

***PT. PAKUWON JATI Tbk.***  
***AND ITS SUBSIDIARIES***

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

UNAUDITED

**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES**  
**TABLE OF CONTENTS**

---

	<u>Page</u>
<b>CONSOLIDATED FINANCIAL STATEMENTS</b> - As of March 31, 2011 and 2010 and for the three month periods then ended	
Consolidated Balance Sheets	2
Consolidated Comprehensive Statements of Income	4
Consolidated Statements of Changes in Equity	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7

**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**MARCH 31, 2011 AND 2010**

	Notes	2011 Rp'000	2010 Rp'000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	2f,2i,3	382,070,745	202,037,882
Restricted time deposits	2f,4	25,494,505	29,798,448
Fund for replacement of hotel's furniture, fixtures and equipment	2j,3	4,475,202	3,040,129
Trade accounts receivable from third parties - net of allowance for doubtful accounts of Rp 8,254 thousand in 2011 and Rp 121,509 thousand in 2010	2f,5	117,619,853	38,238,202
Other accounts receivable from third parties	2f	8,121,251	2,892,269
Inventories	2k	3,247,730	2,542,232
Prepaid taxes	2w,11	32,626,387	53,467,377
Advances and prepaid expenses	2l	28,634,310	3,782,812
Total Current Assets		602,289,981	335,799,351
<b>NONCURRENT ASSETS</b>			
Advance for purchase of land		9,754,331	-
Other accounts receivable from related parties	2e,2f,28	46,557	79,514
Investment in shares of stock	2y	375,000	-
Real estate assets	2m,6		
Real estate inventories		389,817,605	813,516,291
Land not yet developed		234,504,735	217,546,652
Investment properties - net of accumulated depreciation of Rp 281,358,736 thousand in 2011 and Rp 222,063,831 thousand in 2010	2n,2p,7	1,981,497,261	622,749,177
Property and equipment - net of accumulated depreciation of Rp 279,539,211 thousand in 2011 and Rp 255,549,171 thousand in 2010	2o,2p,8	732,278,231	1,590,286,061
Property and equipment under build, operate and transfer (BOT) scheme - net of accumulated amortization of Rp 56,041,334 thousand in 2011 and Rp 54,473,976 thousand in 2010	2q,9	2,621,324	4,188,682
Deferred charges - landrights	2s	1,522,808	1,183,094
Total Noncurrent Assets		3,352,417,851	3,249,549,472
<b>TOTAL ASSETS</b>		<b>3,954,707,832</b>	<b>3,585,348,823</b>

See accompanying notes to consolidated financial statements which are an integral part of the consolidated financial statements.

**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**MARCH 31, 2011 AND 2010 (Continued)**

	Notes	2011 Rp'000	2010 Rp'000
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Trade accounts payable - third parties	2g,10	33,398,235	59,780,074
Other accounts payable - third parties	2g	12,274,427	19,188,843
Taxes payable	2w,11,25	26,166,386	14,555,314
Current portion of accrued expenses	2g,12	43,378,729	40,127,907
Reserve for replacement of hotel's furniture, fixtures and equipment	2j,3	4,475,202	3,040,129
Current portion of unearned income	2t,2v,13	212,532,176	124,501,138
Current maturities of long-term liabilities	2g		
Bank loans	15	83,173,100	27,784,575
Bonds payable	16	186,734,919	66,512,618
Total Current Liabilities		<u>602,133,173</u>	<u>355,490,598</u>
<b>NONCURRENT LIABILITIES</b>			
Long-term accrued expenses - net of current portion	2g,12	78,561,264	74,749,668
Long-term unearned income - net of current portion	2t,2v,13	102,187,350	41,785,388
Advances from customers	2v,14	196,129,832	309,560,417
Deferred tax liabilities - net	2w,25	18,703,515	16,884,697
Long-term liabilities - net of current maturities			
Bank loans	15	432,780,325	431,326,425
Other accounts payable		3,160,569	3,160,569
Bonds payable	16	302,114,102	469,502,770
Tenants' deposits	2g	67,309,859	59,504,977
Post-employment benefits obligation	2u,27	31,610,885	30,593,292
Mandatory convertible notes payable	2g,17	425,756,898	431,855,277
Total Noncurrent Liabilities		<u>1,658,314,599</u>	<u>1,868,923,481</u>
<b>EQUITY</b>			
Capital stock - Rp 100 par value per per share			
Authorized - 30,000,000,000 shares			
Subscribed and paid-up - 10,033,250,500 shares	19	1,003,325,050	1,003,325,050
Retained earnings		<u>540,378,450</u>	<u>254,298,469</u>
Equity attributable to Pakuwon Jati shareholders		1,543,703,500	1,257,623,519
Non-controlling interest	2b,2c,18	<u>150,556,560</u>	<u>103,311,225</u>
Total Equity		<u>1,694,260,060</u>	<u>1,360,934,744</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>3,954,707,832</u>	<u>3,585,348,823</u>

See accompanying notes to consolidated financial statements  
which are an integral part of the consolidated financial statements.

**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES**  
**CONSOLIDATED COMPREHENSIVE STATEMENTS OF INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010**

	Notes	2011 Rp'000	2010 Rp'000
<b>SALES AND REVENUES</b>	2v,20	349,644,247	277,082,920
<b>DIRECT COSTS AND COST OF SALES</b>	2v,21	171,642,311	152,871,811
<b>GROSS PROFIT</b>		178,001,936	124,211,108
<b>OPERATING EXPENSES</b>	2v,22		
General and administrative		16,282,959	9,234,736
Marketing		8,814,568	8,376,151
Total Operating Expenses		25,097,527	17,610,887
<b>INCOME FROM OPERATIONS</b>		152,904,409	106,600,222
<b>OTHER INCOME (CHARGES)</b>	2v		
Gain on foreign exchange - net	2d	30,856,622	14,635,399
Interest income	23	3,258,387	16,857,610
Gain on sale of equipment	2o	54,200	114,333
Reversal of allowance for doubtful accounts - net	2f,5	-	2,039,801
Finance cost	24	(39,912,201)	(17,651,217)
Others - net		(138,014)	278,079
Other Income (Charges) - Net		(5,881,006)	16,274,006
<b>INCOME BEFORE TAX</b>		147,023,403	122,874,228
<b>TAX EXPENSE</b>	2w,25	(21,352,108)	(12,798,654)
<b>INCOME FOR THE PERIOD</b>		125,671,296	110,075,574
<b>INCOME ATTRIBUTABLE TO :</b>			
Pakuwon Jati shareholders		114,645,965	102,126,392
Non-controlling interest	2b,2c,18	11,025,331	7,949,182
		125,671,296	110,075,574
<b>EARNINGS (LOSS) PER SHARE</b>	2x,26		
(In full Rupiah)			
Basic		11.43	10.18
Diluted		8.75	8.23

See accompanying notes to consolidated financial statements  
which are an integral part of the consolidated financial statements.

**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010**

	Paid-up capital stock Rp'000	Retained earning Rp'000	Total Rp'000	Non-controlling interest Rp'000	Total Equity Rp'000
Balance as of January 1, 2010	1,003,325,050	147,222,174	1,150,547,224	95,362,043	1,245,909,267
Effect of the application of PPSAK No. 3, withdrawal of PSAK No. 54, Accounting for Troubled Debt Restructuring	-	4,949,903	4,949,903	-	4,949,903
Net income for the period	-	102,126,392	102,126,392	7,949,182	110,075,574
Balance as of March 31, 2010	<u>1,003,325,050</u>	<u>254,298,469</u>	<u>1,257,623,519</u>	<u>103,311,225</u>	<u>1,360,934,744</u>
Balance as of January 1, 2011	1,003,325,050	425,732,487	1,429,057,537	139,531,229	1,568,588,765
Net income for the period	-	114,645,965	114,645,965	11,025,331	125,671,295
Balance as of March 31, 2011	<u>1,003,325,050</u>	<u>540,378,452</u>	<u>1,543,703,500</u>	<u>150,556,560</u>	<u>1,694,260,060</u>

See accompanying notes to consolidated financial statements  
which are an integral part of the consolidated financial statements.

**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010**

	2011 Rp'000	2010 Rp'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	360,747,659	322,399,625
Cash paid to contractors of the subsidiary's project for the construction of real estate assets	(10,885,953)	(43,474,212)
Cash paid to suppliers, employees and others	(235,934,007)	(101,798,490)
Cash generated from operations	113,927,699	177,126,923
Interest received	3,246,035	2,099,068
Interest and bank charges paid	(15,990,151)	(17,174,482)
Income tax paid	(16,990,313)	(2,175,903)
Net Cash Provided by Operating Activities	84,193,269	159,875,606
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Withdrawal (placement) in time deposits	16,723,379	(29,798,448)
Increase in fund for replacement of hotel's furniture, fixture and equipment	628,161	799,296
Investment in shares of stock	(375,000)	-
Advance paid	(14,892,000)	-
Acquisitions of investment properties and property and equipment	(16,555,883)	(193,047,550)
Net Cash Used in Investing Activities	(14,471,343)	(222,046,701)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of bonds payable	(1,620,099)	(1,713,795)
Payments of bank loan	(17,973,525)	-
Net Cash Used in Financing Activities	(19,593,624)	(1,713,795)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	50,128,302	(63,884,890)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		
Effect of foreign exchange rate changes	316,803,380	268,515,724
	19,614,264	447,178
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>386,545,947</b>	<b>205,078,011</b>

See accompanying notes to consolidated financial statements which are an integral part of the consolidated financial statements.

**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2011 AND 2010 AND FOR THE THREE MONTHS PERIOD THEN ENDED**

**1. GENERAL**

**a. Establishment and General Information**

PT. Pakuwon Jati Tbk. (the "Company") was established based on Notarial Deed No. 281 dated September 20, 1982 of Kartini Muljadi, SH notary in Jakarta. The Deed of Establishment was approved by the Minister of Justice in his Decision Letter No. C2-308.HT.01.TH.83, dated January 17, 1983, and was published in the State Gazette No. 28, dated April 8, 1983 Supplement No. 420. The Company's Articles of Association have been amended several times, most recently by Notarial Deed No. 284 dated August 30, 2008, of Noor Irawati, SH., notary in Surabaya, to conform with Law No. 40 year 2007 on Limited Liability Companies. The amendment was received and approved by Minister of Law and Human Rights of Republic of Indonesia through Letter No. AHU-90465.AH.01.02.TH.08 dated November 27, 2008.

The Company is domiciled in Surabaya with its office located at Menara Mandiri 15th Floor, Jl. Basuki Rachmad No. 8 – 12, Surabaya, Indonesia.

According to Article 3 of the Company's Articles of Association, the scope of its activities is to engage in the operations of (1) shopping center named as Tunjungan Plaza, (2) business center named as Menara Mandiri, (3) five-star hotel named as Sheraton Surabaya Hotel and Towers (the Hotel), and (4) real estate business Pakuwon City (formerly Laguna Indah Housing) and industrial estate (which is not yet operating and will change to residential estate), which are all situated in Surabaya. The Company started commercial operations in May 1986. The Company had average total number of employees of 1,242 in 2011 and 1,298 in 2010.

The Company's management at March 31, 2011 and 2010 consisted of the following:

	<u>March 31, 2011</u>	<u>March 31, 2010</u>
President Commissioner	Alexander Tedja	Alexander Tedja
Independent Commissioner	Dr. Dyah Pradnyaparamita Duarsa Drs. Agus Soesanto	Dr. Dyah Pradnyaparamita Duarsa Drs. Agus Soesanto
President Director	Ir. Richard Adisastra	Ir. Richard Adisastra
Directors	Alexander Stefanus Ridwan Suhendra Omar Ishananto, S.H. Drs. Minarto Wong Boon Siew Ivy Irene Tedja	Alexander Stefanus Ridwan Suhendra Omar Ishananto, S.H. Drs. Minarto

Based on Audit Committee's Appointment Letter, the Company's Audit Committee at March 31, 2011 and 2010 consisted of the following:

	<u>March 31, 2011</u>	<u>March 31, 2010</u>
Chairman	Drs. Agus Soesanto	Drs. Agus Soesanto
Members	Drs. Antonius Susanto Lisawati S.E., Ak.	Theresia Tuti Harjati, SE, Ak Edwin Derma Radar Hukom

Total remuneration of the Company's Boards of Commissioners and Directors amounted to Rp 1,265,523 thousand in 2011 and Rp 1,120,795 thousand in 2010.



