

**PT Frigoglass Indonesia**

**Financial statements  
as of December 31, 2016  
and for the year then ended  
with independent auditors' report**

PT Frigoglass Indonesia  
Jababeka Industrial Estate  
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**DIRECTOR'S STATEMENT  
REGARDING THE RESPONSIBILITY FOR  
THE FINANCIAL STATEMENTS AS OF  
DECEMBER 31, 2016  
AND FOR THE YEAR ENDED**

**PT FRIGOGLASS INDONESIA**

We, the undersigned:

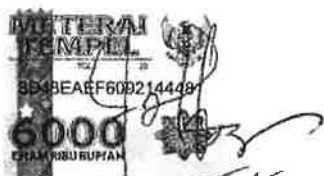
1. Name : Rahmi Marisa W. Sutedja  
Address : Kawasan Industri Jababeka I. Jalan Jababeka VI Blok P No 1  
Cikarang 17530 Cikarang, Kawasan Industri Jababeka  
Title : Vice President Director
2. Name : Armyn Rizal Harahap  
Address : Kawasan Industri Jababeka I. Jalan Jababeka VI Blok P No 1  
Cikarang 17530 Cikarang, Kawasan Industri Jababeka  
Title : Director

Declare that:

1. We are responsible for the preparation and presentation of PT Frigoglass Indonesia (the "Company")'s financial statements;
2. The Company's financial statements have been prepared and presented in accordance with Indonesian financial accounting standards;
3. a. All information in the Company's financial statements has been disclosed in complete and truthful manner;  
b. The Company's financial statements do not contain any incorrect information or material fact, nor do they omit information or material fact;
4. We are responsible for the Company's internal control systems.

We certify the accuracy of this statement.

For and on behalf of the Board of Directors



**Rahmi Marisa W. Sutedja**  
Vice President Director

**Armyn Rizal Harahap**  
Director

**PT FRIGOGLOSS INDONESIA  
FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2016 AND FOR THE YEAR THEN ENDED  
WITH INDEPENDENT AUDITORS' REPORT**

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# Purwanto, Sungkoro & Surja

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## Independent Auditors' Report

Report No. RPC-4551/PSS/2017

### The Shareholders, the Boards of Commissioners and Directors PT Frigoglass Indonesia

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

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

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

#### Auditors' responsibility

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

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

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

**Independent Auditors' Report (continued)**

Report No. RPC-4551/PSS/2017 (continued)

**Opinion**

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

**Purwantono, Sungkoro & Surja**



**Peter Surja**  
Public Accountant Registration No. AP.0686

May 23, 2017

**PT FRIGOGLASS INDONESIA**  
**STATEMENT OF FINANCIAL POSITION**  
**As of December 31, 2016**  
(Expressed in US Dollars, unless otherwise stated)

	Notes	December 31, 2016	December 31, 2015
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash on hand and in banks	4	480,286	3,019,847
Trade receivables, net	5,19	11,357,301	15,533,097
Inventories, net	6	4,339,644	3,741,180
Prepaid tax	7a	2,658,392	2,228,049
Advances and prepayments	8	416,170	245,548
Refundable deposits		39,064	115,839
<b>Total Current Assets</b>		<b>19,290,857</b>	<b>24,883,560</b>
<b>NON-CURRENT ASSETS</b>			
Claim for tax refund	7b		
Corporate income tax		1,468,959	1,868,767
Other taxes		35,805	805,696
Fixed assets, net	9	7,280,108	8,117,630
<b>Total Non-Current Assets</b>		<b>8,784,872</b>	<b>10,792,093</b>
<b>TOTAL ASSETS</b>		<b>28,075,729</b>	<b>35,675,653</b>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Short-term loans	10,19	-	4,167,403
Trade payables	11,19	13,032,714	12,970,909
Taxes payable	7c	556,257	459,310
Other payables and accruals	12	3,737,565	4,640,114
<b>Total Current Liabilities</b>		<b>17,326,536</b>	<b>22,237,736</b>
<b>NON-CURRENT LIABILITY</b>			
Employee benefits liability	13	706,000	676,726
<b>TOTAL LIABILITIES</b>		<b>18,032,536</b>	<b>22,914,462</b>
<b>EQUITY</b>			
Share capital - authorized, issued and paid-up 5,000 shares with par value of US\$1,000 (Rp2,351,000) per share	14	5,000,000	5,000,000
Retained earnings		5,148,933	7,795,577
Other comprehensive income			
Actuarial loss on employee benefit liability		(105,740)	(34,386)
<b>TOTAL EQUITY</b>		<b>10,043,193</b>	<b>12,761,191</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>28,075,729</b>	<b>35,675,653</b>

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

**PT FRIGOGLOSS INDONESIA**  
**STATEMENT OF PROFIT OR LOSS AND**  
**OTHER COMPREHENSIVE INCOME**  
**For the Year Ended December 31, 2016**  
(Expressed in US Dollars, unless otherwise stated)

	Notes	Year Ended December 31,	
		2016	2015
<b>REVENUE</b>	15,19	31,001,392	32,570,854
<b>COST OF REVENUE</b>	16,19	(26,461,715)	(26,784,462)
<b>GROSS PROFIT</b>		<b>4,539,677</b>	<b>5,786,392</b>
Selling expense	17,19	(1,071,375)	(3,927,574)
General and administrative expense	17,19	(4,778,555)	(4,089,922)
Other operating expenses	18	(1,091,330)	(717,117)
<b>OPERATING LOSS</b>		<b>(2,401,583)</b>	<b>(2,948,221)</b>
Finance income		4,356	1,922
Final tax on interest income		(874)	(384)
Finance expense	19	(248,543) ✓	(555,052)
<b>LOSS BEFORE INCOME TAX EXPENSES</b>		<b>(2,646,644)</b>	<b>(3,501,735)</b>
<b>INCOME TAX EXPENSES</b>	7d		
Current		-	-
Deferred		-	(1,011,704)
<b>INCOME TAX EXPENSES</b>		<b>-</b>	<b>(1,011,704)</b>
<b>LOSS FOR THE YEAR</b>		<b>(2,646,644)</b>	<b>(4,513,439)</b>
<b>OTHER COMPREHENSIVE LOSS</b>			
Item that will not be reclassified to profit or loss			
Actuarial loss on employees' benefit liability	13	(71,354)	(9,043)
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(2,717,998)</b>	<b>(4,522,482)</b>

