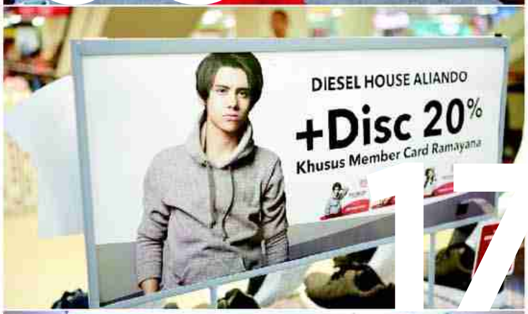
Ramayana

2016 ANNUAL REPORT

BUSINESS TRANSFORMATION

PT RAMAYANA LESTARI SENTOSA TBK



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IN TUNE WITH THE TIMES - EVOLVING & TRANSFORMING

A Touch of Transformation at Ramayana

Welcome to the 2016 Annual Report of PT Ramayana Lestari Sentosa Tbk. We wish to share the excitement of the moment - our eternally optimistic presentation of fine, fresh fashion at a right price to the millions of Indonesian consumers who have come to rely on us and trust our business.

We take pride in our four decades of history, serving the Indonesian consumer. One of the most prominent department stores in Indonesia, positioned to cater to the lower- to lower-middle market, Ramayana has grown and prospered with the increased disposable income of average Indonesians, numbering in the tens of millions. First established as a modest effort in 1978, today Ramayana stands as a market leader in its retail segment.

As times change and a new generation grows up to assume responsibility and move Indonesia forward into the new Millennium it is necessary for business - particularly the fast-evolving world of retail - to keep up as well. Young Indonesians today are healthier, taller, more aware of the world and more assured of their place in society. They are ultra-sensitive to social networks and the way style may affect one's place in society. Their parents too have moved forward in areas like health awareness, diet, political commitment and community social responsibility. It is the duty of Ramayana to stay up with change, and for this reason, starting in late 2015, we have reset priorities and moved forward with a deep and thorough business renovation.

The keynote theme as expressed by 'Business Transformation' captures the fresh approach of Ramayana to today's smart consumer. Our lower- to lower-middle income Indonesian still wants the best price for his purchase - but he or she responds positively to a bright, friendly, entertaining and celebrity-arrayed environment.

The Ramayana of 2016 was thus presented a very different appearance, with famed celebrities hosting events (and even creating their own fashion brands), bright, fresh design in many of our stores, and a balance of our own brands and consignment partners. Our new supermarket collaboration with SPAR of the Netherlands has also advanced through several dozen stores, as we strive to overcome the difficulties of past years. Particularly in the outer islands of Indonesia (the customary designation for the area of the archipelago excluding Java / Bali) where a clean, brightly-lit retail supermarket is a novelty - SPAR gives the outer island consumer choice as never before experienced.

The Bottom Line Tells the Tale

So how has this spectacular 'transformation' worked out, in cold business terms? This is a natural question, as the efforts to transform will naturally draw down much capex, entail disruption and divert human resources. The answer = profits popped back, revenue rose and the overall image and reputation of Ramayana stood higher than ever. In late 2016 we recorded 5.7%growth in sales, popping back from a low base. This can all be attributed to our efforts to transform. We are looking at 10-12% growth in 2017, if current projections are accurate.

In this Annual Report we will elaborate for you the ways in which transformation of a retail enterprise, as exemplified by our 'Business Transformation' among other themes, spike consumer interest, enthuse consignment partners and even draw positive interest on the stock market. Stay with us.

ADHERING TO THE FUNDAMENTALS

Principles, Vision & Mission that Move Us

Some things never change. Our constancy, loyalty to customers, suppliers, employees and investors, the fair and balanced business practices we espouse - these are fundamental to the good name of Ramayana. It's not just about continuity of profit: it's about relationships.

Our Vision

To be seen as the

'Unique Fashion Solution'

for the mass-market in Indonesia

Our Mission

To share an appealing & entertaining shopping experience

HIGHLIGHTS OF THE YEAR FOR RAMAYANA

A total of

113 stores

total gross selling space of

966,506 sqm

Ramayana offers a full range of products, including clothing, shoes, bags, toys, stationery, housewares, and chain-affiliated supermarkets

Overall profit of

Rp. 408 billion for the year

Growth of

5.7% up to December, 6.1% YoY

Overall margin rose 1.0-1.5%

1.0-1.5%

Offering women's garments in a number of sizes and styles for the fist time

New collaboration with SPAR Supermarket of the Netherlands, **already established in 23 Ramayana stores**, with plans to expand rapidly through **25 more stores in 2017**, toward a total of 50 outlets

SPAR Supermarket will optimally contribute

25%

of total revenue to a store

Established market leader in its retail segment of low- to lower-middle class consumers

Major upgrade of store design, layout & display over the year

Aliando Syarief and Prilly Latuconsina retained as Ramayana 'brand ambassadors'

Celebrity collaboration: meet and greet events held in-store, with big names such as Raffi Ahmad, Nagita Slavina, Ayu Ting-Ting, Jessica Iskandar and Zaskia Mecca. Big, happy crowds.

Celebrities encouraged to start 'own brands' of fashion items, to be carried in Ramayana

Steadily rising Same Store Sales Growth, to

6.3%

December 2016

Improved gross margin, in spite of inconvenient holiday overlap

Revenue increased by

+5.85% YoY, to Rp. 8.23 tn

Ramayana bought back **373,181,100 shares**, spending

Rp339 billion.

RALS stock price thus soared by

+128%

last year.

61.5%

payout ratio to shareholders

highest figure ever for Ramayana

Preparing further store openings in Eastern Indonesia, where margins are higher and there is little competition

Very optimistic for 2017, looking at

7-8% growth

FINANCIAL HIGHLIGHTS OF 2016: A GLOBAL & NATIONAL CONTEXT

2016 should be appraised as a 'year of recovery' for Ramayana, as the strenuous efforts toward transformation and revitalization took effect. While the Indonesian economy as a whole was still not enjoying strong growth - still hovering around 5% - the new energy injected into Ramayana paid off in a recovery of sales.

It was also a 'year of partial recovery' for commodities, as this is one of the key pillars of sales, along with remittances. After several years of catastrophic prices, coal began to recover, for various reasons. Palm oil, another major export commodity, also began to show signs of life, after several hard years.

The Indonesian Rupiah stood its ground, stabilizing at around Rp. 13,800/USD, attracting attention from foreign investors and building confidence. In fact the Rupiah led gains among emerging-market currencies since the start of 2016, against the stubborn reluctance of the global economy to return to prosperity.

By March 2016 the Indonesian currency stood at Rp 13,830 per US dollar. Throughout the year it remained one of the strongest currencies in emerging markets, amid inflows of foreign funds from developed nations to emerging markets (which, in the current difficult era, offer higher gains, if more risk).

This is a positive development for Ramayana, which manufactures most of its garments locally; thus, imported raw materials have become cheaper.

Coupled with political stability and continuity, there is a general sense of confidence in Indonesia, which will translate to an environment more conducive to drawing foreign investment: a stable Rupiah will ensure certainty in business.

Bank Indonesia continued its subtle guidance, amassing foreign reserves and controlling inflation. Benchmark interest rates (BI Rates) hit a record low of

4.75%

in October of 2016.

There was no relief to the lingering global economic uncertainty. In spite of the powerful efforts by the government of the People's Republic of China (PRC) the situation became clouded - accurate economic information is also hard to come by, so it is difficult to know how much debt Chinese banks have amassed. It is clear that China can no longer be relied on to function as the 'economic locomotive' of world growth, and the election of Donald Trump to the Presidency in the U.S.A., on the basis of a protectionist and stubbornly anti-China platform, provided an ominous signal to world markets.

The US 'Petrodollar' continued to hold its power as the world's reserve currency, against various challenges from nations displeased with the ramifications of that stance.

Indonesian banks were generally profitable but more cautious in approving loans, as they attempted to deal with high NPL and poor-quality assets.

Consumers need discretionary income to afford our merchandise, and the hope is that this will not dry up in 2017.

Energy and commodity sectors picked up somewhat, and with the intention of the Government of Indonesia to add 35,000MW to national electricity capacity, along with massive toll road network expansion, much capital should be free-flowing among the public. This is clearly good news for Ramayana, as more discretionary income means better sales, given that we can sustain our appeal.

Striving for a Balance in Finance

As an example of Ramayana recovery, by September 2016 the Company's revenue stream was far ahead of the competition, up by +6.87% YoY to Rp. 4.56 trillion. Meanwhile, operating income leapt +35.16% YoY to Rp. 343 billion, with net income +20.02% YoY, at Rp362 billion.

We must admit that by this time Same-Store Sales Growth (SSSG) slid 7.10%, against a previous 27.50%. This was the result of seasonal benefits from Ramadhan and Idul Fitri shifting to the second-quarter of 2016.

Ramayana expects gross margin and operating margin to both increase, to 35.72% and 6.81%, respectively, in the near future, based on our efficiency strategy and supermarket segment transformation target, in collaboration with SPAR Supermarkets. The stock markets project 2017 revenue and bottom line in FY17 to both improve, rising to Rp6.02 trillion and Rp469 billion, respectively.

Three share buybacks were held during 2016, sending our stock price soaring by +128%. For the first buyback, from 25 November-31 December 2015, the Company spent Rp132 billion, purchasing 203,513,800 shares at an average price of Rp. 651.28 per share. In the second buyback program, Rp1.89 billion was spent on the purchase of 3,349,100 shares, at an average price of Rp. 563.81 per share.

The Company completed 65% of the third period of the buyback program, extending from 1 July-31 December 2016. In total, for the three buyback periods, RALS bought 373,181,100 shares, spending Rp339 billion. And our share price rose accordingly, which should be excellent news to shareholders.

As ever, the fundamental financial position of PT Ramayana Lestari Sentosa Tbk. is secure, with major cash reserves, no debt and enduring lines of credit with major banks. We sustain prudent awareness, looking to expand at an opportune moment.

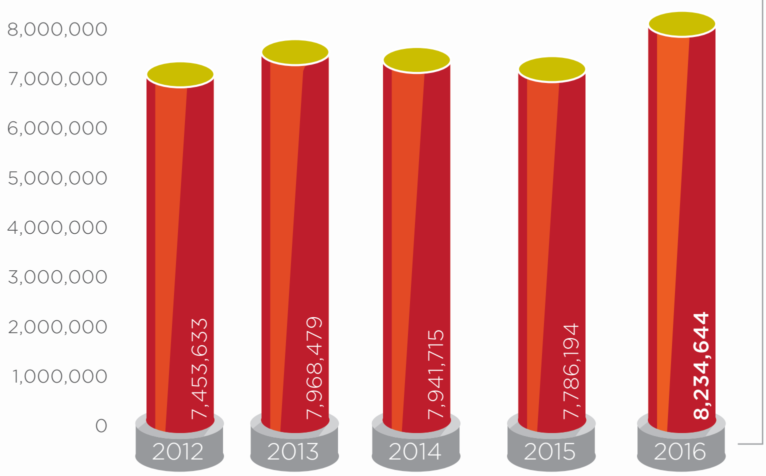
Expressed in Millions of Rupiah, Unless Otherwise Stated

	2016	2015	2014	2013	2012
Statement of Comprehensive Income					
Outright Sales	5,092,752	4,788,667	5,131,375	5,223,962	4,992,478
Consignment Sales	3,141,892	2,997,527	2,810,340	2,744,517	2,461,155
Cost of Consignment Sales	(2,377,607)	(2,253,190)	(2,080,367)	(1,967,661)	(1,753,924)
Cost of Outright Sales	(3,654,539)	(3,537,000)	(3,813,511)	(3,860,568)	(3,724,637)
Gross Profit	2,202,498	1,996,004	2,047,837	2,140,250	1,975,072
Selling Expenses	(408,190)	(385,212)	(399,364)	(403,265)	(377,556)
General and Administrative Expenses	(1,436,917)	(1,377,266)	(1,354,182)	(1,333,972)	(1,177,734)
Other Income	15,345	19,420	4,939	47,610	28,753
Other Expenses	(4,582)	(2,252)	(33)	(43,333)	-
Income from Operation	368,154	250,694	299,197	407,290	448,535
Finance Income - Net	96,911	113,926	89,712	54,686	48,435
Income Before Income Tax	465,065	364,620	388,909	461,976	496,970
Income Tax Expense - Net	(56,586)	(28,566)	(33,246)	(68,232)	(71,653)
Income for the Year	408,479	336,054	355,663	393,744	425,317
Earnings per Share (Rp)	60,02	47,64	50,12	55,49	59,94
Statement of Financial Position					
Cash and Cash Equivalents	603,750	844,253	625,373	869,000	1,169,416
Time Deposits	1,156,855	984,004	1,026,105	403,089	152,264
Accounts Receivable	51,726	33,612	23,306	20,264	10,457
Short-term Investments	68,148	483	36,387	1,097	1,692
Inventories	834,400	823,909	808,569	872,064	763,117
Prepaid Expenses	7,149	6,155	1,215	940	798
Other Current Assets **	108,787	138,756	173,989	208,130	221,547
Total Current Assets	2,830,815	2,831,172	2,694,944	2,374,584	2,319,291
Fixed Assets - Net	1,279,282	1,333,227	1,375,402	1,445,497	1,201,874
Long-term Prepaid Rent	454,652	342,432	428,862	503,377	510,015
Security Deposits	29,241	28,369	30,116	31,857	29,958
Other Non-Current Assets ***	53,019	39,704	36,599	31,442	31,218
Total Non-Current Assets	1,816,194	1,743,732	1,870,979	2,012,173	1,773,065
Total Assets	4,647,009	4,574,904	4,565,923	4,386,757	4,092,356
Total Current Liabilities	1,008,981	960,890	967,544	963,367	871,554
Total Non-Current Liabilities	300,629	280,210	272,699	230,823	235,886
Total Liabilities	1,309,610	1,241,100	1,240,243	1,194,190	1,107,440
Total Equity	3,337,399	3,333,804	3,325,680	3,192,567	2,984,916
Total Liabilities and Equity	4,647,009	4,574,904	4,565,923	4,386,757	4,092,356
Financial Ratios					
Current Year Profit on Assets (%)	8.8	7.3	7.8	9.0	10.4
Current Year Profit to Equity (%)	12.2	10.1	10.7	12.3	14.2
Current Ratio (x)	2.8	2.9	2.8	2.5	2.7
Liabilities to Equity (x)	0.4	0.4	0.4	0.4	0.4
Liabilities to Total Assets (x)	0.3	0.3	0.3	0.3	0.3
Sales to Total Assets (x)	1.8	1.7	1.7	1.8	1.8
Net Cash Position to Equity (%)	54.8	54.9	50.8	39.9	44.3

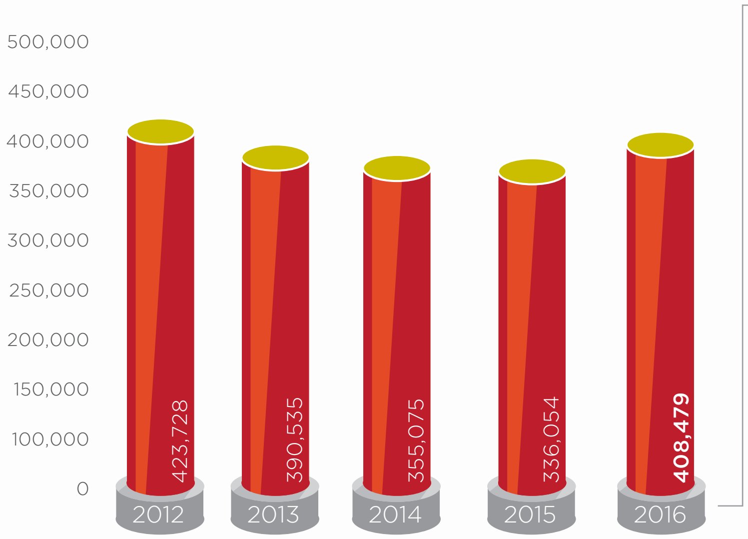
** Other Current Assets consist mostly of Advances and Current Portion of Long-term Prepaid Rent

*** Other Non-Current Assets consist mostly of Deferred Tax Assets, Employee Receivables, and Intangible Assets

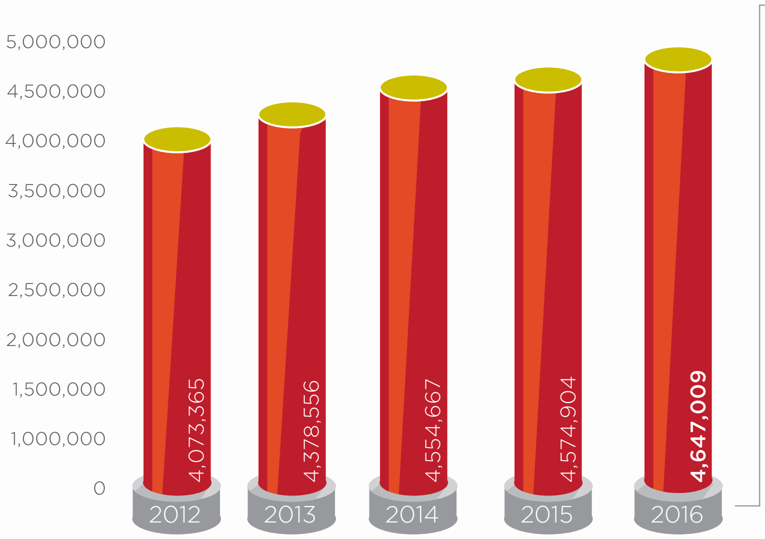
Total Sales
in Million Rupiah



Net Income
in Million Rupiah



Total Assets
in Million Rupiah



Thus in 2016 the bold decision was taken to open up to contemporary influence, tune in to the changing tastes of a new generation and exploit the media as never before.

Paulus Tumewu
President Commissioner

THE BOARD OF COMMISSIONERS REPORTS

On behalf of the entire Board of Commissioners of PT Ramayana Lestari Sentosa Tbk. I would like to extend our greetings and gratitude to all loyal shareholders and stakeholders. Here below we present a general overview of the Company and its activities for the year.

The move to refresh and transform our business, in the theme of a 'Business Transformation', takes place in the face of a lingering global economic malaise which has inevitably exerted a dampening effect on business in Indonesia - in spite of the GDP growth rate - one of the highest in the world, you will note.

An Historical Perspective

If we look back to the amazing growth of PT Ramayana Lestari Sentosa Tbk., starting in 1978, we see that its founding philosophy, and one to which it adhered determinedly over the last four decades, could be summed up as 'value for money'. The aim was to serve a lower- to lower-middle class of consumer, characterized by a relatively minimal cash flow, with durable, attractive and most importantly right-priced garments and other household needs. Bear in mind that in 1978 the 'consumer society' we enjoy today was still far in the future. The vast majority of Indonesian citizens were, in a word, cash-poor.

Beginning in the late 1980s there was a roll forward to industrialization, major foreign investment and the development of Banking and business on a scale never before achieved in the history of the Republic of Indonesia. In the 1990s people had money, they watched 'Free-To-Air' television and began to be influenced by global trends and fashions; the next generation, in the new Millennium, stays plugged in to the internet all day long.

Around 2014 we noticed sales flattening, and not only in our stores in major urban centres. To encourage more foot traffic we tried discounts, specials, more advertising - nothing seemed to stimulate sales and revenue. It seems we were being abandoned by our traditional base.

The Move to Transformation

Thus in 2016 the bold decision was taken to open up to contemporary influence, tune in to the changing tastes of a new generation and exploit the media as never before. We would still be 'price-sensitive' but would use more than economy as an attraction to draw in foot traffic.

At the same time we allied ourselves with SPAR International of the Netherlands, in the latest attempt to upgrade our struggling supermarkets. That experiment is still ongoing, as in 2016 only a couple of dozen stores were linked with SPAR, offering fresh and refrigerated foods and a wider array of choice than ever before. We have frankly had several ventures into the supermarket business, some with foreign partners, and have yet to encounter the right combination of strategy and approach. Let us hope that SPAR turns into a mutually-rewarding enterprise. It is unsettling to have to report that in the first ten months of our collaboration we lost Rp. 70 billion; we look forward to better and more organized times, when we can recoup our losses. Our loss had to come out of the Rp. 510 billion profit on fashion.

We are still around 3.5% short on gross margin, so we have to increase sales. At this point Management continues to hope and expect that within the near future SPAR Supermarkets will achieve full performance, fulfilling our deep aspirations.

In 2017 the supermarkets should grow at least 5%, and our efforts are directed toward that target.

Our Success Linked to Commodity Movement

The price of coal is reviving, after several terrible years of depression. There will be a huge new draw domestically as the Government of Indonesia has embarked on a major upgrading of infrastructure around the archipelago. One aspect of this is the provision of more electrical power, including in areas where it was virtually non-existent traditionally. The target is 35,000MW of electrical power within the next several years, and most of this will undoubtedly come from coal-fired power generation units. As the price of coal improves more workers are hired and there is more disposable income for families in the outer islands to spend in Ramayana. The economic vitality of many 'one-business towns' across the archipelago exerts a particularly acute effect on a retail enterprise like ours, dependent as we are on both remittances from Indonesians working overseas and purchases from those working in mines, plantations and factories.

The new network of toll roads may also be beneficial to our business, as it will alleviate traffic jams and allow more convenient road access to our stores. Toll road construction is also highly labour-intensive and we will thus see more money in circulation, particularly in Java, from this work.

Still a Consumer-Driven Economy

As a heavily export-oriented nation, Indonesia has been drawn down somewhat in the past few years by the persistent economic malaise of Europe, the U.S.A. and Japan, all major export targets for our shoes, garments, computer printers and foodstuffs. The relatively high level of GDP over the past several years can be attributed to the enduring optimism of the Indonesian people, who must be among the best consumers in the world. The huge success of the motorcycle and telecommunications industries in the past two decades stands as proof of this: they are both aiming at the retail market.

A consumer-driven economy is not a negative phenomenon but it can be a tricky one: if there is some sharp correction in the markets, factories close, and businesses fail, then people can suddenly decide to stop spending money. All of a sudden the exciting 'consumer economy' stalls; panic sets in, as a downward spiral of economic disaster looms. This notably took place in Japan near the end of the Twentieth Century.

