

## **PT Frigoglass Indonesia**

Financial statements as of December 31, 2019 and  
for the year then ended with independent auditors' report

**PT FRIGOGLASS INDONESIA  
FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2019  
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. 01373/2.1032/AU.1/04/1174-3/1/VI/2020

### The Shareholders and 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, 2019, 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. 01373/2.1032/AU.1/04/1174-3/1/VI/2020 (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, 2019, and its financial performance and cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards.

Purwantono, Sungkoro & Surja

A handwritten signature in black ink, appearing to be 'Arief Somantri', is written over the firm name.

**Arief Somantri**  
Public Accountant Registration No. AP.1174

June 19, 2020

**PT FRIGOGLASS INDONESIA**  
**STATEMENT OF FINANCIAL POSITION**  
**As of December 31, 2019**  
**(Expressed in United States Dollar, unless otherwise stated)**

	Notes	December 31, 2019	December 31, 2018
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash on hand and in banks	4	748,972	492,947
Trade receivables, net	5,19b	10,923,726	9,021,462
Inventories, net	6	3,895,660	3,380,961
Prepaid tax	7a	3,636,009	3,277,486
Advances and prepayments	8	502,547	307,864
Refundable deposits		19,536	29,137
<b>TOTAL CURRENT ASSETS</b>		<b>19,726,450</b>	<b>16,509,857</b>
<b>NON-CURRENT ASSETS</b>			
Estimated claims for refundable taxes	7b	1,121,560	1,189,139
Fixed assets, net	9	3,824,208	5,479,599
<b>TOTAL NON-CURRENT ASSETS</b>		<b>4,945,768</b>	<b>6,668,738</b>
<b>TOTAL ASSETS</b>		<b>24,672,218</b>	<b>23,178,595</b>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Loan from a shareholder	19c	15,139,740	11,079,321
Trade payables	10,19d	2,348,167	2,141,623
Taxes payable	7c	120,267	40,096
Other payables and accruals	11	2,264,816	2,144,972
<b>TOTAL CURRENT LIABILITIES</b>		<b>19,872,990</b>	<b>15,406,012</b>
<b>NON-CURRENT LIABILITY</b>			
Employee benefits liability	12	1,004,448	793,322
<b>TOTAL LIABILITIES</b>		<b>20,877,438</b>	<b>16,199,334</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	13	5,000,000	5,000,000
Retained earnings (deficit)		(715,938)	2,405,429
Other comprehensive loss		(489,282)	(426,168)
<b>TOTAL EQUITY</b>		<b>3,794,780</b>	<b>6,979,261</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>24,672,218</b>	<b>23,178,595</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 PROFIT OR LOSS**  
**AND OTHER COMPREHENSIVE INCOME**  
**For the Year Ended December 31, 2019**  
(Expressed in United States Dollar, unless otherwise stated)

	Notes	Year Ended December 31,	
		2019	2018
<b>REVENUE</b>	14,19e	16,657,791	17,466,163
<b>COST OF REVENUE</b>	15,19e	(15,487,039)	(15,700,000)
<b>GROSS PROFIT</b>		<b>1,170,752</b>	<b>1,766,163</b>
<b>OPERATING (EXPENSES)/INCOME:</b>			
Selling expenses	16,19e	(77,649)	(366,909)
General and administrative expenses	17,19e	(3,452,793)	(2,821,493)
Other operating income, net	18	72,932	68,793
Total operating expenses, net		(3,457,510)	(3,119,609)
<b>OPERATING LOSS</b>		<b>(2,286,758)</b>	<b>(1,353,446)</b>
Finance income	4	1,636	1,649
Final tax on finance income	4	(327)	(330)
Finance cost	19c	(835,918)	(746,412)
<b>Other expenses, net</b>		<b>(834,609)</b>	<b>(745,093)</b>
<b>LOSS BEFORE CORPORATE INCOME TAX</b>		<b>(3,121,367)</b>	<b>(2,098,539)</b>
<b>CORPORATE INCOME TAX:</b>			
Current	7d	-	-
Deferred		-	-
<b>LOSS FOR THE YEAR</b>		<b>(3,121,367)</b>	<b>(2,098,539)</b>
<b>OTHER COMPREHENSIVE LOSS:</b>			
<b>Item that will not be reclassified to profit or loss:</b>			
Remeasurement loss of employee benefits liability	12	(63,114)	(119,532)
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(3,184,481)</b>	<b>(2,218,071)</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, 2019**  
**(Expressed in United States Dollar, unless otherwise stated)**

	<b>Issued and Fully Paid Share Capital</b>	<b>Retained Earnings (Deficit)</b>	<b>Other Comprehensive Loss</b>	<b>Total Equity</b>
<b>Balance as of December 31, 2017</b>	<b>5,000,000</b>	<b>4,503,968</b>	<b>(306,636)</b>	<b>9,197,332</b>
Loss for the year	-	(2,098,539)	-	(2,098,539)
Other comprehensive loss for the year	-	-	(119,532)	(119,532)
<b>Balance as of December 31, 2018</b>	<b>5,000,000</b>	<b>2,405,429</b>	<b>(426,168)</b>	<b>6,979,261</b>
Loss for the year	-	(3,121,367)	-	(3,121,367)
Other comprehensive loss for the year	-	-	(63,114)	(63,114)
<b>Balance as of December 31, 2019</b>	<b>5,000,000</b>	<b>(715,938)</b>	<b>(489,282)</b>	<b>3,794,780</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, 2019  
(Expressed in United States Dollar, unless otherwise stated)