**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2011 AND 2010 AND FOR THE THREE MONTHS PERIOD THEN ENDED**  
**(Continued)**

**b. Consolidated Subsidiaries**

The Company has a direct ownership interest of more than 50% in the following subsidiaries:

Subsidiaries	Domicile	Nature of Business and Status of Operations	Percentage of Ownership	Total Assets as of March 31, 2011 (before elimination) Rp'000
PT Artisan Wahyu (AW)	Jakarta	Property development Gandaria City	83.33%	1,730,812,624
PT Pakuwon Sentra Wisata (PSW)	Surabaya	Dormant	99.99%	3,603,782
PT Regency Laguna Jasamedika (RLJM)	Surabaya	Dormant	99.99%	15,451,580
Pakuwon Jati Finance, B.V. (PJBV)	The Netherlands	Financial services	100.00%	519,124,988

**c. Public Offering of Shares and Bonds of the Company and Its Subsidiary**

Shares

On August 22, 1989, the Company obtained the Notice of Effectivity from the Chairman of Bapepam (currently Bapepam-LK) in his Letter No. SI-044/SHM/MK.10/1989 for its public offering of 3,000,000 shares. These shares were listed on the Jakarta Stock Exchange on October 9, 1989.

On July 24, 1991, the Company obtained the Notice of Effectivity from the Chairman of Bapepam (currently Bapepam-LK) in his Letter No. S-1115/PM/1991 for its limited public offering of 50,000,000 shares through Rights Issue I to stockholders. The shares were listed on the Jakarta Stock Exchange and Surabaya Stock Exchange (currently Indonesia Stock Exchange) on October 1, 1991.

On June 29, 1994, the Company obtained the Notice of Effectivity from the Chairman of Bapepam in his Letter No. S-1163/PM/1994 for its limited public offering of 105,000,000 shares through Rights Issue II to stockholders. The shares were listed on the Surabaya Stock Exchange and Jakarta Stock Exchange (currently Indonesia Stock Exchange) on June 29, 1994 and July 15, 1994, respectively.

At the Extraordinary General Meeting of Stockholders dated October 17, 2005, the stockholders decided to increase the subscribed and paid-up capital stock by 247,000,000 shares without preemptive right to existing stockholders in accordance with Bapepam Regulation No. IX.D.4.

In 2007, the Company completed a stock split.

In 2008, the Company issued bonus shares arising from additional paid in capital and a part of the revaluation increment in property and equipment.

At March 31, 2011, all of the Company's shares totaling 10,033,250,500 shares have been listed on the Indonesia Stock Exchange.

Bonds

On June 11, 1996, the Company obtained the Notice of Effectivity from the Chairman of Bapepam in his Letter No. S-946/PM/1996 for its public offering of Bonds I in 1996 with a nominal value of Rp 150,000,000 thousand and a fixed coupon rate of 19.125% per annum. The bonds were listed in the Surabaya Stock Exchange (currently Indonesia Stock Exchange) on July 2, 1996.

In 2006, PJBV (a subsidiary) issued bonds amounting to US\$ 110,000,000 which are listed at the Singapore Stock Exchange, with Bank of New York London Branch as Trustee.

In 2010, PJBV carried out an exchange offer for its existing bonds by issuing US Dollar - denominated Step-Up Cash Coupon and Paid in Kind (PIK) Interest Senior Notes due 2015 of up to US\$ 46,200,000 aggregate principal amount, and a cash payment (the "2015 Notes") (Note 16).

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **a. Consolidated Financial Statement Presentation**

The consolidated financial statements have been prepared using accounting principles and reporting practices generally accepted in Indonesia. These financial statements are not intended to present the financial position, results of operations, and cash flows in accordance with accounting principles and reporting practices generally accepted in other countries and jurisdictions.

The consolidated financial statements, except for the statements of cash flows, are prepared under the accrual basis of accounting. The reporting currency used in the preparation of the consolidated financial statements is the Indonesian Rupiah, while the measurement basis is the historical cost, except for certain accounts which are measured on the bases described in the related accounting policies.

The consolidated statements of cash flows are prepared using the direct method with classifications of cash flows into operating, investing and financing activities.

### **b. Principles of Consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries (Note 1b). Control is achieved where the Company has the power to govern the financial and operating policies of the investee entity so as to obtain benefits from its activities. Control is also presumed to exist when the Company owns directly or indirectly through subsidiaries, more than 50% of the voting rights.

The non-controlling interest consists of the amount of those interest at the date of original business combination (Note 2c) and non-controlling's share of movements in equity since the date of the business combination. Any losses applicable to the non-controlling interest in excess of the non-controlling interest are allocated against the interests of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring the accounting policies used in line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### **c. Business Combinations**

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is the aggregate of the fair value (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquire, plus any costs directly attributable to the business combination.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. When the cost of acquisition is less than the interest in the fair values of the identifiable assets and liabilities acquired as at the date of acquisition (i.e. discount on acquisition), the fair values of the acquired non-monetary assets are reduced proportionately until all the excess is eliminated.

The interest of the non-controlling shareholders is stated at the non-controlling's proportion of the historical cost of the net assets.

### **d. Foreign Currency Transactions and Translation**

The books of accounts of the Company and its subsidiaries, except PJBV, are maintained in Indonesian Rupiah. Transactions during the year involving foreign currencies are recorded at the rates of exchange prevailing at the time the transactions are made. At balance sheet 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.

PJBV's operating activities, which is domiciled in Amsterdam, is an integral part of the Company's activities. Hence, the books of accounts of PJBV which is maintained in United States (U.S.) Dollar is translated into Rupiah using the

same procedures as the Company.

**e. Transactions With Related Parties**

Related parties consist of the following:

- 1) A person or a close member of that person's family is related to a reporting company if that person :
  - i. Has control or joint control over the reporting company;
  - ii. Has significant influence over the reporting company; or
  - iii. Is a member of the key management personnel of the reporting company or of a parent of the reporting company;
- 2) An entity is related to a reporting company if any of the following condition applies:
  - i. The company and the reporting company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - ii. One company is an associated or joint venture of the other company (or an associate or joint venture of a member of a group of which the other company is a member);
  - iii. Both companies are joint ventures of the same third party;
  - iv. One company is a joint venture of a third company and the other company is an associate of the third company;
  - v. The company is a post-employment benefit plan for the benefit of employees of either the reporting company or a company related to the reporting company. If the reporting company is itself such a plan, the sponsoring employers are also related to the reporting company;
  - vi. The company is controlled or jointly controlled by a person identified in (1);
  - vii. The person identified in (1i) has significant influence over the company or is a member of the key management personnel of the company (or of a parent of the company).

**f. Financial Assets**

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract which terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

The Company and its subsidiaries' financial assets are only classified as loans and receivables.

Loans and receivables

Receivables from customers and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at each balance sheet date, and are considered impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the customer will enter bankruptcy or financial re-organisation.

Loans and receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on

receivables.

The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of loans and receivable is reduced by the impairment loss through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in statements of income.

#### Derecognition of financial assets

The Company and its subsidiaries derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company and its subsidiaries neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company and its subsidiaries recognise its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company and its subsidiaries retain substantially all the risks and rewards of ownership of a transferred financial asset, the Company and its subsidiaries continue to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received

### **g. Financial Liabilities and Equity Instruments**

#### Classification as debt or equity

Financial liabilities and equity instruments issued by the Company and its subsidiaries are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

#### Financial liabilities

Trade and other payables, bonds payable and bank and other borrowings are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method, with interest expense recognised on an effective yield basis.

Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings.

#### Derecognition of financial liabilities

The Company and its subsidiaries derecognise financial liabilities when, and only when, the Company's and its subsidiaries' obligations are discharged, cancelled or they expire.

### **h. Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in Indonesia requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could be different from these estimates.

### **i. Cash and Cash Equivalents**

For cash flow presentation purposes, cash and cash equivalents consist of cash on hand and in banks and all unrestricted investments with maturities of three months or less from the date of placement.

### **j. Fund/Reserve for Replacement of Hotel's Furniture, Fixtures and Equipment**

Reserve for replacement of and addition to the hotel's furniture, fixtures and equipment is provided at 3.5% of the Hotel's preceding year's total revenues.

A fund is specifically set aside to cover the reserve and is maintained in a bank account. Interest earned on such bank account represents a component of the reserve and the fund.

**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2011 AND 2010 AND FOR THE THREE MONTHS PERIOD THEN ENDED**  
**(Continued)**

---

The cost of replacements of and additions to the hotel's furniture, fixtures and equipment represents reduction in the balance of the fund reserve.

**k. Inventories**

Hotel inventories representing food and beverages, fuel, office supplies and building maintenance materials, are stated at cost or net realizable value, whichever is lower. Cost of inventories is determined using the weighted average method.

**l. Prepaid Expenses**

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

**m. Real Estate Assets**

Real Estate Inventories

Real estate inventories consisting of land lot already developed, land and buildings (houses and condominium units) ready for sale, buildings (houses) under construction, and land under development, are stated at cost or net realizable value, whichever is lower.

The cost of land under development consists of cost of land not yet developed, direct and indirect costs related to the development of real estate assets and borrowing costs. The cost of land under development is transferred to the buildings (houses) under construction account when the development is completed or is transferred to the land account when it is ready for sale, based on the area of saleable lots.

The cost of buildings under construction consists of the cost of developed land, construction costs and borrowing costs, and is transferred to the land and buildings ready for sale account when the development of the land and construction of buildings are completed. Cost is determined using the specific identification method.

Land Not Yet Developed

Land not yet developed consists of land that has not been developed yet, and is stated at cost or net realizable value, whichever is lower.

The cost of land not yet developed consists of pre-development costs and land acquisition cost. The cost of land not yet developed is transferred to the land under development account when the development of the land has started or is transferred to the buildings (houses) under construction account when the land is ready for development.

**n. Investment Properties**

Investment properties are properties (land or buildings – or part of a building – or both) held to earn rentals or for capital appreciation or both. Investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed using the straight-line method based on the estimated useful lives of the investment properties as follows:

	Years
Buildings and facilities	5 - 30
Machinery and equipment	5 - 20

Land is stated at cost and is not depreciated.

**o. Property and Equipment – Direct Acquisitions**

Property and equipment held for supply of goods or services, or for administrative purposes, are stated at cost less accumulated depreciation and any accumulated impairment losses.

**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2011 AND 2010 AND FOR THE THREE MONTHS PERIOD THEN ENDED**  
**(Continued)**

---

Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	<u>Years</u>
Buildings and facilities	20 - 30
Machinery and equipment	10 - 20
Motor vehicles	4 - 5
Office equipment	4 - 5
Interior design	5 - 10

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Land is stated at cost and is not depreciated.

The cost of maintenance and repairs is charged to operations as incurred. Other costs incurred subsequently to add to, replace part of or service an item of property and equipment, are recognized as asset if, and only if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. When assets are retired or otherwise disposed of, their carrying values and the related accumulated depreciation and any impairment loss are removed from the accounts and any resulting gain or loss is reflected in the current operations.

Construction in progress is stated at cost which includes borrowing costs during construction on debts incurred to finance the construction. Construction in progress is transferred to the respective property and equipment account when completed and ready for use.

**p. Impairment of an Asset**

At balance sheet dates, the Company and its subsidiaries review the carrying amount of non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company and its subsidiaries estimate the recoverable amount of the cash generating unit to which the asset belongs.

Estimated recoverable amount is the higher of net selling price or value in use. If the recoverable amount of a non-financial asset (cash generating unit) is less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount and an impairment loss is recognized immediately against earnings.

Accounting policy for impairment of financial assets is discussed in Note 2f.

**q. Property and Equipment under Build, Operate and Transfer (BOT) Scheme**

Property and equipment constructed under BOT scheme, including fixtures and facilities on them are presented at cost less accumulated depreciation. Depreciation is computed based on the estimated useful lives of the related property and equipment under build, operate and transfer scheme following the term of the agreement using the straight-line method over 20 years.

**r. Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

**As Lessor**

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

**As Lessee**

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

**s. Deferred Charges – Landrights**

Expenses related to the legal processing of landrights are deferred and amortized using the straight-line method over the legal term of the landright since the legal term of the right is shorter than its economic life.

**t. Unearned Income**

Unearned income represents receipt of advance payment of rent and service charges which are recognized proportionally over the earning period.

**u. Post-Employment Benefits**

The Company and its subsidiary provide defined post-employment benefits to their employees in accordance with Labor Law No. 13/2003. No funding has been made to this defined benefit plan.

The cost of providing post-employment benefits is determined using the Projected Unit Credit Method. The accumulated unrecognized actuarial gains or losses that exceed 10% of the present value of defined benefit obligations 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 balance sheet represents the present value of the defined benefit obligation, as adjusted for unrecognized actuarial gains or losses and unrecognized past service cost.

