
Account Payable				
PT Agronusa Alam Sejahtera	-	8,540,655	-	0.002
Other Payable				
PT Adrindo Intiperkasa	32,985,023,496	48,185,023,496	9.536	13.682

	Amount		Percentage to Total Equity (%)	
	2018	2017	2018	2017
Advance for Capital Stock Subscription				
PT Adrindo Intiperkasa	350,000,000,000	350,000,000,000	45.786	49.731

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). The loan agreement has been amended several times, the latest on September 7, 2017, the Company and PT AIP agreed among others to change maximum loan facility from Rp 300,000,000,000 became Rp 100,000,000,000 and will be mature on December 31, 2019, and to convert loan became advance for capital stock subscription amounted to Rp 200,000,000,000 (Note 18). Furthermore, based on the amendment of loan agreement dated December 3, 2018, the loan period was extended to December 31, 2020.

Transaction with related parties were conducted under term and conditions agreed between parties, which may not be the same as those of the transaction with unrelated parties.

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

7. INVENTORIES

Inventories consist of:

	2018	2017
Raw materials	43,561,285,113	33,924,513,506
Work in process	9,097,701,671	2,915,016,300
Finished goods	37,251,786,628	21,206,755,482
Supplies and spareparts	46,711,864,268	41,820,793,950
Inventories - Net	**136,622,637,680**	**99,867,079,238**

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, 2018 inventories are covered by insurance against losses by fire and other risks under blanket policies with total coverage amounting to approximately Rp 126 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 EXPENSE AND ADVANCE

This account consist of:

	2018	2017
Prepaid expense		
Insurance	860,651,735	1,060,121,732
Other	351,763,958	-
Sub-total	1,212,415,693	1,060,121,732
Advance		
Purchase raw material	26,318,069,835	8,729,760,443
Purchase of spareparts	7,448,313,610	-
Sub-total	33,766,383,445	8,729,760,443
Total	**34,978,799,138**	**9,789,882,175**

9. FIXED ASSETS

The details of fixed assets are as follows:

	2018				
	Beginning Balance	**Additions**	**Deductions**	**Reclassifications**	**Ending Balance**
Cost					
Direct Ownership					
Land	20,209,967,850	-	-	-	20,209,967,850
Buildings and infrastructure	455,981,499,676	533,563,181	-	-	456,515,062,857
Machinery and equipments	677,923,444,550	3,578,194,560	-	-	681,501,639,110
Office equipments	10,396,974,332	530,373,725	-	-	10,927,348,057
Furniture and fixtures	1,671,350,888	69,585,034	-	-	1,740,935,922
Vehicles	38,016,822,250	5,005,124,617	5,694,233,423	-	37,327,713,444
Total	1,204,200,059,546	9,716,841,117	5,694,233,423	-	1,208,222,667,240

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

9. FIXED ASSETS (continued)

	2018				
	Beginning Balance	Additions	Deductions	Reclassifications	Ending Balance
Cost (continued)					
Construction in Progress					
Buildings and infrastructure	-	6,668,954,156	-	-	6,668,954,156
Machinery and equipments	-	19,643,431,683	-	-	19,643,431,683
Total Construction in Progress	-	26,312,385,839	-	-	26,312,385,839
Total Cost	1,204,200,059,546	36,029,226,956	5,694,233,423	-	1,234,535,053,079
Accumulated Depreciation					
Direct Ownership					
Buildings and infrastructure	104,643,356,374	22,803,994,524	-	-	127,447,350,898
Machinery and equipments	211,672,815,987	50,274,051,677	-	-	261,946,867,664
Office equipments	6,930,539,217	1,211,635,610	-	-	8,142,174,827
Furniture and fixtures	1,553,186,571	77,016,531	-	-	1,630,203,102
Vehicles	20,354,913,011	4,959,287,623	4,388,694,886	-	20,925,505,748
Total Accumulated Depreciation	345,154,811,160	79,325,985,965	4,388,694,886	-	420,092,102,239
Book Value	**859,045,248,386**				**814,442,950,840**