	Notes	Year Ended December 31,	
		2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Loss before corporate income tax		(3,121,367)	(2,098,539)
Adjustments to reconcile loss before corporate income tax to net cash used in operating activities:			
Depreciation of fixed assets	9	1,933,487	923,984
Finance cost	19c	835,918	746,412
Employee benefit expenses	12	151,855	63,540
Unrealized foreign exchange (gain)/loss		(1,665)	67,023
Gain on disposal of fixed assets		-	(31,453)
Changes in assets and liabilities:			
Trade receivables, net		(1,902,264)	(2,774,686)
Inventories, net		(514,699)	2,619,207
Prepaid tax		(358,523)	(5,781)
Advances and prepayments		(194,683)	135,656
Refundable deposits		9,601	16,352
Estimated claims for refundable taxes		67,579	-
Trade payables		206,544	(1,159,963)
Taxes payable		80,171	(96,905)
Other payables and accruals		119,844	(550,884)
Employee benefits payment	12	(2,178)	(460,689)
<b>Net cash used in operating activities</b>		<b>(2,690,380)</b>	<b>(2,606,726)</b>
<b>CASH FLOW FROM INVESTING ACTIVITY:</b>			
Acquisitions of fixed assets	9	(278,096)	(194,667)
<b>Net cash used in investing activity</b>		<b>(278,096)</b>	<b>(194,667)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>			
Proceeds from loan from a shareholder	19c, 22b	4,060,419	3,062,867
Repayments of loan from a shareholder	22b	-	(454,000)
Payments of finance cost	19c	(835,918)	(746,412)
<b>Net cash provided by financing activities</b>		<b>3,224,501</b>	<b>1,862,455</b>
<b>NET INCREASE/(DECREASE) IN CASH ON HAND AND IN BANKS</b>		<b>256,025</b>	<b>(938,938)</b>
<b>CASH ON HAND AND IN BANKS AT BEGINNING OF YEAR</b>		<b>492,947</b>	<b>1,431,885</b>
<b>CASH ON HAND AND IN BANKS AT END OF YEAR</b>	4	<b>748,972</b>	<b>492,947</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, 2019 and for the year then ended**  
**(Expressed in United States Dollar, 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 have been approved by the Minister of Justice and Human Rights of the Republic of Indonesia through 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. 70 dated April 30, 2018, related with 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-01.03-0201827 dated May 18, 2018.

The Company is primarily 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 S.A.I.C., a company incorporated and domiciled in Greece.

As of December 31, 2019, the Company has 171 permanent employees (December 31, 2018: 171 employees) (unaudited).

**b. Boards of Commissioners and Directors**

The composition of the Company's Boards of Commissioners and Directors as of December 31, 2019 and 2018 are as follows:

President Commissioner	: Mr. Nikolaos Mamoulis
Commissioner	: Mr. Ioannis Sklavainas
President Director	: Mr. Emmanouil Souliotis
Vice President Director	: Mrs. Rahmi Marisa W Sutedia
Director	: Mr. Vasileios Stergiou
	: Mr. Armyn Rizal Harahap

**c. Completion of the Financial Statements**

The financial statements were completed and authorized for issuance by the Company's Management on June 19, 2020.

**PT FRIGOGLOSS INDONESIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As of December 31, 2019 and for the year then ended**  
**(Expressed in United States Dollar, 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 ("PSAK") and Interpretations of Financial Accounting Standards ("ISAK") issued by the Financial Accounting Standards Board of the Indonesian Institute of Accountants.

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

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

The reporting currency used in the financial statements is US Dollar which is the Company's functional currency.

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

**b. Related Parties**

The Company conducts transactions with related parties. The definition of related parties is in accordance with PSAK No. 7, "Related Party Disclosures".

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

The nature and extent of transactions with related parties are described in Note 19.

**c. Financial Instruments**

**i. Financial Assets**

*Initial recognition and measurement*

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

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

The Company's financial assets include cash on hand and in banks, trade receivables, and refundable deposits which are classified under loans and receivables.

**PT FRIGOGLASS INDONESIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**c. Financial Instruments (continued)**

**i. 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, PSAK No. 55 requires such assets to be 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.

*Derecognition*

The Company derecognizes a financial asset if, and only if, the contractual rights to receive cash flows from the asset have expired, or 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.

*Impairment of financial assets*

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

*Assets carried at amortized cost*

The Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in 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 of impairment.

The Company assesses whether objective evidence of impairment exists collectively. If there is objective evidence that an impairment loss on financial assets carried at amortized cost 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 discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognized in the statement of profit or loss and other comprehensive income.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount has been charged to the allowance account, the amounts charged are written off against the carrying value of the financial assets.

**PT FRIGOGLASS INDONESIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**(Expressed in United States Dollar, unless otherwise stated)**

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

**c. Financial Instruments (continued)**

**i. Financial Assets (continued)**

*Impairment of financial assets (continued)*

Assets carried at amortized cost (continued)

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred; the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date. The amount of reversal is recognized in the statement of profit or loss and other comprehensive income.

**ii. Financial Liabilities**

*Initial recognition and measurement*

Financial liabilities within the scope of PSAK No. 55 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. As at the reporting dates, the Company has no other financial liabilities other than those classified as financial liabilities measured at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities in the form of financial liabilities measured at amortized cost are initially recognized at their fair values plus directly attributable transaction costs.

The Company's financial liabilities include trade payables, other payables and accruals and loan from a shareholder, classified as financial liabilities which are measured at amortized cost.

*Subsequent measurement*

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest method, except for derivatives, which are measured at fair value, unless the effect of discounting would be immaterial, in which case they are stated at cost.

For financial liabilities other than derivatives, gains and losses are recognized in the statement of profit or loss and other comprehensive income when the liabilities are derecognized and through the amortization process. Any gains or losses arising from changes in fair value of derivatives are recognized in the statements of profit or loss and other comprehensive income. Net gains or losses on derivatives include exchange differences.

*Derecognition*

A financial liability is derecognized when the obligation specified in 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 a 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, 2019 and for the year then ended**  
**(Expressed in United States Dollar, unless otherwise stated)**

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

**c. Financial Instruments (continued)**

**iii. Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount are 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 period. For financial instruments where there is no active market, fair value is determined using valuation techniques permitted by PSAK No. 55, such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis; or other valuation models.