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

**PT FRIGOGLOSS INDONESIA**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the Year Ended December 31, 2016**  
**(Expressed in US Dollars, unless otherwise stated)**

	Issued and Fully Paid Share Capital	Retained Earnings	Other Comprehensive Income	Total Equity
<b>Balance as of December 31, 2014</b>	<b>5,000,000</b>	<b>12,309,016</b>	<b>(25,343)</b>	<b>17,283,673</b>
Loss for the year	-	(4,513,439)	-	(4,513,439)
Other comprehensive loss for the year	-	-	(9,043)	(9,043)
<b>Balance as of December 31, 2015</b>	<b>5,000,000</b>	<b>7,795,577</b>	<b>(34,386)</b>	<b>12,761,191</b>
Loss for the year	-	(2,646,644)	-	(2,646,644)
Other comprehensive loss for the year	-	-	(71,354)	(71,354)
<b>Balance as of December 31, 2016</b>	<b>5,000,000</b>	<b>5,148,933</b>	<b>(105,740)</b>	<b>10,043,193</b>

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



**PT FRIGOGLASS INDONESIA**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2016  
(Expressed in US Dollars, unless otherwise stated)

	Notes	Year Ended December 31,	
		2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before income tax expense		(2,646,644)	(3,501,735)
Adjustment to reconcile loss before income tax benefit (expense) to net cash provided by operating activities:			
(Reversal)/addition of provision for obsolete and slow moving inventories	6	(1,970,731)	3,160,112
Depreciation	9	1,375,822	1,531,407
Interest expenses		248,543	555,052
Provision for employee benefits expense		652,087	194,656
(Gain)/loss on sales of fixed assets		(7,012)	980
Unrealized foreign exchange (gain)/losses, net		(129,181)	29,534
Reversal of allowance for impairment of receivables		-	(19,660)
Changes in operating assets and liabilities:			
Trade receivables, net		4,175,796	1,492,106
Inventories, net		1,372,267	103,433
Prepaid tax		(430,343)	(170,706)
Advances and prepayments		(170,622)	26,480
Refundable deposits		76,775	(93,643)
Trade payables		61,805	1,399,335
Taxes payable		96,947	(46,773)
Other payables and accruals		(902,554)	(316,476)
Payment for interest expense		(248,543)	(555,052)
Payment for employee benefits		(639,753)	(37,778)
Receipt of claim for tax refund		1,244,471	-
<b>Net cash provided by operating activities</b>		<b>2,159,130</b>	<b>3,751,272</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from sales of fixed assets		7,912	71,930
Acquisition of fixed assets	9	(539,200)	(510,363)
<b>Net cash used in investing activities</b>		<b>(531,288)</b>	<b>(438,433)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from short-term loans		300,000	500,000
Repayment of short-term loans		(4,467,403)	(4,758,937)
<b>Net cash used in financing activities</b>		<b>(4,167,403)</b>	<b>(4,258,937)</b>
<b>NET DECREASE IN CASH</b>		<b>(2,539,561)</b>	<b>(946,098)</b>
<b>CASH ON HAND AND IN BANKS AT BEGINNING OF YEAR</b>		<b>3,019,847</b>	<b>3,965,945</b>
<b>CASH ON HAND AND IN BANKS AT END OF YEAR</b>		<b>480,286</b>	<b>3,019,847</b>

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

**PT FRIGOGLASS INDONESIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As of December 31, 2016 and For the Year Then Ended**  
**(Expressed in US Dollars, unless otherwise stated)**

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**1. GENERAL**

**a. The Company's establishment**

PT Frigoglass Indonesia (the "Company") was established under the name of PT Frigorex Multifortuna in the framework of the Foreign Capital Investment Law No. 1, 1967 and No. 11, 1970 based on Notarial Deed of Hendra Karyadi, S.H. No. 6 dated September 12, 1996, amended by Notarial Deed of Hendra Karyadi, S.H. No. 44 dated October 24, 1996. These deeds were approved by the Minister of Justice and Human Rights of the Republic of Indonesia in its decision letter No. C2-9901.HT.01.01Th.96 dated October 29, 1996.

The Article of Association have been amended several times. The latest amendments under Notarial Deed of Miryany Usman, S.H. No. 331 dated December 1, 2016, The Deed is concerning about the changes in the composition of the Board of Directors. This amendment was approved by the Minister of Law and Human Rights of the Republic of Indonesia in its decision letter No. AHU-AH-01.03-0104619 dated December 2, 2016.

The Company is engaged in manufacturing, distribution, selling, and exporting of cooler, freezer and metal racks. The Company commenced its commercial operation in June 1997. The Company's office and plant are located in Jababeka Industrial Estate, Bekasi, West Java.

The ultimate parent of the Company is Frigoglass SAIC, a company incorporated and domiciled in Greece.

**b. Board of Commissioners and Directors**

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

**December 31, 2016**

President Commissioner	: Mr. Nikolaos Mamoulis
Commissioner	: Mr. Ioannis Sklavainas
President Director	: Mr. Arvinder Singh Pental
Vice President Director	: Mrs. Rahmi Marisa W Sutedja
Director	: Mr. Emmanouil Fafalios
	: Mr. Army Rizal Harahap

**December 31, 2015**

President Commissioner	: Mr. Nikolaos Mamoulis
Commissioner	: Mr. Ioannis Sklavainas
President Director	: Mr. Arvinder Singh Pental
Vice President Director	: Mr. Vasileios Stergiou
Director	: Mrs. Lemonia Nitsa Chanaki
	: Mr. Army Rizal Harahap

As of December 31, 2016 and 2015, the Company has 247 and 388 permanent employees, respectively (unaudited).

**c. Completion of the financial statements**

The management of the Company is responsible for the financial statements which were prepared by Board of Directors and authorized for issue on May 23, 2017.

