

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

CONSOLIDATED FINANCIAL STATEMENTS

**JUNE 30, 2012 (UNAUDITED) AND
DECEMBER 31, 2011 (AUDITED) AND
FOR THE SIX MONTHS PERIOD ENDED
JUNE 30, 2012 AND 2011 (UNAUDITED)**

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PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 (UNAUDITED) AND DECEMBER 31, 2011 (AUDITED)

	Notes	June 30, 2012 Rp'000	December 31, 2011 Rp'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	893,570,801	621,021,073
Other financial assets	6,7	96,274,829	69,688,800
Trade accounts receivable from third parties - net of allowance for doubtful accounts of Rp 135,354 thousand in 2012 and Rp 4,320 thousand in 2011	8	115,863,194	108,926,033
Other accounts receivable from third parties		23,810,302	7,870,085
Inventories		4,070,274	3,120,864
Prepaid taxes	9	95,499,005	79,464,938
Advances and prepaid expenses		125,063,876	18,620,144
Total Current Assets		<u>1,354,152,281</u>	<u>908,711,937</u>
NONCURRENT ASSETS			
Investment in associated		1,879,368	1,015,572
Other noncurrent financial asset	7	70,270,539	21,983,226
Advance for purchase of land and property and equipment	10	138,391,377	23,933,639
Real estate assets	11		
Real estate inventories		1,091,393,069	819,426,109
Land not yet developed		277,825,898	274,834,935
Investment properties - net of accumulated depreciation of Rp 390,427,520 thousand in 2012 and Rp 346,393,534 thousand in 2011	12	2,675,388,143	2,032,455,983
Property and equipment - net of accumulated depreciation of Rp 314,686,906 thousand in 2012 and Rp 301,129,847 thousand in 2011	13	1,009,581,657	1,659,292,063
Property and equipment under build, operate and transfer (BOT) scheme - net of accumulated amortization of Rp 58,662,658 thousand in 2012 and Rp 57,073,905 thousand in 2011	14	-	1,588,753
Deferred charges - landrights		1,410,002	1,455,124
Other asset		23,694	13,694
Total Noncurrent Assets		<u>5,266,163,747</u>	<u>4,835,999,098</u>
TOTAL ASSETS		<u><u>6,620,316,028</u></u>	<u><u>5,744,711,035</u></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 FINANCIAL POSITION
JUNE 30, 2012 (UNAUDITED) AND DECEMBER 31, 2011 (AUDITED) (CONTINUED)

	Notes	June 30, 2012 Rp'000	December 31, 2011 Rp'000
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Bank loan	15	135,000,000	131,704,000
Trade accounts payable - third parties	16	91,825,561	65,240,747
Other accounts payable - third parties		98,198,284	32,470,408
Taxes payable	17	36,602,845	35,188,559
Current portion of accrued expenses	18	31,048,744	42,204,162
Reserve for replacement of hotel's furniture, fixtures and equipment	6,7	7,261,044	5,906,664
Current portion of unearned income	19	170,026,158	160,099,987
Current maturities of long-term liabilities			
Bank loans	21	171,289,395	165,569,150
Bonds payable	22	-	1,660,454
Total Current Liabilities		<u>741,252,031</u>	<u>640,044,131</u>
NONCURRENT LIABILITIES			
Long-term unearned income - net of current portion	19	259,197,381	218,529,315
Advances from customers	20	829,273,214	610,033,023
Deferred tax liabilities - net	33	21,420,386	19,405,930
Long-term liabilities - net of current maturities			
Bank loans	21	1,482,630,423	953,633,621
Other accounts payable		3,160,569	3,160,569
Bonds payable	22	-	360,290,197
Tenants' deposits		72,350,822	74,771,475
Mandatory convertible notes payable	23	482,149,654	453,871,193
Post-employment benefits obligation	35	36,158,529	37,836,114
Total Noncurrent Liabilities		<u>3,186,340,978</u>	<u>2,731,531,437</u>
Total Liabilities		<u>3,927,593,009</u>	<u>3,371,575,568</u>
EQUITY			
Capital stock - Rp 25 par value per share in June 30, 2012 and Rp 100 par value per share in December 31, 2011 Authorized - 120,000,000,000 shares and 30,000,000,000 shares in June 30, 2012 and December 31, 2011 Subscribed and paid-up - 48,159,602,400 shares and 12,039,900,600 shares in June 30, 2012 and December 31, 2011	24	1,203,990,060	1,203,990,060
Additional paid-in capital	25	1,099,362,509	1,099,362,509
Difference in value of restructuring transaction among entity under common control	5	(737,168,406)	(737,168,406)
Retained earnings			
Appropriated		1,000,000	-
Unappropriated		960,340,766	667,747,635
Equity attributable to parent entity		<u>2,527,524,929</u>	<u>2,233,931,798</u>
Noncontrolling interests	26	165,198,090	139,203,669
Total Equity		<u>2,692,723,019</u>	<u>2,373,135,467</u>
TOTAL LIABILITIES AND EQUITY		<u>6,620,316,028</u>	<u>5,744,711,035</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 COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2012 AND 2011 (UNAUDITED)