**d. Inventories**

Inventories are stated at the lower of cost or net realizable value.

Cost is determined on the average method and comprises of all cost of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion, marketing and distribution necessary to make the sale.

Allowance for decline in value of inventory is determined on the basis of estimated future usage or sales of individual inventory items.

**e. Prepaid Expenses**

Prepaid expenses are amortized and charged to operations over the periods benefited, and are presented as current asset or non-current asset based on their nature.

**f. Fixed Assets**

Fixed assets are stated at cost less accumulated depreciation and impairment losses. Such cost includes the cost of replacing part of the fixed assets when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is 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 recognized in the statement of profit or loss and other comprehensive income as incurred.

Fixed assets, except land are depreciated using the straight-line method based over the estimated useful lives of the assets as follows:

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

**PT FRIGOGLASS INDONESIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As of December 31, 2019 and for the year then ended**  
**(Expressed in United States Dollar, unless otherwise stated)**

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

**f. Fixed Assets (continued)**

Land is stated at cost and is not amortized.

Construction in progress represents the accumulated cost of materials and other costs related to the construction in progress up to the date when the asset is complete and ready for service. These costs are transferred to the relevant asset account when the asset has been made ready for use.

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 on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income in the year the asset is derecognized.

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

**g. Fair Value Measurement**

The Company initially measures financial instruments at fair value, and assets and liabilities of the acquire upon business combinations. The Company also measures certain recoverable amounts of the cash generating unit ("CGU") using fair value less cost of disposal ("FVLCD").

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 by 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.

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

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

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

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

**PT FRIGOGLASS INDONESIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As of December 31, 2019 and for the year then ended**  
**(Expressed in United States Dollar, unless otherwise stated)**

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

**g. Fair Value Measurement (continued)**

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

At each reporting date, the Company analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

**h. 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, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of the asset's or its Cash Generating Unit's ("CGU") 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 group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognized in the 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 assets by the Company. These calculations are corroborated by valuation multiples or other available fair value indicators.

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.

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 other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss for an asset other than goodwill is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized.

If that is the case, the carrying amount of the asset is increased to its recoverable amount. The reversal is limited so that the carrying amount of the assets does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior 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 charge on the said asset is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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

**i. Employee Benefits**

The Company recognizes long-term employee benefits liabilities in order to meet and cover the minimum benefits required to be paid to the qualified employees under Labor Law No. 13/2003 (the "Labor Law"). The liabilities are estimated using actuarial calculations using the "Projected Unit Credit" method.

The Company recognizes actuarial gains and losses as other reserves (other comprehensive income method) in the period in which they arise. Past service costs are directly charged to profit or loss.

**j. Foreign Currency Transactions and Balances**

The Company maintains its accounting records in US Dollar. Transactions involving currencies other than US Dollar are recorded at the rates of exchange prevailing at transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into US Dollar at the statement of financial position dates using middle rates of exchange quoted by Bank Indonesia on those dates. The resulting net foreign exchange gains or losses are recognized in the current year's statement of profit or loss and other comprehensive income.

The exchange rates used as of December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Indonesian Rupiah ("Rp")/US\$1	13,901	14,410
European Euro ("Euro")/US\$1	0.89	1.13

**k. Corporate Income Tax**

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 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 which subject to final tax as separate line item.

Current tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the 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 "Tax Expense - Current".

Amendments to taxation obligation are recorded when an assessment is received or, if appeal is applied, when the results of the appeal are received. The additional taxes and penalty imposed through Tax Assessment Letter ("SKP") are recognized as income or expense in the current period profit or loss, unless objection/appeal action is taken. The additional taxes and penalty imposed through SKP are deferred as long as they meet the asset recognition criteria.



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

**k. Corporate Income Tax (continued)**

Deferred tax

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 that entire deferred tax asset to be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes 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.

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.

**l. 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.

**m. Changes of Accounting Principles**

On January 1, 2019, the Company adopted new and revised statements of financial accounting standards and interpretations of statements of financial accounting standards that are mandatory for application from that date. Changes to the Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective standards and interpretations.

The adoption of the new and revised standard and interpretation did not result in substantial changes to the Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years:

- PSAK No. 46 (Improvement 2018): Income Tax.
- Amendments of PSAK No. 24: Employee Benefits on the Plan Amendment, Curtailment or Settlement.
- ISAK No. 33: Foreign Currency Transaction and Advance Consideration.
- ISAK No. 34: Uncertainty over Income Tax Treatments.

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

**n. New Accounting Standards**

The following are several issued accounting standards by the Indonesian Financial Accounting Standards Board (DSAK) that are considered relevant to the financial reporting of the Company and will be effective for reporting periods beginning on or after:

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

- PSAK No. 71: "Financial Instruments" adopted from IFRS 9, effective January 1, 2020, and earlier application is permitted.
- PSAK No. 72: "Revenue from Contract with Customers" adopted from IFRS 15, effective January 1, 2020, and earlier application is permitted.
- PSAK No. 73: "Leases" adopted from IFRS 16, effective January 1, 2020, and earlier application is permitted, but not before an entity applies PSAK 72: Revenue from Contracts with Customers.
- Amendment PSAK No. 1 and PSAK No. 25: "Definition of Materials", effective January 1, 2020.

As at authorization date of this financial statements, the Company is still evaluating the potential impact of these new and revised standards to the Company's 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 judgements, assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset and liability affected in future periods.

**Judgments**

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

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 2c.

Determination of Functional Currency

Functional currency of the Company is the currency of the primary economic environment in which the Company operates. The functional currency is a currency that affects the revenues and expenses of the services rendered. The Company determined that its functional currency is US Dollar.

Crediting Value Added Tax ("VAT")

Based on management's interpretation on tax regulation related to VAT, management believes that VAT input resulted from the manufacturing activities is either creditable against VAT output or refundable are recoverable.

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

**Estimates and Assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year/period 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 on the assumptions as they occur.