**PT FRIGOGLASS INDONESIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As of December 31, 2016 and For the Year Then Ended**  
**(Expressed in US Dollars, unless otherwise stated)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Basis of preparation of the financial statements**

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

The financial statements, except for the statement of cash flows, have been prepared on the accrual basis. The measurement basis used is the historical cost concept, except for certain accounts which are measured on the basis as described in the relevant Notes herein.

The statement of cash flows present cash receipts and payments classified into operating, investing and financing activities which are presented using the indirect method.

The reporting currency used in the preparation of the financial statements is US Dollar, which is also the functional currency of the Company.

**b. Transaction with related parties**

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

The transactions are made based on terms agreed by the parties, such terms may not be the same as those of the transactions between unrelated parties. All significant transactions and balances with related parties are disclosed in the relevant notes herein.

**c. Financial instruments**

**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, or available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition and where allowed and appropriate, evaluates this designation at each financial year end.

When financial assets are recognized initially, they are measured at fair value. Financial assets that are not measured at fair value through profit or loss are measured at fair value with the addition of directly attributable transaction costs.

The Company's principal financial assets include cash on hand and in banks, trade receivables and refundable deposits classified and accounted for as loans and receivables under PSAK No. 55 (Revised 2014).

**PT FRIGOGLASS INDONESIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As of December 31, 2016 and For the Year Then Ended**  
**(Expressed in US Dollars, unless otherwise stated)**

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

**c. Financial instruments (continued)**

**Financial assets (continued)**

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, such assets are carried at amortized cost using the effective interest rate ("EIR") method, and the related gains or 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.

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

Derecognition

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

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

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

The new financial assets is valued at the lower of the original carrying amount of the asset and the maximum amount of consideration received that might be required to be repaid by the Company.

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

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

**PT FRIGOGLASS INDONESIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As of December 31, 2016 and For the Year Then Ended**  
**(Expressed in US Dollars, unless otherwise stated)**

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

**c. Financial instruments (continued)**

**Financial assets (continued)**

Impairment

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

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

For loans and receivables carried at amortized cost, the Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is directly recognized in the statement of profit or loss and other comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Loans and receivables, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. If a future write-off is later recovered, the recovery is recognized in the statement of profit or loss and other comprehensive income.

**PT FRIGOGLASS INDONESIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
As of December 31, 2016 and For the Year Then Ended  
(Expressed in US Dollars, unless otherwise stated)

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

**c. Financial instruments (continued)**

**Financial liabilities**

Financial liabilities within the scope of PSAK No. 55 (Revised 2014) are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. As at the reporting dates, the Company has no other financial liabilities other than those classified as loans and borrowings.

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

The Company's financial liabilities include short-term loans, trade payables, other payables and accruals which are classified as loans and borrowings.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are measured at amortized cost using the EIR method. At the reporting dates, accrued interest is recorded separately from the associated loans within the current liabilities section. Gains and losses are recognized in the statement of profit or loss and other comprehensive income when the liabilities are derecognized as well as through amortization process using the EIR method.

Amortized cost is calculated by taking into account any loan provisions that are an integral part of the EIR. The EIR amortization is included under "Finance Costs" account in the statement of profit or loss and other comprehensive income.

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivative liabilities are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss and other comprehensive income.

Derecognition

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

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

**PT FRIGOGLASS INDONESIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As of December 31, 2016 and For the Year Then Ended**  
**(Expressed in US Dollars, unless otherwise stated)**

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

**c. Financial instruments (continued)**

**Offsetting of financial instrument**

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.

**Fair value of financial instruments**

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

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

When the fair value of the financial instruments not traded in an active market cannot be reliably determined, such financial assets are recognized and measured at their carrying amounts. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of inputs and minimizing the use of unobservable inputs.

The Company presents the fair value of financial instruments based on the following fair value hierarchy:

- Level 1 - the fair value is based on quoted prices (unadjusted) in active markets;
- Level 2 - the fair value uses inputs other than quoted prices included within Level 1 that are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - the fair value uses inputs that are not based on observable market data (unobservable inputs).

**Amortized cost of financial instruments**

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

**d. Inventories**

Inventories are valued at the lower of cost or net realizable value. Cost is calculated using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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

**e. Prepaid expenses**

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

**PT FRIGOGLASS INDONESIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
As of December 31, 2016 and For the Year Then Ended  
(Expressed in US Dollars, unless otherwise stated)

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

**f. Fixed assets**

All fixed assets are initially recognized at cost, which comprises its purchase price and any costs directly attributable in bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent to initial recognition, fixed assets are carried at cost less any subsequent accumulated depreciation and impairment losses.

Fixed assets acquired in exchange for a non-monetary asset or for a combination of monetary and non-monetary assets are measured at fair values unless:

- (i) the exchange transaction lacks commercial substance, or
- (ii) the fair value of neither the assets received nor the assets given up can be measured reliably.

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

	<u>Years</u>
Buildings	20
Machinery and equipments	5 - 8
Office equipment, furniture and fixtures	5
Motor vehicles	5

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

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 is directly included in the statement of profit or loss and other comprehensive income when the item is derecognized.

The asset residual values, useful lives and depreciation method are reviewed at each year end and adjusted prospectively if necessary.

Land are stated at cost and not depreciated.

Repairs and maintenance are taken to the statement of profit or loss and other comprehensive income when these are incurred. The cost of major renovation and restoration is included in the carrying amount of the related fixed asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company, and is depreciated over the remaining useful life of the related asset.

**g. Impairment of non-financial assets**

The Company assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If such indication exists, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the cash generating unit (CGU) to which the asset belongs.



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

**g. Impairment of non-financial assets (continued)**

The recoverable amount of an asset (either individual asset or CGU) is the higher of the asset's fair value less costs to sell and its value in use, 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 "Impairment Losses". In assessing the value in use, the estimated net future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Impairment losses, 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.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses for an asset except goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss for an asset 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 periods. If that is the case, the carrying of the asset is increased to its recoverable amount.

Goodwill, if any, is tested for impairment annually (as of December 31) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

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

**h. Employee benefits**

The Company made additional provision for employee benefit and other long-term employee benefits to qualified employees under Labor Law No. 13/2003 (the "Labor Law"). The additional provisions are estimated through actuarial calculations using the "Projected Unit Credit" method.

