



**INDONESIAN NETHERLANDS ASSOCIATION**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(With Comparative Figures for the Year Ended December 31, 2007)  
AND  
INDEPENDENT AUDITOR'S REPORT**

**INDONESIAN CURRENCY**

**HANDOKO TOMO**  
Registered Public Accountants

**INDONESIAN NETHERLANDS ASSOCIATION**  
**TABLE OF CONTENTS**

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	<b>Page</b>
<b>STATEMENT LETTER OF DIRECTORS</b>	
<b>INDEPENDENT AUDITOR'S REPORT</b>	
<b>FINANCIAL STATEMENTS</b>	
1. Statement of Financial Position	1
2. Statement of Activities	2
3. Statement of Cash Flows	3
5. Notes to Financial Statements	4

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## **STATEMENT LETTER OF DIRECTORS**

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The management of the Indonesian Netherlands Association (the "Association") hereby states that:

1. the financial statements of the Association are prepared to present fairly the financial position of the Association as of December 31, 2008 and 2007, the results of its activities and cash flows for the year then ended;
2. the financial statements of the Association have been prepared in accordance with the generally accepted accounting principles in Indonesia;
3. the financial statements of the Association do not contain misstatements and do not eliminate any material information; and
4. the internal control system in the Association is our responsibility.

A handwritten signature in blue ink, appearing to read 'Elmar Bouma', is written over a circular stamp or watermark.

**Elmar Bouma**  
Director

Jakarta  
May 8, 2009

**INDEPENDENT AUDITOR'S REPORT**

Report No. 022/INA/HT/I/2009

The Board and Members  
**Indonesian Netherlands Associations**

We have audited the accompanying statement of financial position of Indonesian Netherlands Association (the Association) as of December 31, 2008 and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Association as of and for the year ended December 31, 2007, which are presented for comparative purposes, were audited by other independent auditors whose report dated May 12, 2008, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards established by the Indonesian Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indonesian Netherlands Association as of December 31, 2008, and the results of its activities, and its cash flows for the year then ended, in conformity with generally accepted accounting principles in Indonesia.

**HANDOKO TOMO**

Registered Public Accountants



**Handoko Tomo**

License No. 07.1.1009

May 8, 2009

**NOTICE TO READERS**

The accompanying financial statements are not intended to present the financial position, results of activities and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Indonesia. The standards, procedures and practices utilized to audit such financial statements may differ from those generally accepted in countries and jurisdictions other than Indonesia. Accordingly, the accompanying financial statements and the auditor's report thereon are not intended for use by those who are not informed about Indonesian accounting principles and auditing standards, and their application in practice.

**INDONESIAN NETHERLANDS ASSOCIATION  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2008**

(With Comparative Figures as of December 31, 2007)

(Figures in table are expressed in Indonesian Rupiah, unless otherwise stated)

**ASSETS**

	Notes	2008	2007
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	2c,3	5,452,217,151	4,676,451,516
Receivables - net	2d,4	348,894,483	575,624,944
Other receivables	5	132,770,588	198,050,875
Advances for Horticultural Partnership Support Program	2f	-	383,513,792
Other advances and prepayments	6	70,928,063	51,475,712
Total Current Assets		6,004,810,285	5,885,116,839
<b>NON-CURRENT ASSETS</b>			
Fixed assets	2e,7	324,295,796	299,091,234
Deposits	8	103,500,000	103,500,000
Total Non-Current Assets		427,795,796	402,591,234
<b>TOTAL ASSETS</b>		6,432,606,081	6,287,708,073
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Payables and accruals	9	244,006,193	1,025,421,546
Taxes payable	2i,10	235,245,634	256,073,365
Unearned revenues	2h,11	2,427,529,813	1,832,053,340
Total Current Liabilities		2,906,781,640	3,113,548,251
<b>NON-CURRENT LIABILITIES</b>			
Employee benefits obligation	2j,12	561,988,000	431,450,000
Other provisions	13	386,388,067	386,388,067
Total Non-Current Liabilities		948,376,067	817,838,067
Total Liabilities		3,855,157,707	3,931,386,318
<b>NET ASSETS</b>			
Unrestricted net assets	2a	669,168,290	516,067,661
Temporarily restricted net assets	2a,18	1,908,280,084	1,840,254,094
Total Net Assets		2,577,448,374	2,356,321,755
<b>TOTAL LIABILITIES AND NET ASSETS</b>		6,432,606,081	6,287,708,073

*The accompanying Notes to Financial Statements are an integral part of the financial statements.*

**INDONESIAN NETHERLANDS ASSOCIATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**(With Comparative Figures for the Year Ended December 31, 2007)**  
(Figures in table are expressed in Indonesian Rupiah, unless otherwise stated)