Allowance for Impairment Loss 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 loss of trade receivables.

Employee Benefits

The determination of the Company's provision for employee benefits is dependent on its selection of certain assumptions used by the independent actuaries and the Company's management in calculating such amounts. Those assumptions include among others, discount rates, future annual salary increase, retirement age and mortality rate. While the Company's management believe that its assumptions are reasonable and appropriate, significant differences in the Company's actual result or significant changes in the Company's assumptions may materially affect their provision for employee benefits.

Depreciation of Fixed Assets

The costs of fixed assets are depreciated on a straight-line basis over their estimated useful lives. Management properly estimates the useful lives of these fixed assets to be within 5 to 20 years. These are common life expectation applied in the industries where the Company conduct its businesses. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual value of these assets, and therefore future depreciation charges could be revised.

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 corporate income tax issues based on estimates of whether additional corporate income tax will be due.

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 objections and investigations by the taxation authority. Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. In determining the amount to be recognized in respect of an uncertain tax liability, the Company applies similar considerations as it would use in determining the amount of a provision to be recognized in accordance with PSAK No. 57, "Provisions, Contingent Liabilities and Contingent Assets" and ISAK No. 34, "Uncertainty over Income Tax Treatment". The Company makes an analysis of all tax positions related to income taxes to determine whether a tax liability on unrecognized tax benefit should be recognized.

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

**Estimates and Assumptions (continued)**

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.

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Cash on hand	1,110	546
Cash in banks:		
US Dollar accounts	687,337	340,955
Rupiah accounts	52,691	124,784
Euro accounts	7,834	26,662
	<u>747,862</u>	<u>492,401</u>
<b>Total</b>	<b><u>748,972</u></b>	<b><u>492,947</u></b>

Total finance income recognized for the year ended December 31, 2019 for cash in banks amounting to US\$1,636 (2018: US\$1,649). The finance income was subject to final tax totaling US\$327 (2018: US\$330).

**5. TRADE RECEIVABLES, NET**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Third parties	7,446,750	3,969,494
Less: Allowance for impairment of receivables	(26,682)	(26,682)
	<u>7,420,068</u>	<u>3,942,812</u>
Related parties (Note 19b)	3,503,658	5,078,650
<b>Total</b>	<b><u>10,923,726</u></b>	<b><u>9,021,462</u></b>

At year end, management believes that the allowance for impairment of receivables is adequate to cover possibility losses on non-collectible trade receivables.

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**6. INVENTORIES, NET**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Raw materials	2,995,292	2,933,709
Finished goods	1,262,224	559,816
Work in process	500,605	477,665
	<u>4,758,121</u>	<u>3,971,190</u>
Less: Allowance for decline in value of inventories	(886,643)	(703,643)
	<u>3,871,478</u>	<u>3,267,547</u>
Goods in transit	24,182	113,414
<b>Total</b>	<b><u>3,895,660</u></b>	<b><u>3,380,961</u></b>

Changes in the allowance for decline in value of inventories are as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
At beginning of the year	703,643	703,643
Addition of provision	183,000	-
<b>At end of year</b>	<b><u>886,643</u></b>	<b><u>703,643</u></b>

At year end, management believes that the allowance for decline in value of inventories is adequate to cover possible losses due to the slow moving inventories.

**7. TAXATION**

**a. Prepaid tax**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Value added tax	<u>3,636,009</u>	<u>3,277,486</u>

**b. Estimated claims for refundable taxes**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Corporate income tax ("CIT"):		
2013	195,063	195,063
2012	180,183	212,057
2011	746,314	782,019
<b>Total</b>	<b><u>1,121,560</u></b>	<b><u>1,189,139</u></b>

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**7. TAXATION (continued)**

**b. Estimated claims for refundable taxes (continued)**

The details of outstanding tax assessments and their status as of December 31, 2019 are as follows:

**Refundable CIT 2013**

In October 2016, the Company submitted an appeal letter to the Tax Court amounting to US\$195,063. Up to the completion date of the financial statements, the Tax Court has not yet issued any decision on the Company's appeal.

**Refundable CIT 2012**

In March 2014, the Company received a tax assessment letter from the Directorate General of Taxation ("DGT") which reflecting overpayment of CIT of US\$85,821, while the Company reported refundable CIT of US\$297,878 in the tax return. On May 5, 2014, the Company has received the refund of US\$85,821.

On May 26, 2014, the Company submitted an appeal letter to the Tax Court amounting to US\$212,057. On December 19, 2019, the Tax Court issued a decision which partially accepted the Company's appeal of US\$180,183. The Company charged the unrefunded amount of US\$31,874 to the current year statement of profit or loss and other comprehensive income. Subsequently, on February 14, 2020, the Company has received the refund amounting to US\$180,183.

**Refundable CIT 2011**

In February 2013, the Company received a tax assessment letter from the DGT which reflecting overpayment of CIT of US\$800,062, while the Company reported refundable CIT of US\$1,582,081 in the tax return. On April 3, 2013, the Company has received the refund of US\$800,062.

On April 25, 2013, the Company submitted an appeal letter to the Tax Court amounting to US\$782,019. On December 19, 2019, the Tax Court partially accepted the Company's appeal of US\$746,314. The Company charged the unrefunded amount of US\$35,705 to the current year statement of profit or loss and other comprehensive income. Subsequently, on February 20, 2020, the Company has received the refund amounting to US\$746,314.

