

**PT SMRC Automotive Technology Indonesia  
(Formerly PT Reydel Automotive Indonesia)**

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

**PT SMRC AUTOMOTIVE TECHNOLOGY INDONESIA  
(FORMERLY PT REYDEL AUTOMOTIVE INDONESIA)  
FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018  
AND FOR THE YEAR THEN ENDED  
WITH INDEPENDENT AUDITOR'S REPORT**

**Table of Contents**

	Page
Independent Auditors' Report	
Statements of Financial Position.....	1
Statements of Comprehensive Income.....	2
Statements of Changes in Equity.....	3
Statements of Cash Flows .....	4
Notes to the Financial Statements .....	5-25

\*\*\*\*\*

## Independent Auditors' Report

Report No. 00090/2.1032/AU.1/05/0698-4/1/II/2020

### The Shareholders and Boards of Commissioners and Directors PT SMRC Automotive Technology Indonesia (formerly PT Reydel Automotive Indonesia)

We have audited the accompanying financial statements of PT SMRC Automotive Indonesia (Formerly PT Reydel Automotive Indonesia) which comprise the statement of financial position as of December 31, 2018, and the statements of profit and loss and other comprehensive income, changes in equity (capital deficiency) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statements

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

### Auditors' responsibility

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

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

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

## **Independent Auditors' Report (continued)**

Report No. 00090/2.1032/AU.1/05/0698-4/1/II/2020 (continued)

### **Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position PT SMRC Automotive Technology Indonesia (Formerly PT Reydel Automotive Indonesia) as of December 31, 2018, and its financial performance and cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards.

### **Emphasis of a matter**

As discussed in Note 24 to the accompanying financial statements, as of December 31, 2018, the Company reported accumulated deficit and capital deficiency of Rp11,309,872,145 and Rp9,162,200,535, respectively, and that its total current liabilities exceeded its total current assets by Rp14,825,322,981. The Company also reported net loss for the year ended December 31, 2018 amounting to Rp925,200,955. These conditions, along with the matters set forth in Note 24, indicate the existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Purwantono, Sungkoro & Surja**



**Ratnawati Setiadi**

Public Accountant Registration No. AP.0698

February 10, 2020

**PT SMRC AUTOMOTIVE TECHNOLOGY INDONESIA**  
**(FORMERLY PT REYDEL AUTOMOTIVE INDONESIA)**  
**STATEMENTS OF FINANCIAL POSITION**  
**As of December 31, 2018**  
**(Expressed in Rupiah, unless otherwise stated)**

	Notes	2018	2017
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash in bank	2,4	518,898,400	5,606,662,064
Trade receivables	2,3,5	2,940,159,119	13,434,638,223
Due from related party	2,6	-	7,499,631
Other receivables	2,20	75,000,000	8,049,998
Prepaid taxes	2,12a	3,324,337,889	2,916,137,912
Prepayments and advances	2	243,643,898	304,680,019
<b>TOTAL CURRENT ASSETS</b>		<b>7,102,039,306</b>	<b>22,277,667,847</b>
<b>NON-CURRENT ASSETS</b>			
Prepaid taxes	2,12	4,969,361,148	4,969,361,148
Intangible assets	2,7	693,761,298	1,041,503,311
Advances to supplier	2,8	-	25,600,595,797
<b>TOTAL NON-CURRENT ASSETS</b>		<b>5,663,122,446</b>	<b>31,611,460,256</b>
<b>TOTAL ASSETS</b>		<b>12,765,161,752</b>	<b>53,889,128,103</b>
<b>LIABILITIES AND EQUITY (CAPITAL DEFICIENCY)</b>			
<b>CURRENT LIABILITIES</b>			
Trade payables	2,9	2,175,710,496	9,791,979,635
Due to related parties	2,6,18	17,402,885,393	25,391,046,647
Accrued expenses	2,11	1,680,053,903	2,989,366,007
Tax payables	2,12b	19,168,427	9,286,660
Employee benefit obligation	2,13	649,544,068	-
Advance from customer	10	-	23,843,908,518
<b>TOTAL CURRENT LIABILITIES</b>		<b>21,927,362,287</b>	<b>62,025,587,467</b>
<b>NON-CURRENT LIABILITIES</b>			
Employee benefit obligation	2,13	-	114,211,826
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>-</b>	<b>114,211,826</b>
<b>TOTAL LIABILITIES</b>		<b>21,927,362,287</b>	<b>62,139,799,293</b>
<b>EQUITY (CAPITAL DEFICIENCY)</b>			
Capital stock - Rp853,600 (US\$100) par value per share authorized, issued and fully paid 2,500 shares	14	2,134,000,000	2,134,000,000
Remeasurement of defined benefit program	13	(3,175,390)	(16,847,000)
Retained earnings (Deficit)		(11,293,025,145)	(10,367,824,190)
<b>TOTAL EQUITY (CAPITAL DEFICIENCY)</b>		<b>(9,162,200,535)</b>	<b>(8,250,671,190)</b>
<b>TOTAL LIABILITIES AND EQUITY (CAPITAL DEFICIENCY)</b>		<b>12,765,161,752</b>	<b>53,889,128,103</b>

The accompanying notes form an integral part of these financial statements.

**PT SMRC AUTOMOTIVE TECHNOLOGY INDONESIA**  
**(FORMERLY PT REYDEL AUTOMOTIVE INDONESIA)**  
**STATEMENTS OF PROFIT OR LOSS**  
**AND OTHER COMPREHENSIVE INCOME**  
**For the Year Ended December 31, 2018**  
**(Expressed in Rupiah, unless otherwise stated)**

	Notes	2018	2017
<b>REVENUE</b>	2,15	<b>58,571,660,264</b>	<b>22,355,857,667</b>
<b>COST OF GOODS SOLD</b>	2,16	<b>(48,739,166,540)</b>	<b>(18,333,861,761)</b>
<b>GROSS PROFIT</b>		<b>9,832,493,724</b>	<b>4,021,995,906</b>
Selling, general and administrative expenses	2,17	(11,142,268,108)	(23,193,378,416)
Other income	18	3,376,951,489	140,566,352
Other expenses	19	(2,992,378,060)	(2,689,467,412)
<b>LOSS BEFORE TAX EXPENSE</b>		<b>(925,200,955)</b>	<b>(21,720,283,570)</b>
<b>TAX EXPENSE</b>	2	-	-
<b>LOSS FOR THE YEAR</b>		<b>(925,200,955)</b>	<b>(21,720,283,570)</b>
<b>OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT AND LOSS</b>			
Remeasurement of Defined Benefit Program		13,671,610	(14,382,687)
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(911,529,345)</b>	<b>(21,734,666,257)</b>

The accompanying notes form an integral part of these financial statements.