	2017				
	Beginning Balance	Additions	Deductions	Reclassifications	Ending Balance
Cost					
Direct Ownership					
Land	20,209,967,850	-	-	-	20,209,967,850
Buildings and infrastructure	448,714,792,383	4,999,549,188	-	2,267,158,105	455,981,499,676
Machinery and equipments	654,626,503,877	22,306,940,673	-	990,000,000	677,923,444,550
Office equipments	9,370,494,777	1,038,979,555	12,500,000	-	10,396,974,332
Furniture and fixtures	1,662,119,979	9,230,909	-	-	1,671,350,888
Vehicles	41,910,504,830	256,816,591	4,150,499,171	-	38,016,822,250
Total	1,176,494,383,696	28,611,516,916	4,162,999,171	3,257,158,105	1,204,200,059,546
Construction in Progress					
Buildings and infrastructure	2,267,158,105	-	-	(2,267,158,105)	-
Machinery and equipments	990,000,000	-	-	(990,000,000)	-
Total Construction in Progress	3,257,158,105	-	-	(3,257,158,105)	-
Total Cost	1,179,751,541,801	28,611,516,916	4,162,999,171	-	1,204,200,059,546
Accumulated Depreciation					
Direct Ownership					
Buildings and infrastructure	82,055,333,194	22,588,023,180	-	-	104,643,356,374
Machinery and equipments	166,075,599,129	45,597,216,858	-	-	211,672,815,987
Office equipments	5,779,475,429	1,158,940,208	7,876,420	-	6,930,539,217
Furniture and fixtures	1,463,355,620	89,830,951	-	-	1,553,186,571
Vehicles	17,905,184,615	4,830,917,151	2,381,188,755	-	20,354,913,011
Total Accumulated Depreciation	273,278,947,987	74,264,928,348	2,389,065,175	-	345,154,811,160
Book Value	**906,472,593,814**				**859,045,248,386**

Depreciation charged to operations amounted to Rp 79,325,985,965 and Rp 74,264,928,348 in 2018 and 2017, respectively.

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

9. FIXED ASSETS (continued)

The details of disposals and sales of fixed assets in 2018 and 2017 are as follows:

	2018	**2017**
Cost	5,694,233,423	4,162,999,171
Accumulated depreciation	(4,388,694,886)	(2,389,065,175)
Net book value	1,305,538,537	1,773,933,996
Proceeds from sale of fixed assets	833,921,591	2,637,272,726
Gain (Loss) on disposals and sales of fixed assets	**(471,616,946)**	**863,338,730**

Gain (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, 2018 and 2017, fixed assets - machinery and equipments is included tax amnesty asset:

	2018	**2017**
Cost		
Machinery and equipments	65,000,000	65,000,000
Accumulated Depreciation		
Machinery and equipments	65,000,000	37,142,857
Book value	**-**	**27,857,143**

As of December 31, 2018, fixed assets are covered by insurance against losses by fire and other risk under blanket policies with total coverage amounting to Rp 389 billion and US$ 45,068,303 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, 2018, the remaining terms of the Company and Subsidiary's landrights is about 22 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, 2018 and 2017, the Company and Subsidiary have advance in relation to the purchase of fixed assets amounted to Rp 340,000,000 and Rp 2,872,299,952, 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:

	2018	2017
Other deferred charges	599,076,107	646,433,355
Intangible assets - net	43,015,839	35,333,339
Total	**642,091,946**	**681,766,694**

11. BANK LOANS

This account consists of:

a. Short-term bank loans

Short-term bank loans consist of:

	2018	2017
PT Bank CIMB Niaga Tbk		
Fixed loan revolving	35,000,000,000	35,000,000,000
Credit export (US$ 2,195,000 in 2018)	31,785,795,000	-
Overdraft	3,101,904,756	-
Total	**69,887,699,756**	**35,000,000,000**

PT Bank CIMB Niaga Tbk (Bank CIMB Niaga)

On December 29, 2011, the Company entered into a loan agreement with Bank CIMB Niaga to obtain several credit loan facilities. This loan agreement has been amended several times.

Based on the amendment of credit agreement dated November 18, 2016 and then extended on January 22, 2018, the Company obtained several credit facilities, as follows:

- Fixed Loan revolving facility with the maximum amounted to Rp 35,000,000,000.
- Overdraft Loan facility with the maximum amounted to Rp 15,000,000,000.
- Export Loan facility with the maximum amounted to US$ 3,000,000.

Furthermore, based on amendment of credit agreement dated December 18, 2018, the credit facilities period were extended to November 23, 2019. The banks loans bear annual interest rates ranging from 5.00% - 10.75% per annum in 2018 and 2017, respectively.

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.

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

11. BANK LOANS (continued)

a. Short-term bank loans (continued)

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

This facilities collateralized by land and building, 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, barecore, plywood and splitter, corporate guarantee from PT Adrindo Intiperkasa (the Company's shareholders) (see Notes 5, 6, 7 dan 9).

In relation to the above the credit facilities, the Company is require to comply with certain covenants such as financial ratio covenants that consist of leverage ratio maximum 1x, current ratio minimum 1x, debt service coverage ratio and interest service overage ratio minimum 1x and bank loan to earning before interest, tax, depreciation and amortization ratio maximum 2.5x.