Aside from providing post-employment benefits in accordance with Labor Law No. 13/2003, the Hotel has established a defined contribution plan covering all its local permanent employees. The Hotel's contribution to the plan is charged to current operations.

**v. Revenue and Expense Recognition**

Space Rental Revenue and Service Charges

Revenue from space rental is recognized in accordance with the policy described in Note 2r, while revenue from service charges are recognized based on the terms of the contract. Revenues from parking and hotel operations are recognized when the services are rendered.

Revenue from Real Estate

Revenues from the sale of residential houses, office buildings, and condominiums are recognized using the full accrual method, when all of the following criteria are met:

- The deed of sale has been signed;
- The balance is deemed collectible;
- Receivables from sale are free from subordination; and
- All rights, risks and benefits have been transferred substantially to the buyer (a memorandum of transfer agreement has been released).

If any of the above criteria are not met, the transactions are accounted for using the deposit method and all payments received from the customers are recorded as advances from customer.

Proceeds from the sale of land lot, wherein the construction of the building is completed without involving the seller, are recognized in full when all of the following criteria are met:

- The deed of sale has been signed;
- The buyer has paid a down payment of at least 20% of the agreed sales price, and the period of cancellation / refund has expired;
- The balance is deemed collectible;
- The receivables are free from subordination; and
- All improvements and related facilities on this project are completed and the seller has no further obligation to the buyer.

If any of the above criteria are not met, the transactions are accounted for using the deposit method and all payments received from the customers are recorded as advances from customer.

**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2011 AND 2010 AND FOR THE THREE MONTHS PERIOD THEN ENDED**  
**(Continued)**

---

Revenue from sale of condominium and office building

Revenues from sale of condominium and office building are recognized using the percentage of completion method, when all of the following criteria are met:

- The construction has progressed beyond the preliminary stage, or at least the foundation of the building has been completed;
- Cumulative payments equal or exceed 20% of the agreed sales price and the refund period has expired; and
- All of the revenues and costs can be reasonably estimated.

If any of the above criteria are not met, the transactions are accounted for using the deposit method and all payments received from the customers are recorded as advances from customer.

Interest income

Interest income is accrued on time basis, by reference to the principal outstanding and at the applicable interest rate.

Expenses

Expenses are recognized when incurred (accrual basis).

**w. Income Tax**

Final Income Tax

Final income tax expense is recognized proportionally with the accounting income recognized during the year. The difference between the final income tax paid and the final tax expense in the consolidated statement of income is recognized as prepaid tax or tax payable. If the income is subject to final income tax, no deferred tax asset or liability is recognized on the difference between the financial statement carrying amounts of assets and liabilities and their respective tax bases.

Non-Final Income Tax

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

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases, except those differences that are subject to final tax. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable income will be available in future periods against which the deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the consolidated statement of income, except when it relates to items charged or credited directly to equity, in which case, the deferred tax is also charge or credited directly to equity.

Deferred tax assets and liabilities are offset in the consolidated balance sheet, except if they are for different legal entities, in the same manner the current tax assets and liabilities are presented.

**x. Earnings per Share**

Basic earnings per share is computed by dividing net income by the weighted average number of shares outstanding during the year.

Diluted earnings per share is computed by the weighted average number of shares outstanding as adjusted for the effects of all potentially dilutive ordinary shares.

If the number of shares outstanding increases as a result of stock split and bonus shares, the calculation of basic and diluted earnings per share for all periods presented is adjusted retrospectively.

**y. Investment in Shares of Stock**

Investments with ownership interest of 20% to 50%, directly or indirectly, justified with equity method, that were presented as acquisition price, added or less with investee company gain or loss to the extent of ownership percentage, since acquisition and less with accepted dividend. If had permanent value decreased, the carrying



value is deducted to recognise the impairment value and mined of each investment individually.

**z. Segment Information**

Segment information is prepared using the accounting principles adopted for preparing and presenting the consolidated financial statements. The Company's and its subsidiaries primary reporting segment information is based on business segment.

A business segment is a distinguishable component of an enterprise that is engaged in producing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other segments.

**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2011 AND 2010 AND FOR THE THREE MONTHS PERIOD THEN ENDED**  
**(Continued)**

**3. CASH AND CASH EQUIVALENTS**

	2011 Rp'000	2010 Rp'000
Cash on hand	1,270,062	341,567
Cash in banks		
Rupiah		
Bank CIMB Niaga	40,350,024	17,725,182
Bank Mandiri	30,064,949	19,184,218
Bank Danamon Indonesia	18,389,336	13,265,396
Bank Internasional Indonesia	4,641,841	2,826,826
Bank Central Asia	3,908,373	8,638,720
Bank ICBC	2,418,194	-
Bank Permata	2,232,274	-
Bank Mega	1,933,925	1,481,341
Bank OCBC NISP	1,226,596	-
Bank Rakyat Indonesia	1,021,002	525,350
Others (below Rp 1,000,000 thousand each)	118,035	967,038
U.S. Dollar		
Bank Danamon Indonesia	773,704	15,262,821
Bank Mandiri	765,304	1,370,139
Bank CIMB Niaga	645,348	66,809
Bank ICBC	189,704	-
Bank Standard Chartered	49,421	-
Bank Panin	17,082	18,441
Others (below Rp 10,000 thousand each)	14,853	59,460
Bank of New York	-	838,381
Euro		
ING Asia Private Bank Limited	269,137	148,853
Time deposits		
Rupiah		
Bank Danamon Indonesia	70,823,016	25,710,760
Bank Mega	50,398,984	17,441,292
Bank Bukopin	43,498,649	
Bank UOB Buana	20,400,228	
Bank Internasional Indonesia	19,531,101	9,926,224
Bank Sinar Mas	14,378,931	
Bank Mandiri	13,300,000	3,292,800
Bank CIMB Niaga	500,000	11,400,000
Bank Permata	-	17,050,000
U.S. Dollar		
Bank DBS	35,881,080	
Bank Mega	5,595,294	5,820,002
Bank Danamon Indonesia	1,765,400	
Bank Mandiri	174,100	188,900
Bank Internasional Indonesia	-	29,704,491
Bank CIMB Niaga	-	1,823,000
Total cash and cash equivalents	<u>386,545,946</u>	<u>205,078,011</u>
Fund for replacement of hotel's furniture, fixtures and equipment	<u>(4,475,202)</u>	<u>(3,040,129)</u>
Net	<u><u>382,070,745</u></u>	<u><u>202,037,882</u></u>
Interest rate per annum on time deposits		
Rupiah	4,75% -8,00%	7,00%
U.S. Dollar	0,25% -3,00%	1,85%-2,00%

**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2011 AND 2010 AND FOR THE THREE MONTHS PERIOD THEN ENDED**  
**(Continued)**

**4. RESTRICTED TIME DEPOSITS**

	<u>2011</u>	<u>2010</u>
	Rp'000	Rp'000
Rupiah		
Bank Mandiri	8,787,552	4,987,039
Bank Internasional Indonesia	8,018,776	3,799,947
Bank Permata	4,749,288	2,478,417
Bank Rakyat Indonesia	3,205,973	-
Bank Negara Indonesia	488,700	1,860,265
Bank Kesawan	-	2,000,000
Total	<u>25,250,288</u>	<u>15,125,668</u>
U.S. Dollar		
Bank Mandiri	202,430	-
Bank Danamon Indonesia	41,787	14,672,779
Total	<u>244,217</u>	<u>14,672,779</u>
Total	<u><u>25,494,505</u></u>	<u><u>29,798,448</u></u>
Interest rate per annum		
Rupiah	5,00%-6,75%	5,25%-5,75%
U.S. Dollar	0,25%-0,50%	1,00%

Funds amounting to Rp 125,510 thousand in the Bank Mandiri Rupiah account and all funds in the Bank Mandiri U.S. Dollar account are used as collateral for payables to *Perusahaan Gas Negara* (Note 30i). Deposits placed in the Bank Danamon Indonesia U.S. Dollar account are used as collateral for the Company letter of credit facility (Note 30h).

All restricted time deposits recorded in this account, except those explained above, represent the Company and subsidiaries funds in connection with the drawdown of consumers' credit facility (Note 30c).

PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 MARCH 31, 2011 AND 2010 AND FOR THE THREE MONTHS PERIOD THEN ENDED  
 (Continued)

5. TRADE ACCOUNTS RECEIVABLE FROM THIRD PARTIES

	2011	2010
	Rp'000	Rp'000
<b>a. By Business Segment :</b>		
Sale of land and buildings	35,744,347	18,679,313
Space rental and others	76,364,437	13,780,264
Hotel	5,519,323	5,900,134
Total	117,628,107	38,359,711
Allowance for doubtful accounts	(8,254)	(121,509)
Net	117,619,853	38,238,202
<b>b. By Age Category :</b>		
Not yet due	74,824,390	25,694,173
Past due:		
1 - 30 days	26,975,989	7,814,175
31 - 60 days	12,458,999	1,087,705
61 - 90 days	1,986,706	664,473
More than 90 days	1,382,022	3,099,185
Total	117,628,107	38,359,711
Allowance for doubtful accounts	(8,254)	(121,509)
net	117,619,853	38,238,202
Changes in the allowance for doubtful accounts:		
Beginning balance	41,982	2,177,313
Reversal of allowance	(33,728)	(2,055,804)
Ending balance	8,254	121,509

All trade accounts receivable are denominated in Rupiah currency.

Management believes that the allowance for doubtful accounts is adequate. Management also believes that there are no significant concentrations of credit risk in third party receivables.

Trade accounts receivable from hotel operations were used as collateral for Series C Bonds in 2011 and 2010, (Note 16).

In 2011 and 2010, all trade accounts receivable from sale of housing units in Pakuwon City Surabaya are used as collateral for the credit facilities obtained from Bank ICBC Indonesia (Note 15).

**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2011 AND 2010 AND FOR THE THREE MONTHS PERIOD THEN ENDED**  
**(Continued)**

**6. REAL ESTATE ASSETS**

Real Estate Inventories

	<u>2011</u> Rp'000	<u>2010</u> Rp'000
Land lot already developed:		
Laguna Indah	16,810,279	16,168,541
Virginia Regency	14,483,385	14,767,091
Laguna Regency	2,091,923	2,091,923
Royal Villa	1,546,166	1,699,381
Riviera Villa	1,122,017	1,122,017
Westwood Villa	1,010,374	1,010,374
Taman Mutiara	957,131	957,131
Land and buildings ready for sale :		
Pakuwon Town Square	17,047,575	24,935,948
Model units	2,424,755	2,424,754
Taman Permata	132,073	131,773
Total	<u>57,625,677</u>	<u>65,308,933</u>
Condominium unit:		
Regensi Condominium	<u>4,426,673</u>	<u>4,939,780</u>
Land and buildings under development:		
Superblock Gandaria City	132,244,506	579,334,574
Palm Beach	160,658,951	131,281,825
Pakuwon Town Square	<u>34,861,798</u>	<u>32,651,178</u>
Total	<u>327,765,255</u>	<u>743,267,577</u>
Total	<u><u>389,817,605</u></u>	<u><u>813,516,291</u></u>

Land Not Yet Developed

	<u>2011</u> Rp'000	<u>2010</u> Rp'000
Location:		
East Surabaya	133,883,075	118,078,314
North Surabaya	-	76,435,926
West Surabaya	95,650,124	18,060,877
Embong Malang, Central Surabaya	<u>4,971,535</u>	<u>4,971,535</u>
Total	<u><u>234,504,735</u></u>	<u><u>217,546,652</u></u>

The total land not yet developed measures 2,673,676 square meters and 2,629,766 square meters in 2011 and 2010, respectively.

Other than Superblock Gandaria City which is located in Jakarta, all real estate inventories are located in Surabaya, East Java.

Accumulated borrowing costs capitalized to land and buildings under development (Superblock Gandaria City) amounted to Rp 14,922,113 thousand in 2011 and Rp 140,348,968 thousand in 2010.

Land and buildings (Superblock Gandaria City) together with construction in progress was covered by construction all risk insurance with PT Chartis Insurance Indonesia and PT Asuransi AXA Indonesia for Rp 15,000,000 thousand and US\$ 12,000,000 as of March 31, 2011 and with PT MAA General Assurance for US\$ 144,300,000 as of March 31, 2010.

