# PT Waka Oberoi Indonesia

Financial statements as of March 31, 2018 and for the year then ended with independent auditors’ report

**PT WAKA OBEROI INDONESIA**
**FINANCIAL STATEMENTS**
**AS OF MARCH 31, 2018**
**AND FOR THE YEAR THEN ENDED**
**WITH INDEPENDENT AUDITORS' REPORT**

## Table of Contents



*************************

## PT WAKA OBEROI INDONESIA

### REPORT OF THE DIRECTORS

We present the report and the audited financial statements of PT Waka Oberoi Indonesia (the "Company") for the year ended March 31, 2018.

Principal activity
The principal activity of the Company is hotel ownership and management.

Results
The Company's financial position and results of operations as of and for the year ended March 31, 2018 are set out in the financial statements on pages 1 to 5 preceded by the independent auditors' report.

Statement of directors' responsibilities in respect of the financial statements

We are responsible for the preparation and the presentation of the financial statements, and keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. We are also responsible for the Company's internal control systems and safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In preparing the financial statements of the Company, we are required to:

- select suitable accounting policies and then apply them consistently;
- prepare and present the financial statements in accordance with Indonesian Financial Accounting Standards;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements using the going concern basis unless it is inappropriate to presume that the Company will continue in business.

We confirm that we have complied with the above requirements in preparing the financial statements and all information contained in the financial statements are complete and correct. The financial statements do not contain or omit misleading information and/or facts.

This statement letter is made truthfully.

Bali, April 30 , 2018
On behalf of the Board of Directors

METERAI TEMPEL
99A73AEF381128898
6000
ENAM RIBU RUPIAH

I Ketut Siandana
*President Director*

PT. WAKA OBEROI INDONESIA
THE OBEROI, LOMBOK

Corespondence address : The Oberoi, Bali PO. Box 3351, Denpasar 80033, Bali
Telephone : (62-361) 730361 Ext. 200, Facsimile : (62-361) 735841

EY
Building a better
working world

Purwantono, Sungkoro & Surja

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

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

**Independent Auditors' Report**

Report No. RPC-6925/PSS/2018

**The Stockholders and Boards of Commissioners and Directors**
**PT Waka Oberoi Indonesia**

We have audited the accompanying financial statements of PT Waka Oberoi Indonesia (the "Company"), which comprise the statement of financial position as of March 31, 2018, and the statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's responsibility for the financial statements**

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

**Auditors' responsibility**

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

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

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

Building a better working world

**Independent Auditors' Report (continued)**

Report No. RPC-6925/PSS/2018 (continued)

## Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PT Waka Oberoi Indonesia as of March 31, 2018, and its financial performance and cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards.

## Other matter

Our audit was conducted for the purpose of forming an opinion on the basic Indonesian rupiah financial statements taken as a whole. The translations of the Indonesian rupiah amounts into United States dollar have been made on the basis set forth in Note 2l to the financial statements and are presented for purposes of additional analysis only and are not a required part of the basic financial statements under the Indonesian Financial Accounting Standards. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion thereon.

**Purwantono, Sungkoro & Surja**

**Tjoa Tjek Nien, CPA**
Public Accountant Registration No. AP.1175

May 4, 2018

**PT WAKA OBEROI INDONESIA**
**STATEMENT OF FINANCIAL POSITION**
**As of March 31, 2018**
**(Expressed in Rupiah, unless otherwise stated, with Translations into United States Dollar)**

| | | Indonesian Rupiah | | Translations into U.S. Dollar - Unaudited (Note 2l) | |
|---|---|---|---|---|---|
| | **Notes** | **March 31, 2018** | **March 31, 2017** | **March 31, 2018** | **March 31, 2017** |
| **ASSETS** | | | | | |
| **CURRENT ASSETS** | | | | | |
| Cash on hand and in banks | 2l,2m,4, 14,24,25 | 2,198,545,296 | 11,983,879,656 | 159,824 | 899,623 |
| Trade receivables - net | 2l,2m,5, 14,24,25 | 684,932,023 | 672,195,898 | 49,792 | 50,461 |
| Inventories | 2c,6,14 | 1,217,115,487 | 1,354,487,175 | 88,479 | 101,681 |
| Prepayments and advances | 2d,7,14,29 | 2,989,531,392 | 5,290,127,496 | 217,326 | 397,127 |
| Other current financial assets | 2l,2m, 14,24 | 3,608,640,250 | 3,341,052,000 | 262,332 | 250,811 |
| **TOTAL CURRENT ASSETS** | | **10,698,764,448** | **22,641,742,225** | **777,753** | **1,699,703** |
| **NON-CURRENT ASSETS** | | | | | |
| Fixed assets - net | 2e,8,14 | 26,895,593,971 | 10,980,053,560 | 1,955,190 | 824,266 |
| Tax amnesty assets | 2k,10d | 335,866,667 | - | 24,416 | - |
| Other non-current financial assets | 2l,2m, 14,24 | 126,615,000 | 126,615,000 | 9,205 | 9,505 |
| **TOTAL NON-CURRENT ASSETS** | | **27,358,075,638** | **11,106,668,560** | **1,988,811** | **833,771** |
| **TOTAL ASSETS** | | **38,056,840,086** | **33,748,410,785** | **2,766,564** | **2,533,474** |
| **LIABILITIES AND EQUITY** | | | | | |
| **LIABILITIES** | | | | | |
| **CURRENT LIABILITIES** | | | | | |
| Trade payables | 2l,2m, 24,29 | 772,397,109 | 677,550,176 | 56,150 | 50,863 |
| Other payables | 2l,2m,9,12, 24,25,29 | 1,080,877,573 | 1,165,500,411 | 78,575 | 87,494 |
| Taxes payable | 2k,10a,29 | 283,529,353 | 278,249,095 | 20,611 | 20,888 |
| Accrued expenses | 2l,2m, 11,24,29 | 4,627,528,576 | 3,969,666,544 | 336,401 | 298,001 |
| Due to a related party | 2b,2l,2m, 12,24 | 977,894,640 | 162,274,038 | 71,089 | 12,182 |
| Reserve for replacement of furniture, fixtures and equipment | 2g,15 | 7,614,621,742 | 7,056,094,487 | 553,549 | 529,697 |
| Other current financial liabilities | 2l,2m, 16,24,29 | 2,262,634,623 | 3,425,844,868 | 164,486 | 257,180 |
| Due to hotel operator | 2b,2l,2m, 12,13,24 | - | 117,834,467 | - | 8,846 |
| Loan payable | 2b,2l,2m, 12,14,24 | - | 346,565,796,500 | - | 26,016,500 |
| **TOTAL CURRENT LIABILITIES** | | **17,619,483,616** | **363,418,810,586** | **1,280,861** | **27,281,651** |
| **NON-CURRENT LIABILITY** | | | | | |
| Employee benefits liability | 2h,17 | 4,311,259,199 | 3,864,879,603 | 313,409 | 290,134 |
| **TOTAL LIABILITIES** | | **21,930,742,815** | **367,283,690,189** | **1,594,270** | **27,571,785** |

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

**PT WAKA OBEROI INDONESIA**
**STATEMENT OF FINANCIAL POSITION (Continued)**
**As of March 31, 2018**
**(Expressed in Rupiah, unless otherwise stated, with Translations into United States Dollar)**

| | | Indonesian Rupiah | | Translations into U.S. Dollar - Unaudited (Note 2l) | |
|---|---|---|---|---|---|
| | **Notes** | **March 31, 2018** | **March 31, 2017** | **March 31, 2018** | **March 31, 2017** |
| **EQUITY (CAPITAL DEFICIENCY)** | | | | | |
| Capital stock - Rp180,000 par value Authorized, issued and fully paid - 129,385 shares | 18 | 23,289,300,000 | 23,289,300,000 | 11,450,000 | 11,450,000 |
| Additional paid-in capital | 2k,10d | 385,000,000 | - | 28,902 | - |
| Deposits for future stock subscription | 12,14 | 346,019,250,000 | - | 26,016,500 | - |
| Other comprehensive loss | | | | | |
| Re-measurement loss on long-term employee benefits liability | | (1,094,506,501) | (1,068,587,119) | (82,365) | (80,481) |
| Translation adjustment | 2l | - | - | (6,072,695) | (6,058,259) |
| Deficit | | (352,472,946,228) | (355,755,992,285) | (30,168,048) | (30,349,571) |
| **NET EQUITY (CAPITAL DEFICIENCY)** | | **16,126,097,271** | **(333,535,279,404)** | **1,172,294** | **(25,038,311)** |
| **TOTAL LIABILITIES AND EQUITY (NET OF CAPITAL DEFICIENCY)** | | **38,056,840,086** | **33,748,410,785** | **2,766,564** | **2,533,474** |

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

**PT WAKA OBEROI INDONESIA**
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
**Year Ended March 31, 2018**
**(Expressed in Rupiah, unless otherwise stated, with Translations into United States Dollar)**

| | | Indonesian Rupiah | | Translations into U.S. Dollar - Unaudited (Note 2l) | |
|---|---|---|---|---|---|
| | | Year Ended March 31, | | Year Ended March 31, | |
| | **Notes** | **2018** | **2017** | **2018** | **2017** |
| **DEPARTMENTAL REVENUES** | 2i | | | | |
| Rooms | 19 | 19,726,494,021 | 23,978,783,062 | 1,473,717 | 1,815,547 |
| Food and beverages | 19 | 9,729,425,334 | 11,995,270,254 | 726,946 | 908,532 |
| Other operating departments | 19 | 1,359,060,574 | 1,824,898,952 | 101,445 | 138,079 |
| Others | 19 | 1,361,238,556 | 731,090,609 | 99,985 | 55,311 |
| Total Departmental Revenues | | 32,176,218,485 | 38,530,042,877 | 2,402,093 | 2,917,469 |
| **COST OF GOODS SOLD AND SERVICES** | 2i,20 | 15,617,965,378 | 18,265,438,759 | 1,164,861 | 1,380,786 |
| **GROSS PROFIT** | | **16,558,253,107** | **20,264,604,118** | **1,237,232** | **1,536,683** |
| **HOTEL OPERATING EXPENSES** | 2i | | | | |
| Property operations, maintenance and energy expenses | 21 | 6,484,685,127 | 7,476,784,222 | 482,899 | 564,711 |
| General and administrative expenses | 22 | 7,177,825,689 | 7,381,918,215 | 534,679 | 557,797 |
| Marketing expenses | 23,26 | 3,996,190,004 | 4,533,649,979 | 298,226 | 343,413 |
| Total Hotel Operating Expenses | | 17,658,700,820 | 19,392,352,416 | 1,315,804 | 1,465,921 |
| **HOTEL GROSS OPERATING PROFIT (LOSS)** | | **(1,100,447,713)** | **872,251,702** | **(78,572)** | **70,762** |
| **OWNER'S OPERATING INCOME (EXPENSES)** | 2i | | | | |
| Depreciation | 8,10d | (1,650,649,758) | (2,844,204,456) | (121,895) | (214,090) |
| Insurance | | (1,090,271,351) | (1,054,219,883) | (81,045) | (77,970) |
| Professional fees | | (1,001,006,325) | (644,908,941) | (74,387) | (48,544) |
| Foreign exchange income (loss) - net | 2j | 715,509,383 | (1,071,150,596) | - | - |
| Salaries and wages | | (712,724,462) | (759,608,950) | (52,980) | (57,223) |
| Finance income | | 900,491 | 685,079 | 67 | 53 |
| Management fees | 26 | - | (109,031,463) | - | (8,846) |
| Other operating income - net | 8 | 8,121,735,792 | 2,591,877,721 | 590,335 | 194,421 |
| Owner's Operating Income (Expenses) - Net | | 4,383,493,770 | (3,890,561,489) | 260,095 | (212,199) |
| **INCOME (LOSS) BEFORE INCOME TAX** | | **3,283,046,057** | **(3,018,309,787)** | **181,523** | **(141,437)** |
| Income tax expense | 2k, 10 | - | - | - | - |
| **INCOME (LOSS) FOR THE YEAR** | | **3,283,046,057** | **(3,018,309,787)** | **181,523** | **(141,437)** |
| **OTHER COMPREHENSIVE LOSS** | | | | | |
| Other comprehensive loss not to be reclassified to profit or loss in subsequent periods: Re-measurement loss on long-term employment benefits liability | | (25,919,382) | (31,313,443) | (1,884) | (2,351) |
| Other comprehensive loss to be reclassified to profit or loss in subsequent periods: Translation adjustment | | - | - | (14,436) | (1,060) |
| **NET COMPREHENSIVE INCOME (LOSS) FOR THE YEAR** | | **3,257,126,675** | **(3,049,623,230)** | **165,203** | **(144,848)** |

