We hereby inform that on 23 December 2008 The Indonesian Institute of Accountants as the professional body in Indonesia mandated with promulgation of accounting standards issued a formal statement announcing its plan to have Indonesian GAAP fully converged with the International Financial Reporting Standards ("IFRS") by 1 January 2012.

Being fully aware that implementation of a set of high quality standard such as the IFRS will facilitate comparability and increase transparency in the business environment, IAI embarked on the journey to convergence with IFRS by adopting, back in 1994, IASC’s Framework for the Preparation and Presentation of Financial Statements as the conceptual framework for Indonesian GAAP. Since that time, and especially since the late 1990s, an increasing number of IAS/IFRS have been adopted with little or no modification so that most of our standards are now based on the IFRS, and as mentioned earlier, by 2012 we hope that companies in Indonesia (in particular those with public accountability) will apply the IFRS in its entirety.

We wish to share this development with the international community so that our commitment to a single set of high quality global accounting standards will be well understood.

January 2009 Update

The Indonesian Accounting Standards Board has released some final pronouncements in 2008:

1. PSAK 14 (revised 2008): Inventory (adoption of IAS 2)
2. PSAK 26 (revised 2008): Borrowing Cost (adoption of IAS 23)
3. ISAK 8: Determining whether an Arrangement contains a Lease and Further Explanation of Transition Provision of PSAK 30 (revised 2007)
4. Bulletin 3: Measuring the Fair Value of Financial Instruments When Market is not Active

The Board also has released some exposure draft of PSAK:

1. ED PSAK 31: Financial Instruments: Disclosure (adoption of IFRS 7)
2. ED PSAK 58 (revised 2008): Non-current Asset Held for Sale and Discontinued Operation
3. ED SAK Small and Medium Enterprises
4. ED PSAK 107: Accounting for Ijarah
5. ED PSAK 108: Accounting for Murabahah Debt Restructuring
6. ED PSAK 109: Accounting for Zakah and Infaq/Shadaqah
7. ED PSAK 110: Accounting for Islamic Insurance Contract
8. ED PSAK 111: Accounting for Hawalah

The Board is developing and revising other pronouncements, such as presentation of financial statement (adoption of IAS 1), share-based payment (adoption of IFRS 2), and Islamic fee-based income.

In addition to above, the Board decided to change the effective date of PSAK 55 (revised 2006): Financial Instruments Recognition and Measurement and PSAK 50 (revised 2006): Financial Instruments: Presentation and Disclosure to 1 January 2010 due to lack of preparedness of financial institutions, especially banks. To improve the banks’s preparedness and in order to provide more detail implementation guidance for those PSAKs, Bank Indonesia has released accounting guidance for banking industry.
Exposure Drafts of revisions to the accounting standards below were issued by the Financial Accounting Standards Board (DSAK) of the Indonesian Institute of Accountants and are outstanding as of April 2007:

**Revision to PSAK 13, Investment Property (revised 2006)**

This standard will replace PSAK 13, Investment (1994) and particularly will address the topic of investment properties. In the preparation of this exposure draft, DSAK referred to IAS 40, Investment Property.

**Revision to PSAK 16, Fixed Assets (revised 2004)**

Issued in September 2004, this standard will replace PSAK 16, Fixed Assets and Other Assets, especially on accounting treatment for revaluation of fixed assets. In the preparation of this exposure draft, DSAK referred to IAS 16, Property, Plant and Equipment.

**Revision to PSAK 30, Leases (revised 2006)**

This standard is a revision to PSAK 30, Accounting for Leases (1994) and will address the accounting policies and proper disclosure, either for lessee or lessor, in leasing transactions. This standard was developed based on IAS 17, Leases.

**Revision to PSAK 50, Financial Instruments: Presentation and Disclosure (revised 2006)**

This standard is revision to PSAK 50 (1998), Accounting for Investment in Certain Securities and will address the accounting treatment related to presentation and disclosure of all financial instruments, including derivative instruments. In the preparation of this exposure draft, DSAK referred to IAS 32, Financial Instrument: Disclosure and Presentation.

**Revision to PSAK 55, Financial Instruments: Recognition and Measurement (revised 2006)**

This standard is revision to PSAK 55 (revised 1999), Accounting for Derivative Instruments and Hedging Activities and will address the accounting treatment related to recognition and measurement of financial instruments, including derivative instruments and hedging. In the preparation of this exposure draft, DSAK referred to IAS 39, Financial Instrument: Recognition and Measurement.