The Company has adopted PSAK No. 24 (Revised 2013), "Employee Benefits". This PSAK, among others, removes the corridor mechanism in calculating gains or losses which recognized as income or expense in the statement of profit or loss and other comprehensive income. Actuarial gains or losses are recognized directly through other comprehensive income.

The Company recognizes a provision for post-employment benefits in accordance with PSAK No. 24 (Revised 2013), "Employee Benefits". This standard requires the Company to provide all employee benefits under formal and informal plans or agreements, under legislative requirements or through industry arrangements, including post-employment benefits, short-term and other long-term employee benefits, termination benefits and equity compensation benefits.

The obligation for post-employment benefits recognized in the statement of financial position is calculated at present value of estimated future benefits that the employees have earned in return for their services in the current and prior years.

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are directly fully recognized to other comprehensive income or expense in the year when such actuarial gains (losses) occur.

**i. Foreign currency transactions and balances**

Transactions involving foreign currencies are recorded in US Dollar at the rates of exchange prevailing at the time the transactions are made. At the reporting date, monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the average of the selling and buying rates of exchange prevailing at the last banking transaction date of the year/period, as published by Bank Indonesia, and any resulting gains or losses are credited or charged to operations of the current year/period.

The exchange rates used as of December 31, 2016 and 2015, are as follows:

	<u>2016</u>	<u>2015</u>
Indonesian Rupiah ("Rp")/US\$1	13,436	13,795
European Euro ("Euro")/US\$1	1.05	1.08

**j. Taxation**

Final tax

Tax regulation in Indonesia determined that certain taxable income is subject to final tax. Final tax applied to the gross value of transactions is applied even when the parties carrying the transaction are recognizing losses. Referring to revised PSAK No. 46 as mentioned above, final tax is no longer governed by PSAK No. 46. Therefore, the Company has decided to present all of the final tax arising from interest income and rent revenue as separate line item.

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

**j. Taxation (continued)**

Current tax

Current income tax assets and liabilities for the current year 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 "Tax Expense - Current" 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 - Current".

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

Deferred tax

Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantially enacted at the start of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

For income which is subject to final tax, tax expenses are recognised proportionally with the accounting revenue recognised and presented as part of the operating expenses account in the current year as such tax does not satisfy the criteria of income tax.

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

Value added tax

Revenue, expenses and assets are recognized net of the amount of Value Added Tax ("VAT"), except VAT derived from purchase of fixed assets that cannot be recovered by the tax authorities. In this case, VAT is recognized as part of the acquisition cost of fixed assets.

VAT in and VAT out are offset when a legally enforceable right exists to offset VAT on the same taxable entity.

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

**k. Provision**

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

**l. Accounting standards issued but not yet effective**

The standards and interpretations that are issued by the Indonesian Financial Accounting Standards Board (DSAK), but not yet effective for the December 31, 2016 financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective:

- Amendments to PSAK No. 1: Presentation of Financial Statements Disclosure Initiative, effective January 1, 2017.
- Amendments to PSAK No. 2: Statement of Cash Flows on Disclosure Initiative, effective January 1, 2018, earlier application is permitted.
- Amendments to PSAK No. 46: Income Taxes on the Recognition of Deferred Tax Assets for Unrealized Losses, effective January 1, 2018, earlier application is permitted.
- PSAK No. 3 (2016 improvement) – Interim Financial Reporting, effective January 1, 2017, earlier application is permitted.
- PSAK No. 24 (2016 Improvement): Employee Benefits, effective January 1, 2017, earlier application is permitted.
- PSAK No. 60 (2016 Improvement) – Financial Instruments, effective January 1, 2017, earlier application is permitted.

The Company is presently evaluating and has not determined the effects of these revised and new Standards, Amendment and Standards Revocation on the financial statements.

**3. SOURCE OF ESTIMATION UNCERTAINTY**

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

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**3. SOURCE OF ESTIMATION UNCERTAINTY (continued)**

**Judgment**

The following judgments are made by management in the process of applying the Company's accounting policies that have the most significant effect 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 has been determined to be US Dollar. It is the currency that mainly influences the revenue and cost of rendering services.

Classification of financial assets and financial liabilities

The Company determines the classifications of certain assets and liabilities as financial assets and financial liabilities by judging if they meet the definition set forth in PSAK No. 55 (Revised 2014). Accordingly, the financial assets and financial liabilities are accounted for in accordance with the Company's accounting policies disclosed in Note 2c.

**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 material adjustments to the carrying amounts of assets and liabilities within the next financial year/period are disclosed below. The Company based its assumptions and estimates on parameters available when the financial statements are prepared. Existing assumptions and circumstances relating to future developments may change as a result of market changes or circumstances beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Allowance for impairment losses of trade receivables

The Company evaluates specific accounts where it has information that certain customers are unable to meet their financial obligations. In those cases, the Company uses judgment, based on the best available facts and circumstances, including but not limited to, the length of its relationship with the customer and the customer's current credit status based on third party credit reports and known market factors, to record specific provisions for customers against amounts due to reduce its receivable amounts that the Company expects to collect. These specific provisions are re-evaluated and adjusted if additional information received affects the amounts of allowance for impairment losses of trade receivables. Further details are disclosed in Note 5.

Impairment of non-financial assets

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

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**3. SOURCE OF ESTIMATION UNCERTAINTY (continued)**

**Estimates and assumptions**

Impairment of non-financial assets (continued)

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

Management believes that there is no indication of potential impairment in values of fixed assets as of December 31, 2016 and 2015.

Employee benefits

The determination of the Company's obligations and cost employee benefits liabilities is dependent on its selection of certain assumptions used by the independent actuaries in calculating such amounts. Those assumptions include among others, discount rates, annual salary increase rate, annual employee turn-over rate, disability rate, retirement age and mortality rate. Deferred recognition of actuarial gains and losses is not allowed. Actuarial gains and losses are recognized directly in other comprehensive income component in equity and can be transferred to other post within equity. While the Company believes that their assumptions are reasonable and appropriate, significant differences in the Company's actual results or significant changes in the Company's assumptions may materially affect its estimated liabilities for employee benefits and net employee benefits expense. Further details are disclosed in Note 13.