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

# PT WAKA OBEROI INDONESIA
# STATEMENT OF CHANGES IN EQUITY
# Year Ended March 31, 2018
# (Expressed in Rupiah, unless otherwise stated, with Translations into United States Dollar)

| | Indonesian Rupiah | | | | | | |
|---|---|---|---|---|---|---|---|
| | Note | Capital Stock | Additional Paid in Capital | Deposits for Future Stock Subscription | Other Comprehensive Loss | Deficit | Net Equity (Capital Deficiency) |
| **Balance as of March 31, 2016** | | **23,289,300,000** | **-** | **-** | **(1,037,273,676)** | **(352,737,682,498)** | **(330,485,656,174)** |
| Loss for the year | | - | - | - | - | (3,018,309,787) | (3,018,309,787) |
| Re-measurement loss on long-term employee benefits liability | | - | - | - | (31,313,443) | - | (31,313,443) |
| **Balance as of March 31, 2017** | | **23,289,300,000** | **-** | **-** | **(1,068,587,119)** | **(355,755,992,285)** | **(333,535,279,404)** |
| Income for the year | | - | - | - | - | 3,283,046,057 | 3,283,046,057 |
| Deposits for future stock subscription | | - | - | 346,019,250,000 | - | - | 346,019,250,000 |
| Additional paid in capital – Tax amnesty | | - | 385,000,000 | - | - | - | 385,000,000 |
| Re-measurement loss on long-term employee benefits liability | | - | - | - | (25,919,382) | - | (25,919,382) |
| **Balance as of March 31, 2018** | | **23,289,300,000** | **385,000,000** | **346,019,250,000** | **(1,094,506,501)** | **(352,472,946,228)** | **16,126,097,271** |

| | Translations into U.S. Dollar - Unaudited (Note 2l) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Other Comprehensive Loss | | | |
| | Capital Stock (Note 18) | Additional Paid in Capital | Deposits for Future Stock Subscription | Deficit | Remeasurement Loss on Long-term Employee Benefits Liability | Translation Adjustment (Note 2l) | Total | Net Equity (Capital Deficiency) |
| **Balance as of March 31, 2016** | **11,450,000** | **-** | **-** | **(30,208,134)** | **(78,130)** | **(6,057,199)** | **(6,135,329)** | **(24,893,463)** |
| Loss for the year | - | - | - | (141,437) | - | - | - | (141,437) |
| Re-measurement loss on long-term employee benefits liability | - | - | - | - | (2,351) | - | (2,351) | (2,351) |
| Translation adjustment | - | - | - | - | - | (1,060) | (1,060) | (1,060) |
| **Balance as of March 31, 2017** | **11,450,000** | **-** | **-** | **(30,349,571)** | **(80,481)** | **(6,058,259)** | **(6,138,740)** | **(25,038,311)** |
| Income for the year | - | - | - | 181,523 | - | - | - | 181,523 |
| Re-measurement loss on long-term employee benefits liability | - | - | - | - | (1,884) | - | (1,884) | (1,884) |
| Additional paid in capital – Tax amnesty | - | 28,902 | - | - | - | - | - | 28,902 |
| Deposits for future stock subscription | - | - | 26,016,500 | - | - | - | - | 26,016,500 |
| Translation adjustment | - | - | - | - | - | (14,436) | (14,436) | (14,436) |
| **Balance as of March 31, 2018** | **11,450,000** | **28,902** | **26,016,500** | **(30,168,048)** | **(82,365)** | **(6,072,695)** | **(6,155,060)** | **1,172,294** |

**PT WAKA OBEROI INDONESIA**
**STATEMENT OF CASH FLOWS**
**Year Ended March 31, 2018**
**(Expressed in Rupiah, unless otherwise stated, with Translations into United States Dollar)**

| | Notes | Indonesian Rupiah | | Translations into U.S. Dollar - Unaudited (Note 2l) | |
|---|---|---|---|---|---|
| | | Year Ended March 31, | | Year Ended March 31, | |
| | | 2018 | 2017 | 2018 | 2017 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Income (Loss) before income tax | | 3,283,046,057 | (3,018,309,787) | 181,523 | (141,437) |
| Adjustments to reconcile income (loss) before income tax for the year to net cash provided by (used in) operating activities: | | | | | |
| Depreciation | 8 | 1,650,649,758 | 2,844,204,456 | 121,895 | 214,090 |
| Provision for replacement of furniture, fixtures and equipment | 15 | 965,286,555 | 1,155,770,431 | 72,063 | 87,515 |
| Provision for employee benefits net of benefit payments | 17 | 420,460,214 | 551,008,404 | 31,341 | 41,364 |
| Unrealized loss (gain) on foreign exchange | | (715,509,383) | 1,071,150,595 | - | - |
| Provision for (reversal of) allowance for impairment of trade receivables | 5 | (3,384,684) | 556,394 | (254) | 66 |
| Fire loss on fixed asset | 8 | - | 364,752,801 | | 27,382 |
| Changes in operating asset and liabilities: | | | | | |
| Trade receivables | | (12,428,822) | (141,489,966) | (904) | (10,510) |
| Inventories | | 137,371,688 | 74,664,132 | 9,986 | 5,968 |
| Prepayments and advances | | 541,533,432 | (3,838,710,873) | 39,367 | (287,802) |
| Other financial assets | | (271,543,225) | (3,186,194,164) | (25,849) | (239,115) |
| Trade payables | | 94,846,936 | (116,910,465) | 6,895 | (8,904) |
| Other payables | | (88,127,532) | 202,681,817 | (6,406) | 10,285 |
| Accrued expenses | | 645,590,879 | 324,692,802 | 46,932 | 23,624 |
| Taxes payables | | 5,280,258 | (17,795,357) | 384 | (1,410) |
| Due to a related party | | 815,620,602 | (297,802,440) | 58,907 | (22,472) |
| Due to hotel operator | | (117,834,467) | 117,834,467 | (8,846) | 8,846 |
| Other current liabilities | | (1,163,210,245) | 1,538,975,531 | (92,691) | 114,878 |
| **Net Cash Flows Provide by (Used In) Operating Activities** | | **6,187,648,021** | **(2,370,921,222)** | **434,343** | **(177,632)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Acquisitions of fixed assets | 8 | (15,757,994,164) | (1,082,530,450) | (1,143,840) | (82,069) |
| Utilization of reserve for replacement of furniture, fixtures and equipment | 15 | (406,759,300) | (746,920,841) | (30,302) | (58,513) |
| **Total Cash Used in Investing Activities** | | **(16,164,753,464)** | **(1,829,451,291)** | **(1,174,142)** | **(140,582)** |
| **NET DECREASE IN CASH ON HAND AND IN BANKS** | | **(9,977,105,443)** | **(4,200,372,513)** | **(739,799)** | **(318,214)** |
| **NET EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH ON HAND AND IN BANK** | | **191,771,083** | **16,252,587** | **-** | **-** |
| **CASH ON HAND AND IN BANKS AT BEGINNING OF YEAR** | 4 | 11,983,879,656 | 16,167,999,582 | 899,623 | 1,217,837 |
| **CASH ON HAND AND IN BANKS AT END OF YEAR** | 4 | **2,198,545,296** | **11,983,879,656** | **159,824** | **899,623** |

Information on non-cash activities are disclosed in Note 28.

**(Expressed in rupiah unless otherwise stated, with translations into United States dollar)**

## 1. GENERAL

PT Waka Oberoi Indonesia (the “Company”) was established within the framework of the Foreign Capital Investment Law No. 1 of 1967 as amended by Law No. 11 of 1970 based on notarial deed No. 225 dated November 26, 1992 of Siti Pertiwi Henny Shidki, S.H. The deed of establishment was approved by the Ministry of Justice in its decision letter No. C2-1631.HT.01.01.TH.93 dated March 13, 1993 and was published in Supplement No. 2313 of State Gazette No. 42 dated May 25, 1993.

According to Article 3 of the Company’s articles of association, the Company’s scope of activities mainly consists of establishing, developing, operating and managing resort hotels. The Company is domiciled in North Lombok Regency, West Nusa Tenggara and owns The Oberoi Lombok Hotel (the “Hotel”) located in West Nusa Tenggara, which started commercial operations in April 1997. The Hotel is currently being managed and operated by EIH Management Services B.V. under a management agreement which will expire in 2034, with an option to extend for another 20 years (Note 26).

The composition of the Company’s Boards of Commissioners and Directors as of March 31, 2018 and 2017 was as follows:

| | | |
|---|---|---|
| Board of Commissioners | | |
| President Commissioner | : | Sudarshan Rao |
| Commissioner | : | Ida Bagus Gede Yudana |
| | | |
| Board of Directors | | |
| President Director | : | I Ketut Siandana |
| Director | : | Deepak Madhok |
| Director | : | I Wayan Pasek |

The Company employed a total of 115 and 124 permanent employees as of March 31, 2018 and 2017, respectively (unaudited).

EIH Management Services B.V. and EIH International Limited are the immediate and ultimate parent companies, respectively, of the Company.