**Revision to Conceptual Framework for the Preparation and Presentation of Financial Statements for Shari'a Transactions (revised 2006)**

This framework is improvement of the previous Conceptual Framework for the Preparation and Presentation of Financial Statements for Shari’a Transactions (2002). This framework should be applied as an accounting treatment basis for all shari’a transactions in shari’a entities as well as in conventional entities.

**Revision to PSAK 59, Accounting for Shari’a Banking**

DSAK has issued ED PSAK 101 - 106 to replace PSAK 59, Accounting for Shari’a Banking. Standards related to shari’a accounting will use block number of PSAK 101 to 200. Currently, EDs issued consist of:

- ED PSAK 101 (revised 2006), Presentation of Shari’a Financial Statements.
- ED PSAK 102 (revised 2006), Accounting for Murabahah.
- ED PSAK 103 (revised 2006), Accounting for Salam.
• ED PSAK 104 (revised 2006), Accounting for Istishna’.
• ED PSAK 105 (revised 2006), Accounting for Mudharabah.
• ED PSAK 106 (revised 2006), Accounting for Musyarakah.

October 2006 Update

Accounting Standards

Exposure Drafts of revisions to the accounting standards below were issued by the Financial Accounting Standards Board (Dewan Standar Akuntansi Keuangan, or DSAK) of the Indonesian Institute of Accountants and are outstanding as of October 2006:

• Revision to PSAK 13, Investment Property (revised 2006). This standard will replace PSAK 13 Investment (1994) and particularly will address the topic of investment properties. In the preparation of this exposure draft, DSAK referred to IAS 40 Investment Property.
• Revision to PSAK 30, Leases (revised 2006). This standard is a revision to PSAK 30 Accounting for Leases (1994) and will address the accounting policies and proper disclosure, either for lessee or lessor, in leasing transactions. This standard was developed based on IAS 17, Leases.

Besides the above Exposure Drafts, revision of the following accounting standards is still in process:

• PSAK 50 Accounting for Investment in Specific Securities
• PSAK 55 (revised 1999) Accounting for Derivative Instruments and Hedging Activities
• PSAK 59 Accounting for Shari’ah Banking
• Conceptual framework for the Preparation and Presentation of Financial Standards for Shari’ah Transactions

Technical Bulletins

The DSAK has issued Draft of Technical Bulletin No. 2 Joint Financing on Credit Facility (TB No.2) and conducted a limited hearing on 26 September 2006.

The purpose of this technical bulletin is to provide guidance to financial institutions, especially multi-finance companies, in recording joint financing transactions according to their substance, which sometimes is different from the legal form as stated in the contract.

Implementation Guide

The Indonesian Institute of Accountants and the Indonesian Association of Actuaries have issued Implementation Guidance No.1, PSAK 24 (revised 2004), Employee Benefits.

Auditing Standards

The Auditing Standards Board (Dewan Standar Profesional Akuntan Publik, or DSPAP) had decided to fully adopt the International Standards on Auditing (ISAs). The ISAs are now being translated and will be implemented by the end of 2006.

October 2004 Update

Final Standards
The Financial Accounting Standards Board (DSAK) of the Indonesian Institute of Accountants finalised and issued revisions of standards as follows:

- Revision to Financial Accounting Standards (PSAK) 38 Accounting for Restructuring under Common Control Entities, in July 2004. This revision of PSAK 38 specified criterion for restructuring transaction under common control entities and changes on difference from restructuring transaction under common control entities account balance.
- Revision to Financial Accounting Standards (PSAK) 24 Employee Benefits, in July 2004. This standard replaces PSAK 24 Accounting for Retirement Benefit Cost and covers not only accounting for retirement benefit costs, but also other employee benefits as follows:
  - short term employee benefits, such as: wages, salaries, contribution for social security, paid annual and sick leave, profit sharing and bonus (if payable in 12 months at the end of reporting period), and other non-monetary benefits;
  - post-employment benefits, such as: retirement benefits (pension), other retirement benefits, post-employment life insurance, and post-employment medical benefits;
  - other long term employee benefits, including long term leave, profit sharing, bonus and deferred compensation (if payable more than 12 months at the end of reporting period);
  - termination benefits;
  - equity compensation benefits.

In the preparation of this revision, DSAK referred to IAS 19 Employee Benefits.