We trust that Bank Indonesia, our central bank, and relevant Government of Indonesia financial authorities, will be able to continue their 'light touch' guidance of the economy, and, with God's grace, we will continue to see steady, if modest, growth in the economy.

The Board of Commissioners consults with the Board of Directors in appraising costs and dealing effectively with under-performing assets, in maintaining a stance of prudence in line with ongoing economic trends, both domestic and global. These and other factors are studied together in collaboration with the BoD, to ascertain how they will affect Ramayana's future business prospects.

A Good Year for Shareholders

In securing intelligence about a shifting market Ramayana has measured its results against those of other companies, and the results have also been notable in 2016.

I would like to share Company consolidated comprehensive net income with you. This amounted to Rp 408 billion, moving from Rp 336 billion for the same period in 2015.

Based on a prior record of their successful achievement, the Board of Commissioners advised the Board of Directors to maintain proper control of all costs and open new outlets prudently.

The Board of Commissioners looks forward with anticipation to the expansion and modernization of supermarket facilities in all stores, as part of our arrangement with Spar International.

During 2016 we continued to refine and expand distribution, promptly fulfilling demand in both established and greenfield areas, without burdening warehouses with excessive stock. We note that customers in areas depending on commodities are still somewhat hesitant to spend, even when Ramayana is the only major store in a given city. Another factor is the drain on household finances from motorcycle and white-goods purchases (facilitated by 'easy credit' from the many multifinance companies that have popped up in recent years), cell phone expenses (even the poor have at least one cell phone to support) and severe competition from the 20,000+ mini-marts that have sprung up across the archipelago. They offer the convenience of location, something a large retail outlet finds difficult to compete with, when traffic is often frozen in place.

We would like to acknowledge and send thanks to the Company's Audit Committee, which has reviewed and accepted PT Ramayana Lestari Sentosa's consolidated financial statements for the year ending December 31, 2016, as presented by its Board of Directors.

The Board of Commissioners therefore feels it right and proper to recommend to all shareholders that these Consolidated Financial Statements be approved as presented.

It has been a rewarding year for both Indonesian retailers and consumers, while new efforts expended on internet commerce threaten traditional 'bricks-and-mortar' stores.

I would like to assure all shareholders and Government of Indonesia authorities that our Company remains committed to practices of Good Corporate Governance, emphasizing values of transparency, independence, accountability, responsibility and fairness. We continue to foster goodwill in communities around our operations, through sponsorship of various meaningful social activities and group events, complemented with regular donations to deserving charities.

Efficiency and cost control efforts continue to be implemented by the Board of Directors, in the effort to control costs. We do look toward a more prosperous future.

We wish to report that there has been no change in the composition of the Board of Commissioners for the year, a requirement as stipulated by Otoritas Jasa Keuangan.

We would also like to recognize the achievements of the Board of Directors, and thank them for their continued counsel and for their implementation of policy as determined by the Board of Commissioners. The Directors have performed exceptionally, under untried conditions, adapting to changing tastes and market patterns.

At this point I would like to turn over the forum to the President Director for his report, while sending hearty thanks and very best wishes to our valued shareholders, suppliers, bankers, workers and many neighbors in communities across Indonesia. Let us work together to make 2017 yet another bright and progressive year for PT Ramayana Lestari Sentosa Tbk.

Paulus Tumewu
President Commissioner

In short, the 'touch of transformation' started up in early 2016, and still gaining momentum, is founded on an ancient principle of retailing: the customer experience.

Agus Makmur
President Director

THE BOARD OF DIRECTORS REPORTS

Dear Shareholders and other Stakeholders, please accept my best wishes on behalf of the Board of Directors of PT Ramayana Lestari Sentosa Tbk., on the occasion of the release of this, our Annual Report for 2016. I would like to share with you some of my experiences, ideas, plans and projections for the New Year.

A Return to an Era of Growth

I am happy to report to you that the phenomenon of flat sales which has bedeviled our business over recent years has been overcome, and much credit for this must be directed to our General Merchandise and Marketing Manager, Jane Melinda Tumewu.

Starting with the Annual General Meeting in 2015 Melinda put forward a bold new plan for a dramatic shift of strategy for our four-decades-old business.

While Ramayana had become famed as a source of quality garments and other goods at a fair price, offering both own-brands and consignment hosting, our image had slid downhill somewhat, and we were perceived as stale and old-fashioned.

Was the cashier smiling when we handed over precious cash for a purchase? Probably not. Were displays perpetually fresh, attractive and exciting? Probably not either.

Was there any effort to inject 'magic' into the shopping experience - one which is of central importance to many Indonesians, whose lives are consumed with toil and family duties?

Melinda and her team got to work on this issue, and the result, encapsulated in the slogan 'Business Transformation' which adorns this year's Annual Report, achieved after very much hard planning and strenuous work, is clearly successful.

Fashion Meets Entertainment

Where before there was just the buzz of buy-and-sell, today we host exciting events with popular celebrities like Raffi Ahmad and Navita Slavina, who draw huge crowds to our stores - and whose brand-name garments are also featured in Ramayana.

As foot traffic through our outlets picked up - also thanks to our new and unfolding collaboration with SPAR International - sales in general increased as well. In order to attune ourselves more precisely to fast-changing trends in style and fashion we are working more closely with our consignment tenants, who must keep up-to-date to succeed in drawing customers. We are quickly building a major internet presence through several social media as well, and feedback from this free medium enables us to adjust policies more quickly and sensitively. Staff media groups promote the brand, its events and merchandise through YouTube, Instagram and Twitter, where our taglines are #KerenHakSegalaBangsa and #sayaramayana.

Reviving the Magic of a 'Customer Experience'

In short, the 'touch of transformation' started up in early 2016, and still gaining momentum, is founded on an ancient principle of retailing: the customer experience. Any customer should feel a little wonder and delight when entering our store - and the sense would then attract him or her to handle the merchandise and stay longer.

This is particularly true for our 42.5% of selling space on the Outer Islands - these areas have little in the way of entertainment or festive events, so shopping becomes a big deal for families. Our problem there has been aging merchandise, some on display for up to five or six months. So a customer who returns to Ramayana sees the same old stuff on sale and loses interest. This is the impetus for transformation.

Public events have been set up with well-known Indonesian celebrities including Ayu Ting-Ting, Raffi Ahmad, Nagita Slavina and Zaskia Mecca. We have contracted Aliando Syarief and Prilly Latuconsina as Ramayana 'brand ambassadors', hoping thereby to attract a younger customer base. When we first organized events in the Outer Islands so many people showed up that our talent was actually frightened and wanted to flee - they imagined the mass of local people, eager to see nationally-known stars, was actually angry!

Now of course our stable of stars has gotten used to the huge crowds drawn in the Provinces. We encouraged them to start up their 'own brand' of fashion-oriented garments, sold under their name, and this is also picking up speed at the moment.

Convenience and Inconvenience in Access to Outlets

Ramayana has had to become very adroit in dealing with changing realities, particularly the traffic congestion for which major urban centres in Indonesia have become notorious. The horrendous traffic experienced in Jakarta (widely known as 'the world's worst city for traffic jams') and mean people are reluctant to go casual shopping; simultaneously, the sudden profusion of neighborhood 'mini-markets' like Alfamart and Indomaret mean that a consumer's immediate needs can be served without traveling far. Thus these 'convenience stores' draw off income that would otherwise go to major retailers with bricks-and-mortar investments - like Ramayana. Impulse buying in mini-markets also drains disposable income.

The considerable disbursement of moneys from the Government of Indonesia into the economy for much-needed infrastructure development started in 2015, so we could only benefit from it starting in 2016. Full-bore work on toll roads and other infrastructure in 2017 will definitely mean more disposable income for the citizenry.

We also continue to be a beneficiary of the government educational stimulus effort known as 'Kartu Jakarta Pintar', or 'KJP', where DKI disburses around Rp. 500,000 / semester directly to school students, through a sort of debit card issued by Bank DKI, to be used exclusively for school supplies like uniforms, bags, pens, shoes, etc.

We continue to benefit from the approximately USD 12 billion in remittances sent back to Indonesia by our international work force of some 6 million TKI overseas workers. This should have resulted in a healthy boost in Ramayana sales, but outside of Greater Jakarta they stayed more or less flat. Remittances were still good but this failed to stimulate Ramayana. We interpret this as seeing the extra money received as being used for the higher cost of living, even though inflation is claimed to be under control. As school fees, transport and food prices crept up, discretionary income of our targeted consumers continued to be squeezed.

Foreign Direct Investment (FDI) continued to enter Indonesia and a number of new factories opened around Jakarta DKI. Workers were therefore able to spend more of their income at Ramayana.

Dealing with Effects of the Calendar

There are normally two 'crests' of sales every year for Ramayana: the climax of the Islamic fasting month of Ramadan, known as Lebaran, an important aspect of which is the purchase of new clothing, and the 'back to school' season. We were compromised in 2016 by the nearness of these two calendar events, so that two seasons of high purchases were condensed into one. This occurred because the Lebaran celebration is fixed according to the lunar calendar, shifting nearly two weeks every year, while school sessions are set by the Gregorian calendar commonly used around the world. This 'calendar conflict' will most likely not affect sales in 2017.

Same-Store Sales Growth for the year set a remarkable figure of 6.3%, the product of low inflation and general economic health. We also attribute this to the new wave of interest aroused by our efforts at transformation and entertainment.

Consignment vs. Outright maintained approximately the same balance as previously. As a matter of fact our Outright brands have been picking up styling hints from Consignment in terms of the latest fashion. Note that while Outright sales secure us a larger margin they come along with full operational costs (payroll / capital costs / carrying / pilferage etc.)

For operational Ramayana is responsible for a 10% payroll vs. just 2% for Consignment, for whom there is no carrying cost as it their own merchandise they are selling - up to 5 months' inventory for some merchandise.

Fixturing is also the responsibility of the Consignment operator.

The continuing growth and competitive spirit of Consignment confirms that Indonesia consumers today are considerably more brand-conscious than previously.

Savings in Operating Income

I wish to report to shareholders that operating income for 2016 stood at Rp. 368 billion against Rp. 251 billion for 2015. We have attempted to compensate for higher utility rates (electricity in particular), which tend to cut into sales revenue and operating income.

The BoD would like to report to the BoC that it has been able to perform all assigned corporate and departmental strategies, as well as monitoring execution of directives, ensuring that the company is fully compliant with good corporate governance regulations.

It would be impossible to fulfill demand from our customer base across the archipelago without the logistic support of an efficient and accurate distribution system, and I wish to commend our distributors and stores for their faithful efforts, particularly in areas where sales fell off. Communication is key to success, and we maintain close relationships with these business partners on a day-to-day basis.

The company expects that all employees and relevant stakeholders will have studied and inculcated our upgraded Company Rules and Regulations. Expanded training and improved benefits packages have also made us an attractive employer.

Continuing to Adhere to Corporate Social Responsibility Norms

We are known and respected in the vicinity of our operations for our Corporate Social Responsibility programs.

We continue to work and share with local people, particularly those living in areas around our outlets, to demonstrate how we are a socially-conscious and valuable member of the Indonesian business community.

In summary, and on behalf of the Board of Directors, I would like to emphasize that PT Ramayana Lestari Sentosa, Tbk. did quite well and came through a year of transformation with success on all levels. This is especially noteworthy as more than 40% of our stores are in the provinces, where a sluggish economy still suffers from the collapse of commodities.

We would like to express our appreciation to all stakeholders for their continued patience and faithful support during the year; we continue our quest for success into 2017 with optimism.

From the Board of Directors we send thanks to all management, employees and business partners, and our appreciation to valued shareholders, for their continued trust and support.

We wish to extend our appreciation particularly to our esteemed Board of Commissioners for its wise guidance throughout the year, and thank them one and all for their guidance and supervision.

Finally, we want to thank our millions of customers, who must confirm that they have received full value for their money. We welcome them to a 'transformed Ramayana', and look forward to their sustained patronage.

Agus Makmur

President Director

Overview of Business in a Macro-Context

Retailing around the world is undergoing a great shift, thanks to changes in culture (such as the new level of education and economic power of women) and most of all technology. New technologies facilitate inventory, warehousing, supply chain management both upstream and downstream and today, thanks to social media, enable direct and immediate feedback from a customer base.

The pervasive effect of information technology can be appreciated by looking at the amazing success of the telecommunications industry, and Indonesia's place as a (somewhat surprising) leader in this field. Indonesians who travel to Australia or China get a shock when they see how poor connectivity is, how expensive and capricious trying to stay on line can be; in order to appreciate our thorough and excellent telecommunications networks across the archipelago one must go traveling.

The Government of Indonesia has always vigorously backed telecommunications expansion, as an aspect of its persatuan dan kesatuan 'Unity in Diversity' campaigns; by tying together the entire archipelago into one tight communication network a feeling of national spirit can be intensified.

Indonesian people are also famously addicted to social media: we are the second most intensive user of Facebook, after the U.S.A. (noting that China bans this application). A combination of high sociability and a natural love of new devices have driven Telkomsel, Excelindo and Indosat (the three key survivors of the telecommunications wars) to new heights of excellence, setting up towers and extending coverage to the far corners of the archipelago.

As a response to the notoriously poor and expensive distribution systems in place (why do apples from Malang cost the same as those imported from Washington State?) on-line marketing and shopping would seem to be a 'natural fit' for the Indonesian archipelago. Early efforts, such as mataharimall.com, have run into difficulty; others, notably bukalapak.com, seem to be making steady progress, without burning through their backers' investment. On-line reservations for motorcycle taxis (by far the most efficient way to get around Jakarta during rush hour) have taken off with GoJek and GrabBike; Uber is now entering the game, to the great distress of traditional taxi operators. Many governments have attempted to halt these advances but the market barrels on.

Ramayana would naturally like to exploit new internet-based marketing media, without suffering the huge losses of others; it would also be an intelligent defensive measure, in case the competition wants to move in and take away business from our stores (particularly in the Outer Islands, where we enjoy larger margins and little competitive pressure - but where on-line shopping would make eminent sense). We are thus exploring an optimal 'fit' of established outlet with on-line sales, and attempting to avoid any 'cannibalization' effect.

A number of brands have moved in and raised their profiles (and sales) through a pure social media effort - but not yet in Indonesia. We need to see how consumers will best exploit this new and relatively unknown technology in a commercial context. The fact that the average age of Indonesian citizens is around 28 years is another signal that technological change (and behavioral change when shopping) is not that difficult. Young people are adaptable, and love technology that promises speed and convenience.

The Government of Indonesia appears to understand more than ever the need for foreign investment to accelerate development, extend infrastructure and raise skill levels of local workers. Many investors have traditionally expressed keen interest in starting up their enterprise in Indonesia but were soon dissuaded by horrific bureaucracy, ambiguous (and changing) rules and a titanic level of corruption, on both national and local levels. This impediment eased somewhat with the withdrawal of the notoriously crooked Soeharto regime; today the Government announces measures to speed up approvals, conduct much investment registration on-line and work to suppress corruption. Ramayana applauds this intention and hopes that it will result in an augmented flow of foreign funds into our nation.

2016 was only moderately busy, in terms of growth of the economy; our nation is still being dragged down and held back by a general global malaise. Many of the importer countries have cut back on Indonesian commodities and even manufactured goods, in spite of their confirmed quality and appealing prices. What's more, business is intertwined with politics, and when various successful personages promise to start up a trade war or isolationist business posture this mean trouble for Indonesia, no matter how far away they are.

According to financial experts the domestic economy should pick up somewhat in 2017, even while Europe, Japan and the U.S.A. struggle to fire up their own. The huge question mark is China, which disguises or prevaricates about its debt overhang and shaky financial status; for some years now the rest of the world has seen China as its 'locomotive of progress', pulling in investment and imported goods from near and far. This has faded away to a degree in the last year or two, a troubling sign for Indonesia as well. Our coal and nickel has however shown a slight upturn in recent months.

A younger generation of Indonesian businesspeople, many trained in reputable institutions of higher learning abroad, and others who have worked internationally, is the great hope of the nation, as it attempts to recover from the 'crooked bapak' image of former years, where numerous joint ventures have come disastrously apart when the local partner saw the opportunity to swindle his multinational counterpart - and then bribe the courts and the police to make life here uncomfortable for the foreigners.

This kind of infantile behavior has frankly given Indonesia a bad name; today, as several world-class ratings agencies gradually raise the appraisal of our business environment to near-investment-grade, we see a testimonial to a cleaner, more honest, more businesslike, way of dealing. This is a bright hope for the future.

ADJUSTING UPWARD FOR A NEW-NATIONWIDE MIDDLE CLASS:

OUR VISION OF THE FUTURE OF RETAILING

A close study of income development will reveal how Ramayana has had to make a radical adjustment to the drastically different reality of a 'lower-middle' class that is considerably wealthier (and smarter) than was the case several decades ago.

An objective observer will marvel at the way life in the Republic of Indonesia has evolved and transformed in the two decades since the terrible and ground-shaking events of 1997~1998.

The largest and most populous nation in ASEAN has grown to over 250 million, its economy has recovered, prospered, hesitated and dipped, then recovered again - foreign investors (particularly the Japanese, Koreans and Chinese) have poured immense sums into industry, tourism, agribusiness and property development. All of this confirms without a doubt that the world today sees our country as responsible, stable and a choice target for business - particularly that for consumer goods, as Indonesians have proven to be enthusiastic, optimistic and dedicated consumers.

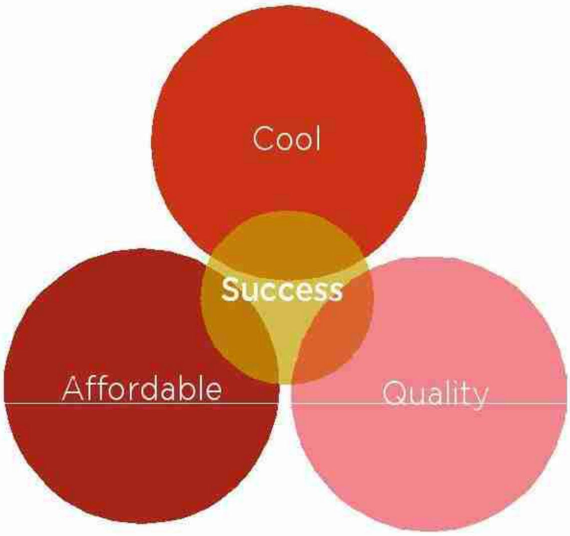
Look at the fashion leaders, and how local fashions, combining traditional designs and styles (such as batik, Chinese and Islamic fashion) are fused with the most up-to-date in global aesthetics. Much of this expansion of taste is the result of a powerful media shower that has spurred the evolution of modern trends and attitudes, in the accelerated recovery of the early 2000s.

It was only around 1990 that free-to-air (FTA) commercial television was allowed to broadcast across Indonesia; before that only the single rather barren Government station, TVRI, was available to the masses (wealthy people all had parabolas and could get world broadcasts). Soon ordinary viewers across the archipelago were barraged with commercials, and a quickly-expanding consumer goods industry sprang up - a gigantic dairy industry, for instance, where there had been none at all previously, as dairy products were traditionally imported.

With the rise of the internet in the mid- to late 1990s a new generation of sophisticated consumers was able to figure out what they wanted, and liked. While the inadequate public educational system had not prepared them for the world, TV and the internet filled in their knowledge and spurred attitudes and tastes.

As incomes rose and credit eased many families were able to afford white goods, a motorcycle or even a small car. A new middle class sprang up and along with it the rise of what today has become a mammoth property industry, with busy developments all the way across Greater Jakarta, to Serang to the West, Bogor to the south and Cikampek to the east. Forests of condo towers have sprung up in these areas, and today the Government of Indonesia is scrambling to access rapid transit to downtown Jakarta from outlying parts of Greater Jakarta.

Banking and telecommunications are expanding rapidly into second-tier cities across the achipelago, as commodities gradually recover and small-scale industry also picks up outside the major centres. Ramayana has long staked its hopes on its Outer Islands outlets and these will definitely benefit from future economic growth.



This new middle class is principally found in the urban centres, but there are also nearly a hundred second-tier cities and towns with reliable mains power, shopping centres, a radio broadcaster and FTA television reception. Much of the 'new middle class' residing in cities like Bandar Lampung, Balikpapan, Palembang and Sidoarjo is ethnic Indonesian-Chinese (no survey by ethnicity has been carried out), but native-born pribumis also form a large core of this income grouping.

Intense competition in automobile sales - mostly Japanese and Korean brands dominating the market - presents a living example of the way Indonesian consumers have developed their taste in styling and features. The fact that automobiles continue to sell, at prices up to two or three times the price of a decent home - is evidence that the average middle-class consumer has become as ambitious as he or she is prosperous: cars are above all 'status symbols'. Now that a new generation of ultra-low-price cars, known as 'low-cost green cars' (LCGCs) is available, many consumers will be making the same transition from motorcycles and public transport to private ownership of a family auto. The lesson is clearly there for Ramayana as well: as incomes rise, along with educational levels, manufacturers have to be ready to change and move on.

In short, today's garment, accessory and supermarket has to be up-to-date, sharp-looking, friendly and customer-oriented in its service, offering merchandise at an everyday low price. Focused selling: value for money. It's a cycle. 'Cool', 'affordable' and 'quality' are the three keys to success, with this approach.

STRIKING A BALANCE WITH CONSIGNMENT

When we study the results of 2015, when Outright was down 5% while Consignment surged by +8.5%, it is pretty clear that we have something important to learn from our valued tenants. During the last year we have been working with them more closely, as we managed to restore Outright, which grew by 10.8% and Consignment was up by 4.9%.

We have concluded that many Ramayana-branded products are not perceived as fresh or unique any longer - just inexpensive. While we were previously able to make merchandise that was fashionable but lower-priced, the differential in price has narrowed; also, consumers today prefer to go for branded items, even if they are slightly more expensive.

There have always been certain advantages to Consignment from a business point of view. It is true that while Outright sales secure a larger margin, as they come along with full operational costs (payroll / capital costs / carrying / pilferage etc.), in terms of net margin Consignment is superior: 35-36% vs. 25-26%. Net is thus only 5-6%.

Ramayana is responsible for operational expenses: a 10% payroll vs. just 2% for Consignment, for whom there is no carrying cost (as it is not our own merchandise they are selling). Fixturing is also the responsibility of the Consignment operator.