	Notes	2012 (Six months) Rp'000	2011 (Six months) Rp'000
Net Revenues	27	1,049,268,527	654,260,338
Cost of Revenues	28	443,602,085	331,504,071
Gross Profit		605,666,442	322,756,267
Selling expenses	29	(27,896,116)	(18,557,570)
General and administrative expenses	30	(37,393,987)	(29,040,315)
Finance costs	31	(103,714,782)	(89,757,935)
Interests income	32	18,554,989	10,406,072
Gain (loss) from foreign exchange		(24,629,862)	42,980,620
Equity in net earnings of associates		863,796	-
Others		7,063,900	197,058
Income Before Tax		438,514,380	238,984,197
Tax Expense - Net	33	(64,646,828)	(40,851,345)
NET INCOME FOR THE PERIOD		373,867,552	198,132,852
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		373,867,552	198,132,852
NET INCOME FOR THE SIX MONTHS AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		363,593,131	175,273,421
Noncontrolling interest	26	10,274,421	22,859,431
NET INCOME FOR THE SIX MONTHS AND TOTAL COMPREHENSIVE INCOME		373,867,552	198,132,852
EARNINGS PER SHARE	34		
(In Full Rupiah)			
Basic		7.55	4.37
Diluted		7.14	3.00

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 SIX MONTHS PERIOD ENDED JUNE 30, 2012 AND 2011 (UNAUDITED)