The DSAK also issued interpretation of standard as follows:

- ISAK 7 Interpretation of Paragraph 5 and 19 of PSAK 4 regarding Consolidation of Special Purpose Entities.

Exposure Drafts

Exposure Drafts of revisions to accounting standards below were issued and outstanding as of October 2004:

- Revision to PSAK 16 Fixed Assets. Issued in August 2002, this standard will replace PSAK 16 Fixed Assets and Other Assets, especially on accounting treatment for revaluation of fixed assets. In this exposure draft, the accounting treatment for fixed assets is harmonized with other PSAKs such as:
  - PSAK 22 Accounting for Business Combinations,
  - PSAK 26 (Revised 1997), Borrowing Costs,
  - PSAK 46 Accounting for Income Taxes,
  - PSAK 48 Impairment of Assets, and
  - PSAK 57 Provision, Contingent Liabilities, and Contingent Assets.

In the preparation of this exposure draft, DSAK referred to IAS 16 (Revised 1998), Property, Plant and Equipment, and local regulation on related matters.

January 2004 Update

The Financial Accounting Standards Board (DSAK) of the Indonesian Institute of Accountants finalised and issued the Limited Revision to Financial Accounting Standards (PSAK) 58, Discontinuing Operations, in late 2003. Revision to PSAK 58 is limited to paragraph 40 on presentation of disclosure.

Exposure Drafts

Exposure Drafts of revisions to accounting standards below were issued and outstanding as of end of
2003:

- **Revision to PSAK 8, Events after the Balance Sheet Date.** Issued in July 2002, this standard will replace part of PSAK 8, Contingencies and Events after the Balance Sheet Date, which is related with standards for events after the balance sheet date. The portion of PSAK 8 which is related with the standards for contingencies are replaced by PSAK 57, Provision, Contingent Liabilities, and Contingent Assets. In the preparation of this exposure draft, DSAK referred to IAS 10 (Revised 1999), Events after Balance Sheet Date.

- **Revision to PSAK 16, Fixed Assets.** Issued in August 2002, this standard will replace PSAK 16, Fixed Assets and Other Assets, especially on accounting treatment for revaluation of fixed assets. In this exposure draft, the accounting treatment for fixed assets is harmonized with other PSAKs such as:
  - PSAK 22, Accounting for Business Combinations,
  - PSAK 26 (Revised 1997), Borrowing Costs,
  - PSAK 46, Accounting for Income Taxes,
  - PSAK 48, Impairment of Assets, and
  - PSAK 57, Provision, Contingent Liabilities, and Contingent Assets

In the preparation of this exposure draft, DSAK referred to IAS 16 (Revised 1998), Property, Plant and Equipment, and local regulation on related matters.

- **Revision to PSAK 51, Accounting for Quasi-Reorganizations.** Issued in October 2003, this standard will revise PSAK 51, Accounting for Quasi-Reorganizations, and replace accounting treatment for quasi-reorganizations as regulated in paragraph 43 of PSAK 21, Accounting for Equity.

Exposure drafts below issued in October 2002 by the Central and Regional Governmental Accounting Standards Committee (KSAP) on governmental accounting standards are still outstanding:

- Conceptual Framework for Governmental Accounting,
- Governmental Accounting Standards (PSAP) 1, Presentation of Financial Statements
- PSAP 2, Budget Realization Statements
- PSAP 3, Cash Flow Statements

**Effective Accounting Standards**

The following accounting standards and interpretations are in force as of end of year 2003:

<table>
<thead>
<tr>
<th>Indonesian Accounting Standards and Interpretations In Force at 31 December 2003</th>
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<tbody>
<tr>
<td>PSAK 1 (Revised 1998), Presentation of Financial Statements</td>
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<td>PSAK 2, Cash Flow Statements</td>
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<td>PSAK 3, Interim Financial Statements</td>
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<td>PSAK 4, Consolidated Financial Statements</td>
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<td>PSAK 5 (Revised 2000), Segment Reporting</td>
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<td>PSAK 6, Accounting and Reporting by Development Stage Enterprises</td>
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<td>PSAK 7, Related Party Disclosures</td>
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<td>PSAK 8, Contingencies and Events Occurring after the Balance Sheet Date</td>
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<td>PSAK 10, Transactions in Foreign Currencies</td>
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<td>PSAK 11, Translation of Financial Statements in Foreign Currencies</td>
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<td>PSAK 12, Financial Reporting of Interests in Jointly Controlled Operations and Assets</td>
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<td>PSAK 13, Accounting for Investments</td>
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<td>PSAK 14, Inventories</td>
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<td>PSAK 15, Accounting for Investments in Associates</td>
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<td>PSAK 16, Fixed Assets and Other Assets</td>
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<td>PSAK 17, Depreciation Accounting</td>
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<td>PSAK 18, Accounting by Pension Plans</td>
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<td>PSAK 19 (Revised 2000), Intangible Assets</td>
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<td>PSAK 21, Accounting for Equity</td>
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<td>PSAK 22, Accounting for Business Combinations</td>
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<td>PSAK 23, Revenue</td>
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<td>PSAK 24, Accounting for Retirement Benefit Cost</td>
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<td>PSAK 25, Net Profit or Loss for the Period, Fundamental Errors, and Changes in Accounting Policies</td>
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<td>PSAK 26 (Revised 1997), Borrowing Costs</td>
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<td>PSAK 27 (Revised 1998), Accounting for Cooperation</td>
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<td>PSAK 28 (Revised 1996), Accounting for Casualty Insurance</td>
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<td>PSAK 29, Accounting for Oil and Gas Industry</td>
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<td>PSAK 30, Accounting for Leases</td>
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<td>PSAK 31 (Revised 2000), Accounting for Banking Industry</td>
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<td>PSAK 32, Accounting for Forestry Enterprises</td>
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<td>PSAK 33, Accounting for General Mining Industry</td>
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<td>PSAK 57</td>
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<tr>
<td>PSAK 58 (Revised 2003)</td>
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<td>PSAK 59</td>
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</tbody>
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The Financial Accounting Standards Board (DSAK) of the Indonesian Institute of Accountants is continuing its policy of harmonising Indonesian Financial Accounting Standards (PSAK) with IFRS.

Exposure drafts issued and outstanding are as follows:

- Revision to PSAK 8, Events after the Balance Sheet Date. Issued in July 2002. This standard would replace that portion of PSAK 8, Contingencies and Events after the Balance Sheet Date, that addresses events after the balance sheet date. The portion of PSAK 8 that addresses contingencies is replaced by PSAK 57, Estimated Liabilities, Contingent Liabilities, and Contingent Assets. In preparing this exposure draft, DSAK referred to IAS 10 (Revised 1999), Events after Balance Sheet Date.
- Limited Revision to PSAK 58, Discontinuing Operations. Issued in August 2002. The revision to PSAK 58 is limited to paragraph 40 on presentation of disclosures.
- Revision to PSAK 16, Fixed Assets. Issued in August 2002. This exposure draft would replace PSAK 16, Fixed Assets and Other Assets, particularly regarding accounting treatment for revaluation of fixed assets. In this exposure draft, the accounting treatment for fixed assets is harmonised with other PSAKs such as:
  - PSAK 22, Accounting for Business Combinations.
  - PSAK 26 (Revised 1997), Borrowing Costs.
  - PSAK 46, Accounting for Income Tax.
  - PSAK 48, Impairment of Assets.
  - PSAK 57, Estimated Liabilities, Contingent Liabilities, and Contingent Assets.

In preparing this exposure draft, DSAK referred to IAS 16 (Revised 1998), Property, Plant and Equipment, and local regulations on related matters.

In addition, another board - known as The Central and Regional Governmental Accounting Standards Committee (KSAP) - was established under a decree of the Minister of Finance to develop governmental accounting standards. KSAP issued the following exposure drafts in October 2002:

- Conceptual Framework for Governmental Accounting.
- Governmental Accounting Standards (PSAP) 1, Presentation of Financial Statements.
- PSAP 2, Budget Realisation Statements.
- PSAP 3, Cash Flow Statements.

In preparing the above exposure drafts, KSAP referred to sound international practices, considered the specific situation in Indonesia, including regulations, accounting practices, and human resources, and a transition period to tolerate the preparedness of reporting entities. Specifically, KSAP referred to:

- International Public Sector Accounting Standards (IPSAS) of IFAC.
- PSAK.
Governmental Accounting Standards developed by the US Governmental Accounting Standards Board.
Financial Accounting Standards developed by the US Financial Accounting Standards Board.