We have been working more closely with our Consignment tenants, to see what we can profitably share with them, to revive interest in our own lines. The question is how to accommodate aspiring customers, so that they will move to our brands. Tastes and trends change. Indonesians today are considerably more brand-conscious, and these stores, in competition with Ramayana, have more appeal.

In our investigations we have uncovered certain cases of favoritism where a brand was promoted and given special treatment in spite of not selling well, while another, popular, brand was virtually ignored. We now attempt to work with suppliers and ensure fair distribution and display, more than before. We pursue this on the quest for more sales and more revenue, up from Rp. 750,000-850,000 per square meter to around Rp. 1.0 million.

We now have around 70 stores that have Sports Station kiosks, whereas previously we only sold local-brand shoes. Today Sports Station sells name brands like Nike or Converse as a consignment counter.

In addition to re-connecting our stores with artists, giving them their own brand and working through our suppliers, we have begun to carry modern Islamic fashion, which we never did previously.

Walt Disney products were traditionally associated with 'up-market' retailers, as they were considered expensive. Now we have concluded a contract with Disney to sell branded products in our stores. Disney apparently sees an advantage in going 'mass-market'.

All of the above will revive interest in shoppers to visit our outlets and see new kinds of merchandise.

REVIEW OF OPERATIONS

More than 90% of our merchandise is sourced locally, and as everyone knows Indonesia has become a major exporter of garments and shoes, with global quality: one large manufacturer in East Java has an ongoing contract to supply all the uniforms for NATO soldiers.

In view of the uncertain global economic situation and slowing growth in Indonesia itself (largely the fault of the international commodity slump) Ramayana has postponed the opening of new stores in 2016. In fact, our total sales area has decreased, as we strive to get more value out of all rental space.

Upgrades in stores include renovation of display space, lighting, toilets and other public facilities. Over the years some of our older outlets became quite run-down; in view of our determined effort to concentrate on value-for-money and offer best prices this was accepted by consumers.

With a plethora of new malls and other outlets opening across the achipelago today the average consumer expects clean, modern, brightly-lit facilities with best prices.

Further, we are being squeezed so hard by kiosks and street-side sellers that competing on price alone seems to have become a losing game.

It has been a year of fulfillment, with increased business in both Java and the Outer Islands were not fulfilled, as demand for commodities overseas inevitably picked up.

During 2016 Ramayana was able to mark 99.1% of planned sales targets, with particularly strong (and surprising) performance from DKI Jakarta and West Java, where the competition is intense (particularly in the supermarket and mini-market sector). 33.5% of our revenues emerge from Greater Jakarta, with 8.1% growth for Ramayana.

The aggressive expansion of mini markets, only partially controlled by recent Government of Indonesia-imposed limits on opening near wet markets, continues to pose a threat for Ramayana, as their convenient locations are most appealing to Indonesian consumers tired of battling traffic jams.

While the Government of Indonesia has put out a surprisingly modest figure for inflation, we tend to think that actual disposable income is being squeezed by steadily upward food prices, rising transport costs and recent hikes in utilities tariffs. All of this is bad news for retailers in general.

What is sustaining the retail business is the continuity of optimism among the fifty million consumers with enough spending power to patronize Ramayana. They are our hope for future prosperity and also for national development.

The Java/Bali axis is the most heavily - populated region of Indonesia, and has been the traditional focus of sales efforts. This is changing, but we naturally still depend on the core islands for most revenue.

Same-store sales growth of 6.7% was projected for the year, and we exceeded this handily, at a 6.3% figure for the year.

Ramayana does about a third of its business in food marketing, but this area is under severe competitive pressure, because of the 'minimarkets' which have sprung up across the nation. Air-conditioned, brightly-lit, offering a smart selection of daily necessities, the mini-market has one advantage which a larger competitor like Ramayana cannot match: convenient location When a mini-market is only a short walk or drive from your home you'll feel more like going there. It's drawn trade away from the 'big box' stores, but particularly from those which, like Ramayana, are not known primarily for food shopping.

Our food section today is comprised of a mix of approximately 21.9% for foods & toiletries, with another 4.6% for household goods, housewares & stationery. Low gross margins and relatively small turnover also mean the section is more of a cost center than a profit center. But it still draws foot traffic, which is most important.

As the competition in retailing is automating transport, stocking, distribution and storage, we are forced to respond in kind to ensure reliability and control costs.

PUBLIC LISTING / PUBLIC IMAGE / TRANSFORMATION

First going public in July 1996; today there are 7,096 billion shares outstanding. The market cap is IDR 8.48 trillion, equal to USD 628.0 mn (as of 31 December 2016).

Ownership of the Company breaks down as follows: PT Ramayana Makmur Sentosa 55.88%, Paulus Tumewu 3.66%, Free float 40.46%.

Dividend Payout over the years has been remarkable as well. Ratio:

- 2012 : 57% of 2011 net profit
- 2013 : 50% of 2012 net profit
- 2014 : 54.5% of 2013 net profit
- 2015 : 54.0% of 2014 net profit
- 2016 : 61.5% of 2015 net profit

It was decided to repurchase shares, to support their price; the first buyback extended from 25 November-31 December 2015. The company spent Rp132 billion of its cash reserves, purchasing 203,513,800 shares, at an average price of Rp651.28 per share.

The second buyback took place during early 2016; the company spent Rp1.89 billion, purchasing 3,349,100 shares at an average price of Rp563.81 per share.

In the third and final period of its buyback program, extending from 1 July-31 December 2016, the Company completed 65%of the total. In the three periods of buyback, RALS bought back 373,181,100 shares, spending Rp339 billion. This corporate move program drove RALS stock price to soar by +128% in 2016.

Results up to September 2016 saw the Company performing most favorably, compared to its competitors. Revenue rose by +6.87% YoY to Rp4.56 trillion, as operating income expanded by +35.16% YoY to Rp343 billion.

Net income went up

+20.02%

YoY to Rp362 billion.

Against this, in 3Q16 RALS experienced 7.10% declining Same-Store Sales Growth (SSSG), compared to a previous 27.50%, mostly through shifting seasonal benefits from Ramadhan and Idul Fitri to the second quarter of 2016.

Gross margin and operating margin growth were projected to increase to 35.72% and 6.81%, respectively, the result of the Company's efficiency strategy and SPAR supermarket segment transformation target.

The markets forecast Ramayana revenue and bottom line to both rise in 2017, to Rp6.02 trillion and Rp469 billion, respectively. The Company will focus on maintaining its SPAR transformation, as well as providing proper quality products and merchandise to loyal customers at affordable prices, in line with the customer-based segmentation into middle and middle-to-low income.

During our 'period of transformation', the 'Fashion Meets Entertainment' program has cost the Company very little for the talent we brought in, venues, musical backup etc. The face that many of the performers are now selling their own brands through our outlets also offsets any expenses we incurred in hosting their performances.

PERFORMANCE INDICES & HUMAN RESOURCES

Indonesian enterprises today must deal with more forceful labor unions and a Government sensitive to popular opinion, as appropriate to a democracy. There is thus steady pressure to raise the minimum wage level for Indonesian workers. The dramatic 25%-40% rise in the legal minimum wage for Greater Jakarta, West Java and other areas has been both a blessing and a curse for a retail enterprise like Ramayana. While the 11% raise affected the cost of doing business, inflation did not show any noticeable jump; Indonesian exports were still competitive.

For a retail organization like Ramayana, while it added to our operational costs, it was more of a blessing, as additional disposable income in the pockets of average Indonesians will in due course be spent largely on the items we sell at our outlets.

There is still competition for the disposable income of average Indonesian families. The effect of inflation on the prices of basic living expenses (food, rent, transport) and the 'draw' of white goods, telecommunications and motorcycles, all available with easy credit.

Staff training and skills upgrading continues to be important at Ramayana.

Training Sessions

A three-day training course is provided for all new employees hired by the Company, as well as for the high school apprenticeship trainees (PKL) whom we hire, particularly during the Lebaran season, when foot traffic skyrockets, and Christmas / New Year's as well. This year our intake was a total of 10,240 high school students, from 303 schools across Indonesia. Some of the apprenticed students hired as PKL are from the Hotel Division of SMK (vocational schools).

For school holidays (mid-June to mid-July) and other minor festive seasons, an additional 5000 temporary employees are customarily hired; that figure doubles for the Lebaran / Idul Fitri season.

The new training system implemented in 2014 was evolved and sharpened, and implemented in all our outlets across the archipelago. Project-based leadership training was stressed, and close performance evaluation on middle management enabled senior management to appraise the quality of its human resources. Specialized three-month technical and business training sessions are offered in the field to selected groups of employees during the year, for efficient upgrading. Two 'SPAR Legend' Training Sessions were held, with 50 and 60 participants, respectively. 215 employees took part in the 'Service Standards Training' routine, while another 54 were enrolled in the 'Ms. Institutional Team' (Mystery Shopper).

38 SPV MCD Staff took the Service Standards Training, while 60 Assistant Managers Stabilization Training. 60 Store Managers and Regional Cashiers were enrolled in a 'The Legend Program' Training, and 72 studied SAP protocol. 46 of our Human Resources Development staff did a 'Training for Trainers' session, while 485 Cashiers were enrolled in specialized sessions. 80 staff were selected for a 'Visual Merchandising Transformation' session, while a SPAR Team came in for a 'SPAR Refresh & Upgrading' seminar, for 22 staff.

In order to maintain confidence and loyalty among its valued work force, efforts are made to retain employees even during periods of downturn or other interruptions. Superfluous workers with a positive work habit report are not fired; rather, the Company does not hire replacements, once they retire. Thus the total number of employees has a natural attrition, from 20,856 in 2010 to 11,295 in 2016, with no loss in productivity. In some cases productivity was enhanced by reassigning duties formerly meant for some 100 workers to around 90, without any meaningful loss of service excellence.

ANNUAL MANAGEMENT DISCUSSION & ANALYSIS

How do we upgrade? 'Mass Market Solution', catering for the widest spectrum of the population. This is a basic philosophy of the Company, and the guideline along which we operate.

Revenues

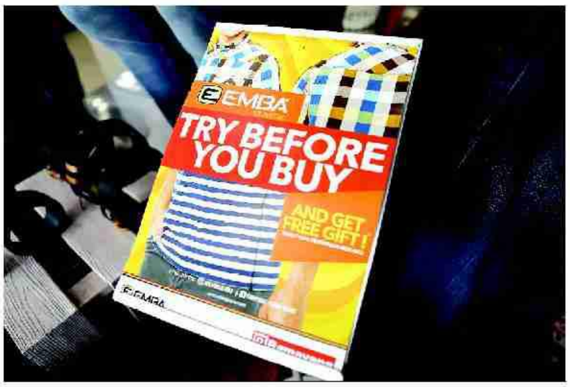
We are pleased to report that we exceeded planned numbers, the Company achieving excellent results in 2016, with total revenues standing at Rp. 5,857 billion, up from the Rp. 5,533 billion of 2015. This achievement is the result of the transformational initiatives within the Company, directly related to increased sales of both consignment and Outright: Outright sales in 2016 marked Rp. 2,937 billion, up 10.9 % from 2015's Rp. 2,649 billion. Consignment grew 4.8% for the year.

Gross Profit

In pursuit of growth, suppressing costs wherever possible, the Company booked a 10.3% increase in gross profit, at Rp. 2,202 billion, compared to the 2015 figure of Rp. 1,996 billion. It is also relevant to note that the dramatic improvement was the result of the Direct Purchase Department, which more than doubled our initial projection; this Department always generates a higher gross margin, and in 2016 it marked almost 2% more than ever before.

Operating Expenses

This category covers Marketing Expenses, General & Administrative Expenses, and Depreciation & Amortization Expenses. Total 2016 operating expenses were up 5.1%, from Rp. 1,745 billion in 2015 to Rp. 1,834 billion. Steady rises in the minimum wage across the archipelago, along with rentals, are factors in this rise. The basic electricity tariff is continuously adjusted upward, (especially for businesses), and management expenses rise in line with the revenue growth of the Company.



Operating Profit

The Company's operating profit for 2016 increased by 46.9% to Rp. 368 billion from Rp. 251 billion in 2015, as ultimate evidence of commitment to transformation, efficiency in operation and good service, in implementing a correct strategy, optimizing opportunities in investment.

Net Profit

In 2016, the Company recorded Rp. 408 billion in net income, against Rp. 336 billion in 2015, for an increase of 21.6%, while operating expenses rose by Rp 89 billion.

Statement of Financial Position

Assets

As of December 31, 2016, total assets stood at Rp. 4,647 billion, against Rp. 4,575 billion for the previous year. This includes new along with existing outlets.

Liabilities

The Company's total liabilities for 2016 increased by 5.5%, from Rp. 1,241 billion in 2015.

Equity

We wish to report the achievement of a net profit of Rp. 408 billion for 2016, and retained earnings of Rp 3,247 billion, against Rp. 3,045 billion in 2015. The Company's equity rose 0.1% from Rp. 3,334 billion in 2015 to Rp. 3,337 billion in 2016.

Dividends

At the Annual General Shareholders' Meeting on 23 May 2016, the Company disbursed a cash dividend of Rp. 30 per share, equivalent to 61.5 % of 2015 net income.

CONTINUOUS GOOD CORPORATE GOVERNANCE

Company Governance

Implementation of Governance in the Company is based on four basic principles which have thus far guided Company management and employees in their way forward:

1. Transparency

Transparency has been our commitment to ensure the availability of critical information, made accessible to any authorized party in need of it. This information can be in the form of a financial statement, company management or company ownership, among others. All such information should be accurate, clear, and punctual.

Ramayana upholds the principle of openness, as manifested in the implementation of transparency, in providing relevant information to stakeholders. Implementation of this principle is signified by the consistent updating of its corporate website www.ramayana.co.id , which functions as a platform of information for communities, investors and shareholders.

The adherence of Ramayana to transparency is also demonstrated through its Quarterly and Annual Financial Reports, Annual Report, Disclosure of Information and Public Expose conducted yearly, to convey information on the ongoing development at Ramayana as well as its future projections.

2. Accountability

Accountability is defined by the presence of reliable mechanisms, roles and responsibilities in professional management, governing any decision or policy which might have a significant impact on Company operations.

Ramayana puts priority on the rights, obligations, authority and responsibilities of the Board of Directors, Board of Commissioners and Stakeholders. Meetings to conclude strategic decisions take place on a regular between members of the Board of Directors, the Board of Commissioners and Management.

3. Responsibility

Responsibility refers to a clear elaboration of the role of each person in achieving a common goal. It also ensures compliance with all prevailing regulations and social norms. As a public company, and one which prioritizes the principles of Good Corporate Governance, compliance with laws, regulations of the Financial Services Authority (OJK) and the Indonesia Stock Exchange (IDX), government regulations and taxation laws must be complied with, for the long-term benefit of Shareholders.

Meanwhile, as part of its responsibility towards society and the environment, Ramayana and its subsidiaries periodically take part in various corporate social responsibility programs.

4. Feasibility

All decisions and policies made by the Company should be in harmony with the interests of different stakeholders, including customers, suppliers, shareholders, investors and the public.

Inasmuch as Good Corporate Governance (GCG) is a key factor in a company's success, Ramayana has, over the years, implemented principles and practice of Good Corporate Governance in the management of its business, effectively protecting the interests of its stakeholders.

5. Independence

The Management of Ramayana consists of professionals responsible for ensuring that operations have been executed by anticipating needs and expectations of the market, as well as by observing principles of Corporate Governance.

Decisions are made independently and objectively, in the best interest of Ramayana and its Stakeholders.

6. Fairness

In performing its duties, all employees and management are required to manifest professionalism and demonstrate integrity. Every action must be in accordance with the systems and procedures effective in Ramayana Group.

An operative GCG structure ensures implementation of Good Corporate Governance in all operational and strategic activities of the Company.

General Meeting Ofshareholders (GMS)

The GMS is a pinnacle authority in the structure of Good Corporate Governance (GCG). In the GMS, strategic decisions include, among others, changes in the Articles of Association, appointment or dismissal of members of the Board of Commissioners (BOC) or Board of Directors (BOD), approval of the Annual Report, Audited Financial Statements, the supervisory report of the Board of Commissioners and the use of profits, material investment or divestment decisions and capital structure of the Company.

Ramayana conducted its Annual GMS and Extraordinary GMS in 2016. In the Annual GMS, the Annual Report, Audit Report, dividend payments and total fees for the Board of Commissioners were approved.

Board of Commissioners (BOC)

The BOC plays an important role in GCG implementation. The duties and responsibilities of the BOC include supervising the Company's management policy, ensuring appropriate implementation of the Company's Articles of Association, enacting the resolutions of the Shareholders General Meetings within prevailing laws and regulations, and advising the Board of Directors in accordance with the objectives of the Company. In order to perform its duties effectively and to fulfill the requirements of GCG implementation, the BOC has established an Audit Committee, headed by an Independent Commissioner. The Audit Committee reserves the right to access all information available in the Company, provide independent analysis, monitor the examination process of financial reports by both internal and external auditors and provide access to the internal audit function and audit findings.

Meetings of the BOC and joint meetings with the BOD take place regularly. The total amount of remuneration received by the 5 members of the BOC for 2016 was Rp. 6, 238,852,035.

Board Of Directors (BOD)

The BOD is authorized and is entirely responsible for managing the Company, in accordance with its purposes and objectives, as well as for representing the Company in accordance with the Articles of Association. The duties and responsibilities of the BOD include managing the daily activities of the Company, implementing the policies, principles, values, strategies, objectives and performance targets that have been evaluated and approved by the BOC, maintaining the Company's long-term business continuity, achieving performance targets, while adhering to the principle of prudence.

In accordance with the decision of the Extraordinary GMS of May 20, 2016, related to the duties and authority of the BOD, the following were appointed or confirmed:

President Director	:	Agus Makmur
Director	:	Suryanto
Director	:	Halomoan Hutabarat
Director	:	Muhamad Yani
Director	:	Gantang Nitipranatio

Remuneration received by the members of BOD for the year 2016 was Rp. 5,687,342,701.

Audit Committee

The Audit Committee is tasked with providing an independent professional opinion on the report to the Board of Directors, identifying issues that require attention of the Board of Commissioners, conducting a review of financial information as issued by the Company, reviewing the work plan and implementation of inspection by internal auditors, reviewing independence and objectivity of external auditors through a review of the adequacy of audit, along with an examination to ensure that all important factors have been considered in the inspection program by external auditors, as well as performing a review.

To ensure its independence, the Audit Committee reports directly to the Board through the Independent Commissioner who serves as Chairman of the Audit Committee. In turn, the Board will propose to the Board of Directors various duties which need to be executed in the Audit Committee report.

In performing its duties and carrying out its responsibilities, the Audit Committee has the authority to obtain information and reviews needed directly from the Department of Internal Audit and Accounting, through communications, speech or by means of meetings with internal and external auditors on the audit, with a letter dispatched to the external auditor on critical items which should be of concern during the inspection by external auditors.

The Committee also stresses the importance of internal control as the responsibility of the Company, as studied and reported by external and internal auditors.

During 2016, the Audit Committee conducted 4 meetings with the Board, providing the Board its independent opinions and suggestions. Audit Committee members have also attended meetings with internal auditors and the Board of Directors to discuss the findings and recommendations from internal auditors to the Board.

Composition of the Audit Committee

As of December 31, 2016
Chairman:
Selamat (Independent Commissioner)
Members:
1. Ruddy Hermawan Wongso 2. Tonang Sendjaja

Executive Committee

The Executive Committee is composed of the Directors of the Company and its subsidiaries, as well as the general managers of departments and business units. The Executive Committee meets regularly to discuss various aspects in managing the Company and its subsidiaries, which entail marketing, project development, financial reporting and continuous management performance improvement.

Corporate Secretary

The Corporate Secretary facilitates the relationship between the Company and its Stakeholders. The Corporate Secretary is responsible for adherence to the laws and regulations of the capital market, without exception, thus ensuring that the Company has met and complied with all rules, regulations and laws of the capital market in a timely manner, maintaining all Company documents related to the capital market and its status as a public company, ensuring the availability of information to all Stakeholders, managing investor relations activities, maintaining relationships between the Company and capital market participants, and creating a positive image of the Company, in accordance with its vision, mission, culture and values. The position of Corporate Secretary is currently held by Setyadi Surya.

External Audit

The company's external auditor is appointed by the annual general meeting of shareholders based on the audit commitee's recommendation. In accordance with the decision taken at the annual general meeting of shareholders on May 20,2016, the company appointed the public accountant firm of Purwantono, Sungkoro, & Surja, a member firm of Ernst & Young Global Limited, as the independent auditor to audit Ramayana's financial statements for the year ending December 31,2016. The signin partner for E&Y was Sinarta who has signed the company's audited financial statements for 1 fiscal year.

Public accountant firm of Purwantono, Sungkoro, & Surja has audited the company's financial statements for the last two fiscal years. The services rendered by E&Y consisted solely of auditing the Company's financial statements for the year ending December 31,2016.

Internal Audit Unit

The Internal Audit Unit performs its duties and carries out its responsibilities based on GCG principles, which consist of transparency, accountability, responsibility, independency and fairness.

The implementation of these principles is manifested in the duties and responsibilities of the Internal Audit Unit as stipulated in the Internal Audit Charter, as follows:

- To prepare and implement an Annual Internal Audit Plan.
- To examine and evaluate the implementation of internal control and risk management, in accordance with Company policy.
- To examine and assess the efficiency and effectiveness of finance, accounting, operation, human resources, marketing, information technology and other functions.
- To provide advice for improvement and objective information on all audited activities, at all management levels.
- To prepare a report on audit findings and submit it to the President Director and the BOC.
- To monitor, analyze and report the implementation of recommended actions.
- To collaborate with the Audit Committee.The authority of the Internal Audit Unit includes but is not limited to the following:
    - To access all relevant information regarding the Company.
    - To communicate directly with the BOD, BOC, and/or Audit Committee.
    - To hold meetings in regular and incidental meetings with the BOD, BOC, and/or Audit Committee.
    - To coordinate its activities with the external auditor.

Compliance Audit

The Internal Audit Unit has implemented a SOP compliance audit on all units of the Company during January 2016 - December 2016, covering: the handling of cash, promotions and Human Resources, and loans. Non Facility Management, covering compliance audit in the implementation of Finance& Accounting SOP and Human Resources Department (HRD) SOP in all of Ramayana Group's business units, covers:

(1) Finance & Accounting SOP:

- Procedure for petty cash management.
- Procedure for advance payment.