The management of the Company is responsible for the preparation and presentation of the accompanying financial statements that were completed and authorized for issuance by the Board of Directors on May 4, 2018.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POsLICIES

### a. Basis of Preparation of the Financial Statements

The financial statements have been prepared and presented in accordance with Indonesia Financial Accounting Standards (“SAK”), which comprise the Statements of Financial Accounting Standards (“PSAK”) and Interpretations of Financial Accounting Standards (“ISAK”) issued by the Indonesia Financial Accounting Standards Board (“DSAK") of the Indonesian Institute of Accountants.

Except for the statement of cash flows, the financial statements have been prepared on the accrual concept, using the historical cost concept of accounting, except for certain accounts which are measured on the bases described in the related accounting policies for those accounts.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The statement of cash flows presents cash receipts and payments of cash on hand and in banks classified into operating, investing and financing activities. The cash flows from operating activities are presented using the indirect method.

The Company's functional currency is the Indonesian rupiah, which is also the currency used in the preparation of the financial statements, with translations into the United States dollar.

### b. Transactions with Related Parties

The Company has transactions with certain parties which have related party relationships as defined under PSAK 7 (Revised 2010), "Related Party Disclosures".

The transactions are made based on terms agreed by the parties, whereas such terms may not be the same as those for transactions with unrelated parties.

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

### c. Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined using the weighted-average method. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. Allowance for decline in market value and obsolescence of inventories is provided, if any, to reduce the carrying value of inventories to their net realizable values based on the review of market value and physical condition of the inventories.

### d. Prepayments

Prepayments are amortized and charged to operations over the periods benefited using the straight line method. The portion to be amortized within one year is presented as part of current assets, otherwise, as non-current assets.

### e. Fixed Assets

Fixed assets, except land which is stated at cost and not depreciated, are stated at cost less accumulated depreciation and impairment loss, if any. The cost of fixed assets includes: (a) purchase price, (b) any costs directly attributable to bringing the asset to its present location and condition, and (c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located (if any). Each part of an item of fixed assets with a cost that is significant in relation to the total cost of the item should be depreciated separately.

When significant renewals and betterments are performed, their costs are recognized in the carrying amount of the fixed assets as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs that do not meet the recognition criteria are charged directly to current operations.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### e. Fixed Assets (continued)

Depreciation commences once the assets are available for their intended use and is computed using the straight-line method over the estimated useful lives of the assets, as follows:

| | **Years** |
|---|---|
| Buildings | 20 |
| Structures and improvements | 10 |
| Machinery and equipment | 8 |
| Furniture, fixtures and equipment | 5 |
| Motor vehicles | 5 |

Land is stated at cost and is not depreciated.

Construction in progress represents the accumulated cost of materials and other costs related to the asset under construction. The accumulated cost will be reclassified to the appropriate fixed asset account when the construction is completed and the constructed asset is ready for its intended use.

The carrying amount of an item of fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is credited or charged to current operations in the period when the asset is derecognized.

### f. Impairment of Non-financial Assets

The Company assesses at each annual reporting period whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of the asset's or its cash-generating unit's (CGU's) fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognized in the statement of profit or loss and other comprehensive income as "impairment losses". In assessing the value in use, the estimated net future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If no such transactions can be identified, an appropriate valuation model is used to determine the fair value of the asset. These calculations are corroborated by valuation multiples or other available fair value indicators.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. Impairment losses of continuing operations, if any, are recognized in the statement of profit or loss and other comprehensive income under expense categories that are consistent with the functions of the impaired assets.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### f. Impairment of Non-financial Assets (continued)

An assessment is made at each annual 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 was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Reversal of an impairment loss is recognized in the statement of profit or loss and other comprehensive income. After such a reversal, the depreciation charged on the said asset is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

### g. Provisions and Contingencies

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

All provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligations, the provisions are reversed.

Contingent liabilities are not recognized in the financial statement but are disclosed in the notes to the financial statements unless the outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the financial statements but are disclosed in the notes to financial statements when an inflow of economic benefits is probable.

### h. Employee Benefits Liability

<u>Short-term employee benefits</u>

The Company recognizes short-term employee benefits liability when services are rendered and the compensation for such services are to be paid within twelve months after rendering such services. The liability is presented as part of "Accrued expenses" in the statement of financial position.

<u>Post-employment benefits</u>

The Company recognizes its unfunded employee benefits liability in accordance with Labor Law No. 13/2003 dated March 25, 2003 (the "Law") and PSAK 24 (Revised 2013), "Employee Benefits".

The Company applied the revised policy for recognizing actuarial gains or losses, which are directly recognized in other comprehensive income.

Pension costs under the Company's defined benefit pension plans are determined by periodic actuarial calculation using the projected-unit-credit method and applying the assumptions on discount rate and annual rate of increase in compensation.

Past service costs are recognized immediately in the profit or loss.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### i. Revenue and Expense Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and value added taxes (“VAT”).

Expenses are recognized when they are incurred.

Hotel room revenue is recognized based on room occupancy while other hotel revenues are recognized when the goods are delivered or the services are rendered to the customers.

### j. 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 the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the average buying and selling rates of exchange published by Bank Indonesia at the last banking transaction date of the year. The resulting gains or losses are credited or charged to current operations.

As of March 31, 2018 and 2017, the rates of exchange used were Rp13,756 and Rp13,321, respectively, to US$1.

### k. Taxation

<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 taxation authority.

Current tax expense is determined based on the taxable profit for the year computed using the prevailing tax rates.

Underpayment/overpayment of income tax are presented as part of “Income tax expense” in the statement of profit or loss and other comprehensive income. The Company also presented interest/penalty, if any, as part of “Income tax expense”.

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

<u>Deferred tax</u>

Deferred tax assets and liabilities are recognized using the liability method for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the financial statements and their respective tax bases at each reporting date. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences and accumulated fiscal losses to the extent that it is probable that taxable profit will be available in future years against which the deductible temporary differences and accumulated fiscal losses can be utilized.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax assets to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### k. Taxation (continued)

Deferred tax (continued)

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted at the reporting date. Changes in the carrying amount of deferred tax assets and liabilities due to a change in tax rates are charged to current period operations, except to the extent that they relate to items previously charged or credited to equity.

Deferred tax assets and liabilities are offset in the statement of financial position, except if they are for different legal entities, consistent with the presentation of current tax assets and liabilities.

Value added tax ("VAT")

Revenues, expenses and assets are recognized net of the amount of VAT except:

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

Final Tax

Tax regulation in Indonesia determined that certain taxable income is subject to final tax. Final tax applied to the gross value of transactions is applied even when the parties carrying the transaction are recognizing losses.

Referring to revised PSAK 46 as mentioned above, final tax is no longer governed by PSAK 46. Therefore, the Company has decided to present all of the final tax arising from interest income as separate line item.

Tax amnesty

On 19 September 2016, the Indonesia Financial Accounting Standards Board (DSAK IAI) issued PSAK 70, "Accounting for tax amnesty assets and liabilities".

This PSAK provides accounting policy choice for the entity to account the asset and liabilities in accordance with the provision of Tax Amnesty Law. The alternative accounting options are:

- To use the existing applicable standard under SAK.
- To use the specific provision in PSAK 70.

Management decided to use the specific provision in PSAK 70. According to specific provision of PSAK 70, tax amnesty assets are measured at the amount reported in the Tax Amnesty Approval Letter ("SKPP"), while tax amnesty liabilities are measured at the amount of cash or cash equivalents that will settle the contractual obligation related to the acquisition of the tax amnesty assets. The redemption money (the amount of tax paid in accordance with Tax Amnesty law) shall be charged directly to profit or loss in the period when the SKPP was received.

Any difference between amounts initially recognized for the tax amnesty assets and the related tax amnesty liabilities shall be recorded in equity as Additional Paid-In Capital ("APIC"). The APIC shall not be reclassified to retained earnings or recycled to profit or loss subsequently.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### l. Translations of Indonesian Rupiah Amounts into United States (U.S.) Dollar

The financial statements are stated in Indonesian rupiah, the currency of the country in which the Company operates. The translations of Indonesian rupiah amounts into U.S. dollar were made at the following rates:

| | | |
|---|---|---|
| Assets and liabilities | - | Middle rate as of reporting date (Rp13,756 to US$1, and Rp13,321 to US$1 as last quoted by Bank Indonesia as of March 31, 2018 and 2017, respectively). |
| Capital stock | - | Historical rates |
| Revenue and expense accounts | - | Transaction date exchange rates |

The resulting difference arising from the translations of the statement of financial position and statement of profit or loss and other comprehensive income accounts is presented as “Translation adjustment” under the equity section of the statement of financial position.

### m. Financial Instruments

#### i. Financial assets

Initial recognition

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at the end of each reporting period. 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 of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognized on the trade date, i.e., the date that the buyers or sellers commit to purchase or sell the assets.

As of March 31, 2018 and 2017, the Company’s financial assets include cash on hand and in banks, trade receivables - net, other current and non-current financial assets. The Company has determined that all of these financial assets are classified as loans and receivables.

Subsequent measurement

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 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### m. Financial Instruments (continued)

#### ii. Financial liabilities

Initial recognition

Financial liabilities are classified as financial liabilities at fair value through profit or loss, financial liabilities measured at amortized cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognized initially at fair value and in the case of financial liabilities measured at amortized cost, include directly attributable transaction costs.

As of March 31, 2018 and 2017, the Company's financial liabilities include trade payables, other payables, accrued expenses, loan payable, due to a related party, due to hotel operator, and other current financial liabilities. The Company has determined that all of these financial liabilities are classified as loans and borrowings.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

#### iii. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

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

Credit risk adjustment

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

#### v. Amortized cost of financial instruments

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### m. Financial Instruments (continued)

#### vi. Impairment of financial assets

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. For loans and receivables carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring impairment loss is the current effective interest rate.

The carrying amount of the financial asset is reduced through the use of an allowance for impairment account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the financial asset. Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment account. If a future write-off is later recovered, the recovery is recognized in the statement of profit or loss and other comprehensive income.

#### vii. Derecognition of financial assets and liabilities

Financial assets

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

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or 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 or 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 profit or loss.

## 3. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

### Judgments

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

Determination of Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Indonesian rupiah. The Indonesian rupiah is the currency of the primary economic environment in which the Company operates and the currency that mainly influences revenue, costs and expenses.

Classification of Financial Assets and Financial Liabilities

The Company determines the classifications of certain assets and liabilities as financial assets and financial liabilities by judging if they meet the definition set forth in PSAK No. 55.

Accordingly, the financial assets and financial liabilities are accounted for in accordance with the Company's accounting policies disclosed in Note 2m.

### Estimates and Assumptions

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

Allowance for Impairment of Receivables

The Company evaluates impairment losses of receivables based on percentages applied to an aging of total outstanding trade receivables and specific account identification when there is objective evidence that certain customers are unable to meet their financial obligations.