**PT SMRC AUTOMOTIVE TECHNOLOGY INDONESIA**  
**(FORMERLY PT REYDEL AUTOMOTIVE INDONESIA)**  
**STATEMENTS OF CHANGES IN EQUITY (CAPITAL DEFICIENCY)**  
**For The Year Ended December 31, 2018**  
**(Expressed in Rupiah, unless otherwise stated)**

Description	Capital Stock	Retained Earnings (Deficit)	Remeasurement of Defined Benefit Plan	Total Equity (Capital Deficiency)
Balance as of December 31, 2016	2,134,000,000	11,352,459,380	(2,464,313)	13,483,995,067
Loss for the year	-	(21,720,283,570)	-	(21,720,283,570)
Other comprehensive loss	-	-	(14,382,687)	(14,382,687)
Balance as of December 31, 2017	2,134,000,000	(10,367,824,190)	(16,847,000)	(8,250,671,190)
Loss for the year	-	(925,200,955)	-	(925,200,955)
Other comprehensive loss	-	-	13,671,610	13,671,610
Balance as of December 31, 2018	2,134,000,000	(11,293,025,145)	(3,175,190)	(9,162,200,535)

The accompanying notes form an integral part of these financial statements.

**PT SMRC AUTOMOTIVE TECHNOLOGY INDONESIA**  
**(FORMERLY PT REYDEL AUTOMOTIVE INDONESIA)**  
**STATEMENTS OF CASH FLOWS**  
**For The Year Ended December 31, 2018**  
**(Expressed in Rupiah, unless otherwise stated)**

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax expenses		(925,200,955)	(21,720,283,570)
Adjustments to reconcile net loss to net cash used in operating activities :			
Trade receivables		10,494,479,105	(10,926,835,622)
Due from related party		7,499,631	(7,499,631)
Other receivables		(65,971,902)	(6,874,500)
Prepaid tax		(408,199,977)	(372,682,178)
Deposits		60,058,022	(1,379,786)
Intangible assets		347,742,011	99,875,702
Advance to supplier		25,600,595,798	(19,846,763,118)
Trade payables		(7,616,269,139)	5,990,942,891
Other payables		(9,297,473,359)	20,468,416,122
Employee benefit		549,003,852	38,779,413
Taxes payables		9,881,767	(45,176,499)
Advance from customer		(23,843,908,518)	23,843,908,518
<b>Net Cash Used in Operating Activities</b>		<b>(5,087,763,664)</b>	<b>(2,485,572,258)</b>
<b>NET DECREASE CASH IN BANK</b>		<b>(5,087,763,664)</b>	<b>(2,485,572,258)</b>
<b>CASH IN BANK AT BEGINNING OF YEAR</b>		<b>5,606,662,064</b>	<b>8,092,234,322</b>
<b>CASH IN BANK AT END OF YEAR</b>	<b>4</b>	<b>518,898,400</b>	<b>5,606,662,064</b>

The accompanying notes form an integral part of these financial statements.



**PT SMRC AUTOMOTIVE TECHNOLOGY INDONESIA  
(FORMERLY PT REYDEL AUTOMOTIVE INDONESIA)  
NOTES TO THE FINANCIAL STATEMENTS  
As of December 31, 2018 and for the year then ended  
(Expressed in Rupiah, unless otherwise stated)**

---

**1. GENERAL**

**a. The Company's Establishment and General Information**

PT SMRC Automotive Technology Indonesia, formerly PT Reydel Automotive Indonesia (the "Company") was established based on Notarial Deed No. 181 dated May 31, 2011 of Mala Mukti, S.H.,LL.M and was officially approved by the Ministry of Law and Human Rights of the Republic of Indonesia in its Decision Letter No. AHU-0067083.AH.01.09.Year 2011 dated August 12, 2011 and published in the State Gazette No. 82 Supplement No. 61819 dated October 12, 2012.

The Company's Article of Association has been amended several times. The latest amendment was in accordance with Notarial Deed No.56 of Mala Mukti S.H., LL.M dated October 12, 2018 related to among other, the changes of Company Name. This change has been approved by the Ministry of Law and Human Rights of the Republic of Indonesia in its Decision Letter No. AHU-AH.01.03-0252399 dated October 12, 2018.

In accordance with Article 3 of the Company's Articles of Association, the scope of its activities consist of trading of spareparts and accessories for four wheel or more vehicle.

The Company's head office is located at Kawasan Industri Jababeka, Jl.Jababeka XIIB Blok W 17-20, Harja Mekar, Cikarang Utara, Bekasi, Jawa Barat.

The Company started its commercial operations on 2012.

**b. Board of Commissioners, Director and Employees**

As of December 31, 2018 and 2017, the members of the Boards of Commissioners and Director of the Company are as follows:

	2018	2017
President Commissioner	Chin Weng Chow	Chin Weng Chow
Commissioner	Cajka Kornel	Cajka Kornel
Director	Fitriola Nadiyah	Darwin

There are no short-term benefits paid to director as of December 31, 2018 and total short-term benefits that were paid to directors are amounted to Rp565,689,203 for the years ended December 31, 2018 and 2017.

Based on the Shareholders Resolution of PT Reydel Automotive Indonesia date August 01, 2018 which was covered by Notarial Deed No.23 dated date August 07<sup>th</sup>, 2018 of Mala Mukti, S.H.,LL.M., the Shareholders approved the resignation of Mr. Darwin from his position as Director, and the appointment of Mrs. Fitriola Nadiyah as Director, effective on August 01, 2018.

The Company has 4 permanent employees as of December 31, 2018 and 5 permanent employees as of December 31, 2017 (unaudited).

**PT SMRC AUTOMOTIVE TECHNOLOGY INDONESIA  
(FORMERLY PT REYDEL AUTOMOTIVE INDONESIA)  
NOTES TO THE FINANCIAL STATEMENTS  
As of December 31, 2018 and for the year then ended  
(Expressed in Rupiah, unless otherwise stated)**

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

The statements of cash flows classify cash receipts and cash disbursements into operating, investing and financing activities. Cash flows from operating activities are presented using the indirect method.

The reporting currency used in the preparation of the financial statements is the Indonesian Rupiah (Rupiah), the functional currency.

**b. Transactions with Related Parties**

The Company has transactions with related parties as defined in PSAK No. 7 (Revised 2010). The transactions are made based on terms agreed by the parties. Such terms may not be the same as those of the transactions between unrelated parties. All transactions and balances with related parties are disclosed in the notes to the financial statements.

**c. Cash Equivalents**

Cash and cash equivalents consist of cash on hand and in banks with maturities of three months or less from the date of placement and are not restricted for use.