(2) Human Resources Department SOP:

- Procedure for medical reimbursement.
- Procedure for operational vehicles.

The summary of the audit was to confirm that all of the business units had followed standard operating procedures.

Risk Management

Management realizes that the Company faces a number of risks, which need to be managed with prudence in order to ensure healthy and sustainable business growth. Some of the business risks faced by the Company are:

1. Economic Risk
Economic risk includes a number of factors, such as fluctuations in the Rupiah exchange rate, interest rates and inflation. These factors have a significant impact on the Company's performance, specifically affecting the Company's outstanding loan position and purchasing power of target consumers. In turn, this exerts an effect on consumers' ability to purchase the products and services offered by the Company.

In order to minimize economic risk, Ramayana intensively monitors the economic condition and seeks professional opinions from competent sources. The Company is also naturally hedged against currency fluctuations, through the US-Dollar denominated revenues from its businesses. Furthermore, the Company consistently matches the currency of the loans for project financing with that for project revenues.

2. Security Risks
Security is one of the key issues in any business. In the past, a number of security issues, particularly that of terrorism, have proved to be detrimental to Indonesia and to Ramayana's business activities.

As a preventive action, Ramayana has put in place a set of Standard Operating Procedures (SOP) to address safety and security issues as well as strict security standards on all premises.

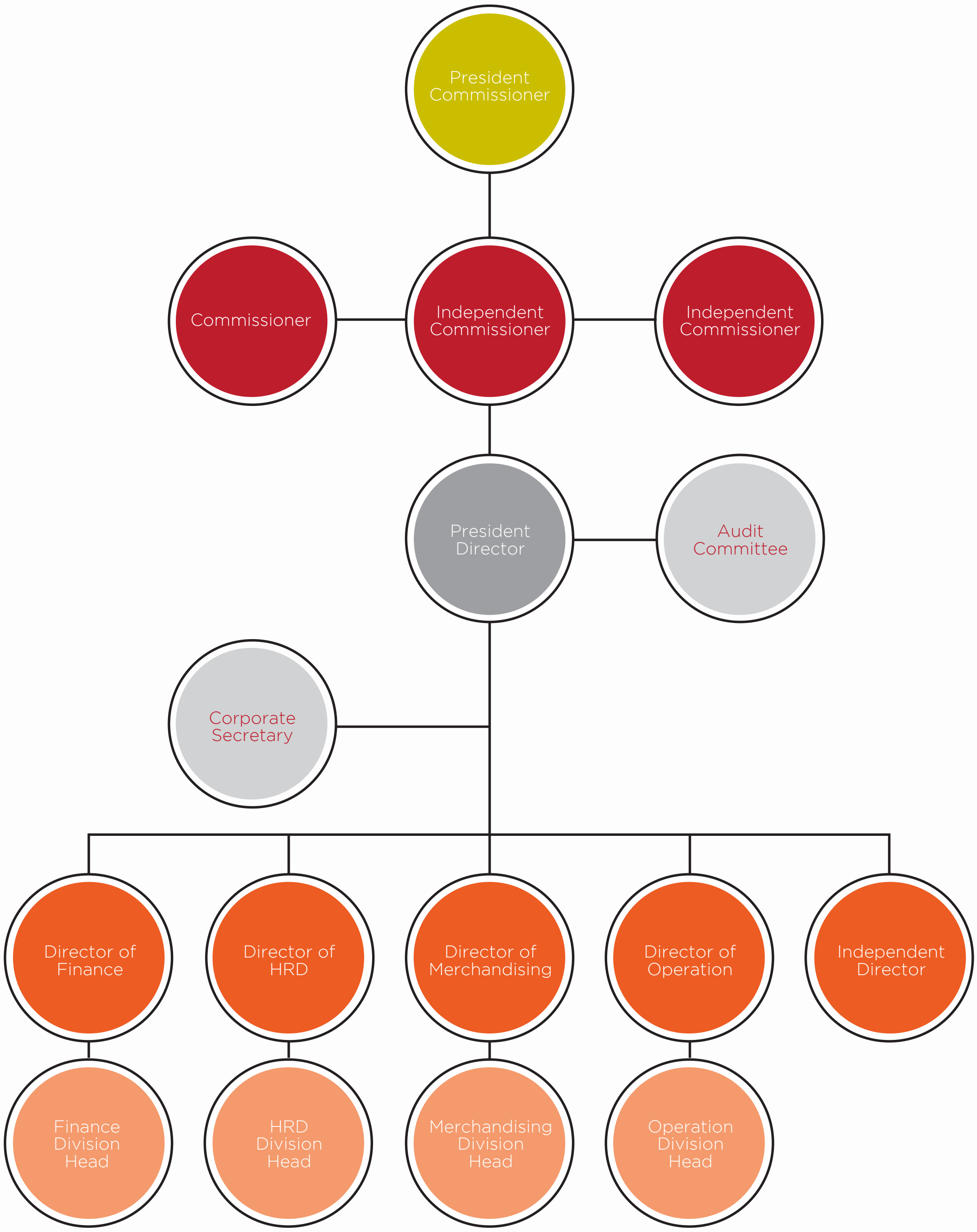
3. Business and Property Risks
As a company which owns various highly-valuable assets, Ramayana is also vulnerable to natural disasters and other adverse events, such as fires, earthquakes, floods and other business interruptions. In order to minimize these risks, the Company has ensured that all of its properties are insured with coverage commensurate with the properties' market value. Ensuring accuracy, all insurance policies were underwritten by the most trusted and reliable insurance brokers. The Company also implements a set of SOP to handle emergency events.

4. Competition Risks
In recent years, the retail sector has witnessed increasingly aggressive business competition from small sellers, malls, kiosks and itinerant clothing merchants, targeting our market segments.

Competition thus emerges in two forms - first from competitors within the industry, and second from an over-supply of retail spaces in the market. Hence suppliers try to attract more customers by cutting prices and offering special promotions. In order to win in such a competitive business climate, product innovation remains the primary option in the Company's business development activities, by featuring originality, uniqueness, and products of highest quality, as well as excellent service and complete supporting facilities in accordance with customer needs.

5. Legal Risks
To establish or open a supermarket or department store, the company must obtain a permit from the relevant agency, taking into account the government's role as a regulator of policy covering various social sectors, economic and cultural communities in the area. Therefore, the Company is always working with relevant local agencies and consistently meeting the legal requirements imposed by the Government.

Organizational Structure



Share Highlights

THE SHAREHOLDER'S COMPOSITION

Share Capital		As of December 2016
Authorized Capital		28,000,000,000
Issued and Fully Paid Capital		7,096,000,000
Composition of the Shareholders	2016	I P O
PT Ramayana Makmur Sentosa	55.88%	61.10%
Paulus Tumewu	3.66%	16%
PT Ramayana Lestari Sentosa Tbk. (buyback)	5.26%	-
Public	35.20%	22.90%

RAMAYANA SHARE PRICE ON THE IDX

	Quarter	Highest	Lowest	Closing	Volume
2015	1	865	705	750	11,457,300
	2	835	665	690	3,646,800
	3	705	510	515	7,083,100
	4	735	620	645	762,900
2016	1	815	555	710	12,456,200
	2	1,070	665	1,070	30,639,500
	3	1,315	1,010	1,100	6,021,000
	4	1,370	1,095	1,195	2,419,400

THE HISTORY OF OUR SHARE LISTINGS

Information	Listing Date on Stock Exchange	Number of Shares
Initial Public Offering	26 June 1996	80,000,000
Bonus Shares	15 September 1997	700,000,000
Stock Split	8 June 2000	1,400,000,000
Stock Split	18 June 2004	7,000,000,000
ESOP	4 July 2005	7,032,000,000
ESOP	2 October 2006	7,064,000,000
ESOP	28 July 2010	7,096,000,000



JD

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SPAR
SUPERMARKET

DENIM MAKERS

Our Array of Stores across the Archipelago

While the traditional base of operations and mass of outlets is on Java, the most populous island of the archipelago, we are now looking expectantly at East Nusa Tenggara and the other islands in the eastern part of the country for new opportunities. There is less competitive pressure out there, and margins are higher. There is also less dependence on the boom-or-bust mentality which affects communities, and stores, in areas where 'coal is king' or the majority of the population is associated with palm oil plantations.

Ramayana has been in business some forty years, offering Indonesians quality merchandise, with garments, food and household needs for three generations of Indonesian consumers. We have become part of the life-style of Indonesians everywhere, particularly in the populous areas of Java and the Jakarta Special Region. We are proud to have been a member of the Indonesian community and social life since our one-store start-up in 1978. Now we wish to branch out further.

The initial thrust of merchandising back then was in Greater Jakarta (where there is industry, workers and a concentration of consumers) and East Java (today a recipient of approximately 12 billion dollars in remittances from overseas workers).

Once these marketing areas were matured the Company began to look toward secondary urban centres, principally aiming at areas where natural resources (mining, energy) or commodities (palm oil, wood and rubber plantations) signify a concentration of salaried workers - and as 'greenfield' areas Ramayana would not be facing off against established retail competition.

We continue to have mixed success in growing smaller cities of Sumatra, Kalimantan and Sulawesi, as these 'monoculture economy' towns and cities are over-dependent on one commodity or manufacturing enterprise. They are thus more sensitive to downturns than businesses in Jakarta, Medan or Surabaya. Mining, manufacturing or plantations can suddenly close, signifying layoffs of thousands of workers at short notice. This may exert a negative effect on store traffic. Those who lose their jobs simply cannot afford to go shopping. Note that Ramayana does up to 43% of its business in these developing areas.

As of this writing Ramayana has a total of 113 stores in operation, with total gross selling space of 966,506 sqm. (down slightly from 2015) Outlets are located across the archipelago:

Range Stores our Boast

No.	Store	Address	City
1	C001	Jl. Taman Mini Raya	East Jakarta
2	R02	Pulo Gadung Trade Center, Jl. Raya Bekasi km 21	Bekasi
3	R05	Jl. Hasanuddin Bawah Terminal Blok M Mall	South Jakarta
4	R06	Jl. Pahlawan No.1000	Serpong
5	R08	Jl. H. Agus Salim No. 34-38	Central Jakarta
6	R10	Jl. Pasar Palmerah Lt. 2	West Jakarta
7	R11	Jl. Raya Ragunan No. 113, Pasar Minggu	South Jakarta
8	R12	Jl. Pasar Baru No. 69	CentralJakarta
9	R13	Jl. Raya Bogor, Pasar Kramat Jati, Lt. 1	East Jakarta
10	R14	Jl. Tanjung Duren Barat, Pasar Kopro Lt. 2-3	West Jakarta
11	R15	Jl. Dewi Sartika No. 1	Bogor
12	R20	Jl. Ciputat Raya, Plaza Ciputat Raya	Tangerang
13	R21	Jl. Ir. H. Juanda, Pratama Plaza	Bekasi
14	R22	Jl. Ragunan, ex Terminal Pasar Minggu	South Jakarta
15	R24	Jl. Raya Pondok Gede, samping Terminal	Bekasi
16	R25	Jl. Surya Kencana No. 3	Bogor
17	R26	Jl. Merdeka, dekat Terminal Cimone	Tangerang
18	R29	Jl. Kramat Jaya, Tugu Koja, Tanjung Priok	North Jakarta
19	R30	Jl. Antasari no.1, Plaza Mitra	Banjarmasin
20	R31	Jl. Daan Mogot Raya, Kodim	Tangerang
21	R32	Jl. Tebet Raya Dalam, Pasar Tebet	South Jakarta
22	R33	Jl. Yos Sudarso, Koja Plaza, Tanjung Priok	North Jakarta
23	R34	Jl. Margonda Raya, Plaza Depok	Bogor
24	R35	Jl. Raya Serang, Mal Cilegon	Cilegon
25	R36	Jl. Jend. A. Yani, Jambu Dua	Bogor
26	R37	Jl. Raya Cibitung	Bekasi
27	R38	Jl. I Gusti Ngurah Rai, Klender	East Jakarta
28	R39	Jl. Veteran	Purwakarta
29	R40	Jl. Lingkar Luar Barat, Cengkareng Timur	West Jakarta
30	R41	Jl. Pattimura, Sutomo, Pantuan	P. Siantar
31	R42	Jl. Raya Bogor, Graha Cijantung	East Jakarta
32	R43	Jl. Raya Jakarta-Bogor, Cibinong	Bogor
33	R44	Jl. Pondok Raya, Plaza Bintaro, Bintaro	Tangerang
34	R45	Jl. Sultan Toha	Jambi
35	R46	Jl. Dr. Muwardi II, Pasar Muka	Cianjur
36	R47	Jl. Lapangan Tembak, Cibubur	Bogor
37	R48	Jl. R. Intan, Pasar Bawah, Tanjung Karang	Lampung
38	R49	Jl. HOS Cokroaminoto, Ciledug	Tangerang
39	R50	Jl. Andi Pettarani; Panakukang Mas	Ujung Pandang
40	R51	Jl. Sukarno, Plaza Muara Rapak	Balikpapan
41	R52	Jl. Pasar Pangkal Pinang, Bangka	Pangkal Pinang
42	R54	Jl. Letkol Iskandar, Kompleks Ilir Barat Permai	Palembang
43	R55	Jl. Pulau Irian	Samarinda
44	R57	Jl. Tanjung Pura	Pontianak
45	R58	Jl. Sisingamangaraja	Medan
46	R60	Jl. Gajah Mada, Pasar Simpang 3	Tarakan
47	R61	Jl. Lalamentik, Floabamora Mal	Kupang
48	R62	Jl. Iskandar Muda, Plasa Medan Baru	Medan
49	R63	Jl. P. Antasari, Pasar Sentra Antasari	Banjarmasin
50	R66	Jl. Pemuda	Padang
51	R67	Jl. Tuparev	Karawang
52	R68	Jl. Altenatif, Cileungsi	Bogor
53	R70	Jl. Pengayoman	Makassar
54	R71	Jl. Juanda	Bogor
55	R73	Jl. Emmy Saelan	Palu
56	R74	Jl. R.E Martadinata, Cikarang	Bekasi
57	R75	Jl. Veteran, Kel Kota Baru	Serang
58	R77	Jl. A.Yani. No. 1, Kel Benteng Pasar Atas	Bukit Tinggi

No.	Store	Address	City
59	R78	Jl. Jend. A Yani	Baturaja
60	R79	Jl. Perintis Kemerdekaan	Makassar
61	R80	Jl. Jend. Sudirman	Dumai, Kep. Riau
62	R81	Jl. Mulawarman	Bontang
63	R82	Jl. Raya Sesetan	Bali
64	R83	Jl. Adi Sucipto	Banyuwangi
65	R85	Jl. Jenderal Sudirman	Duri
66	R86	Jl. Lintas Timur	Kerinci
67	R88	Jl. Jend. Sudirman	Paya Kumbuh
68	R89	Jl. Jend. Sudirman	Tebing Tinggi
69	R90	Jl. Jend. Sudirman	Kotabumi
70	R91	Jl Raya Abepura, Kec Jayapura Selatan	Abepura
71	R93	Jl. Latumenten No 33	West Jakarta
72	R94	Jl. M. Yamin	Samarinda
73	R96	Jl. HR. Subrantas	Panam
74	R97	Jl. Raya Padalarang, Kab. Bandung Barat	Padalarang
75	R98	Jl. Panglima Sudirman	Kediri
76	R99	Jl. Guntur, Kel Pakuwon	Garut
77	R100	Jl. Raya Plered	Cirebon
78	R101	Jl. Z.A. Pagar Alam	Lampung
79	R102	Jl. Pasar Kebayoran Lama	South Jakarta
80	R103	Jl. Jend Ahmad Yani, Kel Klademak	Sorong
81	R105	Jl. Raya Parung Bogor, Kab. Bogor	Bogor
82	R106	Jl. Siliwangi/ Kamp. Sekarwangi, Cibadak	Sukabumi
83	R107	Jl.H.R Lukman, Link. Kayu Manis	Bogor
84	R108	Jl.Raya Bogor, Cililitan, Jakarta Timur	East Jakarta
85	R109	Jl. Raya Teratai Putih, Duren Sawit	East Jakarta
86	R110	Jl. DR. Sutomo, Kel Noyontaan Pekalongan	Pekalongan
87	R111	Maluku Mall City, Jl Sultan Hassanudin	Ambon
88	R114	Jl.Bogor Baru Kel Kedaung Jaya	Bogor
89	R115	Mall Mega Sanur Bulu Kumba, Jl Samratulangi	Bulu Kumba
90	R119	Mall Dinoyo City Square JL. MT Haryono	Malang
91	R120	Jl. Slamet Riyadi, Laweyan, Solo	Solo
92	R121	Jl. Raya Tajur RT 02/02, Sindangsari, Bogor Timur	Tajur
93	RB03	Jl. Pemuda; Jl. Jend Sudirman	Salatiga
94	RB05	Jl. Tipar Gede No. 17	Sukabumi
95	RB07	Jl. Pasuketan, Mal Cirebon, Lt. 1	Cirebon
96	RB09	Jl. Malioboro No. 124	Jogyakarta
97	RB10	Jl. Kusuma Bangsa, THR Mal Surabaya	Surabaya
98	RB11	Jl. Simpang Lima, Mal Citraland, Lt. 1	Semarang
99	RB12	Jl. Rio No. 1, Cimahi Mekar	Bandung
100	RB13	Jl. Merdeka Timur, Plaza Mataraman	Malang
101	RB14	Jl. Taman Jayeng Romo, Jembatan Merah	Surabaya
102	RB16	Jl. Gubernur Suryo, Plaza Multi Sarana	Gresik
103	RB17	Jl. Jend. A. Yani 66-74	Jogyakarta
104	RB20	Jl. Diponegoro No. 103-AI	Denpasar
105	RB21	Jl. Komplek Jodoh, Marina	Batam
106	RB22	Jl. Bungur Asih	Surabaya
107	RB23	Jl. Raya Krian, Kompleks Pasar Krian	Sidoarjo
108	RB26	Jl. Wiratno	Tanjung Pinang
109	RB27	Jl. Diponegoro	Sidoarjo
110	RB28	Jl. Simpang Tujuh	Kudus
111	RB29	Jl. Jend. Sudirman	Denpasar
112	RB30	Jl. Kawasan Komersil Muka Kuning	Batam
113	RB31	Jl. Bubutan no 1-7	Surabaya

CORPORATE SOCIAL RESPONSIBILITY & TRANSFORMATION

We depend on the goodwill, cooperation and support of the communities in which we operate, and thus share a part of our prosperity with the citizens of those centres. In 2016 the following activities were part of our Corporate Social Responsibility program:

Ramayana historically supports and advances the welfare of the community at large, particularly for those citizens who live in areas neighboring our stores, warehouses and other facilities. In accepting this responsibility, the Company acknowledges its responsibility to all stakeholders and to its neighbors around the Indonesian archipelago.

The 'program praktek kerja lapangan' (PKL - 'apprenticeships program') involved 10,240 high school and vocational school students learning practical skills by being attached to outlets. This related closely to the academic courses they had been pursuing.

In 2016 the Company responded to natural disasters, such as the destructive flooding in Garut, West Java. A total of Rp. 481,284,722 was distributed to heads of families and to 265 school students.

20 students were awarded scholarships to study in Al-Azhar School in Jakarta, with a total of Rp. 200,000,000 disbursed.

Ramayana staff children are awarded scholarship subsidies if the parents have served the Company a minimum of five years, and have a good work record. This 'Gerakan Nasional Orang Tua Asuh' ('National Parents Subsidy Program') awarded 1,093 public school students a total of Rp. 472,100,000 this year. From Rp. 400,000 to Rp. 600,000 per student is allotted, depending on the level of study.

Ramayana continues to survey and plan emergency and social support, in its efforts to share prosperity with needy families. We continue to work and share with local people in areas around our outlets, to demonstrate how we are a socially-conscious, caring and valuable member of the Indonesian business community.

BIODATA:
THE BOARD OF COMMISSIONERS

Paulus Tumewu
President Commissioner

Founder of the Company, Mr. Tumewu, an Indonesian citizen, was born in Ujung Pandang, Sulawesi in 1952. From an early age he took part in retail activities, helping out in his parents' shop in Ujung Pandang (today known as Makassar). It was in 1978 that he first established what would become Indonesia's second largest retail chain, under the name of 'Ramayana', with the opening of the first store on Jl. Sabang, Central Jakarta. In 1983 this store was incorporated into a Public Company, known as PT Ramayana Lestari Sentosa, Tbk. Calling upon his more than thirty years of experience, Mr. Tumewu has been the driving force behind Ramayana's growth and sustained success.

M. Iqbal
Commissioner

Muhammad Iqbal was born in Serang, West Java in 1962, and is an Indonesian national. He was awarded a Bachelor's Degree in Law from the University of Indonesia in 1987, and joined the Company in 1989, first working as a Store Supervisor. He was promoted to the post of Store Manager, where he served three years, and then became Store Operations Manager in 1994. From 1995 to 2001, Mr. Iqbal was a Commissioner of the Company, and has once again joined the Board of Commissioners.

Koh Boon Kim
Independent Commissioner

A Singaporean national born in 1947, Mr. Koh attended the University of Chicago Graduate School of Business. He has over thirty years of experience in the Asian retail industry and has served as Senior Advisor to the Company since 1988.

Selamat
Independent Commissioner

An Indonesian national. Born in Pematang Siantar in 1963. Awarded a Degree from Trisakti University. Has over 20 years' experience in Accounting and Finance in several public companies. Appointed as an Independent Commissioner based on General Meeting of Shareholders resolutions on 23 May 2014

Kismanto
Commissioner

Mr. Kismanto is an Indonesian national, 54 years old. He was born in Majenang, Central Java and joined the Company as a Senior Counter Head in 1980; three years later he was promoted to Cashier Head and later worked as a Store Manager. He played a central role in the Company's robust growth. Mr. Kismanto was appointed Regional Manager in 1989 and became Merchandise Controller in 1993, in which position he was responsible for the entire Company network of stores. In 1995 he was asked to join the Board as Director of Marketing and Merchandising.