In the case of specific account identification, the Company uses judgment, based on the best available facts and circumstances, including but not limited to, the length of its relationship with the customer and the customer's current credit status based on third-party credit reports and known market factors, to record specific allowances for customers against amounts due to reduce the receivable amounts that the Company expects to collect. These specific provisions are re-evaluated and adjusted as additional information received affects the amount of the allowance for impairment of trade receivables.

## 3. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

### Estimates and Assumptions (continued)

Estimation of Employee Benefits Liability

The determination of the Company's employee benefits expense and employee benefits liability is dependent on its selection of certain assumptions used by the independent actuaries in calculating such amounts. Those assumptions include discount rates, future annual salary increases, annual employee turnover rate, disability rate, retirement age and mortality rate. While the Company believes that its assumptions are reasonable and appropriate, significant differences in the Company's actual experience or significant changes in the assumptions may materially affect the retirement expenses and defined benefit obligations.

Depreciation of Fixed Assets

The costs of fixed assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these fixed assets to be within 5 to 20 years. These are common life expectancies applied in the industry where the Company conducts its business. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets and, therefore, future depreciation charges could be revised. The net carrying amounts of the Company's fixed assets as of March 31, 2018 and 2017 amounted to Rp26,895,593,971 and Rp10,980,053,560, respectively. Further details are disclosed in Note 8.

Income Tax

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

Determination of Fair Values of Financial Assets and Liabilities

When the fair value of financial assets and financial liabilities recorded or presented in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair value.

The judgment includes consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The fair values of the Company's financial assets and liabilities are disclosed in Note 24 to the financial statements.

**(Expressed in rupiah unless otherwise stated, with translations into United States dollar)**

## 4. CASH ON HAND AND IN BANKS

Cash on hand and in banks consist of the following:

| | **Indonesian Rupiah** | | **Translations into U.S. Dollar - Unaudited (Note 2l)** | |
|---|---|---|---|---|
| | **March 31,** | | **March 31,** | |
| | **2018** | **2017** | **2018** | **2017** |
| Cash on hand | | | | |
| Rupiah | 79,500,005 | 79,500,003 | 5,779 | 5,967 |
| Cash in banks | | | | |
| Rupiah | | | | |
| PT Bank Maybank Indonesia Tbk | 535,968,133 | 2,556,893,249 | 38,962 | 191,945 |
| PT Bank Mandiri (Persero) Tbk | 153,156,200 | 1,128,482,467 | 11,134 | 84,715 |
| PT Bank Negara Indonesia (Persero) Tbk | 71,926,663 | 5,178,518,479 | 5,229 | 388,748 |
| Sub-total | 761,050,996 | 8,863,894,195 | 55,325 | 665,408 |
| U.S. dollar | | | | |
| PT Bank Negara Indonesia (Persero) Tbk | 1,330,316,304 | 3,012,539,045 | 96,708 | 226,150 |
| PT Bank Maybank Indonesia Tbk | 27,677,991 | 27,946,413 | 2,012 | 2,098 |
| Sub-total | 1,357,994,295 | 3,040,485,458 | 98,720 | 228,248 |
| **Total** | **2,198,545,296** | **11,983,879,656** | **159,824** | **899,623** |

Interest income from cash in banks amounting to Rp900,941 and Rp685,079 for the year ended March 31, 2018 and 2017, respectively, is presented as part of “Finance income” in the statement of profit or loss and other comprehensive income.

## 5. TRADE RECEIVABLES

Trade receivables consist of the following:

| | **Indonesian Rupiah** | | **Translations into U.S. Dollar - Unaudited (Note 2l)** | |
|---|---|---|---|---|
| | **March 31,** | | **March 31,** | |
| | **2018** | **2017** | **2018** | **2017** |
| City ledger | 432,478,516 | 400,626,069 | 31,440 | 30,075 |
| Guest ledger | 252,453,507 | 274,954,513 | 18,352 | 20,640 |
| Total | 684,932,023 | 675,580,582 | 49,792 | 50,715 |
| Less allowance for impairment | - | 3,384,684 | - | 254 |
| **Net** | **684,932,023** | **672,195,898** | **49,792** | **50,461** |

City ledger represents receivable from travel agents, bank related to credit card payments and H2O Sports for the facilities used in the hotel.

Guest ledger represents receivables from guests that are currently checked in at the hotel as of March 31, 2018 and 2017.

(Expressed in rupiah unless otherwise stated, with translations into United States dollar)

## 5. TRADE RECEIVABLES (continued)

The aging analysis of these receivables is as follows:

| | Indonesian Rupiah | | Translations into U.S. Dollar - Unaudited (Note 2l) | |
|---|---|---|---|---|
| | March 31, | | March 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| Current | 675,017,079 | 570,106,368 | 49,071 | 42,798 |
| Past due | | | | |
| 1- 30 days | 9,914,944 | 85,608,164 | 721 | 6,427 |
| 31- 60 days | - | 15,466,050 | - | 1,160 |
| Over 60 days | - | 4,400,000 | - | 330 |
| Total | 684,932,023 | 675,580,582 | 49,792 | 50,715 |
| Less allowance for impairment | - | 3,384,684 | - | 254 |
| **Net** | **684,932,023** | **672,195,898** | **49,792** | **50,461** |

Based on the review of the status of the individual trade receivables at the end of the year, management believes that the outstanding balances as of March 31, 2018 are fully collectible; hence, no allowance for impairment was recognized.

The movements of the allowance for impairment are as follows:

| | Indonesian Rupiah | | Translations into U.S. Dollar - Unaudited (Note 2l) | |
|---|---|---|---|---|
| | Year Ended March 31, | | Year Ended March 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| Balance at beginning of year | 3,384,684 | 2,828,290 | 254 | 213 |
| Additional provision during the year | 31,330,356 | 38,525,681 | 2,332 | 2,916 |
| Reversal of allowance | (34,715,040) | (37,969,287) | (2,524) | (2,850) |
| Translation adjustment | - | - | (62) | (25) |
| **Balance at end of year** | **-** | **3,384,684** | **-** | **254** |

## 6. INVENTORIES

Inventories consist of the following:

| | Indonesian Rupiah | | Translations into U.S. Dollar - Unaudited (Note 2l) | |
|---|---|---|---|---|
| | March 31, | | March 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| Materials and supplies | 522,947,332 | 639,779,600 | 38,016 | 48,028 |
| Beverages | 330,161,746 | 355,876,495 | 24,002 | 26,715 |
| Food | 295,386,093 | 263,912,788 | 21,473 | 19,812 |
| Boutique | 67,189,165 | 93,508,994 | 4,884 | 7,020 |
| Tobacco | 1,431,151 | 1,409,298 | 104 | 106 |
| **Total** | **1,217,115,487** | **1,354,487,175** | **88,479** | **101,681** |

Total inventories recognized as part of cost of goods sold and services in 2018 and 2017 amounted to Rp5,252,740,010 and Rp6,527,132,013, respectively.

The Company’s inventories as of March 31, 2018 and 2017 are stated at cost.

(Expressed in rupiah unless otherwise stated, with translations into United States dollar)

## 7. PREPAYMENTS AND ADVANCES

Prepayments and advances consist of the following:

| | Indonesian Rupiah | | Translations into U.S. Dollar - Unaudited (Note 2l) | |
|---|---|---|---|---|
| | March 31, | | March 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| Advance purchases | 1,838,328,906 | 4,304,046,904 | 133,638 | 323,102 |
| Prepaid insurance | 1,046,721,618 | 903,312,055 | 76,092 | 67,812 |
| Prepaid tax | 24,638,947 | 4,638,947 | 1,791 | 348 |
| Prepaid others | 79,841,921 | 78,129,590 | 5,805 | 5,865 |
| **Total** | **2,989,531,392** | **5,290,127,496** | **217,326** | **397,127** |

## 8. FIXED ASSETS

The details of fixed assets are as follows:

| | Year Ended March 31, 2018 | | | | |
|---|---|---|---|---|---|
| | Indonesian Rupiah | | | | |
| | Beginning Balance | Additions | Deductions | Reclassification | Ending Balance |
| Cost | | | | | |
| Land | 5,470,511,683 | - | - | - | 5,470,511,683 |
| Buildings | 28,788,844,865 | 5,000,825,447 | - | - | 33,789,670,312 |
| Structures and improvements | 5,159,738,740 | - | - | - | 5,159,738,740 |
| Machinery and equipment | 8,023,837,043 | 1,834,177,600 | - | 1,333,009,600[1)] | 11,191,024,243 |
| Furniture, fixtures and equipment | 10,722,397,313 | 690,803,535 | - | 426,053,072[1)] | 11,839,253,920 |
| Motor vehicles | 1,222,543,500 | - | - | - | 1,222,543,500 |
| Construction in Progress | - | 8,232,187,582 | - | - | 8,232,187,582 |
| Total Cost | 59,387,873,144 | 15,757,994,164 | - | 1,759,062,672 | 76,904,929,980 |
| Accumulated Depreciation | | | | | |
| Buildings | 26,618,147,614 | 293,216,724 | - | - | 26,911,364,338 |
| Structures and improvements | 4,892,984,564 | 42,929,530 | - | - | 4,935,914,094 |
| Machinery and equipment | 7,116,565,282 | 418,075,342 | - | - | 7,534,640,624 |
| Furniture, fixtures and equipment | 9,259,133,219 | 602,786,129 | - | - | 9,861,919,348 |
| Motor vehicles | 520,988,905 | 244,508,700 | - | - | 765,497,605 |
| Total Accumulated Depreciation | 48,407,819,584 | 1,601,516,425 | - | - | 50,009,336,009 |
| **Net Book Value** | **10,980,053,560** | | | | **26,895,593,971** |

[1)] Reclassification from Advance purchases to Fixed asset accounts - Machinery and equipment and Furniture, fixtures, and equipment amounting to Rp1,333,009,600 and Rp426,053,072, respectively (Note 7).