**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2011 AND 2010 AND FOR THE THREE MONTHS PERIOD THEN ENDED**  
**(Continued)**

**7. INVESTMENT PROPERTIES**

	1 January 2011	Additions	Deductions	Reclassifications	31 March 2011
	Rp'000	Rp'000	Rp'000	Rp'000	Rp'000
Cost:					
Land	555,415,626	-	-	-	555,415,626
Buildings and facilities	1,543,605,898	5,645,972	-	-	1,549,251,870
Machinery and equipment	157,258,776	929,725	-	-	158,188,501
Total	<u>2,256,280,300</u>	<u>6,575,697</u>	<u>-</u>	<u>-</u>	<u>2,262,855,997</u>
Accumulated depreciation:					
Buildings and facilities	178,583,129	19,100,958	-	-	197,684,087
Machinery and equipment	81,457,048	2,217,601	-	-	83,674,649
Total	<u>260,040,177</u>	<u>21,318,559</u>	<u>-</u>	<u>-</u>	<u>281,358,736</u>
Net Book Value	<u>1,996,240,123</u>				<u>1,981,497,261</u>
	1 January 2010	Additions	Deductions	Reclassification	31 March 2010
	Rp'000	Rp'000	Rp'000	Rp'000	Rp'000
Cost:					
Land	242,777,899	-	-	-	242,777,899
Buildings and facilities	456,717,726	1,651,146	-	-	458,368,872
Machinery and equipment	143,230,833	435,404	-	-	143,666,237
Total	<u>842,726,458</u>	<u>2,086,550</u>	<u>-</u>	<u>-</u>	<u>844,813,008</u>
Accumulated depreciation:					
Buildings and facilities	142,477,229	4,279,978	-	-	146,757,207
Machinery and equipment	73,322,091	1,984,533	-	-	75,306,624
Total	<u>215,799,320</u>	<u>6,264,511</u>	<u>-</u>	<u>-</u>	<u>222,063,831</u>
Net Book Value	<u>626,927,138</u>				<u>622,749,177</u>

This account represents the land, buildings and machines of Tunjungan Plaza I (Plaza East), Tunjungan Plaza III (Plaza Central), Tunjungan Plaza IV (Plaza West), Eastcoast Center and land and building of Gandaria City Mall.

The fair value of the investment properties as of September 30, 2010 amounted to Rp 6,920,025,519 thousand. The valuation was determined by independent valuers based on market value. Based on management opinion there is no changes in fair value in March 31, 2011.

Depreciation amounting to Rp 21,318,559 thousand in 2011 and Rp 6,264,511 thousand in 2010 were recorded under direct costs-building expenses (Note 21).

Accumulated borrowing costs capitalized to investment property land and buildings and facilities amounted to Rp 168,718,046 thousand in 2011.

As of March 31, 2011 and 2010, the investment properties were insured along with property and equipment (Note 8).

In 2011 and 2010, the land and building comprising Tunjungan Plaza I (Plaza East) and Tunjungan Plaza III (Plaza Central) are used as collateral for the Senior Secured Notes. Land together with the Tunjungan Plaza IV buildings thereon are used as collateral for Bonds Payable I (Note 16).

In 2010, the land and buildings comprising Tunjungan Plaza I (Plaza East) and Tunjungan Plaza III (Plaza Central) together with Blok M Plaza with land title SHGB No. 883 are used as collateral with second priority rights for the loan with bank CIMB Niaga (Note 15).

In 2011 and 2010, land with HGB Nos. 828 and 1190 are used as collateral for the loan with Bank Mega (Note 15).

**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2011 AND 2010 AND FOR THE THREE MONTHS PERIOD THEN ENDED**  
**(Continued)**

**8. PROPERTY AND EQUIPMENT**

	January 1, 2011 Rp'000	Additions Rp'000	Deductions Rp'000	Reclassifications Rp'000	March 31, 2011 Rp'000
Cost:					
Direct acquisition					
Land	197,947,540	-	-	-	197,947,540
Buildings and facilities	465,303,777	20,873	-	-	465,324,650
Machinery and equipment	28,867,802	-	-	(31,976)	28,835,826
Motor vehicles	15,771,061	-	-	(320,070)	15,450,991
Office equipment	44,019,955	1,767,552	-	(136,414)	45,651,093
Interior design	34,957,660	-	-	-	34,957,660
Construction in progress					
Buildings and facilities	222,602,014	1,048,668	-	-	223,650,682
<b>Total</b>	<b>1,009,469,809</b>	<b>2,837,093</b>	<b>-</b>	<b>(488,460)</b>	<b>1,011,818,442</b>
Accumulated depreciation:					
Direct acquisition					
Buildings and facilities	190,653,097	3,963,567	-	-	194,616,664
Machinery and equipment	21,869,790	336,218	-	-	22,206,008
Motor vehicles	11,817,947	78,970	-	-	11,896,917
Office equipment	32,271,480	1,239,806	-	-	33,511,286
Interior design	16,683,413	624,923	-	-	17,308,336
<b>Total</b>	<b>273,295,727</b>	<b>6,243,484</b>	<b>-</b>	<b>-</b>	<b>279,539,211</b>
<b>Net Book Value</b>	<b>736,174,082</b>				<b>732,279,231</b>

	January 1, 2010 Rp'000	Additions Rp'000	Deductions Rp'000	Reclassifications Rp'000	March 31, 2010 Rp'000
Cost:					
Direct acquisition					
Land	485,758,774	4,784,398	-	-	490,543,172
Buildings and facilities	464,917,798	167,853	-	-	465,085,651
Machinery and equipment	28,867,802	-	-	(2,240)	28,865,562
Motor vehicles	14,288,554	540,191	340,000	-	14,488,745
Office equipment	33,935,392	590,337	-	-	34,525,729
Interior design	34,957,702	-	-	(23,000)	34,934,702
Construction in progress					
Buildings and facilities	746,621,885	30,769,786	-	-	777,391,671
<b>Total</b>	<b>1,809,347,907</b>	<b>36,852,565</b>	<b>340,000</b>	<b>(25,240)</b>	<b>1,845,835,232</b>
Accumulated depreciation:					
Direct acquisition					
Buildings and facilities	174,763,646	3,960,631	-	-	178,724,277
Machinery and equipment	20,322,804	398,844	-	(2,053)	20,719,595
Motor vehicles	11,368,301	358,856	317,333	-	11,409,824
Office equipment	29,410,633	525,842	-	-	29,936,475
Interior design	14,122,985	657,098	-	(21,083)	14,759,000
<b>Total</b>	<b>249,988,369</b>	<b>5,901,271</b>	<b>317,333</b>	<b>(23,136)</b>	<b>255,549,171</b>
<b>Net Book Value</b>	<b>1,559,359,538</b>				<b>1,590,286,061</b>

Depreciation amounting to Rp 6,243,484 thousand and Rp 5,901,727 thousand in 2011 and 2010, respectively, were recorded under direct costs-building expenses, under hotel operating expenses, and general and administrative expense – depreciation expense (Notes 21 and 22).

In 2011, Gandaria City Mall were completed and reclassified from property and equipment – construction in progress to investment property (Note 7).

Construction in progress includes office building located in Superblock Gandaria City, Jakarta, owned by AW. The building is estimated to be completed in 2011.

**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2011 AND 2010 AND FOR THE THREE MONTHS PERIOD THEN ENDED**  
**(Continued)**

Accumulated borrowing costs capitalized to construction in progress amounted to Rp 22,330,569 thousand in 2011 and Rp 167,473,448 thousand in 2010.

The Company and AW owns several parcels of land located in Kelurahan Kaliasin and Kedungdoro, Surabaya and in Gandaria, Jakarta with legal rights in the form of Building Use Rights (HGBs) for a period of 20 to 30 years which will be due between 2026 to 2032. Management believes that there will be no difficulty in the extension of the landrights since all parcels of land were acquired legally and supported by sufficient evidence of ownership.

The land and building thereon comprising Sheraton Surabaya Hotel & Towers are used as collateral for Series C Bond in 2011 and 2010 (Note 16).

At March 31, 2011 and 2010, investment properties, property and equipment and property and equipment under build, operate and transfer (BOT) scheme, except land, were insured as follows:

- Tunjungan Plaza I (Plaza East), Tunjungan Plaza II (Lifestyle Center) / Menara Mandiri, Tunjungan Plaza III (Plaza Central), Tunjungan Plaza IV (Plaza West), Central Plant, Food Festival, Eastcoast Center and Laguna Square (Pakuwon City) were covered by property all risk insurance with PT Rama Satria Wibawa for US\$ 91,400,000 and Rp 139,000,000 thousand as of March 31, 2011 and with PT Chartis Insurance Indonesia for US\$ 91,400,000 and Rp 29,000,000 thousand as of March 31, 2010. The Sheraton Surabaya Hotel & Towers was covered by property-all-risk insurance with with PT Rama Satria Wibawa for US\$ 35,000,000 as of March 31, 2011 and with PT Chartis Insurance Indonesia for US\$ 35,000,000 as of March 31, 2010. Fixed asset, property and equipment under build, and investment properties were also insured against terrorism and sabotage with PT Asuransi Himalaya Pelindung for US\$ 126,400,000 as of March 31, 2011 and March 31, 2010.
- Tunjungan Plaza I (Plaza East), Tunjungan Plaza II (Lifestyle Center) / Menara Mandiri, Tunjungan Plaza III (Plaza Central) and Tunjungan Plaza IV (Plaza West), Central Plant, Eastcoast Center and Laguna Square (Pakuwon City) were covered by Public Liability Insurance with PT Asuransi AXA Indonesia for US\$ 2,250,000 in 2011 and with PT Asuransi Allianz Utama Indonesia for US\$ 250,000 and PT Zurich Insurance Indonesia for US\$ 2,000,000 in 2010. The Sheraton Surabaya Hotel & Towers was covered by Public Liability Insurance with PT. Asuransi QBE Pool Indonesia in 2011 and 2010 for US\$ 10,000,000.
- Construction in progress for Eastcoast Center (formerly Pakuwon Center) was insured by construction all risk insurance with PT Asuransi Rama Satria Wibawa for Rp 110.000.000 ribu as of March 31, 2010.
- Construction in progress for PT Artisan Wahyu was insured by construction all risk insurance with PT Chartis Insurance Indonesia for Rp 15,000,000 thousand and with PT Asuransi AXA Indonesia for US\$ 12,000,000, both covered for real estate assets (Note 6), and with PT Asuransi Himalaya Pelindung, PT Asuransi AXA Indonesia, PT Asuransi AIU Indonesia and PT MAA General Assurance for property all risk for US\$ 267,000,000 and Rp 13,000,000 thousand in 2011 and 2010, respectively.
- Some of the vehicles were insured with PT Asuransi Allianz Utama Indonesia, PT Asuransi MSIG Indonesia, PT Asuransi AIU Indonesia and PT Asuransi Mitsui Sumitomo in 2011 and 2010 for Rp 7,713,900 thousand and Rp 5,402,500 thousand, respectively.

Management believes that the insurance coverage is adequate to cover possible losses on the assets insured.

**9. PROPERTY AND EQUIPMENT UNDER BUILD, OPERATE AND TRANSFER (BOT) SCHEME**

	January 1, 2011	Additions	Deduction	March 31, 2011
	Rp'000	Rp'000	Rp'000	Rp'000
Cost:				
Buildings	46,927,905	-	-	46,927,905
Machinery and equipment	11,734,753	-	-	11,734,753
<b>Total</b>	<b>58,662,658</b>	<b>-</b>	<b>-</b>	<b>58,662,658</b>
Accumulated amortization:				
Buildings	44,358,534	245,154	-	44,603,688
Machinery and equipment	11,290,959	146,686	-	11,437,645
<b>Total</b>	<b>55,649,493</b>	<b>391,840</b>	<b>-</b>	<b>56,041,334</b>
<b>Net Book Value</b>	<b>3,013,165</b>			<b>2,621,324</b>



**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2011 AND 2010 AND FOR THE THREE MONTHS PERIOD THEN ENDED**  
**(Continued)**

	January 1, 2010	Additions	Deduction	March 31, 2010
	Rp'000	Rp'000	Rp'000	Rp'000
Cost:				
Buildings	46,927,905	-	-	46,927,905
Machinery and equipment	11,734,753	-	-	11,734,753
Total	<u>58,662,658</u>	<u>-</u>	<u>-</u>	<u>58,662,658</u>
Accumulated amortization:				
Buildings	42,986,188	636,880	-	43,623,068
Machinery and equipment	10,704,221	146,686	-	10,850,907
Total	<u>53,690,409</u>	<u>783,566</u>	<u>-</u>	<u>54,473,976</u>
Net Book Value	<u>4,972,249</u>			<u>4,188,682</u>

Amortization expense amounting to Rp 391,841 thousand in 2011 and 783,566 thousand for 2010 was presented under direct costs-building expenses (Note 21).