BIODATA: THE BOARD OF DIRECTORS

Agus Makmur

President Director

An Indonesian national, he is 58 years old, and was born in Makassar (Ujung Pandang), Sulawesi, where he graduated from the Catholic University of Ujung Pandang. He later joined Mr. Paulus Tumewu in a joint effort managing his growing retail business. Mr. Agus Makmur has 36 years of experience in the retail industry and currently supervises the daily operations of the Company.

Suryanto

Director

An Indonesian national born in Pangkal Pinang, This 53-year-old executive holds a Degree in Accounting from Trisakti University, where he graduated in 1987. He is also an Honors Graduate of the Professional Accounting Education Program at the University of Indonesia. He began his career at the respected firm of Prasetio, Utomo & Partner. He also held a senior management position with another retail firm for some ten years, worked two years as a Group Controller and four years as Director of an electronics manufacturing company before joining Ramayana.

Gantang Nitipranatio

Director

Mr. Gantang Nitipranatio, an Indonesian citizen, was born in Magelang in 1956. He graduated from Atma Jaya University, Yogyakarta in 1981, being awarded a BA Degree in Economics. Mr. Gantang is married and has three children, and has worked at Matahari Dept. Store (1984-2004), as well as starting up and developing a specialty store (2004-2006) before entering Ramayana as Head of Merchandising in 2007.

Halomoan Hutabarat

Director

An Indonesian national, born in North Sumatra on 22 April 1966; awarded a Bachelor's Degree in Law from Universitas Kristen Indonesia. Mr. Halomoan joined PT. Ramayana Lestari Sentosa as Senior Operations Manager in 1992; in 2011 he began to manage a retail business independently before rejoining the company as an Independent Director on 23 May 2014

Muhammad Yani

Director

Mr. Muhammad Yani, an Indonesian citizen, was born in Bima on 1968. He graduated with a Bachelor of Law at Hasanuddin University in 1990, and first joined Ramayana in 1995 as Human Resources Supervisor. In 2007, Mr. Yani was appointed as Head of Human Resources Division, and finally officially served as Director in 2016.


Benhill
CASUAL & LIFESTYLE


POND'S
Bioré
GARNIER


MURAH
SETIAP HARI


Health & Beauty


JEDAR


MURAH
BANGET


Ayo gabung
MEMBER CARD
GRATIS !

CORPORATE DATA

PT RAMAYANA LESTARI SENTOSA Tbk

Jl. Wahid Hasyim 220 A-B
Jakarta 10250 Indonesia
Telp : +62 21 3914566, 3920480, 3151563
Fax : +62 21 3920484
Web : www.ramayana.co.id

Supporting Professionals and Institutions

Public Accountant:
Purwantono, Suherman & Surja
Indonesia Stock Exchange Building
Tower 2, 7th Floor
Jln. Jend. Sudirman Kav. 52-53
Jakarta 12190, Indonesia
Telp : + 62 21 52895000
Fax : + 62 21 52894100
www.ey.com/id

Share Registrar:
PT Sinartama Gunita
Plaza BII Menara 3, 12th Floor
Jln. MH. Thamrin No. 51
Jakarta 10350, Indonesia
Telp : + 62 21 3922332
Fax : + 62 21 3923003
www.sinartama.co.id

AUDIT COMMITTEE'S REPORT

In order to establish the principles of Good Corporate Governance, the Company has established an Audit Committee, whose mandate it is to assist the Board in carrying out its duties and responsibilities with respect to business risk management and to the Company's internal control system.

In accordance with the regulations of the Financial Service Authority (OJK - previously known as Capital Market Supervisory Agency and Financial Institution - BAPEPAM & LK) and the Indonesia Stock Exchange, the Audit Committee has conducted several meetings, among others being those on March 14, 2016 to review the Company's financial statements ended December 31, 2015, May 13, 2016, Augu st 25, 2016, and November 15, 2016 to review the Company's interim report. These meetings discussed the findi ngs of and recommendations by the External Auditor, the Board of Directors, the Internal Auditor and the Corporate Secretary.

Disclosure obligations on the review by the Audit Committee of the Company's Annual Report - the following are our submissions:

a. Selection of Certified Public Accountants for 2016, recommended by the Board of Directors, taking into account aspects of independence and competence, and approved by the Board of Commissioners, having received authority from the shareholders in a General Meeting of Shareholders held on May 20, 2016.

b. The Company is run by an effective internal control system, which is being continually upgraded, in accordance with policies outlined by the Board of Directors and supervised by the Board of Commissioners.

c. Financial statements have been prepared and well presented to meet general accounting principles as practiced in the Republic of Indonesia.

d. The Company always adheres to the regulations of capital markets and to other laws relating to the activities of the Company.

e. There has been no known potential for abuse or diversion which would require attention or the consideration of the Board of Commissioners.

Similarly, this Audit Committee report was presented. We thank the Board of Commissioners for their attention.

Jakarta, March 17, 2017
Audit Committee PT Ramayana Lestari Sentosa Tbk

Selamat
Chairman

Ruddy Hermawan Wongso
Member

Tonang Sandjaja
Member

ANNUAL REPORT APPROVAL

STATEMENT OF RESPONSIBILITY FROM BOARD OF COMMISSIONERS AND BOARD OF DIRECTORS

BOARD OF COMMISSIONERS AND BOARD OF DIRECTORS STATEMENT OF RESPONSIBILITY FOR THE 2016 ANNUAL REPORT OF PT RAMAYANA LESTARI SENTOSA TBK.

We, the undersigned hereby declare that all the information contained the 2016 Annual Report of PT Ramayana Lestari Sentosa Tbk. has been presented completely in all material aspects and we fully responsible for the trustworthiness of the contents of this Annual Report.

We acknowledged accordingly.

BOARD OF COMMISSIONERS

Paulus Tumewu
President Commissioner

M. Iqbal
Commissioner

Koh Boon Kim
Independent Commissioner

Selamat
Independent Commissioner

Kismanto
Commissioner

BOARD OF DIRECTORS

Agus Makmur
President Director

Suryanto
Director

Gantang Nitipranatio
Director

Halomoan Hutabarat
Director

Muhammad Yani
Director

FINANCIAL STATEMENTS



Independent Auditor's report for the year Ended

December 31, 2016 and 2015

PT Ramayana Lestari Sentosa Tbk

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

PT.Ramayana Lestari Sentosa, Tbk
Jl. K.H. Wahid Hasyim No. 220 A-B Jakarta 10250 Indonesia
Telp. (021) 3914566 - 3151563, 3106653 (Hunting)
Fax. (021) 31934245

BOARD OF DIRECTORS' STATEMENT
REGARDING THE RESPONSIBILITY FOR
THE FINANCIAL STATEMENTS OF
PT RAMAYANA LESTARI SENTOSA, Tbk
AS OF DECEMBER 31, 2016
AND FOR THE YEAR THEN ENDED
WITH INDEPENDENT AUDITORS' REPORT

We, the undersigned :

1. Name	: AGUS MAKMUR
Office address	: Jl. K.H. Wahid Hasyim No. 220 A-B, Jak-Pus
Home address / As stated in ID	: Kp. Paragajen RT / RW. 03 / 06, Cisarua - Bogor
Phone number	: (021) 3151563
Title	: President Director
2. Name	: SURYANTO
Office address	: Jl. K.H. Wahid Hasyim No. 220 A-B, Jak-Pus
Home address / As stated in ID	: Jl. Mangga Besar IVL No. 71A, Jak-Bar
Phone number	: (021) 3151563
Title	: Director

Declare that :

1. We are responsible for the preparation and presentation of the Company's financial statements;
2. The financial statements have been prepared and presented in accordance with Indonesian Financial Accounting Standards;
3. a. All information contained in the Company's financial statements has been disclosed in a complete and truthful manner;
   b. The Company's financial statements do not contain any incorrect information or material facts, and do not omit material information and facts;
4. We are responsible for the Company's internal control systems .

Thus, this statement is made truthfully.

Jakarta, March 17, 2017

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6000
ENAM RIBU RUPIAH

Agus Makmur
President Director

Suryanto
Director

These financial statements are originally issued in the Indonesian language.

PT RAMAYANA LESTARI SENTOSA Tbk
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2016 AND
FOR THE YEAR THEN ENDED
WITH INDEPENDENT AUDITORS' REPORT

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****

Purwantono, Sungkoro & Surja

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

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

This report is originally issued in the Indonesian language.

Independent Auditors' Report

Report No. RPC-3227/PSS/2017

The Shareholders, Boards of Commissioners and Directors
PT Ramayana Lestari Sentosa Tbk

We have audited the accompanying financial statements of PT Ramayana Lestari Sentosa Tbk, 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.

This report is originally issued in the Indonesian language.

Independent Auditors' Report (continued)

Report No. RPC-3227/PSS/2017 (continued)

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PT Ramayana Lestari Sentosa Tbk 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

Sinarta
Public Accountant Registration No. AP.0701

March 17, 2017

PT RAMAYANA LESTARI SENTOSA Tbk
STATEMENT OF FINANCIAL POSITION
As of December 31, 2016
(Expressed in Millions of Rupiah, Unless Otherwise Stated)

	Notes	December 31, 2016	December 31, 2015
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2c,2j 4,26,28	603,750	844,253
Time deposits	2j,5,26,28	1,156,855	984,004
Accounts receivable	28		
Trade	3		
Third parties	6	12,025	3,652
Others	26		
Related parties	2d,23	5,295	6,470
Third parties	6	34,406	23,490
Short-term investments	2j,7 26,28	68,148	483
Inventories	2e,3,8	834,400	823,909
Prepaid expenses - net	2i	7,149	6,155
Advances		16,038	17,590
Current portion of long-term prepaid rent - net	2d,2h,2i, 10a,19,23a,24	92,749	121,166
Total Current Assets		**2,830,815**	**2,831,172**
NON-CURRENT ASSETS			
Fixed assets - net	2f,3,9,20	1,279,282	1,333,227
Long-term prepaid rent - net of current portion and impairment loss	2d,2h,2i 10a,19,23a,24	454,652	342,432
Security deposits	2j,10b,23b,28	29,241	28,369
Deferred tax assets - net	2o,3,12	45,437	33,457
Other non-current assets	2j,28	7,582	6,247
Total Non-Current Assets		**1,816,194**	**1,743,732**
TOTAL ASSETS		**4,647,009**	**4,574,904**

PT RAMAYANA LESTARI SENTOSA Tbk
STATEMENT OF FINANCIAL POSITION (continued)
As of December 31, 2016
(Expressed in Millions of Rupiah, Unless Otherwise Stated)

	Notes	December 31, 2016	December 31, 2015
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable - third parties	2j,27,28		
Trade	11	897,748	885,960
Others	26	6,442	13,598
Taxes payable	2o,3,12	61,718	32,283
Accrued expenses	2j,13 27,28	43,073	29,049
Total Current Liabilities		**1,008,981**	**960,890**
NON-CURRENT LIABILITIES			
Liabilities for employee benefits	2k,3,14	300,629	280,210
Total Liabilities		**1,309,610**	**1,241,100**
EQUITY			
Share capital - Rp50 par value per share (full amount) Authorized - 28,000,000,000 shares Issued and fully paid - 7,096,000,000 shares	15	354,800	354,800
Additional paid-in capital - net	2l,15	132,494	117,570
Treasury shares - 373,181,100 shares and 208,332,000 shares on December 31, 2016 and 2015, respectively	2r,15	(339,861)	(135,846)
Retained earnings:			
Appropriated		70,000	70,000
Unappropriated	16	3,177,049	2,975,099
Other comprehensive loss	7,14	(57,083)	(47,819)
Total Equity		**3,337,399**	**3,333,804**
TOTAL LIABILITIES AND EQUITY		**4,647,009**	**4,574,904**

PT RAMAYANA LESTARI SENTOSA Tbk
STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
For the Year Ended December 31, 2016
(Expressed in Millions of Rupiah, Unless Otherwise Stated)

		Year Ended December 31	
	Notes	**2016**	**2015**
REVENUES			
Outright sales	17	5,092,752	4,788,667
Commission on consignment sales	2d,17	764,285	744,337
Total Revenues	2n,17	**5,857,037**	**5,533,004**
COST OF OUTRIGHT SALES	2n,8,18	**(3,654,539)**	**(3,537,000)**
GROSS PROFIT		**2,202,498**	**1,996,004**
Selling expenses	2d,2n,19	(408,190)	(385,212)
General and administrative expenses	2d,2n,20	(1,436,917)	(1,377,266)
Other income	2n,7,8,21	15,345	19,420
Other expenses	2n,8,21	(4,582)	(2,252)
INCOME FROM OPERATIONS		**368,154**	**250,694**
Finance income	2n	119,834	141,645
Tax on finance income		(22,923)	(27,719)
INCOME BEFORE INCOME TAX		**465,065**	**364,620**
Income tax expense - net	2o,12	(56,586)	(28,566)
INCOME FOR THE YEAR		**408,479**	**336,054**
OTHER COMPREHENSIVE LOSS			
Items that may be reclassified to profit or loss:			
Changes in fair value of available-for-sale financial assets	2j	(329)	(2,303)
Related income tax		82	535
Items that will not be reclassified to profit or loss:			
Remeasurement of gain (loss) on liabilities for employee benefits	14	(12,025)	1,701
Related income tax		3,008	(425)
OTHER COMPREHENSIVE LOSS FOR THE YEAR AFTER TAX		**(9,264)**	**(492)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**399,215**	**335,562**
EARNINGS PER SHARE (full amount)	2q,22	**60.02**	**47.64**

PT RAMAYANA LESTARI SENTOSA Tbk
STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2016
(Expressed in Millions of Rupiah, Unless Otherwise Stated)

							Other Comprehensive Loss		
					Retained Earnings				
	Notes	Share Capital - Issued and Fully Paid	Additional Paid-in Capital - Net	Treasury Shares	Appropriated	Unappropriated	Changes in fair value of available-for-sale financial assets - net	Remeasurement of gain (loss) on liabilities for employee benefits - net	Total Equity
Balance as of December 31, 2014		**354,800**	**117,570**	**-**	**70,000**	**2,830,637**	**(8,403)**	**(38,924)**	**3,325,680**
Acquisition of treasury shares	15	-	-	(135,846)	-	-	-	-	(135,846)
Total comprehensive income for the year		-	-	-	-	336,054	(1,768)	1,276	335,562
Cash dividend	16	-	-	-	-	(191,592)	-	-	(191,592)
Balance as of December 31, 2015		**354,800**	**117,570**	**(135,846)**	**70,000**	**2,975,099**	**(10,171)**	**(37,648)**	**3,333,804**
Acquisition of treasury shares	15	-	-	(204,015)	-	-	-	-	(204,015)
Other additional paid-in capital	12,15	-	14,924	-	-	-	-	-	14,924
Total comprehensive income for the year		-	-	-	-	408,479	(247)	(9,017)	399,215
Cash dividend	16	-	-	-	-	(206,529)	-	-	(206,529)
Balance as of December 31, 2016		**354,800**	**132,494**	**(339,861)**	**70,000**	**3,177,049**	**(10,418)**	**(46,665)**	**3,337,399**

PT RAMAYANA LESTARI SENTOSA Tbk
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016
(Expressed in Millions of Rupiah, Unless Otherwise Stated)

		Year Ended December 31	
	Notes	**2016**	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from sales		8,228,775	7,805,695
Cash payments to suppliers		(6,928,997)	(6,650,420)
Cash payments for salaries			
and employee welfare		(601,254)	(583,353)
Payments for income taxes		(34,894)	(36,091)
Cash receipts from (cash payments for):			
Finance income - net		97,947	115,467
Other operating activities		(4,529)	6,871
Net Cash Provided by Operating Activities		**757,048**	**658,169**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of fixed assets	9	330	316
Proceeds from sales of short-term investments	7	-	35,585
Additions in security deposits		(882)	(332)
Placement of short-term investments	7	(68,360)	-
Acquisitions of fixed assets	9,29	(120,422)	(145,442)
Withdrawal (placement) of time deposits - net		(172,852)	42,101
Additions in long-term rent	10a	(224,821)	(44,079)
Net Cash Used in Investing Activities		**(587,007)**	**(111,851)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of cash dividend	16	(206,529)	(191,592)
Acquisition of treasury shares	15	(204,015)	(135,846)
Net Cash Used in Financing Activities		**(410,544)**	**(327,438)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(240,503)**	**218,880**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4	844,253	625,373
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	**603,750**	**844,253**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

1. GENERAL

a. Establishment of the Company

PT Ramayana Lestari Sentosa Tbk (the "Company") was established in Indonesia based on Notarial Deed No. 60 dated December 14, 1983 of R. Muh. Hendarmawan, S.H. The Deed of Establishment was approved by the Ministry of Justice of the Republic of Indonesia in its Decision Letter No. C2-5877.HT.01.01.TH.85 dated September 17, 1985 and was published in the Addendum No. 589 of the State Gazette No. 9 dated October 3, 1985. The Company's Articles of Association has been amended several times, the latest amendment regarding the approval from shareholders for the changes the Company's Article of Association to adjust with the regulation of Financial Service Authority ("OJK") of which as notarized under Notarial Deed No. 11 dated August 23, 2016 of Rianto, S.H. The amendment of the Articles of Association has been approved by the Ministry of Law and Human Rights of the Republic of Indonesia in its Decision Letter No. AHU-0099442.AH.01.11 Tahun 2016 dated August 26, 2016.

The Company started its commercial operations in 1983. According to Article 3 of the Company's Articles of Association, the Company operates a chain of department stores, which sell various items such as clothes, accessories, bags, shoes, cosmetics and daily needs through the Company's store and supermarket. In 2016, the Company closed three (3) stores and opened two (2) new stores. As of December 31, 2016 and 2015, the number of stores operated by the Company are as follows:

	December 31, 2016	December 31, 2015
Ramayana	104	106
Robinson	7	6
Cahaya	2	2

On December 31, 2016 and 2015, the above stores include 23 and 15 supermarkets under the Spar name. All the stores operated by the Company are located in Jakarta, Java (West Java, East Java and Central Java), Sumatera, Bali, Kalimantan, Nusa Tenggara, Sulawesi and Papua. The Company's head office is located in Jl. K.H. Wahid Hasyim No. 220 A-B, Jakarta 10250.

The Company's ultimate shareholder is PT Ramayana Makmursentosa with 58.98% ownership in the Company.

b. Company's Public Offering

On June 26, 1996, the Company received the effective statement from the Chairman of the Capital Market and Financial Institution Supervisory Agency ("BAPEPAM-LK") in its Decision Letter No. 1038/PM/1996 to offer 80 million shares to the public with par value of Rp500 (full amount) per share through the Indonesia Stock Exchange at offering price of Rp3,200 (full amount) per share. Since then, the Company has conducted the following capital transactions:

1. On September 15, 1997, the Company issued bonus shares, whereby each shareholders holding one share was entitled to receive one new share. The outstanding shares became 700,000,000 shares.
2. On June 8, 2000, the Company changed the par value per share from Rp500 (full amount) per share to Rp250 (full amount) per share. The outstanding shares became 1,400,000,000 shares.
3. On June 18, 2004, the Company changed the par value per share from Rp250 (full amount) per share to Rp50 (full amount) per share. The outstanding shares became 7,000,000,000 shares.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

1. GENERAL (continued)

b. Company's Public Offering (continued)

Since then, the Company has conducted the following capital transactions: (continued)

4. On July 4, 2005, the Company issued 32,000,000 shares in connection with the exercise of share options by the employees (ESOP). The outstanding shares became 7,032,000,000 shares.
5. On October 2, 2006, the Company issued 32,000,000 shares in connection with the exercise of share options by the employees (ESOP). The outstanding shares became 7,064,000,000 shares.
6. On July 28, 2010, the Company issued 32,000,000 shares in connection with the exercise of share options by the employees (ESOP). The outstanding shares became 7,096,000,000 shares.
7. Starting on August 25, 2015 until December 31, 2015, the Company has purchased 208,332,000 treasury shares. The outstanding shares became 6,887,668,000 shares.
8. During 2016, the Company has purchased 164,849,100 treasury shares. The outstanding shares became 6,722,818,900 shares.

The Company has listed all of its shares in the Indonesia Stock Exchange.

c. Boards of Commissioners and Directors, Audit Committee and Employees

As of December 31, 2016, the composition of the Company's Boards of Commissioners and Directors are as follows:

Board of Commissioners		Board of Directors	
Paulus Tumewu	- President Commissioner	Agus Makmur	- President Director
Muhammad Iqbal	- Commissioner	Suryanto	- Director
Kismanto	- Commissioner	Gantang Nitipranatio	- Director
Koh Boon Kim	- Independent Commissioner	Muhamad Yani	- Director
Selamat	- Independent Commissioner	Halomoan Hutabarat	- Director

As of December 31, 2015, the composition of the Company's Boards of Commissioners and Directors are as follows:

Board of Commissioners		Board of Directors	
Paulus Tumewu	- President Commissioner	Agus Makmur	- President Director
Muhammad Iqbal	- Commissioner	Suryanto	- Director
Koh Boon Kim	- Independent Commissioner	Kismanto	- Director
Selamat	- Independent Commissioner	Gantang Nitipranatio	- Director
		Halomoan Hutabarat	- Director

As of December 31, 2016 and 2015, the composition of the Audit Committee are as follows:

Chairman:	- Selamat
Members:	- Ruddy Hermawan Wongso
	- Tonang Sendjaja

The establishment of the Company's Audit Committee has complied with OJK Rule No. IX.I.5.

The Company's key management consists of Boards of Commissioners and Directors.

1. GENERAL (continued)

c. Boards of Commissioners and Directors, Audit Committee and Employees (continued)

As of December 31, 2016 and 2015, the Company has 10,407 and 11,279 employees, respectively (unaudited).

The Company's financial statements were completed and authorized for issuance by the Company's Board of Directors on March 17, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance and 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 and Interpretations issued by the Board of Financial Accounting Standards of the Indonesian Institute of Accountants and the Regulations and Guidelines on Financial Statement Presentation and Disclosures issued by OJK.

The financial statements have been prepared in accordance with Statement of Financial Accounting Standards (PSAK) 1 (Revised 2013), "Presentation of Financial Statements".

The financial statements have been prepared on accrual basis and using the historical cost basis except as otherwise disclosed in the related notes herein.

The statement of cash flows present receipts and disbursements of cash and cash equivalents classified into operating, investing and financing activities, where the cash flows from operating activities are presented using the direct method.