As of December 31, 2018 and 2017, the Company has complied with all the covenancts of the above credit facility.

b. Long-term bank loans

Long-term bank loans consist of:

	2018	2017
Nord LB		
Tranche A (US$ 8,426,396 in 2018 and US$ 11,209,308 in 2017)	122,022,637,009	151,863,700,470
Tranche B (US$ 984,212 in 2018 and US$ 1,309,391 in 2017)	14,252,378,330	17,739,633,373
Tranche C (US$ 124,003 in 2018 and US$ 164,791 in 2017)	1,795,689,099	2,232,584,867
PT Bank CIMB Niaga Tbk		
Investment Loan III	15,169,000,000	-
Investment Loan II	14,654,672,180	30,618,132,907
Special Transaction Loan I	6,160,000,000	11,440,000,000
Special Transaction Loan II	6,300,000,000	11,700,000,000
Total	180,354,376,618	225,594,051,617
Less current maturities of long-term loans	(71,537,359,675)	(69,894,661,204)
Long-term loans - net	**108,817,016,943**	**155,699,390,413**

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.

11. BANK LOANS (continued)

b. Long-term bank loans (continued)

Norddeutsche Landesbank Girozentrale Hanover (Nord LB) (continued)

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, 2018 and 2017, the balance of accrued interest expense amounted to Rp 1,904,639,946 (US$ 131,527) and Rp 1,708,105,510 (US$ 126,078), 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, 2018 and 2017. The annual effective interest rate ranging from 2.43% up to 2.73% and 2.34% up to 2.62%, respectively.

The contract value of the above bank loans as of December 31, 2018 is amounted to US$ 8,457,344, US$ 987,016, US$ 124,875 for Tranche A, Tranche B and Tranche C, respectively. The contract value of the above bank loans as of December 31, 2017 is amounted to US$ 11,276,458, US$ 1,316,021, US$ 166,499 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.

PT Bank CIMB Niaga Tbk (Bank CIMB Niaga)

On December 29, 2011, the Company entered into a loan agreement with Bank CIMB Niaga to obtain several credit loan facilities. This loan agreement has been amended several times.

Based on the amendment of credit agreement dated November 18, 2016 and then extended on January 22, 2018, the Company obtained several credit facilities, as follows:

- Investment Loan II (PI II) facility with the maximum amounted to Rp 30,666,666,679, which will be mature on November 23, 2019.
- Special Transaction Loan I (PTK I) facility with the maximum amounted to Rp 11,440,000,000, which will be mature on February 18, 2020.
- Special Transaction Loan II (PTK II) facility with the maximum amounted to Rp 11,700,000,000, which will be mature on February 18, 2020.

Furthermore, based on the 11th amendment of credit loan agreement dated December 18, 2018, Bank CIMB Niaga agreed to make changes on credit agreement as follows:

- Investment Loan II (PI II) facility limit changed from Rp 30,666,666,679 became Rp 80,000,000,000.
- Special Transaction Loan I (PTK I) facility limit changed from Rp 11,440,000,000 became Rp 17,600,000,000.
- Special Transaction Loan II (PTK II) facility limit changed from Rp 11,700,000,000 became Rp 18,000,000,000.
- Additional investment credit facility in form Investment Loan III (PI III) facility with the maximum amounted to Rp 30,000,000,000, which has allocated to Tranche A facility with the maximum amounted to Rp 15,000,000,000 and Tranche B facility with the maximum amounted to Rp 15,000,000,000.

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

11. BANK LOANS (continued)

b. Long-term bank loans (continued)

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

The term of the Tranche A facility is 60 months (including a grace period of 6 months from the signing date of agreement) and term of the Tranche B facility is 60 months (including a grace period of 12 months from the signing date of agreement). The purpose of the loan is to finance or refinance plywood and splitter machine.

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, 2018 and 2017. The annual effective interest rate ranging from 10,17% up to 10,25%, respectively.

The contract value of the above bank loan for investment loan II as of December 31, 2018 and 2017 is amounted to Rp 14,666,666,667 and Rp 30,666,666,679, respectively.

The banks loans bear annual interest rates ranging from 10.00% to 10.25% a year in 2018 and ranging from 10.00% to 10.75% a year in 2017.

The other terms and conditions are the same as short-term bank loan obtained from the same bank (Note 11a).

12. ACCOUNT PAYABLES

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

	2018	2017
Third parties		
Local	24,779,613,189	15,780,694,501
Related party		
Local (Note 6)	-	8,540,655
Total	**24,779,613,189**	**15,789,235,156**

13. TAXATION

a. Taxes Payable and Prepaid Taxes

Taxes Payable

Taxes payable consist of:

	2018	2017
Income Taxes:		
Article 4 (2)	35,739,918	-
Article 15	38,338,996	12,864,903
Article 21	-	872,319,604
Article 22	61,141,525	40,031,651
Article 23/26	144,392,594	122,894,075
Article 29	10,099,545,404	-
Total	**10,379,158,437**	**1,048,110,233**

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

13. TAXATION (continued)

a. Taxes Payable and Prepaid Taxes (continued)

Prepaid Taxes

Prepaid taxes consist of:

	2018	2017
Income Taxes:		
Article 21	990,911,674	-
Value Added Tax (VAT) In - net	20,272,301,347	13,115,509,480
Total	**21,263,213,021**	**13,115,509,480**

b. Income Tax Benefit (Expense)