**d. 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 judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

The financial statements are presented in Rupiah, which are the Company's functional currency and the Company's presentation currency. Transactions during the year involving currencies other than Indonesian Rupiah are recorded in Indonesian Rupiah at the prevailing rates of exchange in effect on the date of the transactions.

As of the statement of financial position date, all monetary assets and liabilities denominated in currencies other than the Rupiah are translated at the middle exchange rates prevailing on those dates. The resulting net foreign exchange gains or losses are credited or charged to current operations.

As of December 31, 2018 and 2017, the exchange rates used were Rp14,481 and Rp13,548 to US\$1, respectively.

**e. Prepaid Expenses**

Prepaid expenses are amortized over their beneficial periods by using the straight-line method.

**PT SMRC AUTOMOTIVE TECHNOLOGY INDONESIA  
(FORMERLY PT REYDEL AUTOMOTIVE INDONESIA)  
NOTES TO THE FINANCIAL STATEMENTS  
As of December 31, 2018 and for the year then ended  
(Expressed in Rupiah, unless otherwise stated)**

---

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

**f. Intangible Assets**

Intangible assets consist of computer software and license. Intangible assets are recognized if the Company is likely to obtain future economic benefits of the intangible assets and the costs could be measured reliably.

The acquisition cost of computer software is stated at cost less accumulated amortization. Amortization is computed on the straight-line method over the estimated useful lives of the asset of five (5) years.

When assets are retired or otherwise disposed of, their costs and the related accumulated amortization are removed from the accounts and any resulting gain or loss is credited to current operations.

**g. Revenue and Expense Recognition**

Revenue from sales is recognized when the goods are delivered to customers. Expenses and all income are recognized when they are incurred/earned (accrual basis).

**h. Provision for Employee Service Entitlements**

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

Remeasurement on net defined benefit liabilities (asset), which recognized as other comprehensive income, consists of:

- i. Actuarial gain and losses;
- ii. Return on program asset, does not consist of amount included in liabilities (asset) net interest;
- iii. Every change in asset ceiling, does not consist of amount included in liabilities (asset) net interest.

Remeasurement on net defined benefit liabilities (asset), which recognized as other comprehensive income will not reclassify to profit or loss in the next periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognizes related restructuring costs.

Net interest is calculated by applying discount rate to the net defined benefit liability or asset. The Company recognizes the following changes in the net defined benefit obligation under distribution and transmission expenses and general and administrative expenses in the statement of profit or loss:

- Service costs comprising current service costs, past-service costs and gains and losses on curtailments.
- Net interest expense or income.

A curtailment occurs when the Company either significantly reduce the number of employees covered by a plan, termination or suspension of the program.

A settlement occurs when an entity 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.

The cost of providing other long-term employee benefits is determined using the Projected Unit Credit method using simplified method of not recognizing remeasurements in other comprehensive income. The net total of service cost, net interest on the net defined benefit liability (asset) and remeasurements of the net defined benefit liability (asset) are recognized in profit or loss for the year.

**PT SMRC AUTOMOTIVE TECHNOLOGY INDONESIA  
(FORMERLY PT REYDEL AUTOMOTIVE INDONESIA)  
NOTES TO THE FINANCIAL STATEMENTS  
As of December 31, 2018 and for the year then ended  
(Expressed in Rupiah, unless otherwise stated)**

---

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

**i. Income Tax**

Current tax

Income tax expense represents the sum of the corporate income tax currently payable and deferred tax.

Current tax assets and liabilities for the current and prior years are measured at the amounts expected to be recovered from or paid to the tax authorities. Tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Taxable profit is different from profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Amendments to taxation obligations are recorded when an assessment is received or, if appealed, when the result of the appeal is determined. The underpayment/overpayment of income tax are recorded as part of "Current Tax" in the statement of profit or loss and other comprehensive income.

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

- i) the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- ii) receivables and payables that are stated inclusive of the VAT amount.

The net amount of VAT recoverable from, or payable to, the taxation authorities is included as part of receivables or payables in the statement of financial position.

Deferred tax

Deferred tax is recognized using the liability method on temporary differences between the financial and the tax bases of assets and liabilities at the financial reporting date.

Deferred tax assets are recognized for all deductible temporary differences and accumulated tax losses that have not been utilized, if taxable income is likely to be available so that the temporary differences can be deducted and the unutilized tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable income will be available in the future to enable some or all of the benefits of the deferred tax assets to be realized. Deferred tax assets that have not been recognized previously are reviewed at each reporting date and recognized to the extent that it has become probable that sufficient taxable income will be available to enable the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured based on tax rates that are expected to apply to the year when the assets are realized and liabilities are settled based on the tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date.

Changes in the carrying value of deferred tax assets and liabilities due to changes in tax rates are charged in the current year, except for transactions that were previously charged or credited directly to equity.

Deferred tax relating to transactions recognized in other comprehensive income or directly in equity, is recorded in other comprehensive income or equity.

**PT SMRC AUTOMOTIVE TECHNOLOGY INDONESIA  
(FORMERLY PT REYDEL AUTOMOTIVE INDONESIA)  
NOTES TO THE FINANCIAL STATEMENTS  
As of December 31, 2018 and for the year then ended  
(Expressed in Rupiah, unless otherwise stated)**

---

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

**i. Income Tax (continued)**

Deferred tax (continued)

Deferred tax assets and deferred tax liabilities are off-set if there is a legal right to off-set deferred tax assets against deferred tax liabilities and the deferred tax assets and liabilities pertain to the same entity.

The tax regulations in Indonesia determined that certain taxable income is subject to final tax. Final tax charged on the gross value of transactions is applied even if the entity suffered losses. The difference between the final tax paid and the final tax expense in the current period is recognized as prepaid tax or tax payable.

Referring to PSAK No. 46, final tax is no longer governed by PSAK No. 46. Since it is not material the Company has decided to present net tax arising from finance income from banks.

**j. Financial Instruments**

**Financial Assets**

Financial assets within the scope of PSAK No. 55 (Revised 2014) are classified into four types: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets.

Initial recognition

The Company determines the classification of the financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at the each financial reporting date.

Classification of those financial assets are recognized initially at fair value plus, in the case of financial assets not classified as at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the assets.

The Company has cash and cash equivalents, trade receivables, other receivables, and due from related party which classified as loans and receivables.

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Company's financial assets include cash and cash equivalents, trade receivables, due from related party, other receivables and deposits.

**PT SMRC AUTOMOTIVE TECHNOLOGY INDONESIA  
(FORMERLY PT REYDEL AUTOMOTIVE INDONESIA)  
NOTES TO THE FINANCIAL STATEMENTS  
As of December 31, 2018 and for the year then ended  
(Expressed in Rupiah, unless otherwise stated)**

---

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

**j. Financial Instruments (continued)**

**Financial Assets (continued)**

Derecognition of financial assets

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

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

Impairment of financial assets

At each reporting date, the Company assesses whether there is 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 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 from the financial asset or the group of financial assets that can be reliably estimated.