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

The accounts included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Rupiah which is the functional currency of the Company.

All amounts in the financial statements are rounded to and presented in millions of Rupiah, unless otherwise stated.

b. Changes of Accounting Principles

On January 1, 2016, the Company adopted new and revised PSAKs and interpretations of statements of financial accounting standards ("ISAK") that are effective on that date. The adoption of these new and revised standards 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 periods:

- Amendments to PSAK 1: Presentation of Financial Statements regarding Disclosure Initiative.
- Amendments to PSAK 16: Property, Plant and Equipment on Clarification of the Accepted Method for Depreciation and Amortization.
- Amendments to PSAK 24: Employee Benefits on Defined Benefit Plans: Employee Contributions.
- ISAK 30 (2015): Levies, adopted from IFRIC 21.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Changes of Accounting Principles (continued)

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

- PSAK 5 (2015 Improvement): Operating Segments.
- PSAK 7 (2015 Improvement): Related Party Disclosures.
- PSAK 16 (2015 Improvement): Property, Plant and Equipment.
- PSAK 25 (2015 Improvement): Accounting Policies, Changes in Accounting Estimates and Errors.
- PSAK 68 (2015 Improvement): Fair value Measurement.

c. Cash and Cash Equivalents

Cash and cash equivalents represent cash on hand and in banks and time deposits with maturities of three (3) months or less at the time of placement, not pledged as collateral for loans and without restrictions in the usage.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand and in banks and time deposits as defined above, net of outstanding overdraft, if any.

d. Transactions with Related Parties

The Company has transactions with related parties as defined in PSAK 7 (Revised 2015).

Transactions with related parties are made based on terms agreed by the parties, which may not be the same as those of the transaction between unrelated parties.

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

e. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by moving-average method which includes all costs that occur to get this inventories to the location and current conditions. Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated cost necessary to make the sale.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Fixed Assets

Effective January 1, 2016, the Company applied amendments to PSAK 16 (Revised 2014), "Property, Plant and Equipment", on the Clarification of the Accepted Method for Depreciation.

The amendments clarify the principles in PSAK 16 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate the property, plant and equipment. The adoption of PSAK 16 (Revised 2014) has no significant impact on the financial statements.

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.

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:

	Years
Buildings	10 - 20
Building renovations and improvements	4 - 8
Store equipment	4 - 8
Transportation equipment	4
Office equipment	4 - 8

An item of fixed asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in statement of profit or loss and other comprehensive income in the year the asset is derecognized.

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

Lands are stated at cost and not depreciated.

Legal cost of land rights in the form of Business Usage Rights ("Hak Guna Usaha" or "HGU"), Building Usage Right ("Hak Guna Bangunan" or "HGB") and Usage Rights ("Hak Pakai" or "HP") when the land was acquired initially are recognized as part of the cost of the land under the "Fixed Assets" account and not amortized. Meanwhile the extension or the legal renewal costs of land rights in the form of HGU, HGB and HP were recognized as part of "Deferred Charges" account in the statement of financial position and were amortized over the shorter of the rights' legal life and land's economic life.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Fixed Assets (continued)

Construction in Progress

Construction in progress is stated at cost and presented as part of the fixed assets. The accumulated costs will be reclassified to the appropriate fixed assets account when construction is substantially completed and the asset is ready for its intended use. Assets under construction are not depreciated as these are not yet available for use.

Repairs and maintenance are taken to the profit or loss 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 each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Company estimates the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss is recognized. Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss and other comprehensive income.

h. Leases

The Company adopted PSAK 30 (Revised 2011), "Lease", when a lease includes both land and building elements, an entity should assess the classification of each element separately whether as a finance or an operating lease.

The Company classifies leases based on the extent to which risks and rewards incidental to the ownership of a leased asset are vested upon the lessor or the lessee, and the substance of the transaction rather than the form of the contract.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Leases (continued)

Finance Lease - as Lessee

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the leased assets. Such leases are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of liability. Finance cost are charged directly to the current year operation.

If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the leased asset is depreciated over the estimated useful lives of the assets. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term. Any excess of sales proceeds over the carrying amount of an asset in a sale-and-leaseback transaction is deferred and amortized over the lease term.

Operating Lease - as Lessee

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of the leased asset. Accordingly, the related lease payments are recognized in profit or loss on a straight-line basis over the lease term.

Operating Lease - as Lessor

Leases where the Company does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases.

i. Prepaid Expenses

Prepaid rent is amortized using the straight-line method over the rental period. The current portion of the prepaid rent to be charged to operation within one (1) year is presented as “Current Portion of Long-term Prepaid Rent - net” account in the statement of financial position.

On the other hand, the long-term portion of prepaid rent is presented as “Long-term Prepaid Rent - Net of Current Portion and Impairment Loss” account in the statement of financial position.

j. Financial Instruments

The Company applied PSAK 50 (Revised 2014), “Financial Instruments: Presentation”, PSAK 55 (Revised 2014), “Financial Instruments: Recognition and Measurement” and PSAK 60 (Revised 2014), “Financial Instruments: Disclosures”.

<u>Financial Assets</u>

The Company’s financial assets include cash and cash equivalents, time deposits, accounts receivable - trade, accounts receivable - others, security deposits and other non-current assets, which are classified as loans and receivables, and short-term investments, which are classified as available-for-sale financial assets. Financial assets are initially recognized at fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Financial Instruments (continued)

Financial Assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment, if any. The losses arising from impairment are recognized in the statement of profit or loss and other comprehensive income.

Available-for-sale (“AFS”) financial assets

AFS financial assets are non-derivative financial assets that are designated as available-for-sale or those that are not classified as financial assets at fair value through statement of profit or loss and other comprehensive income, loans and receivables or held-to-maturity investments. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized in equity in the statement of financial position until the investment is derecognized. At that time, the cumulative gain or loss previously recognized in equity shall be reclassified to profit or loss as a reclassification adjustment.

Impairment of financial assets

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 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.

Trade receivables are carried at original invoice amount net of allowance for impairment loss, if any. An estimate of allowance for impairment loss is made when there is objective evidence (such as probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect the receivables under the original terms of the invoice and is established through provisions charged to income. The outstanding balance of trade receivables is derecognized and written off against the allowance for impairment loss when assessed to be uncollectible.

If 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 expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Financial Instruments (continued)

Financial Liabilities

The Company's financial liabilities include trade payables, other payables and accrued expenses and are initially recognized at fair value, inclusive of directly attributable transaction costs.

Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest method. 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 the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest amortization is included in finance costs in the statement of profit or loss and other comprehensive income.

Derecognition of Financial Assets and Liabilities

Financial Assets

A financial asset is derecognized when (i) the rights to receive cash flows from the asset expired, or (ii) the Company transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement, or (iii) the Company have transferred substantially all the risks and rewards of the asset, or have neither transferred nor retained substantially all the risks and rewards of the asset but have transferred the control of the asset.

Financial Liabilities

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

When an existing 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 de-recognition 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.

Offsetting of Financial Instruments

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Employee Benefits

Effective January 1, 2016, the Company applied Amendment to PSAK 24 (Revised 2015), "Employee Benefits", on Defined Benefit Plans: Employee Contributions.

Amendment to this PSAK is to simplify accounting for contributions from employees or third parties that do not depend on the number of years of service, for example, worker contributions are calculated based on a fixed percentage of salary.

Where the contributions are linked to service, these should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of service years, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered instead of allocating the contributions to the periods of service.

The adoption of PSAK 24 (Revised 2015) has no significant impact on the financial statements.

The cost of providing benefits under the defined benefits plan is determined using the Projected Unit Credit method.

Re-measurements of the net defined benefit liability (asset), which are recognized as other comprehensive income, consists of:
i. Actuarial gains and losses;
ii. The return on plan assets, excluding the amounts included in net interest on the net defined benefit liability (asset); and
iii. Any change in the effect of the asset ceiling, excluding the amounts included in net interest on the net defined benefit liability (asset).

Re-measurements of the net defined benefit liability (asset) recognized in other comprehensive income will not be reclassified to profit or loss in the next periods. Past service costs are recognized in profit or loss at the earlier of:
i. The date of the plan amendment or curtailment; and
ii. The date that the Company recognizes related restructuring costs.

Net interest is calculated by applying discount rate to the net defined benefit liability (asset). The Company recognizes the following changes in the net defined benefit obligation under "General and Administrative Expenses" in the statement of profit or loss and other comprehensive income:
i. Service costs comprising current service costs, past-service costs and gains and losses on curtailments; and
ii. Net interest expense or income.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs.

A curtailment occurs when an entity either:
i. Is demonstrably committed to make a significant reduction in the number of employees covered by a plan; or
ii. Amends the terms of a defined benefit plan so that a significant element of future service by current employees will no longer qualify for benefits, or will qualify only for reduced benefits.

A settlement occurs when the Company enters into a transaction that eliminates all further legal or constructive obligation for part or all of the benefits provided under a defined benefit plan.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Additional Paid-in Capital - Net

Additional paid-in capital - net represents the difference between the offering price and the par value of share capital, net of share issuance costs and additional paid-in capital in relation with tax amnesty program.

m. Foreign Currency Transactions and Balances

The Company considers the primary indicators and other indicators in determining its functional currency, if indicators are mixed and the functional currency is not obvious, management uses its judgements to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

Transactions involving foreign currencies are recorded in Rupiah amounts at the rates of exchange prevailing at the time the transactions are made. At the reporting date, monetary assets and liabilities denominated in foreign currency are adjusted to Rupiah by taking the average of transaction exchange rate by Bank Indonesia as of December 31, 2016 and 2015. Resulting gains or losses are credited or charged to operations of the current year.

As of December 31, 2016 and 2015, the exchange rates used are as follows (full amount):

	December 31, 2016	December 31, 2015
United States Dollar	13,436	13,795
Singapore Dollar	9,299	9,751

n. Recognition of Revenues and Expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Sales is recognized when goods are delivered to customers net of returns and discounts allowed. Revenue from services is recognized when services are rendered to customers. Net revenue represent sales of products, including the amortization of deferred income from the contract for promotional activities, net of returns and discounts allowed. Revenues from outright and consignment sales are recognized when the goods are sold at the sales counter. Commission on consignment sales are recognized as the amount of the sales of consignment goods to customers less the related costs, which are recognized as amount due to consignors.

Expenses are recognized as incurred.

o. 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 recognizing losses.

Referring to revised PSAK 46 as mentioned above, final tax is no longer governed by PSAK 46.

The difference between the carrying amount of a revalued asset and its tax base is a temporary difference and gives rise to a deferred tax liability or asset, except for certain asset such as land, which realization is taxed with final tax on gross value of transaction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Taxation (continued)

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

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

p. Segment Reporting

A segment is a distinguishable component of the Company that is engaged either in providing certain products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. They are determined before intra-group balances and intra-group transactions are eliminated.

q. Earnings per Share (“EPS”)

Earnings per share is computed based on the weighted average number of issued and fully paid shares during the year.

The weighted-average number of shares outstanding for 2016 and 2015 are 6,805,564,499 shares and 7,053,445,913 shares, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Treasury Shares

Repurchase of equity instruments (treasury shares) are recognized at reacquisition cost and deducted from equity. No gain or loss is recognized in profit or loss on the acquisition, resale, issuance or cancellation of the Company's equity instrument. The difference between the carrying amount and the consideration, if reissued, is recognized as part of additional paid-in capital in the equity.

s. Provisions

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

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

t. Accounting Standards Issued but not yet Effective

Financial Accounting Standard Board (“DSAK-IAI”) issued new standard and revised of current standard in 2016. The standard is not applied in 2016. Following are new and revised standard:

- Amendments PSAK 2: Statement of Cash Flow on the Disclosure Initiative, effective January 1, 2018.
- Amendments PSAK 46: Income Taxes on the Recognition of Deferred Tax Asset for Unrealized Losses, effective January 1, 2018.
- PSAK 24: Employee Benefits (Improvement 2016), effective January 1, 2017.
- PSAK 58: Non-Current Assets Held for Sale and Discontinued Operation (Improvement 2016), effective January 1, 2017.
- PSAK 60: Financial Instrument: Disclosure (Improvement 2016), effective January 1, 2017.

At the issuance of these 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 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.

3. SOURCE OF ESTIMATION UNCERTAINTY (continued)

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 Company's financial statements:

Leases

The Company has several leases whereas the Company act as lessee in respect of rental of land and spaces for warehouses and stores. The Company evaluates whether significant risks and rewards of ownership of the leased assets are transferred based on PSAK 30 (Revised 2011), "Leases", which requires the Company to make judgment and estimates of the transfer of risks and rewards related to the ownership of asset. Based on the review performed by the Company for the current rental agreement, accordingly, the rent transactions were classified as operating lease.

The Company entered into agreement where the Company acts as lessor to rent space at the stores. The Company has determined, based on evaluating term and condition of agreements, that all risks and rewards of ownership of the rented space at the store are not transferred, accordingly the Company records the rent transaction as operating lease.

Determination of Functional Currency

The Company's functional currency is the currency from the primary economic environment where the Company conducts business. The functional currency is the currency that has impact on revenue and expenses from product given.

Classification of Financial Assets and Financial Liabilities

The Company determines the classification of certain assets and liabilities as financial assets and financial liabilities by judging if they meet the definition set forth in PSAK 55 (Revised 2014). Accordingly, the financial assets and financial liabilities are accounted for in accordance with the Company's accounting policies disclosed in Note 2j.

Allowance for Impairment of Trade Receivables

The Company evaluates specific accounts where it has information that certain customers are unable to meet their financial obligations. In these 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 as additional information received affects the amounts of allowance for impairment of trade receivables.

These specific allowance are re-evaluated and adjusted as additional information received affects the amounts of allowance for impairment of trade receivable. As of December 31, 2016 and 2015, the Company's management believes that all trade receivables are collectible and therefore no allowance for impairment loss is needed. Further details on trade receivables are disclosed in Note 6.

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 are disclosed below. The Company based its assumptions and estimates on parameters available when the Company's financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Impairment of Non-financial Assets

An 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.

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. The future cash flow projection is for a period of ten years and does not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Management believes that there is no event or change in circumstances that may indicate any impairment in the value of its non-financial assets as of December 31, 2016 and 2015.

Employee Benefits

The measurement of the Company's obligations and cost for pension and liabilities for employee benefits is dependent on its selection of certain assumptions used by the independent actuaries in calculating such amounts. Those assumptions include among others, discount rates, future annual salary increase, annual employee turn-over rate, disability rate, retirement age and mortality rate. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately in the financial position through other comprehensive income the period in which they occur.

While the Company believes that its assumptions are reasonable and appropriate, significant differences in the Company's actual experiences or significant changes in the Company's assumptions may materially affect its estimated liabilities for pension and employee benefits and net employee benefits expense.

The net carrying amount of the Company's liabilities for employee benefits as of December 31, 2016 and 2015 was Rp300,629 and Rp280,210, respectively. Further details on employee benefits are disclosed in Note 14.

3. SOURCE OF ESTIMATION UNCERTAINTY (continued)

Estimates and Assumptions (continued)

Useful Lives of Fixed Assets

The costs of fixed assets, except land, are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these fixed assets to be within 4 to 20 years. These are common life expectancies applied in the industry where the Company conducts its business. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised. The net carrying amount of the Company's fixed assets amounted to Rp1,279,282 and Rp1,333,227 as of December 31, 2016 and 2015, respectively. Further details are disclosed in Note 9.

Income Tax

The Company recognizes liabilities for corporate income tax based on estimation of whether additional corporate income tax will be due. The net carrying amount of the Company's corporate income tax payable amounted to Rp28,719 and Rp239 as of December 31, 2016 and 2015, respectively. Further details are disclosed in Note 12.

Deferred Tax Assets

The Company reviews the carrying amounts of deferred tax assets at the end of each reporting period and reduces these to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

The Company's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the level and timing of forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenues and expenses as well as future tax planning strategies. However, there is no assurance that the Company will generate sufficient taxable income to allow all or part of the deferred tax assets to be utilized.

The carrying amount of deferred tax assets - net of the Company amounted to Rp45,437 and Rp33,457 as of December 31, 2016 and 2015, respectively. Further details are disclosed in Note 12.

Allowance for Obsolescence and Decline in Value of Inventories

Allowance for obsolescence and decline in value 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 and estimated costs to sell. The allowance are re-evaluated and adjusted as additional information received affects the amount estimated.

The carrying amount of the Company's inventories before allowance for obsolescence and decline in value amounted to Rp834,400 and Rp823,909 as of December 31, 2016 and 2015, respectively. Further details are disclosed in Note 8.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

3. SOURCE OF ESTIMATION UNCERTAINTY (continued)

Estimates and Assumptions (continued)

Uncertain Tax Exposure

In certain circumstances, the Company may not able to determine the exact amount of current or future tax liabilities due to possibility of examination 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 57 (Revised 2009), “Provisions, Contingent Liabilities and Contingent Assets”. The Company analyzes all tax positions related to income taxes to determine if a tax liability for unrecognized tax expense should be recognized.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	December 31, 2016	December 31, 2015
Cash on hand	22,308	26,509
Cash in banks - third parties:		
Rupiah		
PT Bank Danamon Indonesia Tbk	151,863	97,656
PT Bank Negara Indonesia (Persero) Tbk	113,109	59,630
Citibank N.A., Indonesia	49,551	26,957
PT Bank Central Asia Tbk	32,919	7,956
PT Bank Mandiri (Persero) Tbk	10,073	2,137
PT Bank Rakyat Indonesia (Persero) Tbk	6,137	3,126
PT Bank DKI	4,469	-
PT Bank Maybank Indonesia Tbk	1,458	4,017
PT Bank CIMB Niaga Tbk	1,324	1,041
PT Bank Permata Tbk	362	1,821
Deutsche Bank AG, Indonesia	177	9,578
United States Dollar		
Deutsche Bank AG, Indonesia (US$208,418 as of December 31, 2016 and US$197,530 as of December 31, 2015)	2,800	2,725
Sub-total	374,242	216,644

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

4. CASH AND CASH EQUIVALENTS (continued)

Cash and cash equivalents consist of: (continued)

	December 31, 2016	December 31, 2015
Cash equivalents (time deposits and on call deposits) - third parties:		
Rupiah		
PT Bank Bukopin Tbk	50,300	25,000
PT Bank Central Asia Tbk	50,000	30,000
PT Bank DKI	30,000	-
PT Bank Rakyat Indonesia (Persero) Tbk	23,000	290,100
PT Bank CIMB Niaga Tbk	20,000	69,600
PT Bank Negara Indonesia (Persero) Tbk	15,000	15,000
PT Bank Danamon Indonesia Tbk	14,400	92,900
Deutsche Bank AG, Indonesia	4,500	-
PT Bank Permata Tbk	-	74,600
Citibank N.A., Indonesia	-	3,900
Sub-total	207,200	601,100
Total	**603,750**	**844,253**

Annual interest rates for time deposits and on call deposits ranged from 2.50% to 7.50% and 3.36% to 10.00% for the years ended December 31, 2016 and 2015, respectively.

There were no cash and cash equivalents balances placed to a related party.

5. TIME DEPOSITS

This account represents Rupiah and United States Dollar time deposits which placed at the following third parties banks:

	December 31, 2016	December 31, 2015
Rupiah		
PT Bank Rakyat Indonesia (Persero) Tbk	379,500	103,400
PT Bank Maybank Indonesia Tbk	310,100	370,000
PT Bank Danamon Indonesia Tbk	159,300	349,400
PT Bank CIMB Niaga Tbk	66,400	-
PT Bank Bukopin Tbk	53,800	-
Deutsche Bank AG, Indonesia	30,000	-
United States Dollar		
Credit Suisse AG, Singapore (US$7,499,578 as of December 31, 2016 and US$7,458,158 as of December 31, 2015)	100,764	102,885
UBS AG, Singapore (US$4,241,663 as of December 31, 2016 and US$4,227,509 as of December 31, 2015)	56,991	58,319
Total	**1,156,855**	**984,004**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

5. TIME DEPOSITS (continued)

The above time deposits have maturities within three (3) months to six (6) months from the time of placement and not pledged as collateral. The annual interest for the time deposits are as follows:

	Year Ended December 31	
	2016	**2015**
Rupiah	6.75% - 7.50%	8.50% - 10.00%
United States Dollar	0.60% - 0.80%	0.13% - 0.30%

There were no time deposits placed to a related party.

6. ACCOUNTS RECEIVABLE - TRADE AND OTHERS - THIRD PARTIES

Trade receivable - third parties represents receivables from some banks for payments made by customers for their purchases using credit cards. Others receivables - third parties represents receivables from rent income, promotion replacement and rebate. All receivables are denominated in Rupiah. All receivables are in current category and are not impaired. Based on the review of the possibility of impairment at the end of the year, management believes that no allowance for impairment loss is needed to cover the possibility of impairment.

7. SHORT-TERM INVESTMENTS

This account represents investments in debt securities in Rupiah and United States Dollar which are classified as available-for-sale financial assets as follows:

	December 31, 2016	**December 31, 2015**
Debt securities - third parties:		
United States Dollar		
BLT Finance B.V. Guaranteed Senior Notes (US$30,000 as of December 31, 2016 and US$35,000 as of December 31, 2015)	403	483
Rupiah		
Obligasi Subordinasi Berkelanjutan II Bank Maybank Indonesia Tahap II Tahun 2016	24,750	-
Obligasi Berkelanjutan I Summarecon Agung Tahap I Tahun 2013	18,045	-
Sukuk Ijarah II TPS Food Tahun 2016	10,000	-
Obligasi Berkelanjutan I Antam Tahun 2011	9,950	-
Obligasi Sukuk Mudharabah Subordinasi I Bank BRI Syariah Tahun 2016	5,000	-
Total	**68,148**	**483**

Total nominal values of the debt securities in United States Dollar were amounted to US$1,000,000 or equal to Rp13,436 and Rp13,795 as of December 31, 2016 and 2015, respectively. As of December 31, 2016, total nominal values in Rupiah amounted to Rp68,000.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

7. SHORT-TERM INVESTMENTS (continued)

In 2016 and 2015, annual interest rates of debt securities are as follows:

	Year Ended December 31	
	2016	**2015**
Rupiah	9.05% - 10.85%	10.00% - 11.75%
United States Dollar	3.00%	7.50%

In 2016, the Company has buy short-term investments amounting to Rp68,360 and until December 31, 2016, all these short-term investments are still unrealized. In 2015, proceeds from sales of short-term investments were amounting to Rp35,585. Total realized gain on the related sales were amounting to Rp514 and was presented in "Other Income - Gain on sale of short-term investments - net" account in the statement of profit or loss and other comprehensive income (Note 21). As of December 31, 2016 and 2015 changes in fair value of available for sale financial assets, net of deferred tax, resulted unrealized loss were amounting to Rp10,418 and Rp10,171, respectively, and were presented as "Other Comprehensive Loss" account in the equity section of the statement of financial position.