As of March 31, 2011 and 2010, the property and equipment under BOT scheme were insured along with property and equipment (Note 8).

**10. TRADE ACCOUNTS PAYABLE**

	2011	2010
	Rp'000	Rp'000
Third parties	<u>33,398,535</u>	<u>59,780,074</u>
Total	<u>33,398,535</u>	<u>59,780,074</u>

All trade accounts payable are denominated in Rupiah currency.

**11. TAXES PAYABLE AND PREPAID TAXES**

Taxes Payable

	2011	2010
	Rp'000	Rp'000
The Company:		
Value added tax	2,775,148	713,312
Final income tax	1,618,144	2,023,481
Other income taxes:		
- Article 21/26	3,915,350	3,103
- Article 23	18,566	168,276
Taxes on promotional activities	40,827	-
The subsidiaries:		
Final income tax	12,133,971	9,695,392
Other income taxes:		
- Article 21	-	42,296
- Article 23	-	1,475,431
Value added tax	5,664,380	-
Others	-	434,023
Total	<u>26,166,386</u>	<u>14,555,314</u>

**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2011 AND 2010 AND FOR THE THREE MONTHS PERIOD THEN ENDED**  
**(Continued)**

Prepaid Taxes

	<u>2011</u>	<u>2010</u>
	Rp'000	Rp'000
The Company:		
Final income tax on unearned rental income	22,909,998	18,108,929
Income tax 22	-	9,970
Income tax 23	1,933	46,474
The subsidiaries:		
Final income tax on unearned rental income	9,714,456	10,347,957
Income tax 23	-	25,203
Value added tax	-	24,918,847
<b>Total</b>	<b><u>32,626,387</u></b>	<b><u>53,457,377</u></b>

**12. ACCRUED EXPENSES**

	<u>2011</u>	<u>2010</u>
	Rp'000	Rp'000
Interest and penalty payable on bonds (Note 16)	106,666,432	104,836,885
Electricity, water and gas	2,439,852	1,785,369
Others	12,833,710	8,255,322
<b>Total</b>	<b><u>121,939,994</u></b>	<b><u>114,877,576</u></b>
Current portion	<u>(43,378,729)</u>	<u>(40,127,907)</u>
Long-term portion	<b><u>78,561,264</u></b>	<b><u>74,749,668</u></b>

Other accrued expenses mainly represent accrued professional fees and employee salaries.

**13. UNEARNED INCOME**

	<u>2011</u>	<u>2010</u>
	Rp'000	Rp'000
Space rental	296,519,483	156,467,287
Others	18,200,042	9,819,239
<b>Total</b>	<b><u>314,719,525</u></b>	<b><u>166,286,526</u></b>
Current portion	<u>(212,532,176)</u>	<u>(124,501,138)</u>
Long-term portion	<b><u>102,187,350</u></b>	<b><u>41,785,388</u></b>

**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2011 AND 2010 AND FOR THE THREE MONTHS PERIOD THEN ENDED**  
**(Continued)**

**14. ADVANCES FROM CUSTOMERS**

	<u>2011</u>	<u>2010</u>
	Rp'000	Rp'000
Land and buildings	174,691,053	69,988,400
Office and apartment	21,438,779	178,299,359
Space rental	-	61,272,658
Total	<u>196,129,832</u>	<u>309,560,417</u>

Advance payment for land and buildings account mainly represent advance payments received by the Company for sale of land and buildings that do not satisfy the revenue recognition criteria. Advance payment for apartment and office in 2011 and 2010 and advance payment for space rental in 2010 mainly represents advance payments received by AW, a subsidiary, from customers for the retail center, pre-sale of condominiums and office buildings that do not satisfy the revenue recognition criteria.

**15. BANK LOANS**

	<u>2011</u>	<u>2010</u>
	Rp'000	Rp'000
Bank CIMB Niaga	342,676,425	370,461,000
Bank ICBC Indonesia	165,127,000	85,000,000
Bank Mega	8,150,000	3,650,000
Total	<u>515,953,425</u>	<u>459,111,000</u>

The bank loans are repayable as follows:

	<u>2011</u>	<u>2010</u>
	Rp'000	Rp'000
Due in one year	83,173,100	27,784,575
In the second year	177,980,675	122,046,100
In the third year	143,661,350	64,830,675
In the fourth year	111,138,300	133,311,350
In the fifth year	-	111,138,300
Total	<u>515,953,425</u>	<u>459,111,000</u>
Less: amount due for settlement with twelve months (shown in the current liabilities)	<u>(83,173,100)</u>	<u>(27,784,575)</u>
Non-current	<u>432,780,325</u>	<u>431,326,425</u>

**Bank CIMB Niaga**

In 2009, the Company obtained a loan facility of Rp 370,461,000 thousand due on November 16, 2014 to pay a portion of the cash payment pursuant to the exchange offer carried out to refinance the Senior Secured Notes issued by PJBV (Note 16), with a floating interest at an initial rate of 14% per year.

The loan is secured by the following:

- Second priority security rights over Tunjungan Plaza I (Plaza East) and Tunjungan Plaza III (Plaza Central) (Note 7) with a minimum value of 150% from the credit facility. At the latest, in December 2011, Bank CIMB Niaga shall be able to put first priority right over Tunjungan Plaza I (Plaza East) and Tunjungan Plaza III (Plaza Central).
- Second priority of fiduciary security on all movable assets owned by the Company located at the Tunjungan Plaza I (Plaza East) and Tunjungan Plaza III (Plaza Central).
- Second priority of fiduciary security on all claims under insurance and reinsurance policies maintained in connection with the Tunjungan Plaza I (Plaza East) and Tunjungan Plaza III (Plaza Central).
- Second priority security right amounting to Rp 200,000,000 thousand over Blok M Plaza (Note 7) located at Jalan

**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2011 AND 2010 AND FOR THE THREE MONTHS PERIOD THEN ENDED**  
**(Continued)**

---

Bulungan No. 76 with Land Title SHGB No. 883. This collateral will be released after Bank CIMB Niaga is able to put first priority security right over Tunjungan Plaza I (Plaza East) and Tunjungan Plaza III (Plaza Central).

The Company has agreed in the notes and indenture governing the notes to observe certain financial and negative covenants.

**Bank ICBC Indonesia**

On June 9, 2009, the Company obtained a working capital loan with a maximum credit limit of Rp 35,000,000 thousand due on June 9, 2011. Interest rate per annum is a floating rate at the initial interest rate of 12.5%. As of March 31, 2011 and 2010 this loan facility has been utilized. As of March 31, 2011 the interest rate is 9.65%.

On October 26, 2009, the Company obtained a working capital loan with a maximum credit limit of Rp 100,000,000 thousand with a 9.4% interest rate per annum. As of March 31, 2011 and 2010, Rp 50,000,000 thousand of this loan facility has been utilized. As of March 31, 2011 the interest rate is 9.65%.

At January 24, 2011, the Company obtained approval from Bank ICBC Indonesia to extend the loan term to 36 months. Revised maturity dates for working capital loan facility with maximum amount of Rp 35,000,000 thousand and Rp 100,000,000 thousand are due on June 9, 2012 and October 29, 2012, respectively.

The credit facilities are secured by trade accounts receivable from the sale of housing units in Pakuwon City Surabaya (Note 5).

On March 26, 2010, AW obtained credit facilities from Bank ICBC for the purpose of refinancing the project Gandaria Office 8 as follows:

- US\$ 4,000,000 with a floating interest at an initial; rate of 6% per annum and mature on March 28, 2011. At March 23, 2011 AW obtained approval from Bank ICBC Indonesia to extend the term of the loan with a maturity date of March 29, 2012.
- Rp 34,000,000 thousand and Rp 20,000,000 thousand, both with a floating interest rate of 11% and will mature in 36 months from the date of the first disbursement of the loan facility.

This bank loan are repayable based on certain installment. As of March 31, 2011, AW has withdrawn all of the above facilities.

Collateral for loans are as follows:

- Certificate of Right To Build No. 933/Kelurahan Kebayoran Lama Utara of 5,936 square meters.
- Certificate of Right To Build No. 935/Kelurahan Kebayoran Lama Utara of 1,499 square meters parcel of land in areas including building and infrastructures.

Both certificates have been merged into HGB No. 961 with an expiration date on September 12, 2032 covering of 7,435 square meters land area located in Jakarta.

**Bank Mega**

In September 2008, the Company obtained a term loan facility from Bank Mega with a maximum credit of Rp 45,000,000 thousand due in 3.5 years. The interest rate per annum is a floating rate at the initial interest rate of 15%, which is paid monthly. Under the agreement, this credit facility will be used to finance the Eastcoast Center (formerly Pakuwon Center) construction. As of March 31, 2011 and 2010, the Company has utilized Rp 8,150,000 thousand and Rp 3,650,000 thousand of the credit facility, respectively. As of March 31, 2011 the interest rate is 13%.

Based on the credit facility agreement, the Company shall open an escrow account in Bank Mega as savings account for all Pakuwon Center and commercial unit Pakuwon Town Square rental revenue. The Company should maintain minimum funds balance in the escrow account at 30% of Pakuwon Town Square revenue.

This credit facility is secured by 6,886 square meters of land which is a part of 114,680 square meters of land with HGB Certificate Nos. 828 and 1190/Kelurahan Kejawan Putih Tambak. This land is the location of Eastcoast Center (formerly Pakuwon Center) building construction site which is located in Pakuwon City in Surabaya (Note 7).

At January 17, 2011, the Company obtained approval from Bank Mega to extend the term of the loan with a maturity date of July 11, 2014.

The loan agreement also requires the Company to comply with certain covenants.

**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2011 AND 2010 AND FOR THE THREE MONTHS PERIOD THEN ENDED**  
**(Continued)**

The bank loans above are arranged at floating interest rates, thus exposing the Company and its subsidiaries to cash flow interest rate risk.

**16. BONDS PAYABLE**

	<u>2011</u>	<u>2010</u>
	Rp'000	Rp'000
Senior Secured Notes - net of unamortized bond issuance costs	141,831,435	206,191,839
2015 Notes - net of unamortized bond issuance costs	302,114,102	277,884,772
Bonds payable I (in Rupiah)	38,519,613	38,561,871
Bonds resulting from restructured loans: Series C Bonds (US\$ 733,020 in 2011 and US\$ 1,467,571 in 2010)	<u>6,383,871</u>	<u>13,376,906</u>
Total	<u><u>488,849,021</u></u>	<u><u>536,015,388</u></u>

The bonds are repayable as follows:

	<u>2011</u>	<u>2010</u>
	Rp'000	Rp'000
Due in one year	186,734,919	66,512,618
In the second years	-	191,617,998
In the third years	-	-
In the fourth years	-	-
In the fifth years	<u>302,114,102</u>	<u>277,884,772</u>
Total	488,849,021	536,015,388
Less: amount due for settlement with twelve months (shown in the current liabilities)	<u>(186,734,919)</u>	<u>(66,512,618)</u>
Non-current	<u><u>302,114,102</u></u>	<u><u>469,502,770</u></u>

Senior Secured Notes

On November 16, 2006, PJBV (a subsidiary), as Issuer, issued bonds amounting to US\$ 110,000,000 with fixed interest of 12% per annum payable every six (6) months. The bonds have a term of five (5) years and are due on November 14, 2011. All the bonds were offered at 100% of the nominal value and are listed on the Singapore Stock Exchange with the Bank of New York London Branch as Trustee.

The bonds are unconditionally and irrevocably guaranteed by the Company and AW.

The funds generated from the issuance of bonds were used for the repayments of certain existing debts and the acquisition of 83.33% of AW, through the purchase of new shares.

The Company shall deposit into the Pakuwon Jati Offshore Interest Reserve Account (i) US\$ 13,126,667 representing the sum of the aggregate interest to be payable on the Notes on the first two interest payment dates and (ii) within 5 business days immediately following each interest payment date, funds in an amount sufficient to restore the balance on deposit in the Offshore Interest Reserve Account to maintain an aggregate amount equal to two successive interest payments on the Notes. It shall be the Company's obligation and responsibility until November 14, 2009 to ensure that there are funds on deposit in the Offshore Interest Reserve Account sufficient to pay the aggregate amount of interest due.

The Company shall deposit into the Pakuwon Jati Offshore Account US\$ 80,000,000 representing the consideration for the acquisition of AW and US\$ 26,625,000 representing the proceeds for repayment of certain existing debt.