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, 2018 and 2017 are as follows:

	2018	2017
Profit before income tax benefit per consolidated statement of profit or loss and other comprehensive income	70,661,944,027	3,793,673,326
Loss (profit) of subsidiary before income tax expenses	(121,982,046)	28,940,623
Others	(12,167,674)	(12,167,674)
Profit before income tax expenses attributable to the Company	70,527,794,307	3,810,446,275
Permanent differences:		
Donation and representation	754,593,642	974,910,200
Income already subjected to final tax	(31,850,562)	(19,933,670)
Others	3,567,668,761	3,311,162,911
Timing differences:		
Estimated liabilities for employees' benefit	2,986,839,012	3,203,163,983
Depreciation	4,320,177,571	4,284,551,549
Fiscal gain - current year	82,125,222,731	15,564,301,248
Fiscal loss carry forward from prior year	(35,416,918,777)	(53,777,929,062)
Realizable tax loss carry forward	-	2,796,709,037
Estimated taxable income (loss) of the Company - current year	**46,708,303,954**	**(35,416,918,777)**

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

13. TAXATION (continued)

b. Income Tax Benefit (Expense) (continued)

Income tax expense (current year) and the computation of the estimated income tax payable are as follows:

	2018	2017
Estimated taxable income (loss) (rounded off)	46,708,303,000	(35,416,918,000)
Income tax expense	11,677,075,750	-
Prepayments of income taxes:		
Article 22	(1,561,622,694)	(1,200,287,447)
Article 23	(15,907,652)	(5,499,490)
Total prepayments of income taxes	(1,577,530,346)	(1,205,786,937)
Estimated income tax payable (claim for income tax refund)	**10,099,545,404**	**(1,205,786,937)**

Estimated claims for income tax refund as of the statement of financial position date consist of claim for fiscal year as follows:

	2018	2017
Year 2017	1,205,786,937	1,205,786,937
Year 2016	1,078,967,472	1,078,967,472
Estimated claims for income tax refunds	**2,284,754,409**	**2,284,754,409**

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:

	2018	2017
Profit before income tax benefit per consolidated statement of profit or loss and other comprehensive income	70,649,776,353	3,781,505,652
Income tax expense computed using the prevailling tax rate	(17,662,444,088)	(945,376,413)
Tax effects on permanent differences:		
Donation and representation	(188,648,411)	(243,727,550)
Income already subjected to final tax	8,007,882	5,032,224
Others	(884,944,160)	(820,816,681)
Deferred tax benefit that was not recognized	7,958,824,796	3,876,817,303
Income tax benefit (expense)	**(10,769,203,981)**	**1,871,928,883**

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

13. TAXATION (continued)

c. Deferred Tax Assets

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

	2018			
	Beginning Balance	**Credited (Charged) to Profit or Loss**	**Charged to Other Comprehensive Income**	**Ending Balance**
Company				
Estimated liabilities for employees' benefits	3,351,149,571	746,709,753	(245,368,116)	3,852,491,208
Fixed assets	4,769,481,913	1,080,044,393	-	5,849,526,306
Deferred tax assets	**8,120,631,484**	**1,826,754,146**	**(245,368,116)**	**9,702,017,514**
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	**9,039,513,861**	**907,871,769**	**(245,368,116)**	**9,702,017,514**

	2017			
	Beginning Balance	**Credited to Profit or Loss**	**Credited to Other Comprehensive Income**	**Ending Balance**
Company				
Estimated liabilities for employees' benefits	2,436,536,215	800,790,996	113,822,360	3,351,149,571
Fixed assets	3,698,344,026	1,071,137,887	-	4,769,481,913
Deferred tax assets	**6,134,880,241**	**1,871,928,883**	**113,822,360**	**8,120,631,484**
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	**7,053,762,618**	**1,871,928,883**	**113,822,360**	**9,039,513,861**

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

13. TAXATION (continued)

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 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.

The Company received Overpayment Tax Assessment Letter No. 00002/406/15/041/17 dated April 18, 2017 for the 2015 corporate income tax from the Directorate General of Taxation amounted to Rp 1,051,262,060.

On April 18, 2017, the Company received Tax Assessment Letter on Income Tax for the fiscal year of 2015 which stated the fiscal gain of the company amounted to Rp 57,445,392,607. Accordingly, the accumulated fiscal loss after the adjustment as stimulated in the Tax Assessment Letter for fiscal year of 2015 amounted to Rp 50,981,220,025.