(Expressed in rupiah unless otherwise stated, with translations into United States dollar)

## 8. FIXED ASSETS (continued)

| | Year Ended March 31, 2017 | | | |
|---|---|---|---|---|
| | Indonesian Rupiah | | | |
| | Beginning Balance | Additions | Deductions | Ending Balance |
| Cost | | | | |
| Land | 5,470,511,683 | - | - | 5,470,511,683 |
| Buildings | 36,116,481,326 | 437,504,400 | (7,765,140,861) | 28,788,844,865 |
| Structures and improvements | 6,279,205,428 | - | (1,119,466,688) | 5,159,738,740 |
| Machinery and equipment | 8,585,236,885 | 37,700,000 | (599,099,842) | 8,023,837,043 |
| Furniture, fixtures and equipment | 17,960,645,383 | 377,151,050 | (7,615,399,120) | 10,722,397,313 |
| Motor vehicles | 992,368,500 | 230,175,000 | - | 1,222,543,500 |
| Total Cost | 75,404,449,205 | 1,082,530,450 | (17,099,106,511) | 59,387,873,144 |
| Accumulated Depreciation | | | | |
| Buildings | 32,335,457,599 | 1,812,168,376 | (7,529,478,361) | 26,618,147,614 |
| Structures and improvements | 5,969,521,722 | 42,929,530 | (1,119,466,688) | 4,892,984,564 |
| Machinery and equipment | 7,507,150,671 | 190,139,453 | (580,724,842) | 7,116,565,282 |
| Furniture, fixtures and equipment | 16,186,341,141 | 577,475,897 | (7,504,683,819) | 9,259,133,219 |
| Motor vehicles | 299,497,705 | 221,491,200 | - | 520,988,905 |
| Total Accumulated Depreciation | 62,297,968,838 | 2,844,204,456 | (16,734,353,710) | 48,407,819,584 |
| **Net Book Value** | **13,106,480,367** | | | **10,980,053,560** |

| | Year Ended March 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Translations into U.S. Dollar - Unaudited (Note 2l) | | | | | |
| | Beginning Balance | Additions | Deductions | Reclassification | Translation Adjustment | Ending Balance |
| Cost | | | | | | |
| Land | 410,668 | - | - | - | (12,986) | 397,682 |
| Buildings | 2,161,162 | 365,092 | - | - | (69,895) | 2,456,359 |
| Structures and improvements | 387,338 | - | - | - | (12,248) | 375,090 |
| Machinery and equipment | 602,345 | 130,570 | - | 100,068[1)] | (19,446) | 813,537 |
| Furniture, fixtures and equipment | 804,925 | 49,736 | - | 31,984[1)] | (25,984) | 860,661 |
| Motor vehicles | 91,776 | - | - | - | (2,902) | 88,874 |
| Construction in Progress | - | 598,442 | - | - | - | 598,442 |
| Total Cost | 4,458,214 | 1,143,840 | - | 132,052 | (143,461) | 5,590,645 |
| Accumulated Depreciation | | | | | | |
| Buildings | 1,998,209 | 21,580 | - | - | (63,453) | 1,956,336 |
| Structures and improvements | 367,313 | 3,187 | - | - | (11,682) | 358,818 |
| Machinery and equipment | 534,237 | 30,716 | - | - | (17,218) | 547,735 |
| Furniture, fixtures and equipment | 695,078 | 44,688 | - | - | (22,848) | 716,918 |
| Motor vehicles | 39,111 | 18,152 | - | - | (1,615) | 55,648 |
| Total Accumulated Depreciation | 3,633,948 | 118,323 | - | - | (116,816) | 3,635,455 |
| **Net Book Value** | **824,266** | | | | | **1,955,190** |

1) Reclassification from Advance purchases to Fixed asset accounts - Machinery and equipment and Furniture, fixtures, and equipment amounting to US$100,068 and US$31,984, respectively (Note 7).

**(Expressed in rupiah unless otherwise stated, with translations into United States dollar)**

## 8. FIXED ASSETS (continued)

| | Year Ended March 31, 2017 | | | | |
|---|---|---|---|---|---|
| | Translations into U.S. Dollar - Unaudited (Note 2l) | | | | |
| | **Beginning Balance** | **Additions** | **Deductions** | **Translation Adjustment** | **Ending Balance** |
| Cost | | | | | |
| Land | 412,060 | - | - | (1,392) | 410,668 |
| Buildings | 2,720,434 | 32,887 | (582,925) | (9,234) | 2,161,162 |
| Structures and improvements | 472,974 | - | (84,038) | (1,598) | 387,338 |
| Machinery and equipment | 646,673 | 2,813 | (44,974) | (2,167) | 602,345 |
| Furniture, fixtures and equipment | 1,352,865 | 28,663 | (571,683) | (4,920) | 804,925 |
| Motor vehicles | 74,749 | 17,706 | - | (679) | 91,776 |
| Total Cost | 5,679,755 | 82,069 | (1,283,620) | (19,990) | 4,458,214 |
| Accumulated Depreciation | | | | | |
| Buildings | 2,435,632 | 136,406 | (565,234) | (8,595) | 1,998,209 |
| Structures and improvements | 449,647 | 3,231 | (84,038) | (1,527) | 367,313 |
| Machinery and equipment | 565,468 | 14,313 | (43,595) | (1,949) | 534,237 |
| Furniture, fixtures and equipment | 1,219,217 | 43,475 | (563,372) | (4,242) | 695,078 |
| Motor vehicles | 22,560 | 16,665 | - | (114) | 39,111 |
| Total Accumulated Depreciation | 4,692,524 | 214,090 | (1,256,239) | (16,427) | 3,633,948 |
| **Net Book Value** | **987,231** | | | | **824,266** |

The percentage of completion of construction in progress as of March 31, 2018 is 31.44% with expected completion date on June 15, 2018.

Depreciation charged to operations amounted to Rp1,650,649,758 and Rp2,844,204,456 for the years ended March 31, 2018 and 2017, respectively. The Company's fixed assets are covered by insurance against losses from fire and other risks under blanket policies for US$40,550,000 in 2018 and 2017. The management believes that the insurance coverage is adequate to cover possible losses arising from such risks.

In August 2016 and February 2017, the back office and a portion of pavilion of the hotel of the Company were damaged by fire. All deductions to fixed assets pertain to these assets. The Company filed for insurance claims against its insurance provider in 2017.

On April 11, 2017 and February 12, 2018, the Company received the first and second approvals of claims for fire loss insurance relating to back office amounting to US$240,000 and US$260,000, respectively. The Company has received the insurance coverage amounting to US$240,000 and US$221,000 on the first and second approvals, respectively, on various dates from May 2017 to March 2018. The remaining insurance coverage was recorded as part of estimated claims for insurance under the "Other current financial assets" in the statement of financial position.

On November 8, 2017 and March 5, 2018, the Company received the first and second approvals for claims on fire loss relating to the portions of the pavilion amounting to Rp5,300,000,000 and Rp3,300,000,000, respectively. The Company has received the insurance coverage amounting to Rp5,300,000,000 and Rp330,000,000 on the first and second approvals, respectively, on various dates from July 2017 to March 2018. The remaining insurance coverage was recorded as part of estimated claims for insurance under the "Other current financial assets" in the statement of financial position.

As of March 31, 2018 and 2017, the management believes that there is no impairment in the value of the Company's fixed assets.

**(Expressed in rupiah unless otherwise stated, with translations into United States dollar)**

## 9. OTHER PAYABLES

This account consists of payables to third parties for:

| | Indonesian Rupiah | | Translations into U.S. Dollar - Unaudited (Note 2l) | |
|---|---|---|---|---|
| | March 31, | | March 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| General reserve | 543,211,949 | 777,181,083 | 39,489 | 58,343 |
| Marketing and sales promotion expenses | 278,628,414 | 156,511,903 | 20,255 | 11,749 |
| Others | 259,037,210 | 231,807,425 | 18,831 | 17,402 |
| **Total** | **1,080,877,573** | **1,165,500,411** | **78,575** | **87,494** |

## 10. TAXATION

a. Taxes payable consist of the following:

| | Indonesian Rupiah | | Translations into U.S. Dollar - Unaudited (Note 2l) | |
|---|---|---|---|---|
| | March 31, | | March 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| Development tax I | 154,641,756 | 178,615,558 | 11,241 | 13,408 |
| Income tax | | | | |
| Article 21 | 57,882,182 | 64,923,644 | 4,208 | 4,874 |
| Article 23 | 66,467,415 | 30,299,493 | 4,832 | 2,275 |
| Article 26 | 4,538,000 | 4,410,400 | 330 | 331 |
| **Total** | **283,529,353** | **278,249,095** | **20,611** | **20,888** |

b. A reconciliation between income (loss) before income tax, as shown in the statement of profit or loss and other comprehensive income, and estimated taxable income (loss) follows:

| | Year Ended March 31, | |
|---|---|---|
| | 2018 | 2017 |
| Income (loss) before income tax per statement of profit or loss and other comprehensive income | 3,283,046,057 | (3,018,309,787) |
| Temporary differences: | | |
| Provision for replacement of furniture, fixtures and equipment - net | 558,527,255 | 408,849,592 |
| Provision for employee benefits | 574,174,304 | 551,008,404 |
| Employee benefit payments | (153,714,090) | - |
| Provision for (reversal of) allowance for impairment of trade receivables - net | (3,384,684) | 556,394 |
| Depreciation | 115,832,633 | 568,698,612 |
| Permanent differences: | | |
| Interest income already subjected to final tax | (900,491) | (302,544,367) |
| Depreciation | 49,989,583 | - |
| Disposal of assets due to fire | - | (267,723,313) |
| Others | 69,479,693 | 212,677,009 |
| Estimated taxable income (loss) for the year | 4,493,050,260 | (1,846,787,456) |
| Tax losses carry-forward at beginning of year | (6,807,665,163) | (110,914,687,290) |
| Reversal of tax losses carry-forward for more than 5 years (Note 10d) | - | 11,596,999,104 |
| Derecognition of tax losses carry-forward due to tax amnesty | - | 94,356,810,479 |
| **Tax losses carry-forward at end of year** | **(2,314,614,903)** | **(6,807,665,163)** |

(Expressed in rupiah unless otherwise stated, with translations into United States dollar)

## 10. TAXATION (continued)

c. The reconciliation between the estimated tax benefit computed by multiplying the loss before income tax by the applicable tax rate and net deferred income tax is as follows:

| | Indonesian Rupiah | | Translations into U.S. Dollar - Unaudited (Note 2l) | |
|---|---|---|---|---|
| | Year Ended March 31, | | Year Ended March 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| Profit (loss) before income tax | 3,283,046,057 | (3,018,309,787) | 181,523 | (141,437) |
| Estimated tax expense (benefit) based on prevailing tax rate | 820,761,514 | (754,577,447) | 45,380 | (35,359) |
| Net permanent differences at the applicable tax rate | 29,642,196 | (89,397,668) | 2,155 | (6,711) |
| Unrecognized deferred tax assets - net | 272,858,854 | 843,975,115 | 19,836 | 42,070 |
| Utilization of tax losses carryforward | (1,123,262,564) | - | (67,371) | - |
| **Deferred income tax** | **-** | **-** | **-** | **-** |

As of March 31, 2018 and 2017, deferred income tax assets have not been recognized on the following carry-forward benefits of tax losses and deductible temporary differences as management believes that it is not probable that the Company will have sufficient future taxable profits against which these items can be utilized:

| | Indonesian Rupiah | | Translations into U.S. Dollar - Unaudited (Note 2l) | |
|---|---|---|---|---|
| | As of March 31, | | As of March 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| Tax losses carry-forward benefits | 2,314,614,903 | 6,807,665,163 | 168,262 | 511,048 |
| Reserve for replacement of FFE | 7,614,621,742 | 7,056,094,487 | 553,549 | 529,697 |
| Long-term employee benefits liability | 4,311,259,199 | 3,864,879,603 | 313,409 | 290,134 |
| Allowance for doubtful accounts | - | 3,384,684 | - | 254 |

d. On March 30, 2017, the Company submitted a list of fixed assets items not yet registered in the Company's tax report up to 2015 to be administered under the tax amnesty program of the tax authority. These assets are in the form of antiques and paintings worth Rp385,000,000. As compensation, the Company paid taxes to tax authority amounting to Rp19,250,000.