The Company shall cause AW to deposit US\$ 80,000,000 into the Artisan Offshore Reserve Account. Funds on

**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2011 AND 2010 AND FOR THE THREE MONTHS PERIOD THEN ENDED**  
**(Continued)**

deposit in the Artisan Reserve Account may be withdrawn or transferred to either the Artisan Offshore Operating Account or the Artisan Onshore Operating Account to pay for (i) qualified construction costs, provided that as a condition to such withdrawal AW will deliver to the Trustee a disbursement certificate, a written certification by an independent quantity surveyor and copies of invoices setting forth the charges from contractors and vendors included in such qualified construction; (ii) qualified other construction and development related costs provided that as a condition to such withdrawal AW will deliver to the Trustee a disbursement certificate and copies of invoices setting forth the charges from contractors and vendors.

On October 20, 2009 the Company, through its subsidiary, PJBV, carried out a consent solicitation and an exchange offer of its bonds by issuing new bonds of up to US\$ 46,200,000 Step-Up Cash Coupon and Paid in Kind (PIK) Interest Senior Secured Notes due 2015 (the "2015 Notes") and a US\$ 600 cash payment for each US\$ 1,000 in principal amount of existing notes that are exchanged (the "Exchange Offer").

Solicitation on or prior to the consent deadline will receive a consent payment in an amount equal to US\$ 5 in cash for each US\$ 1,000 in principal amount of existing notes tendered in the Exchange Offer. In addition, the Issuer will pay an additional US\$ 20 in principal amount of 2015 Notes for existing notes tendered on or prior to the early exchange deadline.

In conjunction with the Exchange Offer, PJBV is soliciting consents from the Holders of a majority of the principal amount of the outstanding Senior Secured Notes to proposed amendments to the indenture governing the Senior Secured Notes, eliminating substantially all restrictive covenants, eliminating or modifying certain events of defaults and amending certain other provisions of the existing indenture and certain waivers of provisions of the existing indenture to facilitate the Exchange Offer and the refinancing transaction.

Based on the Lucid Issuer Service Limited certificate of tabulation as of November 5, 2009, 76.14% of bondholders or equivalent to US\$ 83,750,000 of Senior Secured Notes had agreed to exchange their bonds to 2015 Notes.

The Senior Secured Notes payable consists of the following:

	<u>2011</u>	<u>2010</u>
	Rp'000	Rp'000
Nominal value		
(US\$ 16,406,250) in 2011 and		
(US\$ 22,968,750) in 2010	142,882,031	209,360,156
Unamortized bond issuance costs	<u>(1,050,596)</u>	<u>(3,168,317)</u>
Net	<u><u>141,831,435</u></u>	<u><u>206,191,839</u></u>

The Senior Secured Notes are secured by:

- First priority security rights over Tunjungan Plaza I (Plaza East) and Tunjungan Plaza III (Plaza Central) (Note 7).
- Fiduciary security of all movable assets located in Tunjungan Plaza I (Plaza East) and Tunjungan Plaza III (Plaza Central).
- Fiduciary security of all claims under insurance and reinsurance policies maintained on the land and buildings comprising Tunjungan Plaza I (Plaza East) and Tunjungan Plaza III (Plaza Central).
- Several offshore accounts and an onshore account to be managed by Account Managers in accordance with the Account Management Agreement.
- Pledge of AW's shares owned by the Company.

The Issuer (PJBV) and the Company have agreed in the notes and indenture governing the notes to observe certain financial and negative covenants.

Based on the ratings issued by Moody's Investors Service, Inc. and Fitch, the bonds as of March 31, 2011 are rated Caa1 and B-/RR4, respectively.

The Senior Secured Notes are arranged at fixed interest rates, thus the Company and its subsidiaries are exposed to fair value interest rate risk. The effective interest rate on these Notes is 13.60%.

**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2011 AND 2010 AND FOR THE THREE MONTHS PERIOD THEN ENDED**  
**(Continued)**

2015 Notes

The 2015 Notes are unsecured, unrated securities paying a combination of cash and PIK coupon which all securities will be repayable at maturity. The 2015 Notes will be matured on May 14, 2015. Interest will be payable in cash and the issuance of additional notes in a principal amount equal to the amount of interest rates set out below:

Period	Interest payable cash	Interest payable in form of additional notes
November 14, 2009 - November 13, 2011	1%	11%
November 14, 2011 - November 13, 2012	3%	9%
November 14, 2012 - November 13, 2013	5%	7%
November 14, 2013 - May 13, 2015	12%	0%

2015 notes are guaranteed by the Company and the subsidiary (AW).

The balance of the 2015 Notes consists of the following:

	<u>2011</u> Rp'000	<u>2010</u> Rp'000
Nominal value (US\$ 39,039,352 in 2011 and US\$ 35,075,000 in 2010)	339,993,715	319,708,625
Unamortized bond issuance costs	<u>(37,879,614)</u>	<u>(41,823,853)</u>
Net	<u>302,114,102</u>	<u>277,884,772</u>

The Senior Secured Notes are arranged at fixed interest rates, thus the Company and its subsidiaries are exposed to fair value interest rate risk. The effective interest rate on these Notes is 15%.

Bonds Payable I

In 1996, the Company issued Bonds I totaling Rp 150,000,000 thousand, with interest at 19.13% per annum. The maturity date of these bonds has been extended up to June 28, 2011 based on Bondholders' General Meeting (RUPO) in 2003. The bonds were intended for the project development for Tunjungan Plaza IV. Bonds I are secured by HGB Certificate Nos. 183, 282, 290, 292, 300 and 458, covering a total area of 0.885 hectares located in Kelurahan Kedungdoro, Surabaya, together with the buildings thereon (Notes 7).

In 2003, the Company and the holders of Bonds I agreed to restructure the bonds payable, as follows:

- Based on RUPO of Bonds I with principal totaling Rp 109,950,000 thousand as stated in the Minutes of RUPO I No. 65 dated June 23, 2003 and Deed No. 9 dated September 8, 2003 concerning Addendum V of the Custodianship Agreement of Bonds I both from Notary Mrs. Machrani Moertolo S. SH., the holders of Bonds I agreed on the following among others:
  - i. Schedule of payment of bond principal as follows :
    - 2005 amounting to Rp 16,492,500 thousand.
    - 2007 amounting to Rp 21,990,000 thousand.
    - 2009 amounting to Rp 32,985,000 thousand.
    - 2011 amounting to Rp 38,482,500 thousand.
  - ii. Floating rate of 1% over Bank Indonesia Certificate (SBI) capped at 12% per annum.
  - iii. Interest-free cash payment of interest in arrears amounting to Rp 102,303,802 thousand, through installment of 2% per annum depending on the cash flow position of the Company and the remaining will be paid in the ninth year through refinancing. The past due interest was presented under accrued expenses (Note 12).
  - iv. Write-off of penalty for the late payment of coupon No. 8, 9, and 10 amounting to Rp 519,456 thousand.

**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2011 AND 2010 AND FOR THE THREE MONTHS PERIOD THEN ENDED**  
**(Continued)**

- v. Release as collateral the land measuring 825,525 square meters located in Kelurahan Dukuh Sutorejo, Surabaya and Kelurahan Kalisari, Surabaya, upon the completion of Tunjungan Plaza IV project, based on the valuation from independent appraiser appointed by the the Company the value of which is over 120% of the outstanding bonds principal.

The Company paid installments according to the above schedule resulting to a Bonds I payable balance of Rp 38,482,500 thousand as of March 31, 2011.

Related to the application of statement of revocation of financial accounting standard (PPSAK) No. 3 about the Removal of PSAK 54, Troubled Debt Restructuring, which is effective January 1, 2010, the Company reclassified reduction of interest and write-off of penalty on Bond I amounted Rp 3,492,187 thousand, originally recorded in other account payable, into bond payable account in January 1, 2010, then the Company recalculate the present value of future cash flows of the related debt using the effective date incremental interest rate. Difference between the recalculated amount to the carrying amount Rp 38,533,944, are adjusted to retained earnings on January 1, 2010.

Based on the rating issued by Fitch, the bond as of March 31, 2011 is rated BBB-.

Because the bond is arranged with floating interest rate subject to a cap, the Company and its subsidiaries are exposed to cash flow interest rate risk during the period the interest rate movements are below the interest cap.

Series C Bonds

Series C Bonds issued to Bank Pan Indonesia (Panin) as of March 31, 2011 and 2010 amounted to US\$ 733,020 (equivalent to Rp 6,383,871 thousand) and US\$ 1,467,571 (equivalent to Rp 13,376.906 thousand), respectively. Payments to series C Bonds in 2011 and 2010 each amounted to US\$ 183,000.

Related to the application of statement of revocation of financial accounting standard (PPSAK) No. 3 about the Removal of PSAK 54, Troubled Debt Restructuring, which is effective January 1, 2010, the Company reclassified interest payable on Series C Bond amounted Rp 1,618,653 thousand, originally recorded in other account payable, into bond payable account in January 1, 2010, then the Company recalculate the present value of future cash flows of the related debt using the effective date incremental interest rate. Difference between the recalculated amount to the carrying amount are adjusted to retained earnings on January 1, 2010.

Series C Bonds are transferable and redeemable at the option of the Company and have a term of seven (7) years from the date of issue. The bonds including the interest are payable in quarterly installments ranging from US\$ 186,741 to US\$ 248,473 until November 25, 2012.

Series C Bonds bear interest at the following rates per annum:

- 1<sup>st</sup> year : 5%
- 2<sup>nd</sup> year : 6%
- 3<sup>rd</sup> year : 7%
- 4<sup>th</sup> to 7<sup>th</sup> year : 8%

The step-up fixed interest rate exposed the Company and its subsidiaries to fair value interest rate risk.

Series C Bonds are secured by:

- The Company's HGBs with certificate No. 265, 275 and 294 covering a total area of 17,979 square meters together with the building thereon, located in Kelurahan Kedungdoro, Surabaya (Note 8).
- Receivables, claims and rights over proceeds from the hotel operations (Note 5) and proceeds from insurance claim.

**17. MANDATORY CONVERTIBLE NOTES (MCN) PAYABLE**

	<u>2011</u>	<u>2010</u>
	Rp'000	Rp'000
Nominal value (US\$ 58,000,000)	505,122,000	528,670,000
Unamortized discount (US\$ 9,112,998 in 2011 and US\$ 10,621,473 in 2010)	<u>(79,365,102)</u>	<u>(96,814,723)</u>
Total	<u><u>425,756,898</u></u>	<u><u>431,855,277</u></u>

On August 1, 2006, AW, a subsidiary, issued MCN to UOB Kay Hian Finance Limited amounting to US\$ 58,000,000. These MCN are convertible to one (1) AW's share per US\$ 1,000 MCN on maturity date, July 31, 2016. At any time



**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2011 AND 2010 AND FOR THE THREE MONTHS PERIOD THEN ENDED**  
**(Continued)**

after July 31, 2013 but prior to the maturity date, the note may be redeemed in whole, but not in part, by the borrower upon at least 10 days revocable prior written notice to the lender at a redemption price equal to 120% of the principal amount. MCN are non-interest bearing and are not secured by any collateral.

The discount represents the result of the valuation of the MCN at the time of acquisition of AW by the Company.

**18. NON-CONTROLLING INTEREST IN SUBSIDIARIES**

	<u>2011</u> Rp'000	<u>2010</u> Rp'000
a. Non-controlling interest in net assets of subsidiaries		
AW	150,556,559	103,311,224
Others	<u>1</u>	<u>1</u>
Total	<u>150,556,560</u>	<u>103,311,225</u>
b. Non-controlling interest in net income of subsidiary - AW		
	<u>11,025,331</u>	<u>7,949,182</u>

**19. CAPITAL STOCK**

Name of Stockholder	2011 and 2010		
	Number of Shares	Percentage of Ownership %	Total Paid-up Capital Stock Rp'000
BSL Investment Inc.	2,221,898,250	22.15	222,189,825
Burgami Investments Limited	2,096,581,500	20.90	209,658,150
PT. Pakuwon Arthaniaga	1,520,032,460	15.15	152,003,246
Concord Media Investment Ltd	741,000,000	7.39	74,100,000
Raylight Investment Limited	716,917,500	7.15	71,691,750
Sino Connect Investments Limited	429,000,000	4.28	42,900,000
Oakhill Capital Limited	390,000,000	3.89	39,000,000
PT. Pakuwon Trijaya	164,658,000	1.64	16,465,800
Alexander Tedja (President Commissioner)	1,872,000	0.02	187,200
Richard Adisastra (President Director)	27,300	0.01	2,730
Public (less than 5% each)	<u>1,751,263,490</u>	<u>17.42</u>	<u>175,126,349</u>
Total	<u>10,033,250,500</u>	<u>100.00</u>	<u>1,003,325,050</u>

**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2011 AND 2010 AND FOR THE THREE MONTHS PERIOD THEN ENDED**  
**(Continued)**

---

**20. SALES AND REVENUES**

	<u>2011</u>	<u>2010</u>
	Rp'000	Rp'000
Rental and service charges:		
Space rental	78,458,230	50,537,764
Service charges	<u>34,309,450</u>	<u>19,460,502</u>
Subtotal	<u>112,767,680</u>	<u>69,998,266</u>
Sale of apartment and offices	<u>90,532,388</u>	<u>144,112,276</u>
Hotel revenues	<u>28,583,819</u>	<u>24,507,677</u>
Sale of land and buildings	<u>84,504,455</u>	<u>19,788,763</u>
Other operating revenues:		
Electricity and water billing	22,462,026	10,151,754
Parking fee	6,854,456	3,079,162
Others	<u>3,939,422</u>	<u>5,445,022</u>
Subtotal	<u>33,255,904</u>	<u>18,675,938</u>
Total	<u><u>349,644,247</u></u>	<u><u>277,082,920</u></u>

The Company is insured for business interruption for US\$ 49,600,000 with PT Rama Satria Wibawa in 2011 and PT Chartis Insurance Indonesia in 2010.