Income tax

Significant judgment is involved in determining the provision for corporate income tax. There are certain transactions and computation 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 corporate taxable income. Further details are disclosed in Note 7.

Uncertain tax exposure

In certain circumstances, the Company may not be able to determine the exact amount of its current or future tax liabilities due to ongoing investigations by, or negotiations with, the taxation authority. Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income.

In determining the amount to be recognized in respect of an uncertain tax liability, the Company applies similar considerations as it would use in determining the amount of a provision to be recognized in accordance with PSAK No. 57, "Provisions, Contingent Liabilities and Contingent Assets". The Company makes an analysis of all tax positions related to income taxes to determine if a tax liability for unrecognized tax expense should be recognized.

Allowance for decline in market value and obsolescence of inventories

Allowance for decline in market values and obsolescence of inventories is estimated based on the best available facts and circumstances, including but not limited to, the inventories' own physical conditions, their market selling prices, estimated costs of completion and estimated costs to be incurred for their sales. The provisions are re-evaluated and adjusted as additional information received which affects the amount estimated. Further details are disclosed in Note 6.

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**4. CASH ON HAND AND IN BANKS**

The details of cash on hand and in banks are as follows:

	December 31, 2016	December 31, 2015
Cash on hand	2,052	2,107
Cash in banks	478,234	3,017,740
<b>Total</b>	<b>480,286</b>	<b>3,019,847</b>

**5. TRADE RECEIVABLES, NET**

The details of trade receivables are as follows:

	December 31, 2016	December 31, 2015
Third parties	3,439,849	6,147,250
Less: Allowance for impairment of receivables	(26,682)	(26,682)
	3,413,167	6,120,568
Related parties (Note 19)	7,944,134	9,412,529
<b>Total</b>	<b>11,357,301</b>	<b>15,533,097</b>

Management believes that the allowance for impairment of receivables is adequate to cover the possible losses on uncollectible accounts.

**6. INVENTORIES, NET**

The details of inventories are as follows:

	December 31, 2016	December 31, 2015
Finished goods	809,377	1,213,352
Work in process	366,090	512,233
Raw materials	5,017,443	5,633,615
	6,192,910	7,359,200
Less: Allowance for obsolete and slow moving inventories	(1,868,425)	(3,839,156)
	4,324,485	3,520,044
Inventories in transit	15,159	221,136
<b>Total</b>	<b>4,339,644</b>	<b>3,741,180</b>

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**6. INVENTORIES, NET (continued)**

The movements of the allowance for obsolete and slow moving inventories are as follows:

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
At beginning of year	3,839,156	679,044
Additional provision	-	3,160,112
Reversal of provision	(1,970,731)	-
<b>At end of year</b>	<b>1,868,425</b>	<b>3,839,156</b>

Management believes that the allowance for obsolete and slow moving inventories is adequate to cover possible losses from the decline in inventory value.

**7. TAXATION**

**a. Prepaid tax**

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Value added tax, net	2,658,392	2,228,049

**b. Claim for tax refund**

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
<b>Corporate income tax:</b>		
Fiscal year 2014	14,868	45,264
Fiscal year 2013	195,063	195,063
Fiscal year 2012	212,157	212,157
Fiscal year 2011	782,019	782,019
Fiscal year 2008	-	369,412
Fiscal year 2006	264,852	264,852
<b>Total</b>	<b>1,468,959</b>	<b>1,868,767</b>

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
<b>Other taxes:</b>		
Value added tax - period January to November 2006	35,805	34,852
Value added tax - period January to December 2008	-	770,844
<b>Total</b>	<b>35,805</b>	<b>805,696</b>



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**7. TAXATION (continued)**

**c. Taxes payable**

	December 31, 2016	December 31, 2015
Article 21	4,550	5,033
Article 23	2,016	4,630
Article 26	549,691	449,647
<b>Total</b>	<b>556,257</b>	<b>459,310</b>

**d. Income tax expense**

	December 31, 2016	December 31, 2015
Current	-	-
Deferred	-	(1,011,704)
<b>Income tax expense</b>	<b>-</b>	<b>(1,011,704)</b>

The reconciliation between income tax expense and the theoretical tax amount on the Company's loss before income tax expense is as follows:

	December 31, 2016	December 31, 2015
Loss before income tax expense	2,646,644	3,501,435
Tax calculated at applicable tax rate	661,661	875,359
Permanent differences	(280,003)	(259,600)
Unrecognised deferred tax asset	(381,658)	-
Adjustment	-	(1,627,463)
<b>Income tax expense</b>	<b>-</b>	<b>(1,011,704)</b>

Management does not believe that sufficient taxable profit will be generated to guarantee the recoverability of the deferred tax assets. The Company did not realized deferred tax assets which amounted to US\$381,658 that comes from tax loss carried forward and other temporary differences.

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**7. TAXATION (continued)**

**f. Tax assessments**

2014 fiscal year

In December 2015, the Company received a tax assessment letter from the tax office for fiscal year 2014 confirming for an overpayment of corporate income tax amounting to US\$45,264. The Company have received the refund on June 6, 2016 amounting to US\$30,396. The remaining claim for tax refund in 2016 of US\$14,868 is not yet received up to the date of financial statements.

2013 fiscal year

In October 2016, the Company filed a tax appeal to the Tax Court related with overpayment of - 2013 corporate income tax of US\$195,014. Up to the completion date of the financial statements, the Tax Court has not yet issued any decision on the Companys tax appeal. The remaining claim for tax refund in 2016 is amounting to US\$195,063.

2012 fiscal year

In March 2014, the Company received a tax assessment letter from the tax office for fiscal year 2012 confirming an overpayment of corporate income tax of US\$85,821 or equivalent with Rp976,4 million. The Company have received the refund on May 5, 2014. The Company also made some correction of the beginning balance claim for tax refund in 2013 amounting to US\$70,571. The Company filed an appeal letter to the Tax Court on May 26, 2014. As of the completion date of these financial statements, the Tax Court has not yet issued any decision on the Companys tax appeal decision in relation to such appeal. The remaining claim for tax refund in 2016 is amounting to US\$212,157.