The Company received the approval for tax amnesty program application from the Ministry of Finance in its decision letter dated April 25, 2018. Hence, the Company did not record all tax amnesty assets in its statement of financial position as of March 31, 2017. In connection with the tax amnesty program, all tax losses carry-forward until fiscal year 2014 amounting to Rp94,356,810,479 can no longer be claimed by the Company.

(Expressed in rupiah unless otherwise stated, with translations into United States dollar)

## 10. TAXATION (continued)

As of March 31, 2018, the tax amnesty assets as approved were recorded as a separate line item in the statement of financial position.

The movements of the tax amnesty assets are as follows:

| | Indonesian Rupiah | | Translations into U.S. Dollar - Unaudited (Note 2l) | |
|---|---|---|---|---|
| | Year Ended March 31, | | Year Ended March 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| Balance as approved by tax authority | 385,000,000 | - | 28,902 | - |
| Depreciation during the year | (49,133,333) | - | (3,572) | - |
| Translation adjustment | - | - | (914) | - |
| **Net book value** | **335,866,667** | **-** | **24,416** | **-** |

## 11. ACCRUED EXPENSES

The details of accrued expenses due to third parties are as follows:

| | Indonesian Rupiah | | Translations into U.S. Dollar - Unaudited (Note 2l) | |
|---|---|---|---|---|
| | March 31, | | March 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| Professional fees | 1,320,901,385 | 1,281,244,970 | 96,024 | 96,182 |
| Salaries and allowance | 734,740,398 | 302,139,103 | 53,412 | 22,681 |
| Human resources | 624,923,162 | 577,623,675 | 45,429 | 43,362 |
| Repairs and maintenance | 330,108,380 | 339,469,963 | 23,997 | 25,484 |
| Marketing | 247,534,796 | 226,568,019 | 17,995 | 17,008 |
| Utilities | 239,608,580 | 232,069,749 | 17,418 | 17,421 |
| Others | 1,129,711,875 | 1,010,551,065 | 82,126 | 75,863 |
| **Total** | **4,627,528,576** | **3,969,666,544** | **336,401** | **298,001** |

## 12. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

| | Indonesian Rupiah | | Translations into U.S. Dollar - Unaudited (Note 2l) | |
|---|---|---|---|---|
| | March 31, | | March 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| PT Widja Putra Karya | | | | |
| Due to a related party | 977,894,640 | 162,274,038 | 71,089 | 12,182 |
| EIH Management Services B.V. | | | | |
| Deposits for future stock subscriptions (Note 18) | 346,019,250,000 | - | 26,016,500 | - |
| Other payable | 278,628,414 | 156,511,903 | 20,255 | 11,749 |
| Loan payable (Note 14) | - | 346,565,796,500 | - | 26,016,500 |
| Due to hotel operator (Note 13) | - | 117,834,467 | - | 8,846 |
| **Total** | **346,297,878,414** | **346,840,142,870** | **26,036,755** | **26,037,095** |

**(Expressed in rupiah unless otherwise stated, with translations into United States dollar)**

## 12. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

Salaries and wages of the Company's key management personnel amounted to Rp705,943,921 (US$52,530) and Rp725,779,845 (US$54,666) in 2018 and 2017, respectively (unaudited).

In the normal course of its business, the hotel has entered into transactions with related parties as follows:

| Related parties | Nature of relationships | Type of transactions |
|---|---|---|
| PT Widja Putra Karya | Entity under common control | Intercompany advances and share in proceeds from sale of vacation packages |
| EIH Management Services B.V. | Parent company | Management fee, loan payable to finance hotel operations, deposits for future stock subscription and international sales promotion |

## 13. DUE TO HOTEL OPERATOR

The movements of this account are as follows:

| | Indonesian Rupiah | | Translations into U.S. Dollar - Unaudited (Note 2l) | |
|---|---|---|---|---|
| | Year Ended March 31, | | Year Ended March 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| Balance at beginning of year | 117,834,467 | - | 8,846 | - |
| Settlement of operating fees during the year | (117,834,467) | - | (8,846) | |
| Unrealized gain on foreign exchange - net | - | 8,803,004 | - | - |
| Operating fees during the year - 12.5% of hotel gross operating profit (Note 26) | - | 109,031,463 | - | 8,846 |
| **Balance at end of year (Note 12)** | **-** | **117,834,467** | **-** | **8,846** |

## 14. LOAN PAYABLE AND DEPOSITS FOR FUTURE STOCK SUBSCRIPTION

The details of loan payable are as follows:

| | Indonesian Rupiah | | Translations into U.S. Dollar - Unaudited (Note 2l) | |
|---|---|---|---|---|
| | March 31, | | March 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| EIH Management Services B.V. ("EIH") (Note 12) | - | 346,565,796,500 | - | 26,016,500 |

A Settlement Agreement has been entered into between the Company and EIH and has been amended several times, the latest of which was made on March 31, 2017. Based on the Settlement Agreement, a grace period will be effective from the signing date up to March 31, 2018, during which time no interest will be charged and no principal installment will be paid. In the event that the loan is not settled on March 31, 2018, the following shall prevail:

**a.** The loan will bear interest at the annual rate of 11.5% starting April 1, 2018.
**b.** The Company will be obliged to establish an escrow account which will be fully controlled by EIH.
**c.** The Company shall allow EIH to repossess all of the Company's assets including the Hotel.

**(Expressed in rupiah unless otherwise stated, with translations into United States dollar)**

## 14. LOAN PAYABLE AND DEPOSITS FOR FUTURE STOCK SUBSCRIPTION (continued)

No interest expense was recognized as well as no principal payment was made during the year in accordance with the settlement agreement.

On March 20, 2018, the shareholders approved the subscription and paid-up capital by EIH through the conversion of the Company's loan payable to EIH into equity shares in the Company amounting to US$26,016,500 equivalent to Rp346,019,250,000 (Note 18). Since the legal process hasn't been completed, the conversion of the Company's loan payable to EIH into equity shares is recorded as "Deposits for future stock subscription" account in equity.

## 15. RESERVE FOR REPLACEMENT OF FURNITURE, FIXTURES AND EQUIPMENT

The movements of this account are as follows:

| | Indonesian Rupiah | | Translations into U.S. Dollar - Unaudited (Note 2l) | |
|---|---|---|---|---|
| | Year Ended March 31, | | Year Ended March 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| Balance at beginning of year | 7,056,094,487 | 6,647,244,897 | 529,697 | 500,696 |
| Provision during the year (Note 22) | 965,286,555 | 1,155,770,431 | 72,063 | 87,515 |
| Utilization of reserve | (406,759,300) | (746,920,841) | (30,302) | (56,153) |
| Translation adjustment | - | - | (17,909) | (2,361) |
| **Balance at end of year** | **7,614,621,742** | **7,056,094,487** | **553,549** | **529,697** |

## 16. OTHER CURRENT FINANCIAL LIABILITIES

This account pertains to guest deposits from customers and travel agents amounting to Rp2,262,634,623 and Rp3,425,844,868 as of March 31, 2018 and 2017, respectively.

## 17. LONG-TERM EMPLOYEE BENEFITS LIABILITY

The Company provides benefits for its employees who achieve the retirement age of 55 based on the provisions of Labor Law No. 13/2003 dated March 25, 2003. The benefits are unfunded.

The following tables summarize the components of employee benefit expense recognized in the statement of profit or loss and other comprehensive income and amounts recognized in the statement of financial position as employee benefits liability as of March 31, 2018 and 2017 as determined by PT Lastika Dipa, an independent actuary, in their reports dated April 12, 2017 and April 7, 2017, respectively.

The principal assumptions used in determining the employee benefits liability as of March 31, 2018 and 2017, are as follows:

| | |
|---|---|
| Discount rate | : 7.32% in 2018 and 8.00% in 2017 |
| Annual salary increase | : 8.00% per annum in 2018 and 2017 |
| Mortality | : TMI III |
| Retirement age | : 55 years old |
| Disability rates | : 10% mortality table TMI III |

**(Expressed in rupiah unless otherwise stated, with translations into United States dollar)**

## 17. LONG-TERM EMPLOYEE BENEFITS LIABILITY (continued)

a. The employee benefits expense recognized in the statement of profit or loss and other comprehensive income consist of the following:

| | Indonesian Rupiah | | Translations into U.S. Dollar- Unaudited (Note 2l) | |
|---|---|---|---|---|
| | March 31, | | March 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| Current service cost | 277,281,063 | 277,571,343 | 20,689 | 20,837 |
| Interest cost | 296,893,241 | 273,437,061 | 22,153 | 20,527 |
| **Employee benefit expense** | **574,174,304** | **551,008,404** | **42,842** | **41,364** |

b. Details of employee benefits liability are as follows:

| | Indonesian Rupiah | | Translations into U.S. Dollar - Unaudited (Note 2l) | |
|---|---|---|---|---|
| | March 31, | | March 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| Present value of defined benefits obligation | 4,311,259,199 | 3,864,879,603 | 313,409 | 290,134 |
| **Employee benefits liability** | **4,311,259,199** | **3,864,879,603** | **313,409** | **290,134** |

c. Movements in employee benefits liability are as follows:

| | Indonesian Rupiah | | Translations into U.S. Dollar - Unaudited (Note 2l) | |
|---|---|---|---|---|
| | Year Ended March 31, | | Year Ended March 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| Beginning balance | 3,864,879,603 | 3,282,557,756 | 290,134 | 247,255 |
| Employee benefit expense | 574,174,304 | 551,008,404 | 42,842 | 41,364 |
| Benefit payments | (153,714,090) | - | (11,501) | - |
| Other comprehensive income | 25,919,382 | 31,313,443 | 1,884 | 2,351 |
| Translation adjustment | - | - | (9,950) | (836) |
| **Ending balance** | **4,311,259,199** | **3,864,879,603** | **313,409** | **290,134** |

d. Movements in the present value employee benefits liability are as follows:

| | Indonesian Rupiah | | Translations into U.S. Dollar - Unaudited (Note 2l) | |
|---|---|---|---|---|
| | Year Ended March 31, | | Year Ended March 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| Beginning balance | 3,864,879,603 | 3,282,557,756 | 290,134 | 247,255 |
| Employee benefit expense | 574,174,304 | 551,008,404 | 42,842 | 41,364 |
| Benefit payments | (153,714,090) | - | (11,501) | - |
| Actuarial (gain) losses due from: | | | | |
| Experience adjustment | (179,708,994) | (73,539,237) | (13,064) | - |
| Change in financial assumption | 205,628,376 | 104,852,680 | 14,948 | 2,351 |
| Translation adjustment | - | - | (9,950) | (836) |
| **Ending balance** | **4,311,259,199** | **3,864,879,603** | **313,409** | **290,134** |