		2008		
	Notes	Unrestricted	Temporary restricted	Total
<b>REVENUES</b>	2g,15,18	4,014,671,758	7,936,114,883	11,950,786,641
<b>EXPENDITURES</b>	2g,15,18	(3,331,498,157)	(7,868,088,893)	(11,199,587,050)
		683,173,601	68,025,990	751,199,591
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	2g,16	(958,714,018)	-	(958,714,018)
<b>Other income (expenses)</b>	2g			
Foreign exchange	2b	280,476,087	-	280,476,087
Interest income		43,968,707	-	43,968,707
Bank charges		(28,174,689)	-	(28,174,689)
Reversal of allowance for doubtful accounts		132,370,941	-	132,370,941
Other income - net		428,641,046	-	428,641,046
<b>INCREASE IN NET ASSETS</b>		153,100,629	68,025,990	221,126,619
<b>TOTAL NET ASSETS AT THE BEGINNING OF THE YEAR</b>		516,067,661	1,840,254,094	2,356,321,755
<b>TOTAL NET ASSETS AT THE END OF THE YEAR</b>	18	669,168,290	1,908,280,084	2,577,448,374

  

		2007		
	Notes	Unrestricted	Temporary restricted	Total
<b>REVENUE</b>	2g,15,18	2,934,426,691	5,462,596,259	8,397,022,950
<b>EXPENDITURES</b>	2g,15,18	(1,803,275,183)	(4,719,850,036)	(6,523,125,219)
		1,131,151,508	742,746,223	1,873,897,731
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	2g,16	(2,258,193,314)	-	(2,258,193,314)
<b>Other income (expenses)</b>	2g			
Foreign exchange	2b	404,752,127	-	404,752,127
Interest income		97,373,125	-	97,373,125
Bank charges		(22,228,308)	-	(22,228,308)
Other income, net		44,661,606	-	44,661,606
Other income - net		524,558,550	-	524,558,550
<b>INCREASE (DECREASE) IN NET ASSETS</b>		(602,483,256)	742,746,223	140,262,967
<b>TOTAL NET ASSETS AT THE BEGINNING OF THE YEAR</b>		1,118,550,917	1,097,507,871	2,216,058,788
<b>TOTAL NET ASSETS AT THE END OF THE YEAR</b>	18	516,067,661	1,840,254,094	2,356,321,755

*The accompanying Notes to Financial Statements are an integral part of the financial statements.*

**INDONESIAN NETHERLANDS ASSOCIATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
(With Comparative Figures for the Year Ended December 31, 2007)  
(Figures in table are expressed in Indonesian Rupiah, unless otherwise stated)

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net increase in net assets	221,126,619	140,262,967
Adjustments for:		
Depreciation	65,638,428	87,076,604
Employee benefits	130,538,000	115,944,000
Provision for doubtful accounts	-	115,269,730
Reversal of allowance for doubtful accounts	(132,370,941)	-
Interest income	(43,968,707)	(97,373,125)
Operating income before changes in working capital	240,963,399	361,180,176
Decrease (increase) in:		
Receivables	359,101,402	(252,098,492)
Other receivables	65,280,287	-
Advances for Horticultural Partnership Support Program	383,513,792	606,225,537
Other advances and prepayments	(19,452,351)	5,225,828
Increase (decrease) in:		
Payables and accruals	(781,415,353)	444,297,428
Taxes payable	(20,827,731)	174,722,930
Unearned revenues	595,476,473	(1,281,096,777)
Cash generated from operating activities	822,639,918	58,456,630
Interest receipt	43,968,707	97,373,125
Payment for employee benefits	-	(87,845,000)
Net Cash Flows Provided from Operating Activities	866,608,625	67,984,755
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of fixed assets	(90,842,990)	(21,713,000)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	775,765,635	46,271,755
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	4,676,451,516	4,630,179,761
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	5,452,217,151	4,676,451,516

*The accompanying Notes to Financial Statements are an integral part of the financial statements.*

**INDONESIAN NETHERLANDS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
(With Comparative Figures for the Year Ended December 31, 2007)  
(Figures in table are expressed in Indonesian Rupiah, unless otherwise stated)

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**1. GENERAL**

The Indonesian Netherlands Association (the “Association”) or “Perkumpulan Indonesia Belanda” was established on November 30, 1978 and is domiciled in Jakarta, based on Notarial Deed No. 104 of Frederik Alexander Tumbuan, S.H. dated March 22, 1979. The Articles of Association were amended based on Notarial Deed of Misahardi Wilamarta, S.H. No. 43 dated November 16, 2000.

According to Article 2 of the Articles of Association, the objectives and activities of the Association are to stimulate and encourage economic relations between Indonesian and Dutch and Belgian citizens and enterprises and in particular:

- a. to promote contacts between Indonesian and Dutch and Belgian business communities, especially persons or companies residing or domiciled, or otherwise represented in either country, who/which maintain economic relations with the other country;
- b. to assist in the promotion of trade in goods and services between Indonesia and The Netherlands and Belgium;
- c. to assist in the promotion of co-operation in the fields of trade, industry and services between persons and companies in Indonesia and The Netherlands and Belgium;
- d. to convey the common opinion of its members to the appropriate Indonesian and Dutch and Belgian authorities if and when such action is deemed desirable and to represent the interests of members; and
- e. to carry out the activities previously described in order to realize the above objectives.

The Association operates exclusively within the scope of its objectives and to the benefit of its members.