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

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

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

**PT SMRC AUTOMOTIVE TECHNOLOGY INDONESIA  
(FORMERLY PT REYDEL AUTOMOTIVE INDONESIA)  
NOTES TO THE FINANCIAL STATEMENTS  
As of December 31, 2018 and for the year then ended  
(Expressed in Rupiah, unless otherwise stated)**

---

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

**j. Financial Instruments (continued)**

**Financial Liabilities**

Financial liabilities within the scope of PSAK No. 55 (Revised 2014) are classified as financial liabilities at fair value through profit or loss and other financial liabilities that are not held for trading or not designated at fair value through profit or loss (receivables and borrowings).

Initial recognition

Financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, inclusive of directly attributable transaction costs.

The Company's financial liabilities include trade payables, due to related parties and accrued expenses.

Subsequent measurement for loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. The accrued interest is recorded separately from the respective principal amount of loans as part of current liabilities. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

**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.

**Fair value of financial instruments**

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

**Fair value of financial instruments**

For financial instruments where there is no active market, fair value is determined using valuation techniques permitted by PSAK No. 55 (Revised 2014), which may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis; or other valuation models.

**PT SMRC AUTOMOTIVE TECHNOLOGY INDONESIA  
(FORMERLY PT REYDEL AUTOMOTIVE INDONESIA)  
NOTES TO THE FINANCIAL STATEMENTS  
As of December 31, 2018 and for the year then ended  
(Expressed in Rupiah, unless otherwise stated)**

---

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

**j. Financial Instruments (continued)**

**Financial Liabilities (continued)**

**Credit risk adjustment**

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

**k. Accounting Standards Amendments, Annual Improvements and Interpretation which became Effective in 2018**

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

- Amendment to PSAK No. 2: "Statement of Cash Flows on the Disclosures Initiative". This amendment requires entities to provide disclosures that enable the financial statements users to evaluate the changes in liabilities arising from financing activities, including changes from cash flow and non-cash changes.
- Amendment to PSAK No. 46: "Income Taxes on the Recognition of Deferred Tax Assets for Unrealized Losses".

**l. Accounting Standards issued but not yet Effective**

The accounting standards that are issued by the Indonesian Financial Accounting Standards Board (DSAK), but not yet effective for current year consolidated financial statements are disclosed below. The Company intend to adopt these standards, if applicable, when they become effective.

Effective on or after January 1, 2019:

- Amendments of PSAK No. 24: "Employee Benefits". Earlier application is permitted.

This amendment regulates regarding amendments, curtailment or program settlement which provides clearer guidance for entities in recognizing past service costs, settlement gains and losses, current service costs and net interest after amendments, curtailments, or completion of programs because they use the latest actuarial assumptions (previously using actuarial assumptions at the beginning of the annual reporting period). In addition, the Amendment to PSAK No. 24 also clarifies how the accounting requirements for amendments, curtailments, or program completion can affect the asset boundary requirements as seen from the reduction in surplus which causes the impact of the asset limit to change.

- ISAK No. 33: "Foreign Currency Transaction and Advance Consideration". Earlier application is permitted.

This ISAK clarifies the use of the transaction date to determine the exchange rate used in the initial recognition of the related asset, expense or income at the time the entity has received or paid advance consideration in the foreign currency.



**PT SMRC AUTOMOTIVE TECHNOLOGY INDONESIA  
(FORMERLY PT REYDEL AUTOMOTIVE INDONESIA)  
NOTES TO THE FINANCIAL STATEMENTS  
As of December 31, 2018 and for the year then ended  
(Expressed in Rupiah, unless otherwise stated)**

---

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

**I. Accounting Standards issued but not yet Effective (continued)**

- ISAK No. 34: "Uncertainty over Income Tax Treatments". Earlier application is permitted.

This ISAK clarifies and provides guidance on uncertainty over income tax treatments, such as how the entity measures various tax amounts and how the entity considers changes in facts and circumstances in respect of uncertain tax treatments.

Effective on or after January 1, 2020:

- PSAK No. 71: "Financial Instruments". Earlier application is permitted.

This PSAK revised the requirements related to the classification and measurement of financial instruments, including the expected credit loss model for calculation of impairment of financial assets, and new general hedging accounting requirements.

- PSAK No. 72: "Revenue from Contracts with Customers". Earlier application is permitted.

This PSAK sets out a comprehensive framework to determine how, when and how much revenue can be recognized. PSAK No. 72 supersedes some current revenue accounting standards, including PSAK No. 23: Revenue, PSAK No. 34: Construction Contracts and ISAK No. 10: Customer Loyalty Programs.

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

- Amendment of PSAK No. 71: "Financial Instruments, regarding Prepayment Features with Negative Compensation". Earlier application is permitted.

This amendment regulates that financial assets with prepayment features that result in negative compensation meet the qualification as contractual cashflows that are solely payments of principal and interest.

**3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

**Judgments**

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future.

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

**PT SMRC AUTOMOTIVE TECHNOLOGY INDONESIA  
(FORMERLY PT REYDEL AUTOMOTIVE INDONESIA)  
NOTES TO THE FINANCIAL STATEMENTS  
As of December 31, 2018 and for the year then ended  
(Expressed in Rupiah, unless otherwise stated)**

---

**3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**Judgments (continued)**

Determination of Functional Currency

The functional currency is the currency of the primary economic environment in which the Company operates. The management considered the currency that mainly influences the revenue and cost of rendering services and other indicators in determining the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

Income Tax

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

Classification of Financial Assets and Liabilities

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

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

Employee Benefits Obligation

The determination of the Company's employee benefits obligation is dependent on its selection of certain assumptions used by the independent actuaries in calculating such amounts. Those assumptions include discount rates, future annual salary increases, annual employee turn-over rate, disability rate, retirement age and mortality rate. While the Company believes that its assumptions are reasonable and appropriate, due to the long-term nature of these obligations, such estimates are subject to significant uncertainty. The carrying amount of the Company's estimated liabilities for employee benefits as of December 31, 2018 is Rp649,544,068. Further details are disclosed in Note 13.

Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses and deductible temporary difference to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management estimates are required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

As of December 31, 2018, the Company unrecognized the deferred tax assets from tax loss carry forwards amounting to Rp39,277,073,365.