14. OTHER PAYABLES

This account consist of:

	2018	2017
Current Liabilities		
Third parties	2,595,460,048	6,995,274,617
Non-Current Liabilities		
Related party (Note 6)		
PT Adrindo Intiperkasa	32,985,023,496	48,185,023,496

15. ACCRUED EXPENSES

This account consist of:

	2018	2017
Interest	2,468,441,193	2,490,267,105
Others	6,066,210,672	3,376,854,200
Total	**8,534,651,865**	**5,867,121,305**

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

16. ESTIMATED LIABILITIES FOR EMPLOYEES' BENEFITS

As of December 31, 2018 and 2017, 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 2018 and 2017 are as follows:

Discount rate	:	8.60% per year in 2018 (2017: 7.26% 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, 2018 and 2017, 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

	2018	2017
Present value of defined benefit obligation	15,409,964,835	13,561,865,554
Net liabilities recognized in consolidated statement of financial position	**15,409,964,835**	**13,561,865,554**

b. Employees' benefits expenses

	2018	2017
Current service costs	2,529,868,729	2,723,767,793
Interest costs	973,173,836	826,005,270
Employees' benefits recognized in the current year	**3,503,042,565**	**3,549,773,063**

c. Mutation of employees' benefits liabilities

	2018	2017
Beginning balance of net liabilities	13,561,865,554	9,903,412,133
Employees' benefits expense for current year	3,503,042,565	3,549,773,063
Payment of employees' benefits for current year	(673,470,819)	(346,609,080)
Other comprehensive loss (income)	(981,472,465)	455,289,438
Ending balance of net liabilities	**15,409,964,835**	**13,561,865,554**

Management believes that the above accruals are adequate to cover the prevailing law requirements as of December 31, 2018 and 2017.

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

17. CAPITAL STOCK

The detail of shares ownership of the Company as of December 31, 2018 and 2017 are as follows:

Shareholders	Number of Shares Issued and Fully Paid	Percentage of Ownership	Amount
PT Adrindo Intiperkasa	3,712,500	82.50%	371,250,000,000
Heffy Hartono	675,000	15.00%	67,500,000,000
Tropical Resources Investment Pte. Ltd.	112,500	2.50%	11,250,000,000
Total	**4,500,000**	**100.00%**	**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, 2018 and 2017, 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, 2018 and 2017.

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

As of December 31, 2018 and 2017, this account represents advance for capital stock subscription from PT Adrindo Intiperkasa (the Company's shareholder) amounted to Rp 350,000,000,000.

19. NET SALES

This account consist of:

	2018	2017
Export	461,938,877,702	308,754,420,103
Local	146,741,263,069	133,934,081,560
Total	**608,680,140,771**	**442,688,501,663**

As of December 31, 2018 and 2017, the Company and Subsidiary have advance from customers amounted to Rp 242,516,548 and Rp 134,686,669, respectively.

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

20. COST OF GOODS SOLD

This account consist of:

	2018	2017
Raw materials used	208,453,588,847	136,884,317,969
Direct labor	41,734,048,639	34,380,158,383
Manufacturing overhead	254,078,414,818	205,368,721,250
Total Manufacturing Cost	504,266,052,304	376,633,197,602
Work in process inventory		
Beginning balance	2,915,016,300	4,721,627,814
Ending balance	(9,097,701,671)	(2,915,016,300)
Cost of Goods Manufactured	498,083,366,933	378,439,809,116
Finished goods inventory		
Beginning balance	21,206,755,482	31,544,034,569
Ending balance	(37,251,786,628)	(21,206,755,482)
Cost of Goods Sold	**482,038,335,787**	**388,777,088,203**

21. GENERAL AND ADMINISTRATIVE EXPENSES

This account consist of:

	2018	2017
Salaries, wages and employees' benefits	24,561,287,251	22,953,881,031
Donation and representation	3,286,120,192	2,310,486,675
Office	2,809,418,921	2,333,177,024
Depreciation and amortization	1,073,772,663	1,009,934,621
Rental	1,021,440,000	996,600,000
Taxes and license	290,806,039	1,009,133,867
Travelling	695,915,983	425,486,731
Communication and information	391,257,694	389,475,275
Insurance	118,882,305	36,856,682
Others	326,467,185	298,340,349
Total	**34,575,368,233**	**31,763,372,255**

22. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

As of December 31, 2018 and 2017, the Company and Subsidiary have monetary assets and liabilities denominated in foreign currencies mainly as follows:

	2018		
	Foreign Currencies		Equivalent in Rupiah Amount
<u>Assets</u>			
Cash in banks	US$	782,890	11,337,040,082
	EUR	9,360	155,009,196
Account receivables	US$	2,066,754	29,928,671,058

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

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

	2018		
	Foreign Currencies		Equivalent in Rupiah Amount
Liabilities			
Accrued interest	US$	131,527	1,904,639,946
Bank loans	US$	11,729,611	169,856,499,438
Total Liabilities - net			**130,340,419,048**

	2017		
	Foreign Currencies		Equivalent in Rupiah Amount
Assets			
Cash in banks	US$	516,730	7,000,652,215
	EUR	11,710	189,399,016
Account receivables	US$	826,647	11,199,413,684
Liabilities			
Accrued interest	US$	126,078	1,708,105,510
Bank loans	US$	12,683,490	171,835,918,710
Total Liabilities - net			**155,154,559,305**