2011 fiscal year

In February 2013, the Company received several tax assessments letter from the tax office for fiscal year 2011 confirming an underpayments of withholding tax article 23 and VAT totaling Rp415.6 million or equivalent to US\$44,811 and an overpayment of corporate income tax amounting to US\$800,062 instead of US\$1,579,276 as claimed by the Company. The Company already paid the underpayment of withholding tax article 23 and VAT on May 3, 2013 and received the overpayment of corporate income tax on April 3, 2013. The Company disagreed with such tax assessments and filed the objection letters to DGT on April 12, 2013. As of the completion date of these financial statements, the DGT has not yet issued any decision on the Companys tax objection. The remaining claim for tax refund in 2016 is amounting to US\$782,019.

2008 fiscal year

*Corporate income tax*

In January 2016, DGT's approved the Company's objection letter and issued revised tax assessment letter confirming the overpayment of corporate income tax amounting to US\$369,412.

*Value added tax*

In March 2016, DGT's issued the decision letter agreed with overpayment for VAT 2008. The Company received the agreed overpayment on February 12, 2016 and March 24, 2016 amounting to US\$42,717 (or equivalent to Rp575 million) and US\$728,127 (or equivalent to Rp10,5 billion).

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**7. TAXATION (continued)**

**f. Tax assessments (continued)**

2006 fiscal year

*Corporate income tax*

In March 2009, the DGT rejected the Company's objection on the tax assessment letter confirming the underpayment of corporate income tax and tax penalty amounting to US\$219,221 instead of an overpayment of corporate income tax of US\$45,631 as claimed by the Company. The Company disagreed with this assessment, but paid the underpayment and recognized a claim of tax refund for 2006 fiscal year totalling to US\$264,852. In April 2012, the Tax Court issued a decision letter which partly approved the Company's appeal and accepted part of the claimed balance amounting to US\$74,486. DGT disagreed with Tax Court's decision letter and requested for judicial review to the Supreme Court in August 2012. As of the completion date of these financial statements, the Supreme Court has not yet issued any decision of the Company's judicial review.

*Value added tax*

In March 2009, DGT rejected the Company's objection on the tax assessment letter confirming the underpayment of VAT and tax penalty amounting to Rp481.5 million (or equivalent to US\$35,805 and US\$34,852 in 2016 and 2015, respectively). The Company disagreed with this assessment, but paid the underpayment and recorded the payment as a claim for tax refund. In April 2012, the Tax Court issued a decision letter which partially approved the Company's appeal and accepted part of the claimed balance amounting to Rp284.7 million or equivalent to US\$29,548. DGT disagreed with Tax Court's decision letter and requested for judicial review to the Supreme Court in August 2012. As of the completion date of these financial statements, the Supreme Court has not yet any decision on the Company's judicial review.

**g. Administration**

Under the taxation laws of Indonesia, the Company submits tax returns on the basis of self assessment. Under prevailing regulations, DGT may assess or amend taxes within a certain period. For fiscal years 2007 and before, this period is within ten years of the time the tax becomes due, but not later than 2013, while for the fiscal years of 2008 and onwards, the periods is within five years of the time the tax becomes due.

**8. ADVANCES AND PREPAYMENT**

The details of advances and prepayment are as follows:

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Advance payment to suppliers	318,291	118,681
Prepaid insurance	66,237	68,554
Other (less than US\$60,000 each)	31,642	58,313
<b>Total</b>	<b>416,170</b>	<b>245,548</b>

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**9. FIXED ASSETS**

The composition and movements of fixed assets are as follows:

	December 31, 2016				
	Beginning balance	Additions	Disposals	Reclassification	Ending balance
<b>Acquisition cost</b>					
Land	3,036,777	-	-	-	3,036,777
Buildings	2,946,823	63,085	-	-	3,009,908
Machinery and equipment	15,065,356	447,708	(18,541)	15,091	15,509,614
Office equipment, furniture and fixtures	1,570,424	19,218	-	-	1,589,642
Motor vehicles	239,448	-	(18,312)	-	221,136
	22,858,828	530,011	(36,853)	15,091	23,367,077
Construction in progress	15,091	9,189	-	(15,091)	9,189
	22,873,919	539,200	(36,853)	-	23,376,266
<b>Accumulated depreciation</b>					
Buildings	1,892,570	146,759	-	-	2,039,329
Machinery and equipment	11,349,286	1,124,885	(17,641)	-	12,456,530
Office equipment, furniture and fixtures	1,319,164	95,372	-	-	1,414,536
Motor vehicles	195,269	8,806	(18,312)	-	185,763
	14,756,289	1,375,822	(35,953)	-	16,096,158
<b>Net book value</b>	<b>8,117,630</b>				<b>7,280,108</b>

	December 31, 2015				
	Beginning balance	Additions	Disposals	Reclassification	Ending balance
<b>Acquisition cost</b>					
Land	3,036,777	-	-	-	3,036,777
Buildings	2,870,404	68,437	-	7,982	2,946,823
Machinery and equipment	15,082,113	389,708	(640,484)	234,019	15,065,356
Office equipment, furniture and fixtures	1,493,118	39,148	(2,971)	41,129	1,570,424
Motor vehicles	239,448	-	-	-	239,448
	22,721,860	497,293	(643,455)	283,130	22,858,828
Construction in progress	285,151	13,070	-	(283,130)	15,091
	23,007,011	510,363	(643,455)	-	22,873,919

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**9. FIXED ASSETS (continued)**

	December 31, 2015				
	Beginning balance	Additions	Disposals	Reclassification	Ending balance
<b>Accumulated depreciation</b>					
Buildings	1,750,405	142,165	-	-	1,892,570
Machinery and equipment	10,672,608	1,244,252	(567,574)	-	11,349,286
Office equipment, furniture and fixtures	1,192,423	129,712	(2,971)	-	1,319,164
Motor vehicles	179,991	15,278	-	-	195,269
	13,795,427	1,531,407	(570,545)	-	14,756,289
<b>Net book value</b>	<b>9,211,584</b>				<b>8,117,630</b>

The depreciation expenses are allocated as follows:

	December 31, 2016	December 31, 2015
Cost of revenue (Note 16)	1,361,098	1,440,832
General and administration expenses	14,724	90,575
<b>Total</b>	<b>1,375,822</b>	<b>1,531,407</b>

The Company owns a plot of land which has a total area of 30,510 square metres, located in Jababeka Industrial Estate, Bekasi, West Java with Building Use Right ("*Hak Guna Bangunan*") which expires in 2022 and is renewable.