**PT SMRC AUTOMOTIVE TECHNOLOGY INDONESIA  
(FORMERLY PT REYDEL AUTOMOTIVE INDONESIA)  
NOTES TO THE FINANCIAL STATEMENTS  
As of December 31, 2018 and for the year then ended  
(Expressed in Rupiah, unless otherwise stated)**

**3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**Judgments (continued)**

Impairment of Non-Financial Assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

**4. CASH IN BANK**

This account consists of the following:

	<b>2018</b>	<b>2017</b>
Cash in bank		
Rupiah	438,701,382	2,298,954,579
United States Dollar	80,197,018	3,307,707,485
<b>Total</b>	<b>518,898,400</b>	<b>5,606,662,064</b>

**5. TRADE RECEIVABLES**

This account represents trade receivables to PT Nissan Motor Indonesia and PT Nissan Motor Distributor Indonesia. As of December 31, 2018 and 2017, the details are as follow:

	<b>2018</b>	<b>2017</b>
PT Nissan Motor Indonesia	2,851,688,446	13,338,338,654
PT Nissan Trading Indonesia	59,466,000	79,176,989
PT Nissan Motor Distributor Indonesia	29,004,673	17,122,580
<b>Total</b>	<b>2,940,159,119</b>	<b>13,434,638,223</b>

Based on the review of the status of the outstanding amounts at the end of the year, management stated that the above receivables are fully collectible, therefore, no allowance for impairment of trade receivables was provided as of December 31, 2018 and 2017.

**6. RELATED PARTY TRANSACTIONS AND BALANCES**

The Company, in its regular conduct of business, has engaged in transactions with related parties mainly service related to application development and engineering agreement, administrative service agreement and intellectual property license agreement and rights (Note 22) to assist the Company's operation. Due to related party with Reydel Automotive B.V. is an over payment payable related the transaction. Due to related party with Reydel Automotive India Pvt, Ltd is a payable for Tooling K2d Project and reimbursement. Intercompany loan is a short term loan from Reydel Automotive B.V. with maturity date in July 20, 2018 with one year express renewal at the option of the Lender until July 19, 2019 (including accrued unpaid interest). This loan was received on July 20, 2017. Interest computation accrued on a day-by-day basis and be calculated on the actual number of days elapsed and based on a commercial calender year (360 days/ year) with rate LIBOR USD 1 month 2.25%. Intercompany loan and interest has been already paid on July 27, 2018.

**PT SMRC AUTOMOTIVE TECHNOLOGY INDONESIA  
(FORMERLY PT REYDEL AUTOMOTIVE INDONESIA)  
NOTES TO THE FINANCIAL STATEMENTS  
As of December 31, 2018 and for the year then ended  
(Expressed in Rupiah, unless otherwise stated)**

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

Outstanding accounts with related parties are as follows:

a. Due from related party

	2018	2017
Reydel Automotive B.V	-	7,499,631
<b>Total</b>	<b>-</b>	<b>7,499,631</b>

b. Due to related party

	2018	2017
Reydel Automotive B.V	16,012,974,597	25,391,046,647
Reydel Automotive India, Pvt.Ltd	1,389,910,796	-
<b>Total</b>	<b>17,402,885,393</b>	<b>25,391,046,647</b>

**7. INTANGIBLE ASSET**

As of December 31, 2018, this account consists of certain intellectual property assets and rights, transferred and licensed under Proprietary Rights Transfer and License Agreement from Reydel Automotive B.V.

**8. ADVANCE TO SUPPLIER**

This account consists of advance paid for tooling to manufacture dashboard component for PT Nissan Motor Indonesia's K2D latest model in 2018. The detail of following suppliers are as follow:

a. Suppliers from Related Parties

	2018	2017
Reydel Automotive India Private Limited	-	2,410,920,792

b. Third Parties

	2018	2017
Tatematsu Mold Works Co.,Ltd.	-	3,804,281,510
PT Sarana Unggul Pratama	-	3,348,000,000
Karthigeya Moulds & Dies Private Limited	-	3,018,948,258
Caliber Tools	-	2,854,476,148
Green Fix Co. ,Ltd.	-	1,587,323,960
Branson Ultrasonics	-	1,439,312,424
Jenoptik	-	1,085,555,546
Prosco Co., Ltd.	-	983,381,580
PT Jungwoo Shinhwa Mold	-	957,760,000
Techzone Engineering	-	818,299,200
PT Trimitra Chitrahasta	-	579,037,770
PT Birotika Semesta/DHL	-	512,170,112
PT Hasta Tian Wijaya	-	502,709,594
PT Marubeni Indonesia	-	483,481,050
PT Nissan Motor Indonesia	-	267,423,737
Other (each bellow Rp200 million)	-	947,514,116
<b>Sub-total third Parties</b>	<b>-</b>	<b>23,189,675,005</b>
<b>Total</b>	<b>-</b>	<b>25,600,595,797</b>

**PT SMRC AUTOMOTIVE TECHNOLOGY INDONESIA  
(FORMERLY PT REYDEL AUTOMOTIVE INDONESIA)  
NOTES TO THE FINANCIAL STATEMENTS  
As of December 31, 2018 and for the year then ended  
(Expressed in Rupiah, unless otherwise stated)**

**9. TRADE PAYABLES**

This account consists of the following:

	<b>2018</b>	<b>2017</b>
PT Mah Sing Indonesia	1,786,816,368	7,044,315,844
PT Trimitra Citrahasta	279,977,214	458,684,340
PT Sarana Unggul Pratama	-	1,104,840,000
PT Prima Wahana Caraka	-	498,686,000
Others (each below Rp200 million)	108,916,914	685,453,451
<b>Total</b>	<b>2,175,710,496</b>	<b>9,791,979,635</b>

**10. ADVANCE FROM CUSTOMER**

This account consists of advance received from PT Nissan Motor Indonesia for supplying the dashboard components and the tooling incurred for manufacturing the PT Nissan Motor Indonesia's K2D latest model in 2018 (Note 22d).

**11. ACCRUED EXPENSES**

This account consists of the following:

	<b>2018</b>	<b>2017</b>
Professional fee	809,100,044	449,447,455
Tooling	331,383,922	1,147,700,000
Volume drop	315,582,187	315,582,187
Salaries	220,997,994	316,684,578
Other	2,989,755	19,275,088
Launch cost	-	636,319,804
Accrued interest	-	104,356,895
<b>Total</b>	<b>1,680,053,902</b>	<b>2,989,366,007</b>

**12. TAXATION**

**a. Prepaid Tax**

This account consists of the following:

	<b>2018</b>	<b>2017</b>
Value added tax (VAT) - net	3,764,247,402	3,356,047,425
Overpayment of Corporate Income Tax		
Year 2018	-	-
Year 2017	211,233,000	211,233,000
Year 2016	739,868,499	739,868,499
Year 2015	3,097,220,416	3,097,220,416
Year 2014	481,129,720	481,129,720
<b>Total</b>	<b>8,293,699,037</b>	<b>7,885,499,060</b>
Less current portion	3,324,337,889	2,916,137,912
<b>Long-term portion</b>	<b>4,969,361,148</b>	<b>4,969,361,148</b>

**PT SMRC AUTOMOTIVE TECHNOLOGY INDONESIA  
(FORMERLY PT REYDEL AUTOMOTIVE INDONESIA)  
NOTES TO THE FINANCIAL STATEMENTS  
As of December 31, 2018 and for the year then ended  
(Expressed in Rupiah, unless otherwise stated)**

**12. TAXATION (continued)**

On September 27, 2016, the Company has received underpayment tax assessment letter for 2014 corporate income tax from Indonesia Tax Office amounting to Rp1,200 million from previously reported overpayment of Rp481 million. the Company filed tax objection to Indonesian Tax Office on December 21, 2016. the objection was rejected by Indonesian Tax office on November 14, 2017. the Company has submitted the tax appeal letter to Tax Court on February 12, 2018.