**c. Taxes payable**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Article 21	6,168	6,321
Article 23	2,526	841
Article 26	111,573	32,934
<b>Total</b>	<b>120,267</b>	<b>40,096</b>

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**7. TAXATION (continued)**

**d. Reconciliation of corporate income tax**

The reconciliation between loss before corporate income tax expense multiplied by the tax rate of 25% and income tax expense are presented below:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Loss before corporate income tax	3,121,367	2,098,539
At a tax rate of 25%	780,342	524,635
Non-deductible expenses	(44,776)	(25,931)
Unrecognized deferred tax assets	(735,566)	(498,704)
<b>Total corporate income tax expense</b>	<b>-</b>	<b>-</b>

The utilization of deferred tax assets recognized by the Company is dependent upon future taxable profits in excess of profits resulting from the reversal of existing taxable temporary differences. The Company has tax loss carried forward of US\$956,936, which is available up to five years following the year of the tax losses for offsetting against future taxable profits of the Company in which the losses arose. The Company did not recognize deferred tax assets from tax loss of US\$239,234, tax allowable depreciation on fixed assets in excess of financial statements depreciation of US\$280,962, addition of provision for warranty of US\$132,222, addition of allowance for decline in value of inventories of US\$45,750, provision for employee benefits of US\$37,003, and addition of provision for bonus of US\$395 as of December 31, 2019 since the realization of the deferred tax assets are presently not assured beyond reasonable doubt.

**e. Others**

As of December 31, 2019, the Company has cumulative tax losses as follows:

Year ended December 31, 2015	1,589,000
Year ended December 31, 2016	4,214,000
Year ended December 31, 2017	2,250,000
Year ended December 31, 2018	2,907,000
Year ended December 31, 2019	956,936
	<b>11,916,936</b>

Under Indonesian taxation laws, tax losses may be carried forward and subject to the approval of the tax authorities, utilized to offset taxable income for a period of up to five years following the year of the tax loss.

The Company submits tax returns on the basis of self-assessment. The tax authorities may assess or amend taxes within 5 years after the date when the tax was payable.

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**8. ADVANCES AND PREPAYMENTS**

	December 31, 2019	December 31, 2018
Advanced payment to suppliers	438,765	254,850
Prepaid insurance	38,268	37,005
Others (less than US\$30,000 each)	25,514	16,009
<b>Total</b>	<b>502,547</b>	<b>307,864</b>

Advanced payment to suppliers represents advances for purchases of raw materials. Prepaid insurance represents prepayment for property insurance. Others mainly represents cash advances to employees.

**9. FIXED ASSETS, NET**

**Movement 2019**

	Balance December 31, 2018	Additions	Disposals	Transfers/ Reclassifications	Balance December 31, 2019
<b>Cost:</b>					
Land	3,036,777	-	-	-	3,036,777
Buildings	3,033,317	35,502	-	-	3,068,819
Machinery and equipment	13,042,398	218,835	-	140,540	13,401,773
Office equipment, furniture and fixtures	1,277,786	3,856	-	-	1,281,642
Motor vehicles	84,642	3,400	-	-	88,042
Construction in progress	164,735	16,503	-	(140,540)	40,698
	<u>20,639,655</u>	<u>278,096</u>	<u>-</u>	<u>-</u>	<u>20,917,751</u>
<b>Accumulated depreciation:</b>					
Buildings	2,242,985	87,219	-	-	2,330,204
Machinery and equipment	11,590,196	1,811,577	-	-	13,401,773
Office equipment, furniture and fixtures	1,238,833	34,691	-	-	1,273,524
Motor vehicles	88,042	-	-	-	88,042
	<u>15,160,056</u>	<u>1,933,487</u>	<u>-</u>	<u>-</u>	<u>17,093,543</u>
<b>Net book value</b>	<u><b>5,479,599</b></u>				<u><b>3,824,208</b></u>



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**9. FIXED ASSETS, NET (continued)**

**Movement 2018**

	Balance December 31, 2017	Additions	Disposals	Transfers/ Reclassifications	Balance December 31, 2018
<b>Cost:</b>					
Land	3,036,777	-	-	-	3,036,777
Buildings	3,026,198	7,119	-	-	3,033,317
Machinery and equipment	14,073,396	19,327	(1,057,711)	7,386	13,042,398
Office equipment, furniture and fixtures	1,350,013	3,486	(75,713)	-	1,277,786
Motor vehicles	131,088	-	(46,446)	-	84,642
Construction in progress	7,386	164,735	-	(7,386)	164,735
	<u>21,624,858</u>	<u>194,667</u>	<u>(1,179,870)</u>	<u>-</u>	<u>20,639,655</u>
<b>Accumulated depreciation:</b>					
Buildings	2,156,419	86,566	-	-	2,242,985
Machinery and equipment	11,878,170	769,737	(1,057,711)	-	11,590,196
Office equipment, furniture and fixtures	1,251,665	62,881	(75,713)	-	1,238,833
Motor vehicles	98,235	4,800	(14,993)	-	88,042
	<u>15,384,489</u>	<u>923,984</u>	<u>(1,148,417)</u>	<u>-</u>	<u>15,160,056</u>
<b>Net book value</b>	<u><b>6,240,369</b></u>				<u><b>5,479,599</b></u>

As of December 31, 2019, construction in progress mainly represented installation of fire protection upgrade. In 2018, the construction in progress mainly represented installation of hydrants.

Depreciation in 2019 and 2018 were charged to the following accounts:

	December 31, 2019	December 31, 2018
Cost of revenue (Note 15)	1,868,246	856,304
General and administrative expenses (Note 17)	65,241	67,680
<b>Total</b>	<u><b>1,933,487</b></u>	<u><b>923,984</b></u>

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. TRADE PAYABLES**

	December 31, 2019	December 31, 2018
Third parties	1,151,722	1,811,821
Related parties (Note 19d)	1,196,445	329,802
<b>Total</b>	<u><b>2,348,167</b></u>	<u><b>2,141,623</b></u>

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**11. OTHER PAYABLES AND ACCRUALS**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>Other payables:</b>		
Freight	481,620	469,964
Others (less than US\$50,000 each)	255,838	425,714
<b>Sub-total</b>	<b>737,458</b>	<b>895,678</b>
<b>Accruals:</b>		
Warranties	672,462	240,247
Transportation	213,474	162,725
Bonus	101,978	100,399
Free of charge spareparts and coolers	97,632	181,120
Commission	-	254,965
Others (less than US\$50,000 each)	441,812	309,838
<b>Sub-total</b>	<b>1,527,358</b>	<b>1,249,294</b>
<b>Total</b>	<b>2,264,816</b>	<b>2,144,972</b>

**12. EMPLOYEE BENEFITS LIABILITY**

The provision for employee benefits recognized by the Company amounted to \$1,004,448 and US\$793,322 as of December 31, 2019 and 2018, respectively. The related expenses recognized in 2019 and 2018 were US\$151,855 and US\$183,072, respectively.