**10. SHORT-TERM LOANS**

This account consists of outstanding borrowings from the following:

	December 31, 2016	December 31, 2015
<b>Related party (Note 19):</b>		
Frigoglass Finance B.V.	-	4,167,403
<b>Total</b>	-	<b>4,167,403</b>

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**11. TRADE PAYABLES**

This account consists of:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Third parties	5,159,019	5,925,363
Related parties (Note 19)	7,873,695	7,045,546
<b>Total</b>	<b><u>13,032,714</u></b>	<b><u>12,970,909</u></b>

**12. OTHER PAYABLES AND ACCRUALS**

The details of other payables and accruals are as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
<b>Other payables:</b>		
Freight	770,202	991,213
Others (less than US\$50,000 each)	204,768	159,841
<b>Sub-total</b>	<b><u>974,970</u></b>	<b><u>1,151,054</u></b>
<b>Accruals:</b>		
Free of charge spareparts and coolers	1,350,783	1,502,807
Provision for liability risks and disputes	448,199	437,960
Transportation	267,785	199,944
Product warranties	100,000	461,874
Professional fees	56,598	69,187
Others (less than US\$50,000 each)	539,230	817,288
<b>Sub-total</b>	<b><u>2,762,595</u></b>	<b><u>3,489,060</u></b>
<b>Total</b>	<b><u>3,737,565</u></b>	<b><u>4,640,114</u></b>

**13. EMPLOYEE BENEFITS LIABILITY**

As of December 31, 2016 and 2015, the Company recorded the provision for employee service entitlements based on the actuarial calculations performed by PT Padma Radya Aktuaria, an independent actuary, based on its reports dated January 9, 2017 and January 5, 2016, using the "Projected Unit Credit" valuation method and the following key assumptions:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Discount rate per annum	8.75%	8.5%
Salary increment rate	7%	7%
Mortality rate	100% TMI 3	100% TMI 3
Disability rate	5%	5%
Voluntary resignation	7% until age 35 then decreasing linearly into 0% at 55	7% until age 35 then decreasing linearly into 0% at 55
Retirement age	55 years old	55 years old

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**13. EMPLOYEE BENEFITS LIABILITY (continued)**

The movements in the liabilities recognized in the statement of financial position are as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Beginning balance	676,726	580,060
Employee benefit expense during the year	580,733	185,613
Cost of termination	(637,648)	(36,963)
Translation differences	16,940	(60,212)
Actuarial loss on employees' benefit liability	71,354	9,043
Benefits paid	(2,105)	(815)
<b>Employee benefits liability</b>	<u><b>706,000</b></u>	<u><b>676,726</b></u>

The pension benefits recognized in the statement of financial position are determined as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Present value of defined benefit obligations	706,000	676,726
<b>Employee benefits liability</b>	<u><b>706,000</b></u>	<u><b>676,726</b></u>

The current year expenses charged to the statement of profit or loss and other comprehensive income are as follows:

	<u>Year Ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Current service costs	512,659	140,798
Interest costs	68,074	44,815
<b>Employee benefit expenses for the year</b>	<u><b>580,733</b></u>	<u><b>185,613</b></u>

The movements of the present value of defined benefit obligations are as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Beginning balance	676,726	580,060
Current service costs	95,640	83,104
Past service cost	(219,289)	20,731
Interest cost	68,074	44,815
Benefits paid	(2,105)	(815)
Translation differences	15,600	(60,212)
Actuarial loss on employees' benefit liability	71,354	9,043
<b>Ending balance</b>	<u><b>706,000</b></u>	<u><b>676,726</b></u>

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**13. EMPLOYEE BENEFITS LIABILITY (continued)**

The maturity profile analysis of the employee benefits payments as of December 31, 2016:

	<b>December 31, 2016</b>
Within 1 year	7,922
2-5 years	43,453
5-10 years	405,466
Beyond 10 years	7,224,569
<b>Ending balance</b>	<b>7,681,410</b>

The weighted average duration of the present value of employee benefits obligation at the end of the reporting period is 16.69 years.

**14. SHARE CAPITAL**

The composition of the Company's shareholders as of December 31, 2016 and 2015 are as follows:

**December 31, 2016 and 2015**

	<b>Number of shares</b>	<b>Paid up value in US\$</b>	<b>Percentage ownership</b>
Frigoinvest Holding B.V	3,500	3,500,000	70,00%
Frigoglass Cyprus Ltd., Cyprus	1,499	1,499,000	29,98%
Mrs. Ary Martina K Sutedja	1	1,000	0,02%
<b>Total</b>	<b>5,000</b>	<b>5,000,000</b>	<b>100.00%</b>

**15. REVENUE**

Net revenue consists of:

	<b>Year Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
Sales of ice cold merchandiser	30,249,016	30,943,179
Transportation services	752,376	1,627,675
<b>Total</b>	<b>31,001,392</b>	<b>32,570,854</b>



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**16. COST OF REVENUE**

The details of cost of revenue are as follows:

	Year Ended December 31,	
	2016	2015
Raw material and consumables usage	19,904,881	19,860,594
Salaries	2,487,946	2,315,368
Depreciation (Note 9)	1,361,098	1,440,832
Transportation and freight	1,083,421	1,712,652
Utilities and communication	465,312	494,091
Import duties	84,665	55,581
Rent	50,929	43,471
Others (each below US\$50,000)	1,023,463	861,873
<b>Total</b>	<b>26,461,715</b>	<b>26,784,462</b>

**17. OPERATING EXPENSES**

The details of operating expenses are as follows:

	Year Ended December 31,	
	2016	2015
Selling expenses		
Provision for slow moving inventories	-	2,928,000
Commission expenses (Note 19)	924,235	838,855
Others	147,140	160,719
Sub-total	1,071,375	3,927,574
General and administrative expenses		
Management fees (Note 19)	1,847,496	1,951,957
Product warranties	1,694,725	940,795
Salaries	835,154	549,942
Rent	76,733	162,931
Others (each below US\$50,000 each)	324,447	484,297
Sub-total	4,778,555	4,089,922
<b>Total</b>	<b>5,849,930</b>	<b>8,017,496</b>

**18. OTHER OPERATING EXPENSES**

Other operating expenses consist of:

	Year Ended December 31,	
	2016	2015
Tax expenses	(974,729) ✓	(60,000)
Loss on foreign exchange	(123,613) ✓	(675,538)
Other (each below US\$50,000 each)	7,012 ✓	18,421
<b>Total</b>	<b>(1,091,330)</b>	<b>(717,117)</b>

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**19. RELATED PARTIES INFORMATION**

The Company in its regular conduct of business, has engaged in transactions with its related parties, principally consisting of purchases of raw materials, spareparts, fixed assets and others, which were conducted under terms and conditions agreed by the parties.