July 2002 Update

Consistent with the objective of harmonising between Indonesian Pernyataan Standar Akuntansi Keuangan (PSAK/Statements on Financial Accounting Standards) and the International Accounting Standards, at present the Board of Financial Accounting Standards of Indonesia is discussing the following:

- Revision to PSAK 24, Accounting Retirement Benefit Cost.
- Revision to PSAK 16, Fixed Assets and Other Assets.
- Revision to PSAK 30, Accounting for Leases.
- A new accounting standard on agriculture.

Also, the Board has published accounting standards for Syariah banking as follows:

- Framework for the Preparation and Presentation of Financial Statements of Syariah Banking.
- PSAK 59, Accounting for Syariah Banking.

October 2001 Update

The Financial Accounting Standards Board (Dewan Standar Akuntansi Keuangan, or DSAK) of the Indonesian Institute of Accountants is continuing its policy of harmonising Indonesian Financial Accounting Standards (PSAK) with IAS. The following Standards are effective for periods beginning on or after 1 January 2001 (their equivalent IAS is indicated for reference):

- PSAK 19 (Revised 2000), Intangible Assets (IAS 38)
- PSAK 31 (Revised 2000), Accounting for Banking (including disclosure requirements in IAS 30)
- PSAK 46, Accounting for Income Tax (IAS 12). This Standard is effective for periods beginning on or after 1 January 1999 for companies issuing publicly traded securities, while for other companies, this Standard is effective for periods beginning on or after 1 January 2001.
- PSAK 55 (Revised 1999), Accounting for Derivatives and Hedging Activities
- PSAK 57, Estimated Liabilities, Contingent Liabilities, and Contingent Assets (IAS 37)

The following Standards will be effective for periods beginning on or after 1 January 2002 (their equivalent IAS is indicated for reference):

- PSAK 5 (Revised 2000), Segment Reporting (IAS 14)
- PSAK 58, Discontinuing Operations (IAS 35)

Exposure drafts of PSAK issued and outstanding are as follows:

- Conceptual Framework for the Preparation and Presentation of the Financial Statements of Shariah-based Banks. This standard is largely based on the conceptual framework of IAS, but adjusted to reflect Islamic laws and philosophies.
- Accounting for Shariah-based Banks. This standard is largely based on the Accounting, Auditing, and Governance Standards for Islamic Financial Institutions promulgated by the
January 2001 Update

The Financial Accounting Standards Board (Dewan Standar Akuntansi Keuangan) of the Indonesian Institute of Accountants (IAI) is continuing its policy of harmonising Indonesian Financial Accounting Standards (PSAK) with IAS.

The following Standards are effective for periods beginning on or after 1 January 2000 (their equivalent IAS is indicated for reference):

- PSAK 45, Financial Reporting for Non-profit Organizations
- PSAK 48, Impairment of Assets (IAS 36)
- PSAK 52, Reporting Currencies

The following Standard is effective for periods ending on or after 31 December 2000 (the equivalent IAS is indicated for reference):

- PSAK 56, Earnings per Share (IAS 33)

The following Standards will be effective for periods beginning on or after 1 January 2001 (their equivalent IAS is indicated for reference):

- PSAK 19 (Revised 2000), Intangible Assets (IAS 38)
- PSAK 31 (Revised 2000), Accounting for Banking (including disclosure requirements in IAS 30)
- PSAK 46, Income Tax Accounting (IAS 12)
- PSAK 55 (Revised 1999), Accounting for Derivatives and Hedging Activities

The following Standards will be effective for periods beginning on or after 1 January 2002 (their equivalent IAS is indicated for reference):

- PSAK 5 (Revised 2000), Segment Reporting (IAS 14)
- PSAK 58, Discontinuing Operations (IAS 35)

The Board has issued an exposure draft on Provisions, Contingent Liabilities and Contingent Assets (IAS 37) that is currently being considered for issue as Standard PSAK 57.

Another project on which the Board is expected to issue an Exposure Draft in the next twelve months is Accounting for Syariah Banking.

October 2000 Update

The standard-setting body in Indonesia is Komite Standar Akuntaksi Keuangan (Committee on Financial Accounting Standards). After they issue a Statement of Financial Accounting Standards, it must be endorsed by the Indonesian Institute of Accountants, though the Committee's Interpretations need not be endorsed by IIA. Under Indonesian law, both public and private companies must comply with those accounting standards. Since 1994, it has been the policy of the Committee to use International Accounting Standards as the basis for developing Indonesian standards.