## 17. LONG-TERM EMPLOYEE BENEFITS LIABILITY (continued)

The expected total benefit payments in Indonesian rupiah for the subsequent years are as follows:

| | | |
|---|---|---|
| Within the next 12 months (the next annual reporting year) | : | - |
| Between 2 and 5 years | : | 831,166,195 |
| Between 5 and 10 years | : | 7,217,092,522 |
| Beyond 10 years | : | 45,885,402,244 |

The average duration of the long-term employee benefits liability is 18 years.

e. The effect of a one-percentage point change in discount rate and salary increase rate on long-term employee benefits liability for the year ended March 31, 2018 is shown below:

| | **Indonesian Rupiah** | | **Translations into U.S. Dollar - Unaudited (Note 2l)** | |
|---|---|---|---|---|
| | **Discount Rate** | **Salary Rate** | **Discount Rate** | **Salary Rate** |
| Increase by 1% | (321,041,595) | 352,373,514 | (23,357) | 25,616 |
| Decrease by 1% | 359,302,329 | (320,888,702) | 26,120 | (23,327) |

## 18. CAPITAL STOCK

The share ownership details as of March 31, 2018 and 2017 are as follows:

| **Stockholders** | **Number of Shares Issued and Fully Paid** | **Percentage of Ownership** | **Amount** | **Translations into U.S. Dollar - Unaudited (Note 2l)** |
|---|---|---|---|---|
| EIH Management Services B.V. | 73,789 | 57.03 | 13,282,020,000 | 6,530,000 |
| EIH International Ltd. | 33,900 | 26.20 | 6,102,000,000 | 3,000,000 |
| PT Waka Gae Selaras | 21,696 | 16.77 | 3,905,280,000 | 1,920,000 |
| **Total** | **129,385** | **100.00** | **23,289,300,000** | **11,450,000** |

On March 20, 2018, the shareholders of the Company have approved the decisions of circular resolution as follows:

- To approve the increase in authorized capital of the Company amounting to USD26,016,500 (IDR346,019,250,000). As a result, the following changes shall occur upon approval of the circular resolution by the Ministry of Finance, and as such, the authorized capital shall change as follows:

| From | | To | |
|---|---|---|---|
| USD | IDR equivalent | USD | IDR equivalent |
| 11,450,000 | 23,289,300,000 | 37,466,500 | 369,308,550,000 |

- To approve the subscription and paid-up EIH based on the conversion of the Company’s loan of EIH into equity shares in the Company, as follows:

| From | | To | |
|---|---|---|---|
| USD | IDR equivalent | USD | IDR equivalent |
| 11,450,000 | 23,289,300,000 | 37,466,500 | 369,308,550,000 |

(Expressed in rupiah unless otherwise stated, with translations into United States dollar)

## 18. CAPITAL STOCK (continued)

- To approve the creation of series A and series B shares, relating to the increase in authorized capital stock and paid up capital of the Company, as follows:

| Capital | USD | IDR |
|---|---|---|
| Authorized Capital | 37,466,500 | 360,308,550,000 |
| Subscribed Capital | 37,466,500 | 360,308,550,000 |
| Paid Up Capital | 37,466,500 | 360,308,550,000 |

- To approve the re-appointment of the members of the Board Director and Board of Commissioners as of March 31, 2018.

As of the completion date of financial statements, the legal process of such changes hasn't been completed yet.

## 19. DEPARTMENTAL REVENUES

The details of departmental revenues are as follows:

| | Indonesian Rupiah | | Translations into U.S. Dollar - Unaudited (Note 2l) | |
|---|---|---|---|---|
| | Year Ended March 31, | | Year Ended March 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| Room department | | | | |
| Villa | 13,516,460,242 | 11,433,214,591 | 1,009,781 | 863,657 |
| Pavillion | 6,210,033,779 | 12,545,568,471 | 463,936 | 951,890 |
| Sub-total | 19,726,494,021 | 23,978,783,062 | 1,473,717 | 1,815,547 |
| Food and beverages department | | | | |
| Food | 7,282,074,986 | 9,002,465,976 | 544,081 | 681,736 |
| Beverages | 2,447,350,348 | 2,992,804,278 | 182,865 | 226,796 |
| Sub-total | 9,729,425,334 | 11,995,270,254 | 726,946 | 908,532 |
| Other operating departments | | | | |
| Health spa | 824,790,204 | 1,095,872,566 | 61,573 | 82,898 |
| Boutique | 364,444,225 | 525,809,704 | 27,186 | 39,788 |
| Telephone and facsimile | 79,968,785 | 103,149,961 | 5,974 | 7,808 |
| Laundry | 89,857,360 | 100,066,721 | 6,712 | 7,585 |
| Sub-total | 1,359,060,574 | 1,824,898,952 | 101,445 | 138,079 |
| Others | 1,361,238,556 | 731,090,609 | 99,985 | 55,311 |
| **Total** | **32,176,218,485** | **38,530,042,877** | **2,402,093** | **2,917,469** |

In 2018 and 2017, the average hotel room occupancy rates were 37.6 % and 31.0%, respectively (unaudited).

(Expressed in rupiah unless otherwise stated, with translations into United States dollar)

## 20. COST OF GOODS SOLD AND SERVICES

The details of cost of goods sold and services are as follows:

| | Indonesian Rupiah | | Translations into U.S. Dollar - Unaudited (Note 2l) | |
|---|---|---|---|---|
| | Year Ended March 31, | | Year Ended March 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| Food and beverage | 3,052,381,274 | 3,460,830,011 | 227,984 | 262,004 |
| Payroll and related expenses: | | | | |
| Salaries and wages | 3,844,110,695 | 4,135,347,663 | 286,116 | 312,168 |
| Employee benefits | 2,445,446,184 | 3,031,978,226 | 182,146 | 228,905 |
| Other expenses: | | | | |
| Travel agents | 1,385,000,000 | 1,530,700,000 | 103,488 | 115,992 |
| Cleaning and guest supplies | 836,923,393 | 1,115,842,594 | 62,480 | 84,358 |
| Welcome drinks, fruit baskets and amenities | 591,745,308 | 695,172,998 | 44,211 | 52,574 |
| Security | 581,811,094 | 552,488,538 | 43,271 | 41,682 |
| Kitchen fuel | 369,641,561 | 432,642,547 | 27,586 | 32,708 |
| Linens and uniforms | 299,240,898 | 258,162,353 | 22,329 | 19,496 |
| Boutique | 266,049,336 | 373,860,636 | 19,839 | 28,286 |
| Transportation and travel | 198,174,692 | 275,704,290 | 14,796 | 20,836 |
| Telephone and communication | 163,422,299 | 195,587,259 | 12,180 | 14,777 |
| Cultural music and shows | 160,983,650 | 206,536,795 | 12,014 | 15,604 |
| Cable television and music | 119,373,844 | 164,782,864 | 8,920 | 12,439 |
| Decoration | 107,031,786 | 121,441,966 | 7,991 | 9,200 |
| Health club | 100,299,144 | 61,465,298 | 7,478 | 4,647 |
| Loss and damages | 87,704,890 | 68,005,485 | 6,545 | 5,118 |
| Laundry | 84,645,912 | 111,613,639 | 6,273 | 8,471 |
| Others | 923,979,418 | 1,473,275,597 | 69,214 | 111,521 |
| **Total** | **15,617,965,378** | **18,265,438,759** | **1,164,861** | **1,380,786** |

## 21. PROPERTY OPERATIONS, MAINTENANCE AND ENERGY EXPENSES

The details of property operations, maintenance and energy expenses are as follows:

| | Indonesian Rupiah | | Translations into U.S. Dollar - Unaudited (Note 2l) | |
|---|---|---|---|---|
| | Year Ended March 31, | | Year Ended March 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| Repairs and maintenance | 2,138,026,166 | 2,267,566,195 | 159,232 | 173,061 |
| Electricity | 1,999,622,298 | 2,322,882,383 | 148,850 | 175,506 |
| Fuel | 865,600,378 | 990,958,401 | 64,434 | 74,860 |
| Salaries and wages | 731,938,805 | 1,005,955,493 | 54,555 | 75,939 |
| Supplies | 399,412,044 | 491,426,139 | 29,761 | 35,281 |
| Water | 247,211,047 | 309,403,439 | 18,401 | 23,412 |
| Others | 102,874,389 | 88,592,172 | 7,666 | 6,652 |
| **Total** | **6,484,685,127** | **7,476,784,222** | **482,899** | **564,711** |

(Expressed in rupiah unless otherwise stated, with translations into United States dollar)

## 22. GENERAL AND ADMINISTRATIVE EXPENSES

The details of hotel operating expenses are as follows:

| | Indonesian Rupiah | | Translations into U.S. Dollar - Unaudited (Note 2l) | |
|---|---|---|---|---|
| | Year Ended March 31, | | Year Ended March 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| Salaries and wages | 2,447,733,953 | 2,466,551,841 | 182,224 | 186,119 |
| Provision for replacement of furniture, fixtures and equipment (Note 15) | 965,286,555 | 1,155,770,431 | 72,064 | 87,515 |
| Employee benefits | 910,034,385 | 887,672,201 | 70,389 | 66,995 |
| Commission on credit cards | 483,229,227 | 602,222,209 | 35,975 | 45,575 |
| Transportation and travel | 199,845,989 | 210,988,230 | 14,878 | 15,950 |
| Licenses and taxes | 168,063,067 | 249,504,244 | 12,512 | 18,906 |
| Insurance | 137,729,986 | 161,817,349 | 10,253 | 12,227 |
| Telephone and communication | 105,942,831 | 132,731,607 | 7,887 | 10,028 |
| Bank charges | 100,125,598 | 118,187,791 | 7,454 | 8,927 |
| Printing and stationery | 92,651,250 | 123,965,924 | 6,898 | 9,373 |
| Others | 1,567,182,848 | 1,272,506,388 | 114,145 | 96,182 |
| **Total** | **7,177,825,689** | **7,381,918,215** | **534,679** | **557,797** |

## 23. MARKETING EXPENSES

The details of marketing expenses are as follows:

| | Indonesian Rupiah | | Translations into U.S. Dollar - Unaudited (Note 2l) | |
|---|---|---|---|---|
| | Year Ended March 31, | | Year Ended March 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| Advertising and promotion | 2,157,921,211 | 2,368,313,433 | 161,022 | 179,562 |
| Sales promotion expenses (Note 26) | 965,286,555 | 1,155,770,431 | 72,064 | 87,515 |
| Transportation and travel | 601,231,511 | 647,382,684 | 44,863 | 49,021 |
| Others | 271,750,727 | 362,183,431 | 20,277 | 27,315 |
| **Total** | **3,996,190,004** | **4,533,649,979** | **298,226** | **343,413** |

## 24. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The Company has various financial assets such as cash on hand and in banks, trade receivables and other current and non-current financial assets which arise directly from the Company's operations.