The members of the Executive Board as of December 31, 2008 and 2007 are as follows:

	2008	2007
	Mr. Irwan Habsjah Mr. Theodoor Bakker Mr. James Oey Mr. Rick Linck Mr. Karl Godderis	Mr. Irwan Habsjah Mr. Theodoor Bakker Mr. Johnny Widjaja Mr. James Oey
<b>Observer:</b>	Ms. Renate Pors	Ms. Renate Pors

The members of the Board of Governors are as follows:

	2008	2007
<b>Honorary Chairman:</b>	HE. Ambassador Nikolaos van Dam	H.E. Ambassador Nikolaos van Dam
<b>Chairman:</b>	Mr. Irwan Habsjah	Mr. Irwan Habsjah
<b>Vice Chairman:</b>	Mr. Theodoor Bakker	Mr. Theodoor Bakker

**INDONESIAN NETHERLANDS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**(With Comparative Figures for the Year Ended December 31, 2007)**  
(Figures in table are expressed in Indonesian Rupiah, unless otherwise stated)

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**1. GENERAL** (*Continued*)

	2008	2007
<b>Members:</b>	H.E. Ambassador Marc Trenteseau Ms. Miranda Goeltom Mr. Adrianto Machribie Mr. James Oey Mr. Sabam Siagian Ms. Shanti L. Poesposoetijpto Mr. Baudouin Coomans Mr. Rick Linck Mr. Cees Ruygrok Mr. Karl Godderis Mr. Hadi S. Topobroto Mr. Johnny Widjaja	H.E. Ambassador Marc Trenteseau Ms. Miranda Goeltom Mr. Adrianto Machribie Mr. Henk Mulder Mr. James Oey Mr. Johnny Widjaja Mr. Sabam Siagian Mr. Ali Alatas Ms. Shanti L. Poesposoetijpto Mr. Baudouin Coomans Mr. Rick Linck Mr. Cees Ruygrok Mr. Karl Godderis Mr. Hadi S. Topobroto
<b>Observer:</b>	Ms. Renate Pors	Ms. Renate Pors

As of December 31, 2008 and 2007, the appointments were made based on the minutes of the Annual General Meeting of Members dated May 15, 2009 and based on Notarial Deed No. 16 of Dewi Tenty Septi Artiany, S.H., M. Kn dated March 27, 2008, respectively.

As of December 31, 2008 and 2007, the Association had 11 permanent employees.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Association prepares its financial statements in accordance with generally accepted accounting principles in Indonesia (Indonesian GAAP). The significant accounting policies applied consistently by the Association are as follows:

a. *Basis of preparation of the financial statements*

The financial statements have been prepared on an accrual basis of accounting using the historical cost concept.

The statements of cash flows are prepared based on the indirect method, by classifying cash flows on the basis of operating and investing.

The Association preserved all funds generated in the statement of activities in accordance with the PSAK No. 45 "Non-Profit Organization," the sources of fund are defined as follows:

1. Permanent restriction is limitation on the use of resources determined by the contributors to maintain the resources permanently, however, the non-profit organization is permitted to use part or all income or other economic benefits generated from using those resources.

**INDONESIAN NETHERLANDS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
(With Comparative Figures for the Year Ended December 31, 2007)  
(Figures in table are expressed in Indonesian Rupiah, unless otherwise stated)

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

2. Temporary restriction is limitation on the use of resources determined by the contributors to maintain the resources until a particular date or until such a particular condition are achieved.
3. Unrestricted are resources for which the use of which is unlimited.

b. Foreign Currency Transactions and Balances

The books of accounts of the Association are maintained in Indonesian Rupiah (IDR). Transactions during the year involving foreign currencies are recorded at the rates of exchange prevailing at the time the transactions are made. At statement of financial position date, monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the rates of exchange prevailing at that date. The resulting gains or losses are credited or charged to current operations.

The foreign exchange rates used for IDR, based on the middle rates published by Bank Indonesia as of December 31, 2008 and 2007 are as follows:

	2008	2007
European Euro (Euro)	15,432	13,760
US Dollar (USD)	10,950	9,419

c. Cash and Cash Equivalents

Cash and cash equivalents consists of cash on hand and in banks and time deposits with maturities three months or less from the dates of acquisition that can be freely used to finance operating activities.

d. Receivables

Receivables are stated at face value less allowance for doubtful accounts. Allowance for doubtful accounts is provided based on review of the status of the individual receivable accounts at the end of the year.

e. Fixed Assets

The Association adopted PSAK No. 16 "Fixed Assets" (Revised 2007) starting January 1, 2008, under which the Association has the option to use Cost Model or Revaluation model. The Association uses the Cost Model wherein fixed assets are stated at cost less accumulated depreciation and any impairment in value. The adoption of PSAK No. 16 (Revised 2007) did not materially affect the financial statements for 2008. Depreciation is applied from the month such assets were placed into services. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	Number of Years
Computers	3 - 5
Furniture	5 - 8
Motor vehicles	8

**INDONESIAN NETHERLANDS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**(With Comparative Figures for the Year Ended December 31, 2007)**  
(Figures in table are expressed in Indonesian Rupiah, unless otherwise stated)

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

The cost of repairs and maintenance is charged to operations as incurred, while significant renewals and betterment are capitalized. When assets are retired or otherwise disposed of, their carrying values and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the statement of activities for the year.

f. Advances for Horticultural Partnership Support Program

Advances for the Horticultural Partnership Support Program (“HPSP”) represent contributions given to primary horticultural producers or private enterprises as the local partners of the Association for the implementation of HPSP for which settlement reports have not yet been completed at the statement of financial position date.