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:

	2018		
Floating rate	**Less than one year**	**More than one year**	**Carrying value**
Cash in bank	12,013,499,612	-	12,013,499,612
Short-term loans	(69,887,699,756)	-	(69,887,699,756)
Current maturities of long-term loans	(71,537,359,675)	-	(71,537,359,675)
Long-terms loans-net of current maturities	-	(108,817,016,943)	(108,817,016,943)
Total	**(129,411,559,819)**	**(108,817,016,943)**	**(238,228,576,762)**

	2017		
Floating rate	**Less than one year**	**More than one year**	**Carrying value**
Cash in bank	11,077,852,463	-	11,077,852,463
Short-term loans	(35,000,000,000)	-	(35,000,000,000)
Current maturities of long-term loans	(69,894,661,204)	-	(69,894,661,204)
Long-terms loans-net of current maturities	-	(155,699,390,413)	(155,699,390,413)
Total	**(93,816,808,741)**	**(155,699,390,413)**	**(249,516,199,154)**

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, 2018 and 2017 are as follows:

	Carrying Amount		Fair Value	
	2018	**2017**	**2018**	**2017**
Current Financial Assets				
Cash and banks	12,053,472,462	11,125,527,597	12,053,472,462	11,125,527,597
Account receivables - net	74,683,148,621	47,648,656,923	74,683,148,621	47,648,656,923
Other receivables	2,567,029,254	487,935,630	2,567,029,254	487,935,630
Total Financial Assets	**89,303,650,337**	**59,262,120,150**	**89,303,650,337**	**59,262,120,150**
Current Financial Liabilities				
Short-term bank loans	69,887,699,756	35,000,000,000	69,887,699,756	35,000,000,000
Account payables	24,779,613,189	15,789,235,156	24,779,613,189	15,789,235,156
Accrued expenses	8,534,651,865	5,867,121,305	8,534,651,865	5,867,121,305
Other payables	2,595,460,048	6,995,274,617	2,595,460,048	6,995,274,617
Current maturities of long-term loan:				
Bank loans	71,537,359,675	69,894,661,204	71,537,359,675	69,894,661,204
Total Current Financial Liabilities	177,334,784,533	133,546,292,282	177,334,784,533	133,546,292,282
Non-Current Financial Liabilities				
Long-term loan-net of current maturities:				
Bank loans	108,817,016,943	155,699,390,413	108,817,016,943	155,699,390,413
Other payable	32,985,023,496	48,185,023,496	32,985,023,496	48,185,023,496
Total Non-Current Financial Liabilities	141,802,040,439	203,884,413,909	141,802,040,439	203,884,413,909
Total Financial Liabilities	**319,136,824,972**	**337,430,706,191**	**319,136,824,972**	**337,430,706,191**

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.

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.

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

23. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Fair Value of Financial Instruments (continued)

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. SUPPLEMENTARY INFORMATION FOR CASH FLOWS

a. Non - Cash Activities

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

	2018	2017
Acquisition of fixed assets through reclassification of advances for purchases of fixed assets	2,532,299,952	-
Reclassification of non-current liabilities - other payable to advance for capital stock subscription	-	200,000,000,000

b. Net Debt Reconciliation

Changes in liabilities arising from financing activities in the cash flow statement are as follows:

	January 1, 2018	Cash Flow	December 31, 2018
Bank loans	260,594,051,617	(10,351,975,243)	250,242,076,374
Other payables	48,185,023,496	(15,200,000,000)	32,985,023,496
Jumlah	**308,779,075,113**	**(25,551,975,243)**	**283,227,099,870**

25. SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

- Based on the Resolution of Company’s Shareholders dated January 9, 2019, which was covered by Notarial Deed No. 5 of Silvy Solivan, S.H., M.Kn., dated January 10, 2019, the Company’s Shareholders approved, among others:
    - The increase of the Company’s issued and fully paid capital from Rp 450,000,000,000 to Rp 800,000,000,000 or Rp 350,000,000,000.

(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

25. SIGNIFICANT EVENT AFTER THE REPORTING PERIOD (continued)

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	6,600,000	82.5%	660,000,000,000
Heffy Hartono	1,200,000	15%	120,000,000,000
Tropical Resources Investment Pte. Ltd	200,000	2.5%	20,000,000,000
Total	**8,000,000**	**100%**	**800,000,000,000**

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.01.03-0035483 dated January 18, 2019.

- Based on the Notarial Deed No. 19 of Silvy Solivan S.H., M.Kn. dated February 25, 2019, the Company entered into a Transfer of Rights of Share Agreement to disposal 99,60% ownership or 9,960 shares in FLP to Mr Rindu, third party, with price amounting to Rp 3,042,780,000.