On December 4, 2017, the Company has received overpayment tax assessment letter for 2015 corporate income tax from Indonesia Tax Office amounting to Rp587 million from previously reported overpayment of Rp3,097 million. the Company filed tax objection to Indonesian Tax Office on April 8, 2018.

On June 8, 2018, the Company has received overpayment tax assessment letter for value added tax for year ended December 31, 2016 amounting to Rp468.497.077 and corporate income tax for the year ended December 31, 2016 amounting Rp739,868,499.

**b. Taxes Payables**

This account consists of the following:

	<b>2018</b>	<b>2017</b>
Income taxes:		
Article 4 (2)	-	400,900
Article 21	8,682,984	8,731,914
Article 23	10,485,443	153,846
<b>Total</b>	<b>19,168,427</b>	<b>9,286,660</b>

**c. Corporate Income Tax**

The reconciliation between loss before tax expenses, as shown in the statement of comprehensive income and the estimated taxable income for the years ended December 31, 2018 and 2017, are as follows:

	<b>2018</b>	<b>2017</b>
Loss before tax expense	(925,200,955)	(21,720,283,570)
Non-deductible expenses (non-taxable income):		
Employee benefits	-	2,590,795
Interest income	(130,731,031)	(28,640,065)
Interest expense	131,414,442	104,356,895
Support and services fee	117,039,946	552,624,604
Miscellaneous	178,361,387	814,757,097
Sub-total non-taxable income	296,084,744	1,445,689,326
<b>Estimated fiscal loss</b>	<b>(629,116,211)</b>	<b>(20,274,594,244)</b>
<b>Prior year tax losses</b>	<b>(38,631,110,154)</b>	<b>(18,356,515,910)</b>
<b>Accumulated fiscal loss carry forward</b>	<b>(39,260,226,365)</b>	<b>(38,631,110,154)</b>

**PT SMRC AUTOMOTIVE TECHNOLOGY INDONESIA  
(FORMERLY PT REYDEL AUTOMOTIVE INDONESIA)  
NOTES TO THE FINANCIAL STATEMENTS  
As of December 31, 2018 and for the year then ended  
(Expressed in Rupiah, unless otherwise stated)**

**12. TAXATION (continued)**

Prepayment of income taxes:

	<b>2018</b>	<b>2017</b>
Tax article 22	-	211,233,000
Tax article 25	-	-
Total prepayment of income taxes	-	211,233,000
<b>Estimated corporate income tax overpayment</b>	<b>-</b>	<b>(211,233,000)</b>

**13. EMPLOYEE BENEFITS OBLIGATION**

The Company recognized provision for employee service entitlements, determined based on the actuarial calculations as of December 31, 2018 as calculated by PT Dayamandiri Dharmakonsilindo, independent actuaries, based on its report dated April 23, 2019 by using the "Projected-Unit-Credit" method and uses the following assumptions.

	<b>2018</b>	<b>2017</b>
Discount rate per annum	8.40%	7.50%
Salary increase rate per annum	5.00%	5.00%
Mortality rate	TMI-2011	TMI-2011
Disability rate	10% per year	10% per year
Resignation rate	Up to age 25 0% to Age 55	Up to age 25 0% to Age 55
Proportion of normal retirement	100.00%	100.00%
Normal retirement age	55 years old	55 years old

The liabilities recognized for the employee service entitlements based on independent actuary's calculation as of December 31, 2018 and 2017 is as follow:

	<b>2018</b>	<b>2017</b>
Present value of employee' benefits obligation	649,544,068	114,211,826
<b>Balance, end of year</b>	<b>649,544,068</b>	<b>114,211,826</b>

The provision for employee service entitlements based on independent actuary's calculation for the year ended December 31, 2018 and 2017 are as follow:

	<b>2018</b>	<b>2017</b>
Current Service Cost	39,390,332	33,778,984
PSC-benefit charges	501,078,989	-
Interest cost	8,534,531	5,000,430
<b>Total</b>	<b>549,003,852</b>	<b>38,779,414</b>

The movements of the liabilities recognized for the provision for employee service entitlements, based on independent actuary's calculation, for the year ended December 31, 2018 and 2017 are as follow:

**PT SMRC AUTOMOTIVE TECHNOLOGY INDONESIA  
(FORMERLY PT REYDEL AUTOMOTIVE INDONESIA)  
NOTES TO THE FINANCIAL STATEMENTS  
As of December 31, 2018 and for the year then ended  
(Expressed in Rupiah, unless otherwise stated)**

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

	2018	2017
Beginning balance	114,211,826	61,049,725
Expense recognized in profit or loss	549,003,852	38,779,414
Expense recognized in other comprehensive income	(13,671,610)	14,382,687
<b>Balance, end of year</b>	<b>649,544,068</b>	<b>114,211,826</b>

The movements of present value of obligation, based on independent actuary's calculation, as of December 31, 2018 and 2017 is as follow:

	2018	2017
Balance, beginning of year	114,211,826	61,049,725
Current service cost	39,390,332	33,778,984
PSC-benefit charges	501,078,989	-
Past service cost due to curtailment	8,534,531	5,000,430
Remeasurement of present value defined benefit	(13,671,610)	14,382,687
<b>Balance, end of year</b>	<b>649,544,068</b>	<b>114,211,826</b>

The quantitative sensitivity analysis for significant assumptions as of December 31, 2018 and 2017 is as follows:

	Discount rates		Future salary increases	
	Percentage	Effect on present value of benefits obligation	Percentage	Effect on present value of benefits obligation
<b>2018</b>				
Increase (Decrease)	1%	649,544,068	1%	655,819,855
Increase (Decrease)	(1%)	649,544,068	(1%)	643,268,280
	Discount rates		Future salary increases	
	Percentage	Effect on present value of benefits obligation	Percentage	Effect on present value of benefits obligation
<b>2017</b>				
Increase (Decrease)	1%	99,444,727	1%	131,737,155
Increase (Decrease)	(1%)	131,490,802	(1%)	99,001,627