Expenses are recognized in the statements of activities when the settlement reports on contribution usage have been verified and approved by the Association.

g. Revenue and Expenses Recognition

*Unrestricted revenue*

Unrestricted revenue represents grants received which the Association may freely use for whatever purpose it may deem fit.

Unrestricted revenue may be classified as either unappropriated or appropriated. Unappropriated unrestricted revenue are those whose use of assets is not designated for a specific purpose. Appropriated unrestricted revenue are those whose use of assets has been restricted for a specific purpose.

Unrestricted revenue is recognized as revenue in the year in which the grants are pledged, as long as collection is probable and when the donor imposed conditions are met.

*Restricted revenue*

Restricted revenue represents grants received in support of specified projects or activities mutually agreed upon by the Association and donors.

Restricted revenue may either be temporarily or permanently restricted. Temporarily restricted revenue is those whose use by the Association has been limited by donors to later periods of time or after specified dates or to specific purposes. Permanently restricted revenue is those whose donor-imposed restriction limit the Association’s use of the assets or its economic benefits neither expires with the passage of time nor can be removed by the Association’s meeting certain requirements.

Restricted revenue are recognized as revenue to the extent that the grant conditions have been met and the related expenses have been incurred. Restricted revenue received, for which the expenses have not yet been incurred as at the date of the financial position, are classified as current liabilities.

**INDONESIAN NETHERLANDS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**(With Comparative Figures for the Year Ended December 31, 2007)**  
(Figures in table are expressed in Indonesian Rupiah, unless otherwise stated)

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

*Other revenues and expenses*

Revenue from projects and services are recognized when the projects are undertaken and services are rendered.

Interest income is recognized when earned.

Expenses are recognized when incurred (accrual basis).

h. Unearned revenue

Contributions received in advance from donors are taken up as a liability in the statements of financial position under the heading of unearned revenue. The unearned revenue is recognized as revenue using a percentage of work in progress at the statement of financial position date.

Unearned membership revenue at year-end is deferred in the statement of financial position and is recognized as revenue on a straight-line basis over the period of membership.

i. Taxation

The Association determined its income taxes in accordance with PSAK No. 46, "Accounting for Income Tax."

Current tax expense of the Association is determined based on the taxable income for the period computed using prevailing tax rates.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. This method also requires the recognition of future tax benefits, such as the benefit of tax loss carry-forwards, to the extent their realization is probable. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent it is probable that taxable income will be available in future periods against which the deductible temporary differences can be utilized.

Amendments to tax obligations are recorded when an assessment is received or, if appealed against by the Association, when the result of the appeal is determined, unless there is significant uncertainty as to the outcome of such appeal, in which event the impact of the amendment of tax obligations based on an assessment is recognized at the time of making such appeal.

j. Employee Benefits

Liabilities relating to employee benefits covering retirement benefits, short-term (e.g., paid annual leave, paid sick leave) and other long-term benefits (e.g., long-service leave, post-employment medical benefits) are computed based on the provisions of PSAK No. 24 (Revised 2004), "Employee Benefits."

**INDONESIAN NETHERLANDS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**(With Comparative Figures for the Year Ended December 31, 2007)**  
(Figures in table are expressed in Indonesian Rupiah, unless otherwise stated)

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

The cost of providing post-employment benefits is determined using the Projected Unit Credit Method. Under the Projected Unit Credit Method, the accumulated unrecognized actuarial gains and losses that exceed 10% of the greater of the present value of the Association's defined benefit obligations and the fair value of plan assets are recognized on a straight-line basis over the expected average remaining working lives of the participating employees. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The benefit obligation recognized in the statement of financial position represents the present value of the defined obligation, adjusted for unrecognized actuarial gains and losses, unrecognized past service cost and fair value of the plan assets.

k. Impairment of Asset Values

In compliance with PSAK No. 48, "Impairment of Asset Values," asset values are reviewed for any impairment and possible write-down to fair values whenever events or changes in circumstances indicate that their carrying values may not be fully recovered. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the statement of activities of the current year.

l. Use of Estimates

The preparation of the financial statements in accordance with Indonesian GAAP requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of contributions and expenses during the reporting period. Although these estimates are based on Association's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

m. Provisions and Contingencies

Provision is recognized only when the Association has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when inflow of economic benefits is probable.

n. Subsequent Events

Post balance sheet date events that provide additional information about the Association's position at the statement of financial position date (adjusting events) are reflected in the financial statements. Post balance sheet events that are not adjusting events are disclosed in the notes when material.

**INDONESIAN NETHERLANDS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
(With Comparative Figures for the Year Ended December 31, 2007)  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

*o. New Accounting Standard Pronouncements*

The Indonesian Institute of Certified Public Accountants released the following revisions to several accounting standards that may have certain impacts on the Association's financial statements. These are:

- PSAK No. 14 (Revised 2008) - Inventories (effective for financial statements for the period commencing from on or after January 1, 2009)
- PSAK No. 26 (Revised 2008) - Borrowing Cost (effective for financial statements for the period commencing from on or after January 1, 2010)
- PSAK No. 50 (Revision 2006) - Financial Instruments: Presentation and Disclosure (effective for financial statements for the period commencing from on or after January 1, 2010)
- PSAK No. 55 (Revision 2006) - Financial Instruments: Recognition and Measurements (effective for financial statements for the period commencing from on or after January 1, 2010)

The Association is evaluating the impact on the financial statements as a result of the adoption of the above new accounting standards.