Based on Fitch Ratings, securities rating agency, as of December 31, 2016 and 2015, the ratings of the bonds are as follows:

	December 31, 2016	December 31, 2015
BLT Finance B.V. Guaranteed Senior Notes	RR5	RR5

Based on PT Pemeringkat Efek Indonesia, securities rating agency, as of December 31, 2016, the ratings of the bonds are as follows:

	Rating
Obligasi Subordinasi Berkelanjutan II Bank Maybank Indonesia	AA+
Obligasi Berkelanjutan I Summarecon Agung Tahap I Tahun 2013	A+
Sukuk Ijarah II TPS Food Tahun 2016	A
Obligasi Berkelanjutan I Antam Tahun 2011	BBB+
Obligasi Sukuk Mudharabah Subordinasi I Bank BRI Syariah Tahun 2016	A+

8. INVENTORIES

This account represents merchandise inventories owned by the Company located in the following regions:

	December 31, 2016	December 31, 2015
West Java	245,003	241,074
Jakarta	162,229	156,543
Sumatera	151,435	160,433
East Java	69,029	71,488
Kalimantan	64,853	64,706
Bali and Nusa Tenggara	43,044	41,498
Sulawesi	38,329	38,827
Central Java	35,203	28,845
Papua	25,275	20,495
Total (Note 18)	**834,400**	**823,909**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

8. INVENTORIES (continued)

The above inventories are covered by insurance against losses from fire, damage, natural disasters, riots and other risks amounting to Rp699,327 as of December 31, 2016 (2015: Rp705,176), which in the opinion of the Company's management is adequate to cover possible losses arising from such risks. As of December 31, 2016 and 2015, there are no inventories pledged as collateral.

Based on the review of the condition of inventories at the end of the year, management assesses that there are no indications for decline in value for above inventories.

In 2016, there were fire accidents in one of the Company's store that resulted in losses on inventories amounted to Rp6,093 and fixed assets amounted to Rp1,837 (Note 9), respectively. In 2016, for the losses on inventories and fixed assets, the Company has received the first compensation from insurance claims amounted to Rp5,858. Currently, the Company is still in the process of resubmission of the insurance claims and still could not yet determined the total compensation.

In 2015, there were fire accidents in several of the Company's stores that resulted in losses of inventories amounted to Rp8,438 and fixed assets amounted to Rp2,034 (Note 9). In 2015, for the losses of inventories and fixed assets amounted to Rp3,095, the Company has received compensation from insurance claim amounted to Rp8,220. In 2016, for the losses of inventories and fixed assets amounting to Rp7,377, the Company has received compensation from insurance claim amounted to Rp14,597.

The net gain over these fire incidents in 2016 amounting to Rp12,525 were recorded as part of "Other Income" in the statement of profit or loss and other comprehensive income. The net loss over these fire incidents charged by the Company in 2015 were amounted to Rp2,252 and were recorded as part of "Other Expenses" in the statement of profit or loss and other comprehensive income in 2015 (Note 21).

9. FIXED ASSETS

Fixed assets consists of:

	Year Ended December 31, 2016				
	Beginning Balance	**Additions**	**Deductions**	**Reclassification**	**Ending Balance**
<u>Cost</u>					
Land	367,723	-	-	-	367,723
Buildings	870,784	14,924	-	-	885,708
Building renovations and improvements	1,013,038	17,515	13,619	65,649	1,082,583
Store equipment	745,277	18,734	2,425	17,757	779,343
Transportation equipment	49,702	3,925	3,055	-	50,572
Office equipment	73,951	5,993	-	540	80,484
Sub-total	3,120,475	61,091	19,099	83,946	3,246,413
<u>Construction in Progress</u>					
Building renovations and improvements	58,118	49,924	341	(65,649)	42,052
Store equipment	20,505	24,331	19	(17,757)	27,060
Office equipment	730	-	-	(540)	190
Sub-total	79,353	74,255	360	(83,946)	69,302
Total Cost	3,199,828	135,346	19,459	-	3,315,715

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

9. FIXED ASSETS (continued)

Fixed assets consists of: (continued)

	Year Ended December 31, 2016				
	Beginning Balance	**Additions**	**Deductions**	**Reclassification**	**Ending Balance**
Accumulated Depreciation					
Buildings	390,016	43,227	-	-	433,243
Building renovations and improvements	757,443	86,443	12,952	-	830,934
Store equipment	617,680	47,400	1,275	-	663,805
Transportation equipment	43,755	3,274	2,628	-	44,401
Office equipment	57,707	6,343	-	-	64,050
Total Accumulated Depreciation	1,866,601	186,687	16,855	-	2,036,433
Net Book Value	**1,333,227**				**1,279,282**

	Year Ended December 31, 2015				
	Beginning Balance	**Additions**	**Deductions**	**Reclassification**	**Ending Balance**
Cost					
Land	367,723	-	-	-	367,723
Buildings	818,724	16,655	1,595	37,000	870,784
Building renovations and improvements	967,645	26,888	19,557	38,062	1,013,038
Store equipment	732,203	16,777	20,316	16,613	745,277
Transportation equipment	48,295	1,407	-	-	49,702
Office equipment	64,904	4,621	-	4,426	73,951
Sub-total	2,999,494	66,348	41,468	96,101	3,120,475
Construction in Progress					
Buildings	27,880	9,120	-	(37,000)	-
Building renovations and improvements	52,603	43,665	88	(38,062)	58,118
Store equipment	11,603	25,574	59	(16,613)	20,505
Office equipment	4,421	735	-	(4,426)	730
Sub-total	96,507	79,094	147	(96,101)	79,353
Total Cost	3,096,001	145,442	41,615	-	3,199,828
Accumulated Depreciation					
Buildings	348,829	42,311	1,124	-	390,016
Building renovations and improvements	690,569	85,717	18,843	-	757,443
Store equipment	588,542	48,752	19,614	-	617,680
Transportation equipment	40,460	3,295	-	-	43,755
Office equipment	52,199	5,508	-	-	57,707
Total Accumulated Depreciation	1,720,599	185,583	39,581	-	1,866,601
Net Book Value	**1,375,402**				**1,333,227**

Depreciation charged to general and administrative expenses were amounted to Rp186,687 in 2016 and Rp185,583 in 2015 (Note 20).

The computation of gain on disposal of fixed assets are as follows:

	Year Ended December 31	
	2016	**2015**
Proceeds from sales	330	316
Net book value	-	-
Gain on disposal of fixed assets	**330**	**316**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

9. FIXED ASSETS (continued)

Gain on disposal of fixed assets is presented as part of “Other Income - Others - Net”. In 2016, the Company has written off construction in progress amounting to Rp767.

As a result of fire accidents in several of the Company’s store in 2016 and 2015, the Company suffered losses on fixed assets amounting to Rp1,837 and Rp2,034, respectively (Note 8).

Land under Building Usage Right (“HGB”) status owned by the Company is located in several cities in Indonesia. These HGBs will expire on various dates from 2016 until 2040 and the Company’s management believes that these rights can be renewed upon their expiry.

Fair value of land as of December 31, 2016 and 2015 are Rp720,088 and Rp671,439 that has been determined based on the Tax Office’s sale value of tax objects (“NJOP”).

The details of constructions in progress are as follows:

December 31, 2016	Estimated Percentage of Completion from Financial Point of View	Accumulated Costs	Estimated Completion
Building renovations and improvements	10-93%	42,052	Year 2017
Store equipment	10-93%	27,060	Year 2017
Office equipment	10-80%	190	Year 2017
Total		**69,302**	

December 31, 2015	Estimated Percentage of Completion from Financial Point of View	Accumulated Costs	Estimated Completion
Building renovations and improvements	10-94%	58,118	Year 2016
Store equipment	10-94%	20,505	Year 2016
Office equipment	90-94%	730	Year 2016
Total		**79,353**	

Fixed assets, except for land and construction in progress, are covered by insurance against losses from fire, damage, natural disasters, riots and other risks amounting to Rp2,449,419 as of December 31, 2016 and Rp1,648,308 as of December 31, 2015, which in the opinion of the Company’s management is adequate to cover possible losses arising from such risks.

As of December 31, 2016 and 2015, the Company’s management believes that there is no event or change in circumstances that may indicate any impairment in value of its fixed assets.

As of December 31, 2016 and 2015, there were no fixed assets pledged as collateral.

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10. LONG-TERM PREPAID RENT

(a) This account represents long-term prepaid rent for several land and spaces for stores and warehouses. The Company entered into various long-term rental agreements with PT Jakarta Intiland ("JIL"), a related party, and with third parties for several stores and warehouses spaces which in general are valid for 5 years. The Company also entered into various long-term land rental agreements with third parties which are used for store buildings. The land rental agreements in general are valid for 25 years.

The details of long-term prepaid rent as of December 31, 2016 and 2015 are as follows:

	December 31, 2016	December 31, 2015
Contract value		
PT Jakarta Intiland, a related party	496,650	421,685
Third parties	441,956	472,373
Total	938,606	894,058
Less accumulated amortization	(382,205)	(421,460)
Unamortized portion	556,401	472,598
Less:		
Impairment loss	(9,000)	(9,000)
Current portion	(92,749)	(121,166)
Long-term portion	**454,652**	**342,432**

The outstanding balance of long-term prepaid rent with related party amounted to Rp282,655 and Rp177,421 as of December 31, 2016 and 2015, respectively, or representing 6.08% and 3.88% of total assets, respectively (Note 23a).

Total additions of long-term prepaid rent in 2016 and 2015 amounted to Rp224,821 and Rp44,079, respectively.

Amortization of long-term prepaid rent charged to operations amounted to Rp135,320 in 2016 and Rp159,708 in 2015 (Note 19).

As of December 31, 2016, store and warehouse long-term rent agreements with JIL cover 44 locations (December 31, 2015: 38 locations). Under these agreements, JIL has given the right to use the stores and warehouse locations to the Company for a period of 4 to 5 years. As of December 31, 2016, these agreements will expire at various dates from 2017 until 2021, which can be renewed for another period to be agreed by both parties. Total additions of long-term prepaid rent to JIL in 2016 amounted to Rp193,863. In 2015, there was no addition of long-term prepaid rent to JIL.

(b) The Company also have several rental agreements with JIL and third parties which payments were spread over the rental period and the Company is required to paid security deposit. Total rent expense for these rental agreements in 2016 and 2015 were amounting to Rp228,238 and Rp201,536, respectively, including rental with a related party of Rp138,630 and Rp133,327, respectively, or representing 33.96% and 34.61% of total selling expenses, respectively, are presented as part of "Selling Expenses - Rent - Net" account in the statement of profit or loss and other comprehensive income (Note 19). As of December 31, 2016 and 2015, the outstanding refundable security deposits paid by the Company to JIL amounted to Rp2,905 or representing 0.06% and 0.06% of total assets, respectively, are presented as part of "Security Deposits" account in the statement of financial position (Note 23b).

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

11. ACCOUNTS PAYABLE - TRADE - THIRD PARTIES

This account represents liabilities to suppliers for purchases of merchandise inventories in Rupiah. The terms of payments for the suppliers are ranging from one (1) month to three (3) months from the date of purchase.

The Company's aging analysis of accounts payable - trade - third parties based on due date is as follows:

	December 31, 2016	December 31, 2015
Current	861,084	851,745
1 - 2 months	4,376	6,317
More than 2 months	32,288	27,898
Total	**897,748**	**885,960**

As of December 31, 2016 and 2015, there was no collateral provided by the Company for the accounts payable - trade stated above.

12. TAXATION

Taxes payable consists of:

	December 31, 2016	December 31, 2015
Income taxes:		
Article 4 (2)	9,272	5,338
Article 21	786	761
Article 23	857	534
Article 25	2,104	-
Article 26	77	459
Article 29	28,719	239
Value Added Tax - net	19,903	24,952
Total	**61,718**	**32,283**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

12. TAXATION (continued)

The reconciliation between income before income tax as shown in the statement of profit or loss and other comprehensive income and taxable income for the years ended December 31, 2016 and 2015 are presented as follows:

	Year Ended December 31	
	2016	**2015**
Income before income tax as shown in the statement of profit or loss and other comprehensive income	465,065	364,620
Temporary differences:		
Amortization of long-term prepaid rent	17,516	14,208
Depreciation of fixed assets	10,649	8,043
Provision for liabilities for employee benefits	8,396	9,213
Amortization of prepaid expenses	(994)	(4,940)
Permanent differences:		
Donations and entertainment	4,214	8,769
Employee welfare	3,041	12,007
Business trip	2,366	1,184
Tax penalties	305	11
Rent	-	1,155
Others	505	391
Income already subjected to final tax:		
Interest	(95,907)	(113,508)
Rent	(153,244)	(148,905)
Gain on sale of short-term investments	-	(514)
Taxable income	**261,912**	**151,734**
Income tax expense - current		
Income tax expense - current	65,478	30,347
Expense related to correction of prior years corporate income tax	-	4,850
Total income tax expense - current	**65,478**	**35,197**
Income tax expense (benefit) - deferred		
Amortization of prepaid expenses	249	1,235
Provision for liabilities for employee benefits - net	(2,099)	(2,303)
Depreciation of fixed assets	(2,663)	(2,011)
Amortization of prepaid long-term rent	(4,379)	(3,552)
Income tax benefit - deferred - net	**(8,892)**	**(6,631)**
Income tax expense - net	**56,586**	**28,566**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

12. TAXATION (continued)

The Company will report its 2016 Annual Income Tax Return ("SPT") based on the abovementioned calculation. The Company's estimated taxable income for the year ended December 31, 2015 was consistent with the Annual Income Tax Return as reported to the Tax Office.

The computation of income tax payable - Article 29 is as follows:

	December 31, 2016	**December 31, 2015**
Income tax expense - current	65,478	30,347
Prepayments of income taxes:		
Article 22	8	10
Article 23	6,293	1,600
Article 25	30,458	28,498
Total	36,759	30,108
Income tax payable - Article 29	**28,719**	**239**

On January 8, 2016, the Company obtained letter from the Securities Administration Agency confirming its compliance with criteria of PP No. 77/2013 on "Reduction of Income Tax Rate on Domestic Corporate Taxpayers in the Form of Publicly-listed Companies". Accordingly, the Company applied the reduction of the tax rate of 20% for the 2015 corporate income tax calculations. For the 2016 corporate income tax calculations, the Company does not meet criteria of PP No. 77/2013 on "Reduction of Income Tax Rate on Domestic Corporate Taxpayers in the Form of Publicly-listed Companies", so the tax rate applied is 25%.

The reconciliation between income tax computed by using applicable tax rate from income before income tax, with income tax expense as shown in the statement of profit or loss and other comprehensive income for the years ended December 31, 2016 and 2015 are as follows:

	Year Ended December 31	
	2016	**2015**
Income before income tax as shown in the statement of profit or loss and other comprehensive income	465,065	364,620
Income tax expense at applicable tax rate	116,266	72,924
Tax effect of permanent differences:		
Donations and entertainment	1,053	1,754
Employee walfare	760	2,401
Business trip	592	237
Rent	-	231
Others	203	80
Income already subjected to final tax:		
Interest	(23,977)	(22,702)
Rent	(38,311)	(29,781)
Gain on sale of short-term investments	-	(103)
Impact on changes in corporate income tax rates under PP No. 77/2013	-	(1,325)
Expense related to correction of prior years corporate income tax	-	4,850
Income tax expense - net	**56,586**	**28,566**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

12. TAXATION (continued)

The deferred tax assets and liabilities as of December 31, 2016, and 2015 are as follows:

	December 31, 2016	December 31, 2015
Deferred tax assets on:		
Liabilities for employee benefits	75,157	70,052
Unrealized loss on available-for-sale financial assets	3,472	3,390
Total	78,629	73,442
Deferred tax liabilities on:		
Fixed assets	(21,516)	(24,179)
Long-term rent	(9,889)	(14,268)
Prepaid expenses	(1,787)	(1,538)
Total	(33,192)	(39,985)
Deferred tax assets - net	**45,437**	**33,457**

The Company's management believes that the deferred tax assets can be utilized through its future taxable income.

On November 30, 2015, the Company revised its 2011, 2012, 2013 and 2014 Annual Income Tax Return ("SPT") as the result of the prior year tax audit. Based on the revision of those SPTs, the Company has paid underpayment of corporate income tax amounted to Rp503, Rp1,627, Rp1,333 and Rp1,387 for the year 2011, 2012, 2013 and 2014, respectively. The settlement for underpayment of corporate tax income is recorded as "Expense related to correction of prior years corporate income tax", as part of "Income tax expense" in the 2015 statement of profit or loss and other comprehensive income.

In 2016, the Company participated in tax amnesty program by declaring additional new fixed assets amounting to Rp14,924 and paid the redemption amounting to Rp298.

13. ACCRUED EXPENSES

Accrued expenses consist of :

	December 31, 2016	December 31, 2015
Electricity and energy	21,459	13,795
Rent	14,370	5,391
Promotion	170	159
Others	7,074	9,704
Total	**43,073**	**29,049**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

14. LIABILITIES FOR EMPLOYEE BENEFITS

The Company recognized liabilities for employee benefits amounting to Rp300,629 and Rp280,210 as of December 31, 2016 and 2015, respectively, presented in "Liabilities for Employee Benefits" account in the statement of financial position. The related expenses amounting to Rp47,644 and Rp39,680 in 2016 and 2015, respectively, are presented as part of "General and Administrative Expenses - Salaries and Employee Welfare" account in the statement of profit or loss and other comprehensive income (Note 20). The liabilities for employees benefits were determined based on actuarial valuations performed by PT Dayamandiri Dharmakonsilindo, an independent actuary, based on its reports dated February 28, 2017.

The liabilities for employee benefits are calculated using the "Projected Unit Credit" method based on the following assumptions:

	December 31, 2016	December 31, 2015
Discount rate	8.4% per year	9.1% per year
Salary increase rate	7% per year	8% per year
Pension age	55 years old	55 years old
Mortality rate	TMI 2011	TMI 2011

The benefits expense are as follows:

	Year Ended December 31	
	2016	2015
Current service cost	21,156	21,756
Past service cost of curtailment	(25,115)	(23,038)
Interest cost	23,800	21,274
Adjustment for new employees	532	-
Excess of benefits payments	27,271	19,688
Total	**47,644**	**39,680**

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14. LIABILITIES FOR EMPLOYEE BENEFITS (continued)

Movements in the present value of defined benefit obligation as of December 31, 2016 and 2015 are as follows:

	Year Ended December 31	
	2016	**2015**
Balance at beginning of year	280,210	272,699
Current service cost	21,156	21,756
Past service cost of curtailment	(25,115)	(23,038)
Interest cost	23,800	21,274
Provision of excess benefit payment	27,271	19,688
Benefits payments during the year	(11,977)	(10,780)
Excess of benefits payments during the year	(27,271)	(19,688)
Adjustment for new employees	532	-
Remeasurement of present value of defined benefit obligation:		
Gain from changes in financial assumption	(9,150)	(24,352)
Loss from experience adjustments	21,173	22,651
Balance at end of year	**300,629**	**280,210**

The movements in the liabilities for employee benefits for the years ended December 31, 2016 and 2015 are as follows:

	Year Ended December 31	
	2016	**2015**
Balance at beginning of year	280,210	272,699
Provision during the year	47,644	39,680
Payment during the year	(11,977)	(10,780)
Provision of excess benefit payment	(27,273)	(19,688)
Other comprehensive loss (income)	12,025	(1,701)
Balance at end of year	**300,629**	**280,210**

Mutation of other comprehensive loss for the year ended December 31, 2016 and 2016 are as follows:

	Year Ended December 31	
	2016	**2015**
Balance at beginning of year	50,197	51,898
Loss (gain) in current year	12,025	(1,701)
Balance at end of year	**62,222**	**50,197**

The amounts of experience adjustments arising on liabilities for the years ended December 31, 2016 and 2015 are as follows:

	December 31, 2016	**December 31, 2015**
Present value of defined benefit obligation	300,629	280,210
Experience adjustments on liability	21,173	22,651

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14. LIABILITIES FOR EMPLOYEE BENEFITS (continued)

As of December 31, 2016, a one percentage point change in the assumed rate of discount rate would have the following effects:

	Discount rates		Future salary increases	
	Percentage	Effect on present value of benefits obligation	Percentage	Effect on present value of benefits obligation
Increase	1%	(25,027)	1%	8,260
Decrease	(1%)	29,007	(1%)	(45,437)

The following payments are expected contributions to the benefit obligation in future years:

	Year Ended December 31	
	2016	2015
Within the next 12 months	43,193	37,346
Between 1 and 2 years	12,245	9,697
Between 2 and 5 years	42,459	34,972
Beyond 5 years	437,863	442,700
Total	**535,760**	**524,715**

15. SHARE CAPITAL, ADDITIONAL PAID-IN CAPITAL - NET AND TREASURY SHARES

Share Capital

The shareholders and their share ownership as of December 31, 2016 and 2015 are as follows:

December 31, 2016			
Shareholders	Number of Shares Issued and Fully Paid	Percentage of Ownership	Amount
PT Ramayana Makmursentosa	3,965,000,000	58.98%	198,250
HSBC-Fund Services, Cayman Island	396,740,800	5.90%	19,837
Paulus Tumewu (President Commissioner)	260,000,000	3.87%	13,000
Public (below 5% ownership each)	2,101,078,100	31.25%	105,054
Sub-total	**6,722,818,900**	**100.00%**	**336,141**
Treasury shares	373,181,100		18,659
Total	**7,096,000,000**		**354,800**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

15. SHARE CAPITAL, ADDITIONAL PAID-IN CAPITAL - NET AND TREASURY SHARES (continued)

<u>Share Capital</u> (continued)

The shareholders and their share ownership as of December 31, 2016 and 2015 are as follows: (continued)

December 31, 2015			
Shareholders	**Number of Shares Issued and Fully Paid**	**Percentage of Ownership**	**Amount**
PT Ramayana Makmursentosa	3,965,000,000	57.57%	198,250
Paulus Tumewu (President Commissioner)	260,000,000	3.77%	13,000
Public (below 5% ownership each)	2,662,668,000	38.66%	133,133
Sub-total	**6,887,668,000**	**100.00%**	**344,383**
Treasury shares	208,332,000		10,417
Total	**7,096,000,000**		**354,800**

<u>Additional Paid-in Capital - Net</u>

	December 31, 2016	**December 31, 2015**
Balance at beginning of year	117,570	117,570
Addition during the year (Note 12)	14,924	-
Balane at end of year	**132,494**	**117,570**

<u>Treasury Shares</u>

Based on Extraordinary General Meeting of Shareholders, the shareholders approved among others the management's plan to buyback the Company's outstanding shares with the maximum purchase amount of Rp400,000, include the transaction cost, broker fee and other costs related to the Company's buyback shares or maximum 567,680,000 shares, or 8% of the Company's issued and fully paid shares, gradually until March 15, 2017.