	Notes	Paid-up capital stock Rp'000	Additional paid-in capital Rp'000	Equity in subsidiary resulting from restatement of consolidated financial statements Rp'000	Difference in value of restructuring transactions between entity under common control Rp'000	Retained earning		Equity attributable to parent entity Rp'000	Non-controlling interest Rp'000	Total Equity Rp'000
						Appropriated	Unappropriated Rp'000			
Balance as of January 1, 2011		1,003,325,050	-	457,987,735	-	-	425,732,487	1,887,045,272	139,531,229	2,026,576,501
Right Issue	24,25	200,665,010	1,099,362,509	-	-	-	-	1,300,027,519	-	1,300,027,519
Common control bussiness combination	5	-	-	(457,987,735)	(737,168,406)	-	(104,843,859)	(1,300,000,000)	-	(1,300,000,000)
Dividend distributed by subsidiary to noncontrolling interest		-	-	-	-	-	-	-	(32,000,000)	(32,000,000)
Total comprehensive income for the year		-	-	-	-	-	346,859,007	346,859,007	31,672,440	378,531,447
Balance as of December 31, 2011		<u>1,203,990,060</u>	<u>1,099,362,509</u>	<u>-</u>	<u>(737,168,406)</u>	<u>-</u>	<u>667,747,635</u>	<u>2,233,931,798</u>	<u>139,203,669</u>	<u>2,373,135,467</u>
Balance as of January 1, 2011		1,003,325,050	-	457,987,735	-	-	425,732,487	1,887,045,272	139,531,229	2,026,576,501
Equity in subsidiary resulting from restatement of financial statement		-	-	(50,191)	-	-	50,191	-	-	-
Total comprehensive income for the six months period		-	-	-	-	-	175,273,421	175,273,421	22,859,431	198,132,852
Balance as of June 30, 2011		<u>1,003,325,050</u>	<u>-</u>	<u>457,937,544</u>	<u>-</u>	<u>-</u>	<u>601,056,099</u>	<u>2,062,318,693</u>	<u>162,390,660</u>	<u>2,224,709,353</u>
Balance as of January 1, 2012		1,203,990,060	1,099,362,509	-	(737,168,406)	-	667,747,635	2,233,931,798	139,203,669	2,373,135,467
Issuance of shares by subsidiary		-	-	-	-	-	-	-	15,720,000	15,720,000
General reserve		-	-	-	-	1,000,000	(1,000,000)	-	-	-
Dividend		-	-	-	-	-	(70,000,000)	(70,000,000)	-	(70,000,000)
Total comprehensive income for the six months period		-	-	-	-	-	363,593,131	363,593,131	10,274,421	373,867,552
Balance as of June 30, 2012		<u>1,203,990,060</u>	<u>1,099,362,509</u>	<u>-</u>	<u>(737,168,406)</u>	<u>1,000,000</u>	<u>960,340,766</u>	<u>2,527,524,929</u>	<u>165,198,090</u>	<u>2,692,723,019</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 SIX MONTHS PERIOD ENDED JUNE 30, 2012 AND 2011 (UNAUDITED)

	2012 (Six months) Rp'000	2011 (Six months) Rp'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	1,376,483,931	744,200,061
Cash paid to suppliers	(848,917,638)	(443,679,143)
Cash paid to employees	(28,111,120)	(31,394,725)
Cash paid to others	(25,575,271)	(114,904,672)
Cash generated from operations	473,879,902	154,221,520
Interest received	21,499,572	11,077,890
Interest and bank charges paid	(92,444,400)	(77,562,093)
Income tax paid	(57,034,355)	(40,931,003)
Net Cash Provided by Operating Activities	345,900,719	46,806,314
CASH FLOWS FROM INVESTING ACTIVITIES		
Placement in time deposits	(51,845,762)	(3,339,327)
Increase in fund for replacement of hotel's furniture, fixture and equipment	1,354,380	1,455,454
Investment in associate	-	(375,000)
Proceeds from sale of property and equipment	170,250	-
Payment in advances for purchase of land and property and equipment	(138,391,377)	(21,872,000)
Acquisition of investment properties and property and equipment	(57,062,244)	(23,097,208)
Net Cash Used in Investing Activities	(245,774,753)	(47,228,080)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of bonds payable	(400,554,421)	(69,805,079)
Payment of stock issuance cost	(2,894,300)	-
Payment of bank loan	(521,095,850)	(32,235,050)
Dividend received from associate	1,287,750	-
Payment of dividend to noncontrolling interest	-	(10,000,000)
Additional paid in capital in of subsidiary	15,720,000	-
Proceeds from bank loans	1,059,108,898	315,483,466
Net Cash Provided by Financing Activities	151,572,077	203,443,337
NET INCREASE IN CASH AND CASH EQUIVALENTS	251,698,043	203,021,571
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	621,021,073	323,059,293
Effect of foreign exchange rate changes	28,112,729	26,635,063
CASH AND CASH EQUIVALENTS AT END OF PERIOD	900,831,845	552,715,927
SUPPLEMENTAL DISCLOSURES		
Cash and cash equivalent consist of:		
Cash and cash equivalent (Note 6)	893,570,801	547,413,432
Fund for replacement of hotel's furniture, fixture and equipment (Note 7)	7,261,044	5,302,495
Total	900,831,845	552,715,927