**3. CASH AND CASH EQUIVALENTS**

This account consists of:

	2008	2007
Cash on Hand	2,116,179	4,530,908
Cash in Banks		
<u>IDR</u>		
ABN AMRO Bank	42,265,347	22,130,746
ABN AMRO Bank - Framework Investment Project	674,820,443	644,106,449
ABN AMRO Bank - Horticultural Partnership Support Program	1,220,085,109	338,250,355
ABN AMRO Bank - DECP	10,175,611	
ABN AMRO Bank - Hortin	28,976,150	
<u>Euro</u>		
ABN AMRO Bank	1,128,568,788	1,178,233,113
ABN AMRO Bank - Hortin	61,819,108	
<u>USD</u>		
ABN AMRO Bank	218,816,916	91,890,445

**INDONESIAN NETHERLANDS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
(With Comparative Figures for the Year Ended December 31, 2007)  
(Figures in table are expressed in Indonesian Rupiah, unless otherwise stated)

**3. CASH AND CASH EQUIVALENTS** *(Continued)*

	2008	2007
Time Deposit		
<u>IDR</u>		
ABN AMRO Bank	521,373,500	1,021,309,500
<u>Euro</u>		
ABN AMRO Bank	1,543,200,000	1,376,000,000
	<u>5,452,217,151</u>	<u>4,676,451,516</u>

The interest rate of the short-term time deposits (less than three months) as of December 31, 2008 and 2007 ranged from 1.5% - 6.5% and 1.5% - 5.75% per annum, respectively.

In 2006, the Association received cash in the form of donations from members amounting to Euro 30,630 equivalent to IDR 301,333,500 and placed in a Rupiah time deposit. The cash is appropriated as temporarily restricted net asset as of December 31, 2008 and 2007. No donations from members were obtained in 2008 and 2007 (see Note 18).

**4. RECEIVABLES - NET**

This account consists of:

	2008	2007
Membership fees	140,430,654	96,764,680
Contributions from the Government of The Netherlands - delegated tasks (see Note 14)	122,687,580	96,313,000
Retainer services	38,544,000	38,241,280
Permit services	35,200,000	113,141
Missions	30,216,639	365,236,899
Legal services	19,500,000	169,931,867
Forum for Corporate Governance in Indonesia	-	71,500,000
Receivable from magazine advertising	-	49,917,340
Others (each below IDR 10 million)	31,364,262	21,421,685
	<u>417,943,135</u>	<u>909,439,892</u>
Less: Allowance for doubtful accounts	(69,048,652)	(333,814,948)
Receivables - net	<u>348,894,483</u>	<u>575,624,944</u>

**INDONESIAN NETHERLANDS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
(With Comparative Figures for the Year Ended December 31, 2007)  
(Figures in table are expressed in Indonesian Rupiah, unless otherwise stated)

**4. RECEIVABLES - NET** *(Continued)*

The aging of receivables is as follows:

	2008	2007
1 to 30 days	337,310,170	652,189,641
31 to 60 days	8,652,156	79,155,961
61 to 90 days	2,932,157	-
over 90 days	69,048,652	178,094,290
	417,943,135	909,439,892
Less: Allowance for doubtful accounts	(69,048,652)	(333,814,948)
Receivables - net	<u>348,894,483</u>	<u>575,624,944</u>

Movements in allowance for doubtful accounts are detailed as follows:

	2008	2007
Beginning balance	333,814,948	218,545,218
Additions	-	115,269,730
Reversal	(132,370,941)	-
Write-off	(132,395,355)	-
Receivables - net	<u>69,048,652</u>	<u>333,814,948</u>

Based on a review of receivables at the end of the year, management believes that the allowance for doubtful accounts is adequate to cover possible losses on uncollectible accounts.

**5. OTHER RECEIVABLES**

Other receivables represents receivable related to Yogyakarta Reconstruction Project (see Note 18).

**6. OTHER ADVANCES AND PREPAYMENTS**

This account consists of:

	2008	2007
Prepayments	46,318,063	46,886,600
Advances to employees	24,610,000	4,589,112
Total	<u>70,928,063</u>	<u>51,475,712</u>

**INDONESIAN NETHERLANDS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**(With Comparative Figures for the Year Ended December 31, 2007)**  
(Figures in table are expressed in Indonesian Rupiah, unless otherwise stated)

**7. FIXED ASSETS**

This account consists of:

	2008			
	1 January	Additions	Disposals	31 December
<b>Cost</b>				
Computers	113,172,400	88,805,990	-	201,978,390
Furniture	456,262,980	2,037,000	-	458,299,980
Motor vehicles	130,000,000	-	-	130,000,000
	<u>699,435,380</u>	<u>90,842,990</u>	<u>-</u>	<u>790,278,370</u>
<b>Accumulated depreciation</b>				
Computers	(83,990,860)	(16,778,038)	-	(100,768,898)
Furniture	(279,790,784)	(32,610,386)	-	(312,401,170)
Motor vehicles	(36,562,502)	(16,250,004)	-	(52,812,506)
	<u>(400,344,146)</u>	<u>(65,638,428)</u>	<u>-</u>	<u>(465,982,574)</u>
<b>Net book value</b>	<u>299,091,234</u>			<u>324,295,796</u>
	2007			
	1 January	Additions	Disposals	31 December
<b>Cost</b>				
Computers	99,472,400	13,700,000	-	113,172,400
Furniture	448,249,980	8,013,000	-	456,262,980
Motor vehicles	130,000,000	-	-	130,000,000
	<u>677,722,380</u>	<u>21,713,000</u>	<u>-</u>	<u>699,435,380</u>
<b>Accumulated depreciation</b>				
Computers	(72,060,050)	(11,930,810)	-	(83,990,860)
Furniture	(220,894,992)	(58,895,792)	-	(279,790,784)
Motor vehicles	(20,312,500)	(16,250,002)	-	(36,562,502)
	<u>(313,267,542)</u>	<u>(87,076,604)</u>	<u>-</u>	<u>(400,344,146)</u>
<b>Net book value</b>	<u>364,454,838</u>			<u>299,091,234</u>

Depreciation expense charged to statements of activities amounted to IDR 65,638,428 and IDR 87,076,604 in 2008 and 2007, respectively (see Note 16).

As of December 31, 2008, the computers and furnitures were covered by insurance against losses from fire and burglary in the sum of IDR 605,000,000 and IDR 405,000,000, respectively by PT Asuransi QBE Pool Indonesia. The management believes that the amount of insurance is adequate to cover possible losses.

Based on the review of fixed assets as of December 31, 2008 and 2007, the Association's management believed that no impairment on the fixed assets.

**INDONESIAN NETHERLANDS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
(With Comparative Figures for the Year Ended December 31, 2007)  
(Figures in table are expressed in Indonesian Rupiah, unless otherwise stated)

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**8. DEPOSITS**

This account consists of:

	2008	2007
Security	61,500,000	61,500,000
Telephone	42,000,000	42,000,000
	<u>103,500,000</u>	<u>103,500,000</u>

**9. PAYABLES AND ACCRUALS**

Payables and accruals mainly relate to current liabilities and accrued expenses in relation with on going projects and regular activities (see Note 15).

**10. TAXATION**

This account consists of:

a. Taxes Payable

	2008	2007
Income Tax Article 21	69,755,043	101,030,187
Value Added Tax (VAT) - net	165,490,591	155,043,178
	<u>235,245,634</u>	<u>256,073,365</u>

b. Income Tax Expense

The Association does not have income tax expenses for fiscal years 2008 and 2007 because the Association incurred taxable loss for the respective years.

The reconciliation between the income/loss before income tax as shown in the financial statements and estimated taxable loss of the Association is as follows:

	2008	2007
Gain before income tax	221,126,619	142,066,967
Tax corrections:		
Provision for doubtful account	-	115,269,730
Reversal of allowance for doubtful Accounts	(132,370,941)	-
Provision for employee benefits	130,538,000	28,099,000
Depreciation	(35,369,044)	3,374,467

**INDONESIAN NETHERLANDS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**(With Comparative Figures for the Year Ended December 31, 2007)**  
(Figures in table are expressed in Indonesian Rupiah, unless otherwise stated)

**10. TAXATION** (*Continued*)

	2008	2007
Non-taxable income	(1,356,723,092)	(1,151,872,674)
Non-deductible expenses	900,342,341	831,016,632
Interest income subject to final tax	(43,968,707)	(97,373,125)
Tax loss	<u>(316,424,824)</u>	<u>(129,419,003)</u>

The Association has not submitted the 2008 corporate income tax return at the date of these financial statements.

c. Tax Loss Carried-Forward

	2008	Expired	2007	Expired
Tax loss incurred in fiscal year:				
2004	252,432,234	2010	252,432,234	2010
2005	147,249,364	2011	147,249,364	2011
2006	391,267,809	2012	391,267,809	2012
2007	129,419,003	2013	129,419,003	2013
2008	316,424,824	2014	-	-
Total	<u>1,236,793,234</u>		<u>920,368,410</u>	

d. Deferred Tax Assets

On September 2, 2008, the Government of Indonesia amended Law No. 7 Year 1983 regarding "Income Tax" into Law No. 36 Year 2008 effective January 1, 2009. The amended Law stipulates corporate tax rate from a marginal tax rate to a single rate of 28% for fiscal year 2009 and 25% for fiscal year 2010 onwards.

The Association has not recognized deferred tax assets arising from the future tax benefits since management believes that there is uncertainty as to whether these tax benefits could be realized in the future.

e. Administration and Tax Assessment

Under the Indonesian taxation laws, the Association submits annual tax returns on the basis of self assessment. The tax authorities may assess and amend taxes within ten years from the date when the tax was payable.