**a. Nature of relationship and transactions with related parties**

Related parties	Nature of relationship with related parties	Nature of transaction
Frigoglass SAIC, (Greece)	Ultimate parent company	Sales and purchase of raw materials and spare parts, payment of management fee and commission
Frigoglass Eurasia LLC., (Rusia)	Under common control	Purchases of raw materials and spareparts
Frigoglass East Africa Ltd., (Kenya)	Under common control	Sales and purchase of raw materials and spare parts
Frigoglass West Africa Ltd.,	Under common control	Sales and purchase of spare parts and purchase of fixed asset
Frigoglass Kato Achaia, (Greece)	Under common control	Sales of raw materials and spare parts
Frigoglass Industries Ltd., (Nigeria)	Under common control	Sales of raw materials and spareparts
Frigoglass S.A.I.C., (Nwame)	Under common control	Sales of raw materials and spareparts and purchase of fixed asset
Frigoglass South Africa (Pty) Ltd., (South Africa)	Under common control	Sales and purchases of raw materials and spareparts
S.C 3P Frigoglass S.R.L., (Romania)	Under common control	Sales and purchases of raw materials
Frigoglass India Private Ltd., (India)	Under common control	Sales and purchases of spareparts and raw materials
Frigoglass (Guangzhou, China)	Under common control	Sales and purchases of raw material, spareparts and purchase of fixed asset
Frigoglass Finance BV., (Netherland)	Under common control	Short-term loans

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**19. RELATED PARTIES INFORMATION (continued)**

The Company in its regular conduct of business, has engaged in transactions with its related parties, principally consisting of purchases of raw materials, spareparts, fixed assets and others, which were conducted under terms and conditions agreed by the parties. (continued)

**b. Significant transactions and balances with related parties**

	December 31, 2016	December 31, 2015
Trade receivables, net (Note 5)	7,944,134	9,412,529
Short-term loans (Note 10)	-	4,167,403
Trade payables (Note 11)	7,873,695	7,045,546
Net revenue	8,739,288	10,141,691
Purchases of raw materials	660,867	1,278,130
Purchases of fixed assets	152,415	123,345
Management fees (Note 17)	1,847,496	1,951,957
Commission expenses (Note 17)	924,235	838,855
Finance expenses	248,543	555,052

The Company entered into service and license agreements with Frigoglass SAIC, the Company's ultimate shareholder.

Under the service agreement, Frigoglass SAIC will provide: a) engineering production and technical consulting service; b) implementation and development of internal quality assurance system; c) assistance in supply chain management including selection of potential suppliers of materials; and d) other management consulting services. The service agreement is valid until December 2017. The Company pays a fee to Frigoglass SAIC for the services rendered based on the agreed amount between the Company and Frigoglass SAIC. Up to the date of this report, the extension of the agreement is still in process.

Under the license agreement, Frigoglass SAIC will make available to the Company a non-exclusive right to manufacture and sale of the products under Frigoglass SAIC's ice cold merchandiser technology and trademark, the service agreement is valid until December 2017. The Company pays a royalty to Frigoglass SAIC for this non-exclusive right based on the agreed amount between the Company and Frigoglass SAIC. Up to the date of this report, the extension of the agreement is still in process.

The service fee and royalty paid to Frigoglass SAIC for the year ended December 31, 2016 and 2015 amounted to US\$1,847,896 and US\$1,951,957, respectively which are recorded as general and administrative expenses (Note 17).

Key management compensation

In the operational activities, the Company has several key management personnel consisting of the Company's Commissioners and Directors. The compensation to key management amounted US\$4,801 and US\$4,716 for 2016 and 2015, respectively.

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**20. FINANCIAL RISK MANAGEMENT**

**a. Financial risk factors**

The Company's activities expose it to a variety of financial risks such as foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Company's overall financial risk management program is designed to minimize the impact of the unpredictability of financial markets and potential adverse effects on the Company's financial performance.

**(i) Foreign exchange risk**

The Company is exposed to foreign exchange risk that primarily arises from the sales of goods, purchase of imported materials and payment of expenses that are denominated in a currency that is not the entity's functional currency.

**(ii) Interest rate risk**

The Company's interest rate risk arises from short-term loans. The short-term loans issued at variable rates expose the Company to cash flow interest rate risk. The Company considers the fair value interest rate risk from its fixed rates loans as not imminent because the payment term of these loans are generally short-term.

The Company prepares a regular cash flow projection to monitor the payment of loan principal and interest.

**(iii) Credit risk**

The Company has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Company also monitors the receivables aging and managing ongoing collection to minimize the credit risk exposure.

The carrying amounts of financial assets in the Company's statement of financial position represent the maximum credit exposures.

**(iv) Liquidity risk**

The Company manages its liquidity risk by continuously monitoring the forecast and actual cash flows and continuously supervising final maturity date of the assets and financial liabilities.

The Company's financial liabilities comprise on trade payables, other payables and accruals and short-term loans.

The carrying amounts of financial liabilities in the Company's statement of financial position represent the total undiscounted cash flows as the maturity of these financial liabilities are less than one year.

**b. Capital risk management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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**21. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying amounts of the Company's financial assets and liabilities including cash on hand and in banks, trade receivables, refundable deposits, short-term loans, trade payables, other payables and accruals are assumed to approximate the fair value due to their short-term nature.