The provision for employee benefits is based on calculations as of December 31, 2019 and 2018 performed by PT Padma Radya Aktuarial, an independent actuary, in its reports dated January 2, 2020 and January 2, 2019, respectively.

The estimated liabilities for employee benefits liability based on the actuary reports have been determined using the following assumptions:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Discount rate per annum	8.00%	8.50%
Salary increment rate	7.00%	7.00%
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
Method	Projected Unit Credit	Projected Unit Credit

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

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Present value of defined benefit obligations	1,004,448	793,322
<b>Employee benefits liability</b>	<b>1,004,448</b>	<b>793,322</b>

The changes in the employee benefits liability for the years ended December 31, 2019 and 2018, are as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Beginning balance	793,322	1,066,822
Employee benefits expenses during the year	151,855	183,072
Actuarial loss/(gain) on employees' benefits liability	63,114	(119,532)
Foreign currency translation difference	(1,665)	123,649
Benefits paid	(2,178)	(460,689)
<b>Employee benefits liability</b>	<b>1,004,448</b>	<b>793,322</b>

The details of the employee benefits expenses recognized in the 2019 and 2018 statement of profit or loss and other comprehensive income are as follows:

	<b>Year Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Current service costs	83,432	110,879
Interest cost	68,423	72,193
	<b>151,855</b>	<b>183,072</b>

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Beginning balance	793,322	1,066,822
Current service costs	83,432	110,879
Interest cost	68,423	72,193
Actuarial loss/(gain) on employees' benefits liability	63,114	(119,532)
Foreign currency translation difference	(1,665)	123,649
Benefits paid	(2,178)	(460,689)
<b>Ending balance</b>	<b>1,004,448</b>	<b>793,322</b>

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

A one percentage point change in the assumed discount and salary rate would have the following effects:

	Change in assumption	Effect on present value of benefit obligation
<b>December 31, 2019</b>		
Discount rate	+1%/-1%	(99,972)/114,508
Wages and salary increase	+1%/-1%	840,930/(140,294)

The maturity of undiscounted defined benefit obligation as of December 31, 2019 and 2018, are as follows:

	December 31, 2019	December 31, 2018
Within 1 year	9,742	8,118
2-5 years	102,890	53,954
6-10 years	1,133,021	562,215
More than 10 years	5,134,092	665,406
<b>Total expected payments</b>	<b>6,379,745</b>	<b>1,289,693</b>

The average duration of the employee benefits liability at the end of the reporting period is 14 years.

**13. SHARE CAPITAL**

The details of the Company's share ownership as of December 31, 2019 and 2018 are as follows:

	Number of shares	Paid up value in US\$	Percentage ownership
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%</b>

**14. REVENUE**

	Year Ended December 31,	
	2019	2018
Sales of ice cold merchandiser	16,194,867	16,596,067
Transportation services	462,924	870,096
<b>Total</b>	<b>16,657,791</b>	<b>17,466,163</b>

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**15. COST OF REVENUE**

	Year Ended December 31,	
	2019	2018
Raw material and consumables usage	10,038,160	11,343,004
Depreciation (Note 9)	1,868,246	856,304
Salaries	1,682,529	1,674,206
Transportation and freight	693,237	903,429
Post warranty - spare parts material	383,968	262,429
Utilities and communication	275,546	165,233
Repair and maintenance	125,375	-
Consumable	68,414	60,592
Import duties	51,327	62,996
Others (less than US\$50,000 each)	300,237	371,807
<b>Total</b>	<b>15,487,039</b>	<b>15,700,000</b>

**16. SELLING EXPENSES**

	Year Ended December 31,	
	2019	2018
Commission expenses (Note 19e)	-	237,887
Others	77,649	129,022
<b>Total</b>	<b>77,649</b>	<b>366,909</b>

**17. GENERAL AND ADMINISTRATIVE EXPENSES**

	Year Ended December 31,	
	2019	2018
Product warranties	1,615,882	1,168,191
Management fees (Note 19e):		
Frigoglass S.A.I.C. (Greece)	500,605	960,947
Frigoglass Romania S.R.L.	491,503	-
Professional fees	213,860	33,121
Property insurances	133,905	125,411
Salaries	114,455	374,475
Security	93,004	86,052
Depreciation (Note 9)	65,241	67,680
Others (each below US\$50,000 each)	224,338	5,616
<b>Total</b>	<b>3,452,793</b>	<b>2,821,493</b>

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**18. OTHER OPERATING INCOME**

	Year Ended December 31,	
	2019	2018
Foreign exchange gains	162,326	73,483
Tax expenses	(89,394)	(19,576)
Gain on disposal of fixed asset	-	14,886
<b>Total</b>	<b>72,932</b>	<b>68,793</b>

**19. RELATED PARTY BALANCES AND TRANSACTIONS**

In the normal course of business, the Company engages in transactions with related parties which are conducted on term and conditions agreed between parties.

a. Nature of relationship and transactions with related parties:

Relationships	Related parties	Transactions
• Ultimate parent company	Frigoglass S.A.I.C., (Greece)	Sales and purchases of raw materials and spare parts, payment of management fee and commission
• Shareholder	Frigoinvest Holding B.V., (Netherland)	Loan and finance cost
• Other related parties (Under common control of Frigoglass S.A.I.C.)	Frigoglass S.A.I.C., (Nwame)	Sales of raw materials and spare parts and purchases of fixed asset
	Frigoglass East Africa Ltd., (Kenya), Frigoglass Eurasia LLC., (Russia)	Sales and purchases of spare parts
	Frigoglass Industries (Nigeria) Ltd.	Purchases of raw materials and spare parts
	Frigoglass India Private Ltd., (India), Frigoglass South Africa Pty. Ltd., (South Africa)	Sales and purchases of spare parts and raw materials
	Frigoglass West Africa Ltd.	Sales and purchases of spare parts and purchases of fixed asset
	S.C 3P Frigoglass S.R.L., (Romania)	Sales and purchases of raw materials
	Frigoglass Romania S.R.L.	Sales and purchases of raw materials, payment of management fee

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**19. RELATED PARTY BALANCES AND TRANSACTIONS (continued)**

b. Trade receivables (Note 5):

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Other related parties:		
Frigoglass West Africa Ltd.	3,053,557	1,333,003
Frigoglass India Private Ltd.	354,716	383,983
Frigoglass S.A.I.C. (Nwame)	49,963	1,210,815
Frigoglass Romania S.R.L.	34,555	-
Frigoglass South Africa Pty. Ltd.	10,604	1,036,414
Frigoglass Eurasia LLC	263	845
Frigoglass East Africa Ltd.	-	1,088,672
S.C 3P Frigoglass S.R.L.	-	20,918
Frigoglass S.A.I.C. (Greece)	-	4,000
	<b>3,503,658</b>	<b>5,078,650</b>

For the year ended December 31, 2019 and 2018, the Company did not record any impairment of trade receivables from related parties due to all trade receivables from related parties are collectible. This assessment is undertaken at each financial year through examining the financial position of the related parties and the market in which the related parties operates.

c. Loan from a shareholder:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Shareholder:		
Frigoinvest Holding B.V.	<b>15,139,740</b>	<b>11,079,321</b>

On May 20, 2013, the Company and other subsidiaries of Frigoglass S.A.I.C. entered into a revolving credit facility agreement with Frigoinvest Holding B.V. with maximum combined limit of EUR25,000,000 or equivalent to US\$28,089,888. During 2019, the credit facility was subject to interest at the rate of 5.89% per annum (2018: at rates ranging from 5.89% to 9.13% per annum). The revolving credit facility is covered by agreement, unsecured, and has no fixed repayment schedule. Total finance cost recognized for the year ended December 31, 2019 amounting to US\$835,918 (2018: US\$746,412).

d. Trade payables (Note 10):

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Ultimate parent company:		
Frigoglass S.A.I.C. (Greece)	336,743	75,391
Frigoglass Romania S.R.L.	751,478	179,641
Other related parties:		
Frigoglass India Private Ltd.	36,537	23,015
Frigoglass East Africa Ltd.	29,864	29,863
Frigoglass Eurasia LLC	10,359	4,996
Frigoglass Industries (Nigeria) Ltd.	8,550	-
Balance carried forward	<b>1,173,531</b>	<b>312,906</b>

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**19. RELATED PARTY BALANCES AND TRANSACTIONS (continued)**

d. Trade payables (Note 10) (continued):

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Balance brought forward	1,173,531	312,906
Other related parties:		
Frigoglass S.A.I.C. (Nwame)	8,547	6,720
Frigoglass South Africa Pty. Ltd.	7,749	-
S.C 3P Frigoglass S.R.L.	6,618	10,176
	<u><b>1,196,445</b></u>	<u><b>329,802</b></u>

e. Details of transactions with related parties:

	<u>2019</u>	<u>2018</u>
<b><u>Revenue from related parties:</u></b>		
Net revenue	4,236,992	5,934,513
<b><u>Purchases and other expenses from related parties:</u></b>		
Purchases of raw materials	80,413	96,721
Finance cost	835,918	746,412
Commission expenses (Note 16):		
Ultimate parent company:		
Frigoglass S.A.I.C (Greece)	-	237,887
Management fees (Note 17):		
Ultimate parent company:		
Frigoglass S.A.I.C (Greece)	500,605	960,947
Other related party:		
Frigoglass Romania S.R.L.	491,503	-
	<u><b>992,108</b></u>	<u><b>960,947</b></u>

The Company entered into service and license agreements with Frigoglass S.A.I.C., the Company's ultimate shareholder.

Under the service agreement, Frigoglass S.A.I.C. agrees to 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 available until December 2017. Hereinafter, the Company recognizes fee to Frigoglass S.A.I.C. for the services rendered based on the agreed amount between the Company and Frigoglass S.A.I.C. Based on the latest agreement on January 2, 2018, this agreement shall remain in force until December 31, 2020.



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**19. RELATED PARTY BALANCES AND TRANSACTIONS (continued)**

e. Details of transactions with related parties (continued):

Under the license agreement, Frigoglass S.A.I.C. will make available to the Company a non-exclusive right to manufacture and sale of the products under Frigoglass S.A.I.C's ice cold merchandiser technology and trademark. The service agreement is available until December 2017. Hereinafter, the Company pays a royalty to Frigoglass S.A.I.C. for this non-exclusive right based on the agreed amount between the Company and Frigoglass S.A.I.C. Based on the latest agreement on January 2, 2018, this agreement shall remain in force until December 31, 2020.

The service fee and royalty paid to Frigoglass S.A.I.C. for the year ended December 31, 2019 and 2018 amounting to US\$500,605 and US\$960,947, respectively which are recorded as general and administrative expenses (Note 17).

On January 3, 2019, the Company entered into license agreement with Frigoglass Romania S.R.L. Under the license agreement, Frigoglass Romania S.R.L. agrees to provide ICM Technology which means all technical knowledge, information or experience necessary for the manufacture of the Company's products. The license agreement is available until December 31, 2021. Hereinafter, the Company pays a royalty to Frigoglass Romania S.R.L. for the technology assistance rendered based on the agreed amount between the Company and Frigoglass Romania S.R.L.