**INDONESIAN NETHERLANDS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
(With Comparative Figures for the Year Ended December 31, 2007)  
(Figures in table are expressed in Indonesian Rupiah, unless otherwise stated)

**11. UNEARNED REVENUES**

	2008	2007
Horticultural Partnership Support Program	1,220,085,109	997,739,753
Framework Investment Project	698,124,199	580,394,188
Membership fees	215,609,133	195,344,922
Hortin	90,795,258	-
Nederlands Water Partnership	68,086,788	-
Overseas Ship-owners Representatives Association	58,574,477	58,574,477
VNG International	76,254,849	-
	2,427,529,813	1,832,053,340

The contribution received in relation to the Horticultural Partnership Support Program (HPSP) and Framework Agreement Project, which started in 2006, will be recognized over the life of the projects. As of December 31, 2008, the HPSP and Framework Agreement Project are still on going.

**12. EMPLOYEE BENEFITS OBLIGATION**

The Association has applied PSAK 24 (Revised 2004) "Employee Benefits," as the framework to recognize employee benefits in the financial statements as of December 31, 2008 and 2007.

As of December 31, 2008 and 2007, calculation of employee benefits in accordance with the Labor Law was made based on this position prepared by PT Dayamandiri Dharmakonsilindo, an independent actuarial firm, in its report dated April 8, 2009 and April 18, 2008, respectively, using the "Projected Unit Credit" method with the following assumptions at the beginning of the year:

- Discount rate : 12% per annum in 2008 and 10% per annum in 2007
- Future salary increment rate : 12% per annum in 2008 and 9% per annum in 2007
- Rate of mortality : USA Table of Mortality, Commissioners' Standard Ordinary 1980 - ("CSO 1980")
- Rate of disability : 10% of mortality rate
- Rate of resignation : 2% per annum at age 25 years old and reducing linearly up to 0% at age 45 years old and after
- Rate of retirement : 100% at 65 years old

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

	2008	2007
Present value of obligations	741,395,000	558,673,000
Unrecognized actuarial losses	(108,838,000)	(8,178,000)
Unrecognized past service costs	(70,569,000)	(119,045,000)
	561,988,000	431,450,000

**INDONESIAN NETHERLANDS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
(With Comparative Figures for the Year Ended December 31, 2007)  
(Figures in table are expressed in Indonesian Rupiah, unless otherwise stated)

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**12. EMPLOYEE BENEFITS OBLIGATION** *(Continued)*

The amounts recognized in the statements of activities are as follows:

	2008	2007
Current service costs	64,816,000	49,908,000
Interest costs	55,515,000	55,829,000
Amortization of past service costs	10,207,000	10,207,000
	130,538,000	115,944,000

The movements of employee benefits obligation in the statements of financial position are as follows:

	2008	2007
Beginning of the year	431,450,000	403,351,000
Provision made during the year	130,538,000	115,944,000
Payments made during the year	-	(87,845,000)
	561,988,000	431,450,000

**13. OTHER PROVISIONS**

Other provisions pertain to the provision for VAT exposure recognized by the Association for fiscal years prior to 2003. Prior to 2003, the Association has not reported and paid any VAT. Starting January 2003, the Association has been registered as a tax payer and all VAT has been reported and paid to the Indonesian Tax Office (ITO). The ITO has not conducted tax audit for any fiscal years. No additional VAT provisions were recognized during 2008 and 2007.

**14. CONTRIBUTIONS FROM THE GOVERNMENT OF THE NETHERLANDS**

The Association receives annual contributions from the Ministry of Economic Affairs of The Netherlands for the delegated tasks of trade promotion. In 2008 and 2007, the contributions amounted Euro 40,250 and Euro 35,000, respectively. The level of contribution for delegated tasks is reviewed annually by the Ministry of Economic Affairs of The Netherlands.

**15. REVENUES AND EXPENDITURES**

The comparison between Association's unrestricted revenue and expenditure for the year 2008 is as follows:

	Revenue	Expenditure
Membership contributions	766,020,786	413,073,691
Desk representatives	589,173,028	563,183,961

**INDONESIAN NETHERLANDS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
(With Comparative Figures for the Year Ended December 31, 2007)  
(Figures in table are expressed in Indonesian Rupiah, unless otherwise stated)

**15. REVENUES AND EXPENDITURES** *(Continued)*

	Revenue	Expenditure
Contributions from the Government of The Netherlands - delegated tasks (see to Note 14)	590,702,306	564,830,391
Missions	512,513,736	510,003,165
Retainer services	329,149,837	239,799,525
Luncheons, gathering, golf tournament	314,445,000	366,110,110
Survey and information services	279,038,586	152,626,967
Permit services	206,366,928	196,000,986
Legal services	199,225,458	130,725,275
Magazine and advertisements	111,552,749	93,616,181
Mediation services	52,100,000	44,647,112
Telegram services	35,698,344	34,660,886
Translation services	26,885,000	20,599,907
Guesthouse	1,800,000	1,620,000
	4,014,671,758	3,331,498,157

The comparison between the Association's unrestricted revenue and expenditure for the year 2007 is as follows:

	Revenue	Expenditure
Membership contributions	708,610,834	250,783,768
Contributions from the Government of The Netherlands - delegated tasks (see Note 14)	443,261,840	400,297,041
Missions	386,057,005	170,442,696
Desk representatives	321,842,752	170,256,128
Legal services	273,000,256	139,574,784
Retainer services	208,178,815	155,184,315
Permit services	158,482,201	164,014,463
Luncheons, gathering, golf tournament	141,875,000	180,270,984
Survey and information services	141,382,354	85,970,400
Magazine and advertisements	111,881,900	72,272,349
Telegram services	28,800,360	13,372,005
Translation services	11,053,374	836,250
	2,934,426,691	1,803,275,183

The allocation of expenditures to the various activities is based on a pro-rata basis according to activity-based allocation keys.