Rental revenue and service charges from investment properties as of March 31, 2011 and 2010 amounted to Rp 93,613,937 thousand and Rp 62,855,465 thousand.

**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2011 AND 2010 AND FOR THE THREE MONTHS PERIOD THEN ENDED**  
**(Continued)**

**21. DIRECT COSTS AND COST OF SALES**

	<u>2011</u>	<u>2010</u>
	Rp'000	Rp'000
Direct Costs		
Building expenses:		
Electricity, water and gas	26,190,500	16,918,733
Depreciation (Notes 7 and 8)	21,957,679	7,528,356
Cleaning	2,944,988	1,854,370
Repairs and maintenance	2,094,246	1,548,983
Insurance	828,038	453,479
Land and building taxes	813,493	964,720
Amortization of property and equipment under the BOT scheme (Note 9)	391,839	783,566
Others	<u>3,995,387</u>	<u>912,624</u>
Total building expenses	<u>59,216,171</u>	<u>30,964,830</u>
Personnel expenses	<u>6,691,109</u>	<u>4,510,160</u>
Hotel operating expenses:		
Hotel department	6,063,389	4,550,344
Electricity, water and gas	4,870,019	4,184,463
Depreciation (Note 8)	4,813,551	4,637,428
Salary and allowances	<u>3,194,389</u>	<u>2,513,853</u>
Total hotel operating expenses	<u>18,941,348</u>	<u>15,886,087</u>
Total direct costs	84,848,628	51,361,077
Costs of sales - Apartment and offices	51,251,357	96,539,741
Costs of sales - Land and buildings	<u>35,542,326</u>	<u>4,970,993</u>
Total direct costs and cost of sales	<u><u>171,642,311</u></u>	<u><u>152,871,811</u></u>

**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2011 AND 2010 AND FOR THE THREE MONTHS PERIOD THEN ENDED**  
**(Continued)**

**22. OPERATING EXPENSES**

	<u>2011</u>	<u>2010</u>
	Rp'000	Rp'000
General and administrative:		
Salaries and allowances	6,240,440	2,996,008
Office expenses	1,784,683	808,067
Bank charges	1,713,070	1,514,721
Professional fees	1,318,553	1,321,277
Hotel operator's fees	1,126,857	980,114
Security expenses	830,628	392,721
Depreciation expense (Note 8)	790,815	-
Post-employment benefits (Note 27)	768,573	-
Travelling expenses	348,808	435,919
Entertainment	228,183	85,403
Shares administration and reporting	65,625	114,650
Vehicle tax expenses	36,413	36,226
Training expenses	16,475	18,675
Others	1,013,837	530,955
Subtotal	<u>16,282,959</u>	<u>9,234,736</u>
Marketing:		
Salaries and allowances	1,899,930	1,679,622
Events	1,765,792	657,178
Advertising and promotion	1,611,608	3,287,149
Others	3,537,238	2,752,202
Subtotal	<u>8,814,568</u>	<u>8,376,151</u>
Total	<u><u>25,097,528</u></u>	<u><u>17,610,887</u></u>

**23. INTEREST INCOME**

	<u>2011</u>	<u>2010</u>
	Rp'000	Rp'000
Time deposits	3,116,275	2,143,175
Current accounts	142,112	64,705
Effect of the initial application of PSAK 50 and 55	-	14,649,730
Total	<u><u>3,258,387</u></u>	<u><u>16,857,610</u></u>

**24. FINANCE COST**

	<u>2011</u>	<u>2010</u>
	Rp'000	Rp'000
Financial charges on:		
Senior Secured Notes	20,119,289	5,856,161
Bank loans	13,713,077	6,047,782
Discount amortization on Mandatory Convertible Notes	3,381,880	3,403,402
Effect of the initial application of PSAK 50 and 55	2,001,118	1,344,108
Bonds payable I	696,837	999,764
Total	<u><u>39,912,201</u></u>	<u><u>17,651,217</u></u>

**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2011 AND 2010 AND FOR THE THREE MONTHS PERIOD THEN ENDED**  
**(Continued)**

**25. INCOME TAX**

The net tax expense of the Company and its subsidiaries consist of the following:

	<u>2011</u>	<u>2010</u>
	Rp'000	Rp'000
Current tax expense		
Final income tax of the Company	11,348,303	5,475,528
Final income tax of the subsidiaries	<u>9,614,088</u>	<u>6,860,726</u>
Total current tax expense	<u>20,962,392</u>	<u>12,336,254</u>
Deferred tax expense		
The Company	<u>389,716</u>	<u>462,400</u>
Deferred tax - net	<u>389,716</u>	<u>462,400</u>
Tax expense - net	<u><u>21,352,108</u></u>	<u><u>12,798,654</u></u>

**26. EARNINGS PER SHARE**

The computation of basic and diluted earnings per share is based on the following data:

	<u>2011</u>	<u>2010</u>
	Rp'000	Rp'000
Earnings for computation of basic earnings per share	<u>114,645,965</u>	<u>102,126,392</u>
Earnings for computation of diluted earnings per share	<u>87,784,668</u>	<u>82,611,373</u>
	<u>Shares</u>	<u>Shares</u>
Number of ordinary shares for computation of basic and diluted earnings share per (thousand shared)	<u>10,033,251</u>	<u>10,033,251</u>
	<u>Rp</u>	<u>Rp</u>
In full Rupiah amounts		
Basic earnings per share	<u>11.43</u>	<u>10.18</u>
Diluted earnings per share	<u>8.75</u>	<u>8.23</u>

Diluted earnings per share as of March 31, 2011 and 2010 reflects the effect of the mandatory convertible notes of the subsidiary (AW).

**27. POST-EMPLOYMENT BENEFITS OBLIGATION**

The Company and its subsidiary provides post-employment benefits for their qualifying employees in accordance with Labor Law No. 13/2003. The Hotel calculates and records the estimated employee benefits for its qualifying employees in accordance with applicable rules after considering the pension program.

**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2011 AND 2010 AND FOR THE THREE MONTHS PERIOD THEN ENDED**  
**(Continued)**

---

Post-employment benefit expenses and movements in the net liability recognized in the balance sheets are as follows:

	<u>2011</u>	<u>2010</u>
	Rp'000	Rp'000
Beginning of the year	30,844,014	27,859,904
Amount charged to income (Note 22)	768,573	-
Benefits payment	(1,702)	(110,204)
Adjustment	-	<u>2,843,592</u>
End of the year	<u><u>31,610,885</u></u>	<u><u>30,593,292</u></u>

**28. RELATIONSHIP AND TRANSACTIONS WITH RELATED PARTIES**

Nature of Relationship

PT Pakuwon Darma and PT Artisan Surya Kreasi has partly the same management as the Company.

Transaction with Related Parties

The Company also entered into nontrade transactions with related parties. As of balance sheet dates, receivable arising from this transactions is presented as other accounts receivable from related parties.

**29. SEGMENT INFORMATION**

For management purposes, the Company and its subsidiaries are currently organized into three (3) business segments namely: a) office and shopping center business, b) real estate, c) hospitality.

**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2011 AND 2010 AND FOR THE THREE MONTHS PERIOD THEN ENDED**  
**(Continued)**

Segment information based on business segments is presented below:

	2011				Consolidated Rp'000
	Office and shopping center Rp'000	Real estate Rp'000	Hospitality Rp'000	Eliminations Rp'000	
<b>SALES &amp; REVENUE</b>					
External sales and revenues	145,925,274	175,135,154	28,583,819	-	349,644,247
Internal sales and revenues	4,870,019	-	-	(4,870,019)	-
<b>Total Sales &amp; Revenues</b>	<b>150,795,293</b>	<b>175,135,154</b>	<b>28,583,819</b>	<b>(4,870,019)</b>	<b>349,644,247</b>
<b>RESULT</b>					
Segment result	53,783,830	96,300,383	3,590,062		153,674,274
Unallocated segment result					(769,865)
Income from operations					152,904,409
Interest income					3,258,387
Gain on foreign exchange - net					30,856,622
Gain on sale of equipment					54,200
Finance cost					(39,912,201)
Others - net					(138,014)
Income before tax					147,023,403
Tax expense					(21,352,108)
<b>Income for the period</b>					<b>125,671,296</b>
<b>OTHER INFORMATION</b>					
<b>ASSETS</b>					
Segment assets	2,414,882,175	332,680,282	445,057,268	(1,434,586,751)	1,758,032,973
Unallocated assets					2,196,674,859
<b>Consolidated total assets</b>					<b>3,954,707,832</b>
<b>LIABILITIES</b>					
Segment liabilities	1,076,217,530	357,810,994	22,845,454	(574,158,208)	882,715,770
Unallocated liabilities					1,377,732,002
<b>Consolidated total liabilities</b>					<b>2,260,447,772</b>
Addition to property and equipment and investment property	8,266,658	-	1,037,483	-	9,304,141
Unallocated addition to property and equipment					-
<b>Total addition to property and equipment and investment property</b>					<b>9,304,141</b>
Depreciation and amortization	22,820,798	319,536	4,813,551	-	27,953,885
Unallocated depreciation and amortization					-
<b>Total depreciation and amortization</b>					<b>27,953,885</b>

**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2011 AND 2010 AND FOR THE THREE MONTHS PERIOD THEN ENDED**  
**(Continued)**

	2010				Consolidated Rp'000
	Office and shopping center Rp'000	Real estate Rp'000	Hospitality Rp'000	Eliminations Rp'000	
<b>SALES &amp; REVENUE</b>					
External sales and revenues	86,832,268	165,742,975	24,507,677	-	277,082,920
Internal sales and revenues	4,184,463			(4,184,463)	-
Total Sales & Revenues	<u>91,016,731</u>	<u>165,742,975</u>	<u>24,507,677</u>	<u>(4,184,463)</u>	<u>277,082,920</u>
<b>RESULT</b>					
Segment result	52,126,649	52,793,648	2,723,699	-	107,643,997
Unallocated segment result					(1,043,774)
Income from operations					106,600,222
Interest income					16,857,610
Reversal for allowance for doubtful accounts - net					2,039,801
Gain on foreign exchange - net					14,635,399
Finance cost					(17,651,217)
Gain on sale of equipment					114,333
Others - net					278,079
Income before tax					<u>122,874,228</u>
Tax expense					(12,798,654)
Income for the period					<u><u>110,075,574</u></u>
<b>OTHER INFORMATION</b>					
<b>ASSETS</b>					
Segment assets	1,590,695,569	1,210,792,539	444,315,500	(1,281,584,797)	1,964,218,812
Unallocated assets					1,621,130,012
Consolidated total assets	<u>1,590,695,569</u>	<u>1,210,792,539</u>	<u>444,315,500</u>	<u>(1,281,584,797)</u>	<u>3,585,348,823</u>
<b>LIABILITIES</b>					
Segment liabilities	830,967,506	585,898,041	21,110,950	(734,694,008)	703,282,489
Unallocated liabilities					1,521,131,589
Consolidated total liabilities	<u>830,967,506</u>	<u>585,898,041</u>	<u>21,110,950</u>	<u>(734,694,008)</u>	<u>2,224,414,079</u>
Addition to property and equipment and investment property	21,426,649	17,511,577	889	-	38,939,116
Unallocated addition to property and equipment					-
Total addition to property and equipment and investment property	<u>21,426,649</u>	<u>17,511,577</u>	<u>889</u>	<u>-</u>	<u>38,939,116</u>
Depreciation and amortization	7,733,802	578,120	4,637,428	-	12,949,350
Unallocated depreciation and amortization					-
Total depreciation and amortization	<u>7,733,802</u>	<u>578,120</u>	<u>4,637,428</u>	<u>-</u>	<u>12,949,350</u>

**30. COMMITMENTS**

- a. The Company entered into a build, operate and transfer (BOT) agreement with Bank Mandiri to construct a shopping center and an office building with its facilities in Tunjungan Plaza II (Lifestyle Center) / Menara Mandiri.