The royalty paid to Frigoglass Romania S.R.L. for the year ended December 31, 2019 amounting to US\$491,503 which are recorded as general and administrative expenses (Note 17).

f. 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 to US\$21,489 and US\$10,525 for 2019 and 2018, respectively.

**20. FINANCIAL RISK MANAGEMENT**

The Company's financial liabilities comprise trade payables, other payables and accruals and loan from a shareholder. The main purpose of these financial liabilities are to raise financing for the Company's operations. The Company has financial assets including cash on hand and in banks, trade receivables and refundable deposits.

It is, and has been throughout the year under review, the Company's policy not to enter any derivatives transactions.

The Company is exposed to foreign exchange risk, interest risk, credit risk and liquidity risk. The Company's management oversees the risk management of these risks. Managing these risks is part of the Company's risk management process. The Directors review and agree on policies for managing each of these risks which are summarized below.

**Foreign exchange risk**

The Company has exposure to the risk of changes in foreign exchange rates. Fluctuation of exchange rates can therefore significantly impact the Company's performance as well as its net profits. Currently, the Company does not have a formal hedging policy for foreign currency exposures. However, management believes that the fluctuation of local currency on certain transaction with suppliers can be adjusted to the prices traded in local markets denominated in Indonesian Rupiah. Such correlation in price fluctuation naturally minimizes the Company's foreign currency exposures.

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**20. FINANCIAL RISK MANAGEMENT (continued)**

**Interest risk**

The Company interest rate risk mainly arises from loans for working capital purpose. There is no formal hedging policy with respect to interest rate exposures. Exposure to interest rate risk is monitored on an ongoing basis.

**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.

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company exposure to liquidity risk arises primarily from the maturities of trade payables, other payables and accruals and loan from a shareholder.

The table below summarizes the maturity profile of the Company's financial liabilities at the financial position date based on contractual payments:

	December 31, 2019			
	1 year or less	More than 1 year to less 2 years	More than 2 years	Total
<b>Financial liability</b>				
Trade payables	2,348,167	-	-	2,348,167
Other payables and accruals	2,264,816	-	-	2,264,816
Loan from a shareholder	15,139,740	-	-	15,139,740
	<b>19,752,723</b>	<b>-</b>	<b>-</b>	<b>19,752,723</b>
	December 31, 2018			
	1 year or less	More than 1 year to less 2 years	More than 2 years	Total
<b>Financial liability</b>				
Trade payables	2,141,623	-	-	2,141,623
Other payables and accruals	2,144,972	-	-	2,144,972
Loan from a shareholder	11,079,321	-	-	11,079,321
	<b>15,365,916</b>	<b>-</b>	<b>-</b>	<b>15,365,916</b>

**Capital risk management**

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, obtain additional loans or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2019 and 2018.

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**21. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Set out below are carrying amounts of the Company's financial instruments that are carried in the financial statements. Those carrying amount are approximate their fair value:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>Financial assets</b>		
Cash on hand and in banks	748,972	492,947
Trade receivables, net	10,923,726	9,021,462
Refundable deposits	19,536	29,137
	<u>11,692,234</u>	<u>9,543,546</u>
<b>Financial liability</b>		
Trade payables	2,348,167	2,141,623
Other payables and accruals	2,264,816	2,144,972
Loans from a shareholder	15,139,740	11,079,321
	<u>19,752,723</u>	<u>15,365,916</u>

**22. SUPPLEMENTARY CASH FLOW INFORMATION**

a. Non-cash transactions of the Company as follow:

	<u>Note</u>	<u>2019</u>	<u>2018</u>
Reclassification of construction in progress to fixed assets	9	140,540	7,386

b. Changes in liabilities arising from financing activities in the statement of cash flows are as follows:

**Movement in 2019**

	<u>Balance Dec. 31, 2018</u>	<u>Additions</u>	<u>Deductions (payments)</u>	<u>Balance Dec. 31, 2019</u>
Loan from a shareholder	11,079,321	4,060,419	-	15,139,740

**Movement in 2018**

	<u>Balance Dec. 31, 2017</u>	<u>Additions</u>	<u>Deductions (payments)</u>	<u>Balance Dec. 31, 2018</u>
Loan from a shareholder	8,470,454	3,062,867	(454,000)	11,079,321

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**23. EVENTS AFTER REPORTING PERIOD**

**a. Macro-economic uncertainty**

The Company's operation may adversely impacted by the outbreak of Covid-19 which started in China and subsequently spread to other countries including Indonesia. The adverse effects of Covid-19 to the global and Indonesian economy include negative effect to economic growth, decline in capital markets, increase in credit risk, depreciation of foreign currency exchange rates and disruption of business operation. The future effects of the outbreak of Covid-19 to Indonesia and the Company are unclear at this time. A significant rise in the number of Covid-19 infections or prolongation of the outbreak could have severe affect to Indonesia, and the Company. However, future effects will also depend on the effectiveness of policy responses issued by Government of the Republic of Indonesia.

As of the date of these financial statements, there have been declines in the Indonesia Stock Exchange Composite Index (IHSG), Indonesian Composite Bond Index (ICBI) and Rupiah foreign currency exchange rates which contributed by the impact of Covid-19. However, specific impact to the Company's business, earnings, recoverability of assets and liabilities are not possible to be determined as this stage. Such impacts will be reported in the financial statements when they are known and can be estimated.

**b. Change in tax rates**

On March 31, 2020, the Government issued a Government Regulation in lieu of the Law of the Republic of Indonesia Number 1 Year 2020 which stipulates, among others, reduction to the tax rates for corporate income tax payers and permanent establishments entities from previously 25% to become 22% for fiscal years 2020 and 2021 and 20% starting fiscal year 2022 and onwards, and further reduction of 3% for corporate income tax payers that fulfill certain criteria.

The new tax rates will be used as reference to measure the current and deferred tax assets and liabilities starting from the enactment date of the new regulation on March 31, 2020.