The maturity profile of defined benefit obligations as of December 31, 2018 and 2017 is as follows:

	2018	2017
Within one year	649,544,068	836,154
2 - 5 years	-	6,098,216
More than 5 years	-	573,176,618



**PT SMRC AUTOMOTIVE TECHNOLOGY INDONESIA  
(FORMERLY PT REYDEL AUTOMOTIVE INDONESIA)  
NOTES TO THE FINANCIAL STATEMENTS  
As of December 31, 2018 and for the year then ended  
(Expressed in Rupiah, unless otherwise stated)**

**14. CAPITAL STOCK**

As of December 31, 2018 and 2017, the stockholders and their respective share ownership are as follows:

**14. CAPITAL STOCK (continued)**

Stockholders	Number of Shares Issued and Fully Paid	Percentage of Ownership (%)	December 31, 2018	
			Paid-up Capital	
			Rp	US\$
SMRC Automotive Holding Netherlands B.V	1,750	70.00	1,493,800,000	175,000
SMRC Automotive Techno Minority Holdings, B.V	750	30.00	640,200,000	75,000
<b>Total</b>	<b>2,500</b>	<b>100.00</b>	<b>2,134,000,000</b>	<b>250,000</b>

Stockholders	Number of Shares Issued and Fully Paid	Percentage of Ownership (%)	December 31, 2017 and 2016	
			Paid-up Capital	
			Rp	US\$
Reydel Automotive B.V	1,750	70.00	1,493,800,000	175,000
Reydel Automotive Minority Holdings, B.V	750	30.00	640,200,000	75,000
<b>Total</b>	<b>2,500</b>	<b>100.00</b>	<b>2,134,000,000</b>	<b>250,000</b>

Based on the Company's Extraordinary Shareholders Meeting on October 12, 2018 which was covered by Notarial deed of Mala Mukti, S.H., LL.M MKn., No. 56 dated on October 12, 2018, the shareholders approved the Changing for shareholders name from Reydel Automotive B.V to SMRC Automotive Holding Netherlands B.V and Reydel Automotive Minority Holdings, B.V to SMRC Automotive Techno Minority Holdings, B.V.

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. The Company manages its capital structure and make adjustment to it in light of changes in economic conditions.

**15. REVENUES**

This account consists of the following:

	2018	2017
Sales of goods	19,647,660,596	22,355,857,667
Reimbursement of tooling	38,923,999,668	-
<b>Total</b>	<b>58,571,660,264</b>	<b>22,355,857,667</b>

**16. COST OF GOODS SOLD**

This account consists of the following:

	2018	2017
Cost of revenues	14,346,319,640	16,856,903,019
Reimbursement of tooling	34,392,846,900	1,476,958,742
<b>Total</b>	<b>48,739,166,540</b>	<b>18,333,861,761</b>

**PT SMRC AUTOMOTIVE TECHNOLOGY INDONESIA  
(FORMERLY PT REYDEL AUTOMOTIVE INDONESIA)  
NOTES TO THE FINANCIAL STATEMENTS  
As of December 31, 2018 and for the year then ended  
(Expressed in Rupiah, unless otherwise stated)**

**17. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

This account consists of the following:

	2018	2017
Services and support fees (Note 22)	6,430,051,736	18,033,872,415
Salaries and employee benefits	2,100,471,951	2,429,338,532
Professional fees	1,950,299,969	744,284,617
Travelling and accommodation	343,594,087	460,616,019
Transportation	102,484,640	185,272,062
Launch cost	-	1,079,417,378
Others	215,365,725	260,577,393
<b>Total</b>	<b>11,142,268,108</b>	<b>23,193,378,416</b>

**18. OTHER INCOME**

The Company recognized other Income including bank interest income, unrealized forex gain, customer contribution and other. Customer contribution is compensation income from customer related unachieved production target for each program.

**19. OTHER EXPENSE**

This account mainly represents bank charge, unrealized forex loss, interest expense loan RABV and interest charge from supplier.

**20. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's-length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

Financial instruments presented in the balance sheet are carried at the fair value, otherwise, they are presented at carrying values as either these are reasonable approximation of fair values or their fair values cannot be reliably measured.

The fair value of cash on hand and in bank, trade receivables, deposits, trade payables, accrued expenses and due to related parties approximated their carrying values due to their short-term nature.

**21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company's principal financial instruments comprise of cash and cash equivalents, trade receivables, trade payables, accrued expenses and due to related parties, mostly arising directly from its operations.

It is and has been the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are foreign currency risk, credit risk and liquidity risk. Director review and approve policies for managing each of these risks, which are described in more detail as follows:

**a. Foreign currency risk**

The Company's reporting currency is Rupiah. The Company faces foreign exchange risk as the costs of certain major purchases are denominated in the United States Dollars. The extent that the purchases of the Company are denominated in currencies other than Rupiah, and are not evenly matched in terms of quantum and/or timing, the Company has exposure to foreign currency risk.

**PT SMRC AUTOMOTIVE TECHNOLOGY INDONESIA  
(FORMERLY PT REYDEL AUTOMOTIVE INDONESIA)  
NOTES TO THE FINANCIAL STATEMENTS  
As of December 31, 2018 and for the year then ended  
(Expressed in Rupiah, unless otherwise stated)**

---

**21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

a. Foreign currency risk (continued)

The Company is exposed to foreign currency exchange rate movements primarily in United States Dollars on certain expenses, assets and liabilities which arise from daily operations.

The Company does not have any formal hedging policy for foreign exchange exposure. However, in relation to the matters discussed in the preceding paragraph, the fluctuations in the exchange rates between the Rupiah and United States Dollars provide some degree of natural hedge for the Company's foreign exchange exposure.

b. Credit risk

Credit risk is the risk that counterparty to financial instruments will fail to discharge its obligation and will cause a financial loss to other party. The Company is exposed to credit risk arising from the credit granted to its customers. The Company conducts business only with recognized and creditworthy third parties at present. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to reduce the exposure to bad debts. Cash and cash equivalent are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

c. Liquidity risk

The Company manages its liquidity profile to be able to finance its capital expenditures and working capital by maintaining sufficient cash.

The Company regularly evaluates and monitors cash inflows and cash outflows to ensure the availability of funds to settle the due obligation.