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
JUNE 30, 2012 (UNAUDITED) AND DECEMBER 31, 2011 (AUDITED) AND FOR THE SIX MONTHS PERIOD ENDED
JUNE 30, 2012 AND 2011 (UNAUDITED)

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 has been amended several times, most recently by Notarial Deed No. 28 dated March 13, 2012 of Esther Mercia Sulaiman, SH., notary in Jakarta, in relation to the additional paid-in capital. The amendment was received and approved by Minister of Law and Human Rights of Republic of Indonesia through Letter No. AHU-AH.01.10-09074 dated March 14, 2012.

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 has not operated and will change to residential estate), which are all situated in Surabaya. The Company started commercial operations in May 1986. The Company has total number of employee of (unaudited) 1,215 as of June 30, 2012 and December 31, 2011.

The Company's management at June 30, 2012 and December 31, 2011 consisted of the following:

	June 30, 2012	December 31, 2011
President Commissioner	Alexander Tedja	Alexander Tedja
Independent Commissioners	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 Eiffel Tedja Drs. Minarto Wong Boon Siew Ivy Irene Tedja	Alexander Stefanus Ridwan Suhendra Omar Ishananto, S.H. Drs. Minarto Wong Boon Siew Ivy Irene Tedja

The Company's Audit Committee, Corporate Secretary and Internal Audit Unit consisted of the following:

	June 30, 2012	December 31, 2011
Chairman	Drs. Agus Soesanto	Drs. Agus Soesanto
Members	Drs. Antonius Susanto Lisawati S.E., Ak.	Drs. Antonius Susanto Lisawati S.E., Ak.
Corporate Secretary	Drs. Minarto	Omar Ishananto, S.H
Internal Audit Unit	FX Bosse Gozali	FX Bosse Gozali

b. Consolidated Subsidiaries

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

Subsidiaries	Domicile	Nature of Business and Status of Operations	Percentage of Ownership		Total Assets as of June 30, 2012 (before elimination) Rp'000	Commercial operating year
			June 30, 2012	December 31, 2011		
PT Artisan Wahyu (AW)	Jakarta	Property development Gandaria City	83,33%	83,33%	1,703,761,846	2010
PT Elite Prima Utama	Jakarta	Property development Kota Kasablanka	99,99%	99,99%	2,103,882,237	2011
PT. Pakuwon Sentra Wisata (PSW)	Surabaya	Dormant	99,99%	99,99%	3,833,094	*)
PT. Regency Laguna Jasamedika (RLJM)	Surabaya	Dormant	51,00%	99,99%	32,254,437	*)
Pakuwon Jati Finance, B.V. (PJBV)	The Netherlands	Financial services	100,00%	100,00%	17,528,532	2006

At the end of June 2012, RLJM, subsidiaries issued portfolio of shares and purchased by PT Pakuwon Darma hence percentage of ownership of the Company declined to 51%.

*) The Company has not been operated

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 with preemptive right 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 Rights Issue II with pre-emptive rights to stockholder totaling 105,000,000 shares. 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 pre-emptive rights 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 (which in the beginning of 2008 has been reclassified into retained earning in accordance with the application of PSAK 16 (revision 2007) property, plant and equipment).

On November 30, 2011, the company obtained Notice of Effectivity from Bapepam-LK in his letter No. S-12964/BL/2011 for its Rights Issue III with preemptive rights to stockholders totaling 2,006,650,100 shares.

In April 2012, the Company completed a stock split (Note 24).

On June 30, 2012, all of the Company's shares totaling 48,159,602,400 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 on 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 on the Singapore Stock Exchange, with Bank of New York London Branch as Trustee.

In 2009, 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 22).