- On January 23, 2019, the Company received Tax Overpayment Assessment Letter of Value Added Tax for period December 2017 No. 00003/407/17/046/19, which stated that Company has an overpayment amounting to Rp 4,187,704,035. As of March 4, 2019, the Company was received refund of Value Added Tax, after compensated with taxes payable amounted to Rp 4,179,904,035.

- On April 18, 2019, the Company received Tax Overpayment Assessment Letter of corporate income tax No. 00023/406/17/046/19 for fiscal year 2017, which stated that the amount of fiscal gain of the Company in 2017 from Rp 15,564,301,214 became Rp 15,779,887,438.

26. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following summarizes several Statement of Financial Accounting Standards (PSAK) and the Interpretation of Financial Accounting Standards (ISAK) which were issued by the Financial Accounting Standards Board (DSAK) - IAI and are relevant to the Company and Subsidiary, but not yet effective on consolidated financial statements as of December 31, 2018:

Effective on or after January 1, 2019

- PSAK No. 22 (Annual Improvement 2018) - “Business Combination”.
- Amendment to PSAK No. 24 - “Employee Benefits: Curtailment, or Program Settlement”.
- PSAK No. 46 (Annual Improvement 2018) - “Income Tax”.
- ISAK No. 33 - “Foreign currency Transaction and Advance Consideration”.
- ISAK No. 34 - “Uncertainty over Income Tax Treatments”.

Effective on or after January 1, 2020

- PSAK No. 15 (2017 Amendment) - “Investments in Associates and Joint Ventures”.
- PSAK No. 71 - “ Financial Instruments”.
- PSAK No. 72 - “Revenue from Contracts with Customers”.
- PSAK No. 73 - “Leases”.
- Amendment to PSAK No. 71 “Financial Instruments Prepayment Features with Negative Compensation”.

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

27. RECLASSIFICATION OF ACCOUNTS

Certain accounts in the 2017 financial statements have been reclassified to conform with the presentation of accounts in the financial statements year 2018:

Previously Reported	After Reclassified	Amount
Prepaid taxes	Estimated claims for income tax refunds	2,284,754,409
Other payables	Account payables	7,678,451,306

28. 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, 2018 and for the year then ended.

PT INDONESIA FIBREBOARD INDUSTRY
(PARENT ENTITY)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

	2018	**2017**
ASSETS		
CURRENT ASSETS		
Cash and banks	12,053,472,462	11,037,830,295
Account receivables	74,683,148,621	47,648,656,923
Other receivables	2,567,029,254	487,935,630
Inventories	136,622,637,680	99,867,079,238
Prepaid expense and advance	34,978,799,138	9,789,882,175
Prepaid taxes	21,263,213,021	13,115,509,480
Total Current Assets	282,168,300,176	181,946,893,741
NON-CURRENT ASSETS		
Investment in share of stock	9,960,000,000	9,960,000,000
Fixed assets - net of accumulated depreciation of Rp 420,075,772,934 in 2018 and Rp 345,154,171,325 in 2017	814,589,744,784	859,176,352,860
Advances for purchases of fixed assets	340,000,000	2,872,299,952
Deferred tax assets	9,702,017,514	8,120,631,484
Other non-current assets	642,091,946	681,766,694
Estimated claims for income tax refunds	2,284,754,409	2,284,754,409
Total Non-Current Assets	837,518,608,653	883,095,805,399
TOTAL ASSETS	**1,119,686,908,829**	**1,065,042,699,140**

PT INDONESIA FIBREBOARD INDUSTRY
(PARENT ENTITY)
STATEMENT OF FINANCIAL POSITION (continued)
DECEMBER 31, 2018
(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

	2018	**2017**
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Short-term bank loans	69,887,699,756	35,000,000,000
Account payables	27,833,937,015	18,763,289,756
Taxes payable	10,379,158,437	1,048,110,233
Advance from customers	242,516,548	134,686,669
Accrued expenses	8,534,651,865	5,867,121,305
Other payables	2,595,460,048	6,995,274,617
Current maturities of long-term loan		
Bank loans	71,537,359,675	69,894,661,204
Total Current Liabilities	191,010,783,344	137,703,143,784
NON CURRENT LIABILITIES		
Long-term loan - net of current maturities		
Bank loans	108,817,016,943	155,699,390,413
Other payable	32,985,023,496	48,185,023,496
Estimated liabilities for employees' benefit	15,409,964,835	13,404,598,288
Total Non-Current Liabilities	157,212,005,274	217,289,012,197
Total Liabilities	348,222,788,618	354,992,155,981
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	350,000,000,000	350,000,000,000
Deficit	(28,535,879,789)	(89,949,456,841)
Total Equity	771,464,120,211	710,050,543,159
TOTAL LIABILITIES AND EQUITY	**1,119,686,908,829**	**1,065,042,699,140**

PT INDONESIA FIBREBOARD INDUSTRY
(PARENT ENTITY)
STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018
(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