**22. SIGNIFICANT AGREEMENTS**

- a. On March, 2015, the Company together with the Entities under Reydel Automotive B.V. signed application development and engineering agreement, whereas the Company as manufacturing affiliates will get services and support from engineering affiliates. Engineering affiliates agreed to provide the Company certain assistance necessary for its operations. As compensation, the Company agreed to pay engineering affiliates services fees based on cost of engineering affiliates plus certain percentage. For the years ended December 31, 2018 and 2017, services and support fees related to application development and engineering charged to operations amounted to Rp4,828,892,696 and Rp15,962,045,937, respectively.
- b. On March, 2015, the Company together with the Entities under Reydel Automotive B.V. signed administrative service agreement, whereas the Company as recipient affiliates will get support and administrative service from service affiliates. Services Affiliates agreed to provide the Company certain assistance necessary for its operations. As compensation, the Company agreed to pay service affiliates services fees based on cost of services affiliates plus certain percentage. For the years ended December 31, 2018 and 2017, services and support fees related to administrative services charged to operations amounted to Rp1,253,417,028 and Rp1,728,632,674, respectively.
- c. On July, 2016, the Company together with the Entities under Reydel Automotive B.V. signed Intellectual Property License Agreement and Rights, whereas the Company as recipient affiliates will receive the transferred and licensed under Proprietary Rights Transfer and License Agreement from Reydel Automotive B.V. As compensation, the Company agreed to pay Intellectual Property License Agreement and Rights based on stipulated cost in the contract amounting to US\$133,214. For the years ended December 31, 2018 and 2017 amortization expense related to Intellectual Property License Agreement and Rights charged to services and support fees amounted to Rp347,742,011 and Rp343,193,804, respectively.

**PT SMRC AUTOMOTIVE TECHNOLOGY INDONESIA  
(FORMERLY PT REYDEL AUTOMOTIVE INDONESIA)  
NOTES TO THE FINANCIAL STATEMENTS  
As of December 31, 2018 and for the year then ended  
(Expressed in Rupiah, unless otherwise stated)**

---

**22. SIGNIFICANT AGREEMENTS (continued)**

- d. On October 2016, the Company received letter of intent from PT Nissan Motor Indonesia, whereas the Company was appointed to supply the dashboard components to customers for manufacturing Nissan K2D Models with requirement to support warranty of the dashboard components for at least three years or maksimum 100,000 km, whichever comes first. The company is also responsible for tooling incurred for manufacturing the components. As of as of December 31, 2017, there is advance tooling to suppliers incurred to make Tools and Machine amounted to Rp24,289,140,687 that will be used to manufacture dashboard components of Nissan K2D Models and nil as of December 31, 2018, and there is advance tooling from customer as of December 31, 2017 amounted to Rp23,843,908,518 and nil as of December 31, 2018, (Note 10).
- e. On March 2017, the Company received letter of intent from PT Nissan Motor Indonesia, whereas the Company was appointed to supply the dashboard components to customers for manufacturing Nissan K2DMC Models with requirement to support warranty of the dashboard components for at least three years or maksimum 100,000 km, whichever comes first. The company is also responsible for tooling incurred for manufacturing the components. For the year ended December 31, 2017, there is advance tooling to suppliers incurred to make Tools and Machine amounted to Rp1,311,455,110 which were used to manufacture dashboard components of Nissan K2DMC Models and nil as of December 31, 2018 (Note 8).

**23. EVENTS AFTER THE REPORTING PERIOD**

On January 21, 2019, the company received the decision letter from tax office where the tax objection for overpayment of corporate of income tax amounting to Rp3,097 million for the year ended December 31, 2015 has been rejected by tax office.

On April 10, 2019, the Company has received overpayment restitution for value added tax for year ended December 31, 2016 amounting to Rp468.497.077 and corporate income tax for the year ended December 31, 2016 amounting Rp739,868,499 from tax office.

The Company's Article of Association has been amended on Notarial Deed No.111 of Mala Mukti S.H., LL.M dated January 29, 2019 related to the additional Capital Injection within total of 300 Class B Shares amounting to US\$30,000 or equivalent with Rp426,360,000. This change has been approved by the Ministry of Law and Human Rights of the Republic of Indonesia in its Decision Letter No. AHU-AH.01.03-0091661 dated February 14, 2019.

On June 14, 2019, the Company has received overpayment tax assessment letter for value added tax for the year ended December 31, 2017 amounting to Rp1,477,905,832.

On August 2, 2019 the Company has submitted the tax appeal letter to Tax Court regarding the rejection of tax objection of overpayment of corporate income tax for the year ended December 31, 2015 by tax office. As of completion date of the financial statements, no decision letter from Tax Court has been received by management.

On August 6, 2019, the Company has received overpayment tax assessment letter for corporate income tax for the year ended December 31, 2017 amounting to Rp211,233,000.

On October 29, 2019, the Company has received decision of tax appeal for corporate income tax for the year ended December 31, 2014 where the overpayment of corporate income tax amounting to Rp481 million was rejected by tax court.

**PT SMRC AUTOMOTIVE TECHNOLOGY INDONESIA  
(FORMERLY PT REYDEL AUTOMOTIVE INDONESIA)  
NOTES TO THE FINANCIAL STATEMENTS  
As of December 31, 2018 and for the year then ended  
(Expressed in Rupiah, unless otherwise stated)**

---

**24. GOING CONCERN**

As of December 31, 2018, the Company reported accumulated deficit and capital deficiency of Rp11,309,872,145 and Rp9,162,200,535, respectively, and that its total current liabilities exceeded its total current assets by Rp14,825,322,981. The Company also reported net loss for the year ended December 31, 2018 amounting to Rp925,200,955.

Based on their letter dated on January 16, 2019, the management of the Company announced their decision to cease the Company's operations due to lack of operational scale and accumulated losses over the years and intends to maintain the Company's dormant status for the foreseeable future. The Company has not made any decision on liquidating the Company and is still looking for other business opportunities in the future.

In response to the above mentioned conditions, on August 26, 2019, the Company has obtained a letter of financial support from SMRC Automotive Holding Netherlands B.V (SMRC), the majority shareholder of the Company, which confirmed its intention and ability to provide the necessary financial support to the Company when required to ensure that the Company will be able to continue as a going concern and to settle its obligations as and when they fall due. Moreover, in January 2019, the shareholders invested additional capital to the Company (Note 23).

As of December 31, 2018, since the Company has ceased its operations in July 2019, without any plans of liquidation, there is an existence of a material uncertainty that may cast significant doubt of the Company's ability to continue as a going concern.

These financial statements have been prepared assuming that the Company will continue to operate as a going concern, which assumes that assets will be realized and liabilities will be settled within the normal course of business. These financial statements did not include any adjustment that might result from these uncertainties.

**25. APPROVAL AND AUTHORIZATION FOR THE ISSUANCE OF FINANCIAL STATEMENTS**

The management is responsible for the preparation and presentation of the financial statements, which were completed and authorized for issuance by the Company's Director on February 10, 2020.