**INDONESIAN NETHERLANDS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
(With Comparative Figures for the Year Ended December 31, 2007)  
(Figures in table are expressed in Indonesian Rupiah, unless otherwise stated)

**15. REVENUES AND EXPENDITURES** *(Continued)*

The comparison between temporary restricted revenue and expenditure in 2008 and 2007 is as follows:

	2008	
	Revenue	Expenditure
Projects:		
Framework Agreement	4,301,107,484	4,219,898,768
Horticultural Partnership Support Program	3,432,090,716	3,363,162,462
Hortin	190,975,192	190,975,192
European Commission	11,941,491	10,000,000
Forum for Corporate Governance in Indonesia	-	84,052,471
	<u>7,936,114,883</u>	<u>7,868,088,893</u>
	2007	
	Revenue	Expenditure
Projects:		
Horticultural Partnership Support Program	2,895,879,274	2,750,814,375
Framework Agreement	2,239,667,812	1,711,457,776
European Commission	217,559,173	207,648,377
Forum for Corporate Governance in Indonesia	109,490,000	48,125,508
Yogyakarta Reconstruction Project	-	1,804,000
	<u>5,462,596,259</u>	<u>4,719,850,036</u>

The Framework Agreement Project and HPSP include management fees, allocation of time spent and overhead costs.

In 2008, the total cash received from Royal Netherlands Embassy including interests for the Framework Agreement Project amounted to IDR 3,270,125,913.

**16. GENERAL AND ADMINISTRATIVE EXPENSES**

This account consists of:

	2008	2007
Wages and salaries (see Note 17)	439,960,995	1,271,915,395
Employee benefits (see Note 12)	130,538,000	115,944,000
Transportation	93,797,964	62,222,173
Building rental, car and office maintenance	79,581,538	126,648,172
Representation and donations	74,549,492	55,077,085

**INDONESIAN NETHERLANDS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
(With Comparative Figures for the Year Ended December 31, 2007)  
(Figures in table are expressed in Indonesian Rupiah, unless otherwise stated)

**16. GENERAL AND ADMINISTRATIVE EXPENSES** *(Continued)*

	2008	2007
Depreciation (see Note 7)	65,638,428	87,076,604
Printing and photocopies	27,188,158	82,906,762
Subscriptions	14,515,000	13,105,000
Professional services	13,529,771	173,252,079
Office supplies	7,756,904	101,541,163
Telephone	6,782,261	23,538,061
Provision for doubtful accounts	-	115,269,730
Others (each below IDR 10 million)	4,875,507	29,697,090
	958,714,018	2,258,193,314

**17. EMPLOYEE COSTS**

This account consists of:

	2008	2007
Wages and salaries	2,569,284,821	2,700,675,695
Social security costs	71,282,069	79,196,147
Employee costs	2,640,566,890	2,779,871,842

In 2008 and 2007, employee costs representing salaries and allowances that are included in general and administrative expenses amounted to IDR 439,960,995 and IDR 1,271,915,395, respectively, and Project Expenditure amounted to IDR 2,200,605,895 and IDR 1,507,956,447, respectively.

Total number of employees (permanent and contractual) of the Association as of December 31, 2008 and 2007 were 18 and 15, respectively.

**18. TEMPORARILY RESTRICTED ASSETS**

The temporarily restricted assets consist of:

	2008	2007
Projects	1,359,366,649	1,291,340,659
Donations from members	301,333,500	301,333,500
Other donations	247,579,935	247,579,935
	1,908,280,084	1,840,254,094

Projects

The Association has received funds for specific projects. The unspent portion of these funds has been appropriated as restricted funds as it has to be spent on these specific projects.

**INDONESIAN NETHERLANDS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**(With Comparative Figures for the Year Ended December 31, 2007)**  
(Figures in table are expressed in Indonesian Rupiah, unless otherwise stated)

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**18. TEMPORARILY RESTRICTED ASSETS** *(Continued)*

Donations from Members

Donations from members are appropriated as reserved funds for future contingencies and therefore are presented as temporarily restricted net assets on December 31, 2008 and 2007 (see Note 3). No donations from members were obtained in 2008 and 2007.

Other Donations

The Association managed donations for Yogyakarta Reconstruction Project in 2006 which are distributed in the form of grants and non-interest bearing loans. As of December 31, 2008 and 2007, the balance of the donation, amounting to IDR 247,579,935, is presented as temporarily restricted assets, while the total fund distributed as non-interest bearing loan is recorded as other receivables amounted to IDR 132,770,588 and IDR 198,050,875 as of December 31, 2008 and 2007, respectively (see Note 5).

**19. COMMITMENTS AND CONTINGENCIES**

The Association has no significant commitments and contingencies as of December 31, 2008 and 2007.

**20. APPROVAL OF FINANCIAL STATEMENTS**

The Association's financial statements were authorized for issue by the management on May 8, 2009.