The significant terms and conditions of the BOT agreement are as follows:

- The Company will construct a 35,130 square meters building (17-storey) to be called Tunjungan Plaza II (Lifestyle Center) / Menara Mandiri on 5,320 square meters of land owned by Bank Mandiri, located in *Jalan Basuki Rachmad*, Surabaya.
- The agreement is valid for 20 years, starting from the handover of the land by Bank Mandiri, and will end on March 22, 2012.
- Tunjungan Plaza II (Lifestyle Center) / Menara Mandiri will be owned by Bank Mandiri, but the bank will grant the Company the right to manage and operate Tunjungan Plaza II (Lifestyle Center) / Menara Mandiri for a period of 20 years.

- b. The agreement relating to the operations of Sheraton Surabaya Hotel & Towers is a management agreement with



**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2011 AND 2010 AND FOR THE THREE MONTHS PERIOD THEN ENDED**  
**(Continued)**

---

Indo Pacific Sheraton (IPS) Hongkong, to operate and manage the Hotel. As provided in the agreement, incentive fee shall be computed at 3% of Adjusted Gross Operating Profit (AGOP), as defined in the agreement, if Gross Operating Profit (GOP), as defined in the agreement, is less than 40%; or 4.25% of AGOP if GOP is equal to or higher than 40% of Total Revenues (TR), as defined in the agreement. The operating term of this contract commenced on March 31, 1996 and terminates on March 31, 2016.

- c. The Company and AW entered into cooperation agreements with Bank Mandiri (Persero), Bank Rakyat Indonesia (Persero), Bank International Indonesia, Bank Negara Indonesia (Persero) and Bank Permata. Based on the agreements, these banks will provide credit facilities to the buyers of residential houses, land, apartments, shop houses and office houses. The cooperation agreements with these banks include a provision that in the event that the buyer defaults in installment payments consecutively for certain periods (three months or six months) and the splitting of certificates or title certificate in the name of the buyer and other related documents have not been submitted by the Company and its subsidiary to the related bank, the Company and its subsidiary are obliged to guarantee the full repayment of the remaining loan principal, interests, penalties and other charges payable under the credit facility. Upon fulfillment of the Company and its subsidiary's obligations, all bank's rights towards the buyer based on the credit agreement will be transferred to the Company and its subsidiary.

The proceeds from the consumers availment of the above credit facility will be placed as restricted time deposits under the name of the Company and its subsidiaries, the withdrawal of which will be made in accordance with the progress of the completion of construction and related documents as specified in each agreement (Note 4).

- d. AW entered into contracts with various suppliers and contractors for the construction and development of the Gandaria City project. The significant contracts have contract price of about Rp 31,042,537 thousand and US\$ 816,546 with varying contract periods.
- e. AW entered into a Letter of Credit Import with credit limit US\$ 3,000,000 with PT Bank Danamon Indonesia. This facility is secured by AW's deposits and Letter of Comfort from the Company which was renewed with the Agreement of Change and Renewal of Credit Agreement.
- f. AW entered into an Agreement with PT Securindo Packatama Indonesia for parking management at Gandaria City. The terms of the agreement is for 60 months or 5 years.
- g. Based on Memorandum of Understanding dated March 28, 2008 and Addendum to the Memorandum of Understanding dated November 10, 2010, the Company entered into an agreement with PT Pakuwon Darma to exchange land ownership in connection with land consolidation purpose, as such each party may develop their respective area because most of the land owned by PT Pakuwon Darma are located in the Company's development area and vice versa. Land owned by the Company to be exchanged is an area of 154,441 square meters, located at Buntaran.

Parcels of land owned by PT Pakuwon Darma to be exchange measures 204,588 square meters, located at Buntaran.

- h. The Company entered into a letter of credit agreement with Bank Mandiri and Bank Danamon. This facility is secured by Company's time deposits (Note 4).
- i. The Company entered into an agreement with *Perusahaan Gas Negara* for supply of gas. The agreement is secured by the Company's time deposits (Note 4).

**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2011 AND 2010 AND FOR THE THREE MONTHS PERIOD THEN ENDED**  
**(Continued)**

**31. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY**

At March 31, 2011 and 2010, the Company and its subsidiaries had monetary assets and liabilities denominated in foreign currency as follows:

		2011		2010	
		Foreign currency'	Equivalent in Rp'000	Foreign currency'	Equivalent in Rp'000
<b>Assets</b>					
Cash and cash equivalents	US\$	5,534,011	48,195,702	6,054,779	55,189,308
	EUR	21,851	269,137	12,185	148,853
Restricted time deposits	US\$	28,042	244,217	1,609,740	14,672,779
Total assets			48,709,056		70,010,941
<b>Liabilities</b>					
Accrued expenses	US\$	2,569,049	22,373,852	2,972,059	25,883,666
	SGD	-	-	320	2,082
Bank loan	US\$	3,000,000	26,127,000	-	-
Nonds payable	US\$	51,708,509	450,329,408	57,119,476	497,453,517
Mandatory convertible notes payable	US\$	48,887,002	425,756,898	49,587,240	431,855,277
Total liabilities			924,587,158		955,194,541
Net Liabilities			(875,878,102)		(885,183,600)

The conversion rates used by the Company and its subsidiaries on March 31, 2011 and 2010 are as follows:

Foreign currencies	March 31, 2011 Rp	March 31, 2010 Rp
US\$ 1	8,709.00	9,115.00
EUR 1	12,316.71	12,216.39
SGD 1	6,905.89	6,505.16
GBP 1	14,026.29	13,378.14

**32. FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT**

**a. Financial risk management objectives and policies**

The Company and its subsidiary's overall financial risk management and policies seek to ensure that adequate financial resources are available for operation and development of their business, while managing their exposure to foreign exchange risk, interest rate risk, credit and liquidity risks.

**i. Foreign currency risk management**

The Company and its subsidiary are exposed to the effect of foreign currency exchange rate fluctuation mainly because of foreign currency denominated transactions on their funding.

The Company and its subsidiary manage the foreign currency exposure by monitoring fluctuations in foreign currency, in order to perform the appropriate actions, such as the use of hedging operations if it is necessary to reduce the risk of foreign currency. Subsidiary also charge some of its tenant in U.S. Dollar currency. The Company and its subsidiary's monetary assets and liabilities denominated in currency exposure as of balance sheet is disclosed in Note 31.

**ii. Interest rate risk management**

The Company and its subsidiaries are exposed to interest rate risk because they borrow funds at both fixed and floating interest rates.

**PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2011 AND 2010 AND FOR THE THREE MONTHS PERIOD THEN ENDED**  
**(Continued)**

The Company and its subsidiaries borrowings that are exposed to fair value interest rate risk and cash flow interest rate risk are detailed in Notes 15 and 16.

The Company and its subsidiaries manage the interest rate risk by monitoring the movement of interest rates and combining the fixed and floating rate loans property to minimize the negative impact on the Company.

To manage the interest rate risk, the Company and its subsidiaries have a policy of obtaining financing that would provide an appropriate mix of floating and fix interest rate.

**iii. Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in a loss to the Company and its subsidiary.

The Company and its subsidiaries's credit risk is primarily attributed to its cash in banks, time deposits, trade receivables and others. The credit risk on bank balance and time deposits is limited because the Company and its subsidiaries place their bank balances and time deposits with credit worthy financial institutions. The Company and its subsidiaries minimize their credit risk on trade receivables from property buyers by imposing penalties for late payment, cancellation of the sale with fines, and repossession of property in case of failure to pay. For credit risk arising from investment property, tenants are asked to provide a deposit in cash for lease payments and pay advance rent before the lease term takes effect. Further, the Company and its subsidiaries may end all provision of services for the leased unit in case of delinquent payments.

The Company and its subsidiaries have policies to obtain sustainable growth in revenue by minimizing losses due to credit risk exposure. Accordingly, the Company and its subsidiaries have a policy to ensure that transactions are entered into with customers who have historical good credit reputation. Management conducts ongoing supervision to reduce credit risk exposure. Accounts receivable from sale of apartments of the subsidiary at balance sheet date is largely a difference at recognition of revenue based on percentage of completion of the project net of amounts already paid by the buyer.

The carrying amount of financial assets recorded in the consolidated financial statements, net of any allowance for losses represents the Company and its subsidiaries exposure to credit risk.

**iv. Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management which are in accordance with the liquidity requirement and the short, medium and long term funding. The Company and its subsidiaries manage liquidity risk by maintaining cash and cash equivalents sufficient to meet the Company and its subsidiaries commitments for normal operations, regularly evaluating cash flow projections and actual cash flows, and scheduling the date of maturity of assets and financial liabilities.

The Company and its subsidiaries maintain sufficient funds to finance their ongoing working capital requirements.

**b. Fair value of financial instruments**

Management considers that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values either because of their short-term maturities or they carry market rates of interest, except for the following:

	2011	
	Carrying amount Rp'000	Fair value Rp'000
Mandatory Convertible Notes (MCN) payable	425,756,898	301,124,437
Bond payable except for bond payable I	450,329,408	476,223,630

The fair value of bonds payable and MCN are determined using the present value of estimated future cash flows, discounted at market rate.

**33. ADOPTION OF REVISED STATEMENTS AND INTERPRETATIONS OF FINANCIAL ACCOUNTING STANDARDS (PSAK AND ISAK)**

**a. Standards effective in the current year**

In the current year, the Company and its subsidiaries adopted the following revised PSAKs which are effective for financial statements beginning on or after January 1, 2011:

- PSAK 1 (revised 2009), Presentation of Financial Statements
- PSAK 2 (revised 2009), Statement of Cash Flows
- PSAK 3 (revised 2010), Interim Financial Reporting
- PSAK 4 (revised 2009), Consolidated and Separate Financial Statements
- PSAK 5 (revised 2009), Operating Segments
- PSAK 7 (revised 2010), Related Party Disclosures
- PSAK 8 (revised 2010), Events after the Reporting Period
- PSAK 12 (revised 2009), Interest in Joint Ventures
- PSAK 15 (revised 2009), Investments in Associates
- PSAK 19 (revised 2010), Intangible Assets
- PSAK 22 (revised 2010), Business Combinations
- PSAK 23 (revised 2010), Revenue
- PSAK 25 (revised 2009), Accounting Policies, Changes in Accounting Estimates and Errors
- PSAK 48 (revised 2009), Impairment of Assets
- PSAK 57 (revised 2009), Provisions, Contingent Liabilities and Contingent Assets
- PSAK 58 (revised 2009), Non-current Assets Held for Sale and Discontinued Operations
- ISAK 7 (revised 2009), Consolidation – Special Purpose Entities
- ISAK 9, Changes in Existing Decommissioning, Restoration and Similar Liabilities
- ISAK 10, Customer Loyalty Programmes
- ISAK 11, Distribution of Non-cash Assets to Owners
- ISAK 12, Jointly Controlled Entities - Non-monetary Contributions by Venturers
- ISAK 14, Intangible Assets – Web Site Cost
- ISAK 17, Interim Financial Reporting and Impairment

**b. Standards and Interpretations in issue not yet adopted**

Effective for periods beginning on or after January 1, 2012:

- PSAK 10 (revised 2010), The Effects of Changes in Foreign Exchange Rates
- PSAK 18 (revised 2010), Accounting and Reporting by Retirement Benefit Plans
- PSAK 24 (revised 2010), Employee Benefits
- PSAK 34 (revised 2010), Construction Contracts
- PSAK 46 (revised 2010), Income Taxes
- PSAK 50 (revised 2010), Financial Instruments: Presentation
- PSAK 53 (revised 2010), Share-based Payments
- PSAK 60, Financial Instruments: Disclosures
- PSAK 61, Accounting for Government Grants and Disclosure of Government Assistance
- ISAK 13, Hedges of Net Investments in Foreign Operations
- ISAK 15, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- ISAK 18, Government Assistance – No Specific Relation to Operating Activities
- ISAK 20, Income Taxes – Change in Tax Status of an Entity or its Shareholders

These new/revised standards and interpretations resulted from convergence to International Financial Reporting Standards.