In 2016 and 2015, the Company has repurchased 164,849,100 shares and 208,332,000 shares, respectively, with total costs amounting to Rp204,015 and Rp135,846, respectively, which presented in "Treasury Shares" account as deduction of equity in the statement of financial position.

16. RETAINED EARNINGS

In the Annual Shareholder's General Meeting held on May 20, 2016, which were notarized by Deed No. 4 on the same date of Rianto, S.H., the shareholders approved the declaration of cash dividend of Rp30 (full amount) per share or in total amount of Rp206,529.

In the Annual Shareholder's General Meeting held on May 29, 2015, which were notarized by Deed No. 6 on the same date of Rianto, S.H., the shareholders approved the declaration of cash dividend of Rp27 (full amount) per share or in total amount of Rp191,592.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

17. REVENUES

The details of revenues are as follows:

	Year Ended December 31	
	2016	**2015**
Outright sales	5,092,752	4,788,667
Consignment sales	3,141,892	2,997,527
Cost of consignment sales	(2,377,607)	(2,253,190)
Commission on consignment sales	764,285	744,337
Total	**5,857,037**	**5,533,004**

There were no sales to a customer that exceeded 10% of total revenues in 2016 and 2015.

18. COST OF OUTRIGHT SALES

The details of cost of outright sales are as follows:

	Year Ended December 31	
	2016	**2015**
Beginning inventories	823,909	808,569
Net purchases	3,665,030	3,552,340
Inventories available for sale	4,488,939	4,360,909
Ending inventories (Note 8)	(834,400)	(823,909)
Cost of outright sales	**3,654,539**	**3,537,000**

There were no purchases from a supplier of the Company that exceeded 10% of total revenues in 2016 and 2015.

19. SELLING EXPENSES

The details of selling expenses are as follows:

	Year Ended December 31	
	2016	**2015**
Rent - net (Notes 10a,10b, 23b and 24)	195,138	195,765
Promotion	97,104	83,584
Transportation	70,075	62,260
Plastic bags	24,250	23,571
Credit card charges	6,941	6,840
Royalty and travel fees (Note 24)	5,823	6,478
Others	8,859	6,714
Total	**408,190**	**385,212**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

20. GENERAL AND ADMINISTRATIVE EXPENSES

The details of general and administrative expenses are as follows:

	Year Ended December 31	
	2016	**2015**
Salaries and employee welfare (Note 14)	610,354	596,200
Electricity and energy	285,756	289,842
Depreciation (Note 9)	186,687	185,583
Repairs and maintenance (Note 23b)	166,970	138,862
Supplies	40,018	34,146
Taxes and licenses (Note 12)	26,142	25,484
Insurance	24,712	24,260
Stationeries and printing	23,574	17,388
Social security contribution	20,148	14,106
Business trips	16,052	12,164
Others (below Rp10,000 each)	36,504	39,231
Total	**1,436,917**	**1,377,266**

21. OTHER INCOME AND EXPENSES

The details of other income are as follows:

	Year Ended December 31	
	2016	**2015**
Gain on fire disaster - net (Note 8)	12,525	-
Gain on foreign exchange - net	-	15,246
Gain on sale of short-term investment - net (Note 7)	-	514
Others - net	2,820	3,660
Total	**15,345**	**19,420**

The details of other expenses are as follows:

	Year Ended December 31	
	2016	**2015**
Loss on foreign exchange - net	4,582	-
Loss on fire disaster - net (Note 8)	-	2,252
Total	**4,582**	**2,252**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

22. EARNINGS PER SHARE ("EPS")

The computation of earnings per share in 2016 and 2015 is as follows:

	Year Ended December 31	
	2016	**2015**
Income for the year	408,479	336,054
Weighted average number of shares outstanding	6,805,564,499	7,053,445,913
Earnings per share (full amount)	**60.02**	**47.64**

23. RELATED PARTIES TRANSACTIONS

The Company conducted transactions out of its main business with certain related parties. The details of the related parties transactions, are as follows:

			Percentage to Total Assets	
	December 31, 2016	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**
Other receivables				
PT Ramayana Makmursentosa	4,409	4,726	0.09	0.10
PT Indonesia Fantasi Sentosa	728	1,544	0.02	0.03
PT Jakarta Intiland	158	200	0.00	0.00
Total	**5,295**	**6,470**	**0.11**	**0.13**
Long-term prepaid rent (Note 10a)				
PT Jakarta Intiland (a)	282,655	177,421	6.08	3.88
Security deposits (Note 10b)				
PT Jakarta Intiland (b)	2,905	2,905	0.06	0.06

			Percentage to Related Total Income/Expenses *)	
	Year Ended December 31		Year Ended December 31	
	2016	**2015**	**2016**	**2015**
Rental revenue				
PT Ramayana Makmursentosa (c)	62,681	66,882	1.07	1.21
PT Indonesia Fantasi Sentosa (d)	11,236	9,926	0.19	0.18
Total	**73,917**	**76,808**	**1.26**	**1.39**
Selling expenses - Rent (Note 10b)				
PT Jakarta Intiland (b)	239,551	242,473	58.69	62.95
General and administrative expenses - Repairs and maintenance				
PT Jakarta Intiland (b)	35.835	11,657	2.49	0.85

***)** Percentage to total revenue/selling expenses/general and administrative expenses

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

23. RELATED PARTIES TRANSACTIONS (continued)

The details of the related parties transactions, are as follows: (continued)

	Year Ended December 31		Percentage to Salaries and Employee's Welfare Year Ended December 31	
	2016	**2015**	**2016**	**2015**
<u>Short-term employee benefits</u>				
Board of Commissioners	6,239	5,498	1.02	0.92
Board of Directors	5,687	5,610	0.93	0.94
Sub-total	11,926	11,108	1.95	1.86
<u>Long-term employee benefits</u>				
Board of Commissioners	577	580	0.09	0.10
Board of Directors	444	595	0.07	0.10
Sub-total	1,021	1,175	0.16	0.20
Total	**12,947**	**12,283**	**2.11**	**2.06**

a. The Company entered into long-term rental agreements for several warehouses and spaces for stores with PT Jakarta Intiland, a related party, as discussed in Notes 10 and 24. Total net book value of these long-term prepaid rent amounted to Rp282,655 dan Rp177,421 as of December 31, 2016 and 2015, respectively.

b. The Company also has agreements with PT Jakarta Intiland, a related party, of which the related rents are payable periodically during the rental periods and the Company has to pay refundable security deposits, as discussed in Note 10b. The outstanding balance of security deposits amounting to Rp2,905 as of December 31, 2016 and 2015 are presented as part of “Security Deposits” account in the statement of financial position. Total rent expense incurred from these agreements amounted to Rp239,551 and Rp242,473 in 2016 and 2015, respectively, and are presented as part of “Selling Expenses - Rent - Net” account in the statement of profit or loss and other comprehensive income (Note 19). Based on the rent agreements, the Company is required to pay service charges. Total service charges paid to PT Jakarta Intiland, a related party, amounted to Rp35,835 and Rp11,657 in 2016 and 2015, respectively, and are presented as part of “Selling Expenses - Repairs and Maintenance” in the statement of profit or loss and other comprehensive income (Note 20).

c. The Company entered into several agreements to lease certain store area to PT Ramayana Makmursentosa. Total rental income from these agreements amounting to Rp62,681 and Rp66,882 in 2016 and 2015, respectively, and are presented as a deduction of rental expense in selling expense (Note 19).

d. The Company entered into several agreements to lease certain store area to PT Indonesia Fantasi Sentosa. Total rental income from these agreements amounting to Rp11,236 and Rp9,926 in 2016 and 2015, respectively, and are presented as a deduction of rental expense in selling expense (Note 19).

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

23. RELATED PARTIES TRANSACTIONS (continued)

Details of the nature of relationships and types of material transactions with related parties are as follows:

No.	Related Parties	Nature of Relationship	Transaction
1	PT Ramayana Makmursentosa	Ultimate shareholder of the Company	Rent of spaces
2	PT Jakarta Intiland	A member of the same group with the Company	Rent of store and warehouse and service charges
3	PT Indonesia Fantasi Sentosa	Under common control	Rent of spaces
4	Board of Commissioners and Directors	A member of the key management personnel of the Company	Salaries and employees' welfare

24. SIGNIFICANT AGREEMENT

<u>Rental</u>

The Company entered into various rental agreements with related party and third parties to lease certain stores area. The rental income from these agreements amounted to Rp172,317 and Rp167,711 in 2016 and 2015, respectively, are presented as a deduction of rental expense in selling expense (Note 19).

<u>License</u>

Since September 1, 2014, the Company and Spar International B.V., Holand ("Spar"), a third party, engaged in a license agreement. Based on this agreement, the Company has the right to use the name and trademark of Spar along with the purchasing, warehouse, distribution, marketing and selling system owned by Spar. Related to that, the Company has to pay annual royalty fee and all traveling fee for Spar's employees that will be appointed to assist the Company. Royalty and travelling fees incurred are amounted to Rp5,823 and Rp6,478 in 2016 and 2015, respectively, are presented as part of selling expense (Note 19).

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

25. SEGMENT INFORMATION

The following segment information is prepared based on the information used by management in evaluating the performance of each business segment and in determining the allocation of resources.

	Year Ended December 31, 2016				
	Sumatera	**Java, Bali and Nusa Tenggara**	**Kalimantan**	**Sulawesi and Papua**	**Total Segment**
Total revenues	1,144,584	3,756,657	470,660	485,136	5,857,037
Income					
Segment income	361,928	1,192,317	156,570	169,676	1,880,491
Unallocated operating expenses					(1,512,337)
Income from operations					368,154
Finance income					119,834
Tax on finance income					(22,923)
Income before income tax					465,065
Income tax expense - net					(56,586)
Income for the year					**408,479**
Segment assets	490,932	1,765,206	200,330	218,931	2,675,399
Unallocated assets					1,971,610
Total assets					**4,647,009**
Segment liabilities	706	4,011	187	23	4,927
Unallocated liabilities					1,304,683
Total liabilities					**1,309,610**
Capital expenditures	15,458	107,880	5,828	6,180	135,346
Depreciation and amortization	53,627	224,222	15,319	28,839	322,007

	Year Ended December 31, 2015				
	Sumatera	**Java, Bali and Nusa Tenggara**	**Kalimantan**	**Sulawesi and Papua**	**Total Segment**
Total revenues	1,197,295	3,427,551	473,620	434,538	5,533,004
Income					
Segment income	364,538	1,001,496	156,595	128,611	1,651,240
Unallocated operating expenses					(1,400,546)
Income from operations					250,694
Finance income					141,645
Tax on finance income					(27,719)
Income before income tax					364,620
Income tax expense - net					(28,566)
Income for the year					**336,054**
Segment assets	538,643	1,700,444	197,683	213,020	2,649,790
Unallocated assets					1,925,114
Total assets					**4,574,904**
Segment liabilities	1,026	4,011	187	23	5,247
Unallocated liabilities					1,235,853
Total liabilities					**1,241,100**
Capital expenditures	12,647	125,348	3,421	4,026	145,442
Depreciation and amortization	61,521	222,525	20,610	40,107	344,763

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

25. SEGMENT INFORMATION (continued)

The Company determines its business segment based on the products sold consisting of fashion and accessories and groceries are as follows:

Year Ended December 31, 2016	Fashion and Accessories	Groceries	Total Segment
Outright sales	2,937,313	2,155,439	5,092,752
Commission on consignment sales	753,612	10,673	764,285
Cost of outright sales	(1,785,000)	(1,869,539)	(3,654,539)
Gross profit	**1,905,925**	**296,573**	**2,202,498**
Selling expenses	(331,128)	(77,062)	(408,190)
General and administratives expenses	(1,148,917)	(288,000)	(1,436,917)
Other income	17,770	(2,425)	15,345
Other expenses	(4,584)	2	(4,582)
Income (loss) from operations	**439,066**	**(70,912)**	**368,154**
Finance income	119,622	212	119,834
Tax on finance income	(22,915)	(8)	(22,923)
Income (loss) before income tax	**535,773**	**(70,708)**	**465,065**

Year Ended December 31, 2015	Fashion and Accessories	Groceries	Total Segment
Outright sales	2,649,328	2,139,339	4,788,667
Commission on consignment sales	734,030	10,307	744,337
Cost of outright sales	(1,655,795)	(1,881,205)	(3,537,000)
Gross profit	**1,727,563**	**268,441**	**1,996,004**
Selling expenses	(295,774)	(89,438)	(385,212)
General and administratives expenses	(1,091,893)	(285,373)	(1,377,266)
Other income	14,490	4,930	19,420
Other expenses	(1,804)	(448)	(2,252)
Income (loss) from operations	**352,582**	**(101,888)**	**250,694**
Finance income	113,316	28,329	141,645
Tax on finance income	(22,175)	(5,544)	(27,719)
Income (loss) before income tax	**443,723**	**(79,103)**	**364,620**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

26. MONETARY ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

As of December 31, 2016, the Company has monetary assets and liabilities denominated in foreign currencies as follows:

	Equivalent in Rupiah
Assets	
Cash and cash equivalents	
United States Dollar (US$208,418)	2,800
Time deposits	
United States Dollar (US$11,741,241)	157,755
Accounts receivable - others	
United States Dollar (US$16,806)	226
Short-term investments	
United States Dollar (US$30,000)	403
Total	**161,184**
Liabilities	
Accounts payable - others	
United States Dollar (US$92,663)	1,245
Singapore Dollar (Sin$4,808)	45
Total	1,290
Net monetary assets	**159,894**

On March 17, 2017, the exchange rates are Rp13,342 (full amount) per US$1 and Rp9,506 (full amount) per Sin$1.

If the net monetary assets in foreign currencies as of December 31, 2016 are converted to Rupiah using the exchange rates as of March 17, 2017, the net monetary assets will decrease by Rp1,120.

27. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Company's main financial instruments comprise cash and cash equivalents, time deposits, short-term investments, accounts receivable - trade, accounts receivable - others, certain security deposits, other non-current assets, accounts payable - trade, accounts payable - others and accrued expenses.

a. Risk Management

The Company is exposed to market risk, credit risk and liquidity risk. Interest to manage any kind of risks has been significantly increased by considering the volatility of financial market both, in Indonesia and international. The Company's senior management oversees the risk management of these risks.

27. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

a. Risk Management (continued)

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise two type of risks: interest rate risk and foreign currency risk. Financial instruments affected by market risk include cash and cash equivalents, time deposits, short-term investments, accounts receivable - others, and accounts payable - others.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchanges rates. The Company's exposure to the risk of changes in foreign exchange rates is related primarily to cash and cash equivalents, time deposits, short-term investments, accounts receivable - others and accounts payable - others which are denominated in United States Dollar and Singapore Dollar. The Company manages this risk by placing their investment selectively in financial instruments which provide high return on investment, so that the fluctuation of foreign exchange rate can be compensated with the return on investments which are denominated in several foreign currencies.

The following table demonstrates the sensitivity to a reasonably possible change in the Rupiah exchange rate against foreign currencies, with assumption that all other variables held constant, the effect to the income before corporate income tax expense is as follows:

	December 31, 2016		December 31, 2015	
	Change in Rupiah Rate	Effect on Income Before Tax Expenses	Change in Rupiah Rate	Effect on Income Before Tax Expenses
United States Dollar	+2%	3,199	+2%	3,265
Singapore Dollar	+2%	(1)	+2%	(1)
United States Dollar	-2%	(3,199)	-2%	(3,265)
Singapore Dollar	-2%	1	-2%	1

Credit risk

Credit risk is the risk that the counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. The Company's financial instruments that have potential credit risk consist of cash and cash equivalents, time deposits, accounts receivable - trade, accounts receivables - others, security deposits and short-term investments. Other than as disclosed below, the Company has no concentration of credit risk.

Credit risk arising from placements of current accounts and deposits is managed in accordance with the Company's policy. Investments of surplus funds are limited for each banks or financial institution and reviewed annually by the Board of Directors. Such limits are set to minimize the concentration of credit risk and therefore mitigate financial loss through potential failure of the banks.

At the reporting date, the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets presented in the statement of financial position.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

27. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

a. Risk Management (continued)

Liquidity risk

Liquidity risk is the risk that occurs when the cash flows position indicates that short-term revenue is insufficient to cover short-term expenditure.

The Company manages liquidity risk by maintaining sufficient cash and cash equivalents and marketable securities to enable the Company fulfill the Company's commitments to support the Company's business activities. In addition, the Company continuously controls the projection and actual cash flows and also controls the maturity of financial assets and liabilities.

The tables below summarizes the maturity profile of the Company's financial liabilities based on contractual payments as of December 31, 2016 and 2015:

	< 1 year	1 - 2 years	2 - 3 years	> 3 years	Total
As of December 31, 2016					
Accounts payable - third parties					
Trade	897,748	-	-	-	897,748
Others	6,442	-	-	-	6,442
Accrued expenses	43,073	-	-	-	43,073
Total	**947,263**	**-**	**-**	**-**	**947,263**

	< 1 year	1 - 2 years	2 - 3 years	> 3 years	Total
As of December 31, 2015					
Accounts payable - third parties					
Trade	885,960	-	-	-	885,960
Others	13,598	-	-	-	13,598
Accrued expenses	29,049	-	-	-	29,049
Total	**928,607**	**-**	**-**	**-**	**928,607**

b. Capital Management

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

In addition, the Company is also required by the Corporate Law effective August 16, 2007 to contribute to and maintain a non-distributable reserve fund until the said reserve reaches 20% of the issued and fully paid share capital. This externally imposed capital requirement is considered by the Company at the Annual General Shareholders' Meeting ("AGM").

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, issue new shares or raise debt financing. No changes were made in the objectives, policies or processes for the years ended December 31, 2016 and 2015.

The Company's policy is to maintain a healthy capital structure in order to secure access to finance at a reasonable cost.

28. FINANCIAL INSTRUMENTS

As of December 31, 2016 and 2015, the carrying amounts of financial assets and liabilities approximate their fair value as follows:

1. Cash and cash equivalents, time deposits, accounts receivable - trade and accounts receivable - others.
   All of the above financial assets are due within twelve (12) months, thus the carrying values of the financial assets approximate their fair values.
2. Accounts payable - trade, accounts payable - others and accrued expenses.
   All of the above financial liabilities are due within twelve (12) months, thus the carrying values of the financial liabilities approximate their fair values.
3. Security deposits, employee receivables, including their current maturities.
   Long-term assets and liabilities which bear no interest are presented at the net present value of the estimated future cash receipts or payments using market interest rate available for debt with approximately similar characteristics.

Short-term investments

Fair value of this financial asset is estimated using appropriate valuation techniques with market observable inputs. As of December 31, 2016 and 2015, fair value of the Company’s short-term investments amounting to 68,418 and 483, respectively (Note 7).

Fair Value Hierarchy

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The assessment of the significance of a particular input to the fair value measurements requires judgement, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, an entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis.

If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the Company calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on any available observable market data.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

28. FINANCIAL INSTRUMENTS (continued)

Short-term investments (continued)

Fair Value Hierarchy (continued)

The Company's fair value hierarchy as of December 31, 2016 and 2015 are as follows:

	December 31, 2016			
	Total	**Level 1**	**Level 2**	**Level 3**
Current asset				
Short-term investments	68,418	68,418	-	-

	December 31, 2015			
	Total	**Level 1**	**Level 2**	**Level 3**
Current asset				
Short-term investments	483	483	-	-

For the years ended and December 31, 2016 and 2015, there were no transfers between the level fair value measurements.

The following table sets out the carrying values and estimated fair values of the Company's financial instruments as of December 31, 2016 and 2015:

	December 31, 2016		**December 31, 2015**	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Financial Assets				
Cash and cash equivalents	603,750	603,750	844,253	844,253
Time deposits	1,156,855	1,156,855	984,004	984,004
Accounts receivable				
Trade				
Third parties	12,025	12,025	3,652	3,652
Others				
Related parties	5,295	5,295	6,470	6,470
Third parties	34,406	34,406	23,490	23,490
Short-term investments	68,148	68,148	483	483
Security deposits	1,370	1,370	1,278	1,278
Other non-current financial assets	7,582	7,263	6,247	5,452
Total	**1,889,431**	**1,889,112**	**1,869,877**	**1,869,082**
Financial Liabilities				
Accounts payable - third parties				
Trade	897,748	897,748	885,960	885,960
Others	6,442	6,442	13,598	13,598
Accrued expenses	43,073	43,073	29,049	29,049
Total	**947,263**	**947,263**	**928,607**	**928,607**

29. SUPPLEMENTARY CASH FLOWS INFORMATION

	Notes	Year Ended December 31 2016	2015
ACTIVITIES NOT AFFECTING CASH FLOWS			
Decrease in fair value of available-for-sale financial assets - net	7	(247)	(1,768)
Additional of fixed assets in relation with tax amnesty program	9,12	14,924	-

Ramayana

PT RAMAYANA LESTARI SENTOSA TBK

Jl. Wahid Hasyim 220 A-B
Jakarta 10250 Indonesia
Telp : +62 21 3914566, 3920480, 3151563
Fax : +62 21 3920484
Web : www.ramayana.co.id