	2018	2017
NET SALES	608,680,140,771	442,688,501,663
COST OF GOODS SOLD	(482,050,503,461)	(388,789,255,877)
GROSS PROFIT	**126,629,637,310**	**53,899,245,786**
General and administrative expenses	(34,539,936,073)	(31,734,342,169)
Financing charges	(16,751,583,030)	(20,855,795,823)
Foreign exchange differentials - net	(8,104,227,732)	18,954,006
Interest income	31,850,562	19,933,670
Miscellaneous - net	3,262,053,270	2,462,450,805
PROFIT BEFORE INCOME TAX BENEFIT	**70,527,794,307**	**3,810,446,275**
INCOME TAX BENEFIT (EXPENSE)		
Current tax	(11,677,075,750)	-
Deferred tax	1,826,754,146	1,871,928,883
INCOME TAX BENEFIT (EXPENSE)	(9,850,321,604)	1,871,928,883
PROFIT FOR THE YEAR	**60,677,472,703**	**5,682,375,158**
OTHER COMPREHENSIVE LOSS		
Item that Will Not be Reclassified Subsequently to Profit or Loss		
Actuarial gain (loss) of employee benefits liabilities	981,472,465	(455,289,438)
Income tax of actuarial gain (loss) of employee benefits liabilities	(245,368,116)	113,822,360
Other Comprehensive Income (Loss) For The Year - Net of Tax	**736,104,349**	**(341,467,078)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**61,413,577,052**	**5,340,908,080**

PT INDONESIA FIBREBOARD INDUSTRY
(PARENT ENTITY)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018
(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

	Capital Stock	Advance for Capital Stock Subscription	Deficit	Equity
Balance as of December 31, 2016	**450,000,000,000**	**150,000,000,000**	**(95,290,364,921)**	**504,709,635,079**
Advance for capital stock subscription	-	200,000,000,000	-	200,000,000,000
Profit for the year	-	-	5,682,375,158	5,682,375,158
Other comprehensive loss for the year - net of tax	-	-	(341,467,078)	(341,467,078)
Balance as of December 31, 2017	**450,000,000,000**	**350,000,000,000**	**(89,949,456,841)**	**710,050,543,159**
Profit for the year	-	-	60,677,472,703	60,677,472,703
Other comprehensive income for the year - net of tax	-	-	736,104,349	736,104,349
Balance as of December 31, 2018	**450,000,000,000**	**350,000,000,000**	**(28,535,879,789)**	**771,464,120,211**

PT INDONESIA FIBREBOARD INDUSTRY
(PARENT ENTITY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(EXPRESSED IN RUPIAH, UNLESS OTHERWISE STATED)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	60,677,472,703	5,682,375,158
Adjustments to reconcile profit for the year to net cash provided by operating activities:		
Depreciation	79,310,296,495	74,249,238,880
Amortization	61,612,748	263,789,909
Financing charges	16,751,583,030	20,855,795,823
Foreign exchanges differentials	(113,260,887)	(19,151,930)
Gain (loss) on disposals and sales of fixed assets	471,616,946	(863,338,730)
Deferred tax	(1,826,754,146)	(1,871,928,883)
Employees' benefit expenses	2,986,839,012	3,203,163,983
Changes in operating assets and liabilities:		
Account receivables	(27,034,491,698)	1,330,503,627
Other receivables	(2,079,093,624)	299,939,607
Inventories	(36,755,558,442)	9,534,286,300
Prepaid expense and advance	(25,188,916,963)	10,049,222,414
Prepaid taxes	(8,147,703,541)	2,113,035,936
Account payables	9,070,647,259	(229,814,104)
Taxes payable	9,331,048,204	18,394,210
Advance from customers	107,829,879	134,686,669
Accrued expense	2,689,356,472	2,506,733,694
Other payables	(4,399,814,569)	(1,601,331,968)
Net Cash Provided by Operating Activities	75,912,708,878	125,655,600,595
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of fixed assets	(33,496,927,004)	(28,611,516,916)
Proceed from sales of fixed assets	833,921,591	2,637,272,726
Advance for purchases of fixed assets		(2,532,299,952)
Deduction in other non-current assets	(21,938,000)	(42,400,000)
Net Cash Used in Investing Activities	(32,684,943,413)	(28,548,944,142)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in bank loans	(10,351,975,243)	(114,944,127,120)
Increase (Decrease) in other payable	(15,200,000,000)	40,400,000,000
Payment of interest	(16,773,408,942)	(21,756,946,506)
Net Cash Used in Financing Activities	(42,325,384,185)	(96,301,073,626)
NET INCREASE IN CASH AND BANKS	902,381,280	805,582,827
NET EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND BANKS	113,260,887	19,151,930
CASH AND BANKS AT BEGINNING OF YEAR	11,037,830,295	10,213,095,538
CASH AND BANKS AT END OF YEAR	**12,053,472,462**	**11,037,830,295**