The Company's principal financial liabilities consist of trade payables, other payables, accrued expenses, due to a related party, due to hotel operator and loan payable. The main purpose of these financial liabilities is to finance the Company's operations.

**(Expressed in rupiah unless otherwise stated, with translations into United States dollar)**

## 24. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

The following table sets forth the carrying values, which approximate their fair values, of the Company's financial instruments that are carried in the statement of financial position:

| | Indonesian Rupiah | | Translations into U.S. Dollar - Unaudited (Note 2l) | |
|---|---|---|---|---|
| | March 31, | | March 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| **Current Financial Assets** | | | | |
| Cash on hand and in banks | 2,198,545,296 | 11,983,879,656 | 159,824 | 899,623 |
| Trade receivables - net | 684,932,023 | 672,195,898 | 49,792 | 50,461 |
| Other current financial assets | 3,608,640,250 | 3,341,052,000 | 262,332 | 250,811 |
| **Total current financial assets** | **6,492,117,569** | **15,997,127,554** | **471,948** | **1,200,895** |
| **Non-current Financial Assets** | | | | |
| Other non-current financial assets | 126,615,000 | 126,615,000 | 9,205 | 9,505 |
| **Total Financial Assets** | **6,618,732,569** | **16,123,742,554** | **481,153** | **1,210,400** |
| **Financial Liabilities** | | | | |
| Trade payables | 772,397,109 | 677,550,176 | 56,150 | 50,863 |
| Other payables | 1,080,877,573 | 1,165,500,411 | 78,575 | 87,494 |
| Accrued expenses | 4,627,528,576 | 3,969,666,544 | 336,401 | 298,001 |
| Due to a related party | 977,894,640 | 162,274,038 | 71,089 | 12,182 |
| Other current financial liabilities | 2,262,634,623 | 3,425,844,868 | 164,486 | 257,180 |
| Due to hotel operator | - | 117,834,467 | - | 8,846 |
| Loan payable | - | 346,565,796,500 | - | 26,016,500 |
| **Total Financial Liabilities** | **9,721,332,521** | **356,084,467,004** | **706,701** | **26,731,066** |

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:

- In the principal market for the asset or liability, or
- 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 the Company.

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.

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:

Current financial assets and liabilities:

- Current financial instruments with remaining maturities of one year or less (cash on hand and in banks, trade receivables, other current financial assets, trade payables, other payables, accrued expenses, due to a related party, due to hotel operator, loan payable.

  The carrying values of the Company's current financial assets and liabilities approximate their fair values due to the short-term nature of these financial assets and liabilities.

## 24. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

Non-current financial asset:

- Long-term financial assets (other non-current financial assets)

  The fair values of other non-current financial assets are assumed to be the same as the cash amount that will be received due to the fact that the maturity of such financial assets is not stated in related contract and the management is not yet able to determine when the financial assets will be realized.

## 25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### Risk Management

The main risks arising from the Company's financial instruments are foreign exchange rate risk, credit risk and liquidity risk. The Company's Board of Directors reviews and approves the policies for managing these risks which are summarized below.

### a. Foreign Exchange Rate Risk

Foreign exchange rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to exchange rate fluctuations results primarily from its U.S. dollar-denominated cash in banks, trade receivables, other payables and loan payable.

The Company's policies are to minimize the risk arising from the foreign exchange rate by monitoring its fluctuations and maintaining an adequate level of cash in banks and long-term bank loan in U.S. dollar. To the extent the Indonesian rupiah depreciates further from the exchange rates in effect at March 31, 2018, the Company's loan payable increases in Indonesian rupiah terms. However, the increase in this obligation will be offset in part by the increase in the value of its U.S. dollar-denominated cash in banks.

| | Amount in Foreign Currency | | Rupiah Equivalent |
|---|---|---|---|
| **Assets** | | | |
| Cash on hand and in banks | US$ | 98,720 | 1,357,994,295 |
| Trade receivables | US$ | 5,091 | 70,037,464 |
| Total | | | 1,428,031,759 |
| **Liabilities** | | | |
| Other payables | US$ | 20,255 | 278,628,414 |
| **Net Assets** | | | **1,149,403,345** |

**(Expressed in rupiah unless otherwise stated, with translations into United States dollar)**

## 25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Risk Management (continued)

### b. Credit Risk

Credit risk arises when one party to a financial asset or liability fails to discharge an obligation and causes the Company to incur a financial loss. The Company manages and controls this credit risk by setting limits on the amount of risk it is willing to accept for individual customers and by monitoring exposures in relation to such limits. The maximum exposure of the financial instruments to credit risk is equal to the carrying values as disclosed in Note 24.

With respect to credit risk arising from financial assets, primarily cash, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets.

The table below shows the maximum exposure to credit risk for the Company's financial assets without taking into account any collateral and other credit enhancements:

| | Indonesian Rupiah | | Translations into U.S. Dollar - Unaudited (Note 2l) | |
|---|---|---|---|---|
| | March 31, | | March 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| **Current Financial Assets** | | | | |
| Cash in banks | 2,119,045,291 | 11,904,379,653 | 154,045 | 893,656 |
| Trade receivables - net | 684,932,023 | 672,195,898 | 49,792 | 50,461 |
| Other current financial assets | 3,608,640,250 | 3,341,052,000 | 262,332 | 250,811 |
| **Total Financial Assets** | **6,412,617,564** | **15,917,627,551** | **466,169** | **1,194,928** |

### c. Liquidity Risk

Liquidity risk is defined as the risk when the cash flow position of the Company indicates that the short-term revenues are not enough to cover its short-term expenditures. The Company's liquidity risk mainly arises from the repayment of its loan payable to EIH as of March 31, 2017 which was due within a year where the Company's current liabilities exceeds its total assets by Rp329,670,399,801 and net capital deficiency amounted to Rp333,535,279,404. Subsequently on March 20, 2018, the Company's loan to EIH has been approved to be converted into equity shares in the Company (Note 14). As of March 31, 2018, the Company's current liabilities exceed its current assets by Rp6,920,719,168 (see item "d" below).

### d. Capital Management

A letter of support, dated April 25, 2018, from EIH International Ltd. was received confirming their commitment not to withdraw their capital contribution and their willingness to provide necessary financial support to the Company to enable it to pay all its obligations when they fall due and for the Company to be able to carry on its business through the financial year ending March 31, 2019 without curtailment. Currently, the Company has been making efforts to overcome its going concern problem by improving the results of its operations by engaging in aggressive marketing activities in the international market to boost room occupancy rates.

## 26. SIGNIFICANT AGREEMENT

The Company entered into an Agreement with EIH Management Services B.V. (the Hotel Operator) to manage and operate the Hotel effective December 31, 1998. On July 24, 2000, the Company signed a Renewal Agreement whereby the original term was extended until April 24, 2034. The Hotel Operator has automatic and irrevocable options to extend the agreement for another twenty (20) years. Under the agreement, the Hotel Operator is entitled to a fee of 12.5% of the total gross operating profit. Also, under the agreement, the Hotel Operator is entitled to pay out of the gross operating revenue and as part of gross operating expenses, an amount equal to 3% of the Hotel gross operating revenue for sales promotion expenses (Note 23). Any loss incurred by the Hotel in any financial year shall be borne exclusively by the Company.

## 27. RECENT DEVELOPMENTS AFFECTING ACCOUNTING STANDARDS

The following are revised accounting standards issued by the Indonesian Financial Accounting Standards Board that are relevant to the financial statements but are effective only for financial statements covering the periods beginning on or after April 1, 2018:

**Effective beginning on or after April 1, 2018:**

a. Amendments to PSAK 2: Statement of Cash Flows on the Disclosures Initiative, effective with earlier application is permitted. These amendments require entities to provide disclosures that enable the financial statements users to evaluate the changes in liabilities arising from financing acitivities, including changes from cash flow and non-cash activites.

b. Amendments to PSAK 46: Income Taxes on the Recognition of Deferred Tax Assets for Unrealized Losses, effective with earlier application is permitted. These amendments clarify that to determine whether the taxable income will be available so that the deductible temporary differences can be utilized, estimates of the most likely future taxable income can include recovery of certain assets of the entity exceeds its carrying amount.

**Effective beginning on or after April 1, 2019:**

c. ISAK 33: Foreign currency Transaction and Advance Consideration, with earlier application is permitted. These amendments clarify the use of the transaction date to determine the exchange rate used in the initial recognition of the related asset, expense or income at the time the entity has received or paid advance consideration in the foreign currency.

**Effective beginning on or after April 1, 2020:**

d. PSAK 71: Financial Instruments, with earlier application is permitted. This accounting standard is expected to have impact to the Company’s classification and measurement of financial assets and liabilities. Thus, it requires the Company’s exercise of judgment, including the assessment of business model and characteristics of contractual cash flows. The standard also requires impairment model under expected credit loss model from the previous requirement under occurred loss model.

e. PSAK 72: Financial Instruments, with earlier application is permitted and can be applied using either using full retrospective approach or modified retrospective approach. This accounting standard requires the Company to apply 5-step model in recognizing revenue. The Company will be required to identify performance obligation promised in each contract with the customer, including any variable consideration, and only recognize revenue in accordance with the determined/allocated transactions price upon satisfaction of the performance obligation.

**(Expressed in rupiah unless otherwise stated, with translations into United States dollar)**

## 27. RECENT DEVELOPMENTS AFFECTING ACCOUNTING STANDARDS (continued)

**Effective beginning on or after April 1, 2020: (continued)**

f. PSAK 73: Leases, with earlier application is permitted and can be applied using retrospective approach. This accounting standard requires lessees to account all leases under a single on-balance sheet model in a similar way to finance leases under the superseded PSAK 30. The standard includes two recognition exemptions for lessees such as for leases of 'low value' assets and short-term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessor accounting is substantially unchanged from the superseded PSAK 30.

The Company is presently evaluating and has not yet determined the effects of these accounting standards on the financial statements.

## 28. NON-CASH ACTIVITIES

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

| | Indonesian Rupiah | | Translations into U.S. Dollar - Unaudited (Note 2l) | |
|---|---|---|---|---|
| | March 31, | | March 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| Conversion of Loan to Equity | 357,882,974,000 | - | 26,016,500 | - |
| Deposits for future stock subscription | 346,019,250,000 | - | 26,016,500 | - |
| Additions to fixed assets | 1,759,062,672 | - | 132,052 | - |
| Capitalization of tax amnesty assets | 385,000,000 | - | 28,902 | - |

## 29. RECLASSIFICATION OF ACCOUNT

Below are the accounts in the statement of the financial position of the Company as of March 31, 2017 which have been reclassified to allow its comparison with the accounts in the statement of financial position of the Company as of March 31, 2018:

| As previously reported | As reclassified | Amount |
|---|---|---|
| Taxes Payable | Prepayments and advances | 4,638,947 |
| Other payables | Trade payables | 295,381,996 |
| Other current financial liabilities | Accrued expenses | 696,944,612 |