2. ADOPTION OF NEW AND REVISED STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS (PSAK) AND INTERPRETATION OF FINANCIAL ACCOUNTING STANDARDS (ISAK)

a. Standards effective in the current period

In the current period, the Company and its subsidiaries have adopted all the new and revised standards and interpretations issued by the Financial Accounting Standards Board of the Indonesian Accountant Institute that are relevant to their operations and effective for accounting period beginning on January 1, 2011. The adoption of these new and revised Standards and Interpretations has resulted in changes to the accounting policies in the following areas that have affected the consolidated financial statement presentation and disclosures for the current and prior periods.

PSAK 1 (revised 2009), Presentation of Financial Statements

This revised standard has introduced changes in the format and content of the consolidated financial statements, including revised titles of the consolidated financial statements.

As a result of adopting this revised standard, the Company and its subsidiaries present all owner changes in equity in the consolidated statements of changes in equity. All non-owner changes in equity are presented in the consolidated statements of comprehensive income. Comparative information has been re-presented to conform with the standard.

In addition, the revised standard has required the presentation of a third statement of financial position as of January 1, 2010 because of the change in classification of noncontrolling interest (previously known as minority interest) to become part of equity.

Additional disclosures were also made with respect to capital management, critical judgment in applying accounting policies, and key sources of estimation uncertainty.

PSAK 7 (revised 2010), Related Party Disclosures

This standard has expanded the definition of related party and disclosures of transaction and balance including any commitments between them. The standard also requires disclosure of the relationship between a parent and its subsidiaries, irrespective of whether there have been transactions between them. Further, disclosure of compensation in total and for each category of compensation given to all key management personnel is also required.

The Company and its subsidiaries had evaluated the relationships between related parties and disclosed them according to this revised standard.

The following new and revised standards and interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions or arrangements:

- 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 8 (revised 2010), Events after the Reporting Period
- PSAK 12 (revised 2009), Interests in Joint Ventures
- PSAK 15 (revised 2009), Investments in Associates
- PSAK 19 (revised 2010), Intangible Assets
- PSAK 22 (revised 2010), Business Combination
- 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, Distributions of Non-cash Assets to Owners
- ISAK 12, Jointly Controlled Entities – Nonmonetary Contributions by Venturers
- ISAK 14, Intangible Assets – Web Site Costs
- ISAK 17, Interim Financial Reporting and Impairment

Effective for Periods Beginning on or after January 1, 2012

- PSAK 10 (revised 2010), The Effects of Changes in Foreign Exchange Rates
- PSAK 13 (revised 2011), Property Investment
- PSAK 16 (revised 2011), Property, Plant and Equipment
- PSAK 18 (revised 2010), Accounting and Reporting by Retirement Benefit Plans
- PSAK 24 (revised 2010), Employee Benefits
- PSAK 26 (revised 2011), Borrowing Costs
- PSAK 28 (revised 2011), Accounting for Casualty Insurance Contract
- PSAK 30 (revised 2011), Lease
- PSAK 33 (revised 2011), Stripping Cost Activity and Environmental Management in the Public Mining
- PSAK 34 (revised 2010), Construction Contracts
- PSAK 36 (revised 2011), Accounting for Life Insurance Contract
- PSAK 45 (revised 2011), Financial Reporting for Non-Profit Organization

PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 (UNAUDITED) AND DECEMBER 31, 2011 (AUDITED) AND FOR THE SIX MONTHS PERIOD ENDED
JUNE 30, 2012 AND 2011 (UNAUDITED) (Continued)

- PSAK 46 (revised 2010), Income Taxes
- PSAK 50 (revised 2010), Financial Instruments: Presentation
- PSAK 53 (revised 2010), Share-based Payments
- PSAK 55 (revised 2011), Financial Instrument: Recognition and Measurement
- PSAK 56 (revised 2011), Earnings per Share
- PSAK 60, Financial Instruments: Disclosures
- PSAK 61, Accounting for Government Grants and Disclosure of Government Assistance
- PSAK 62, Insurance Contract
- PSAK 63, Financial Reporting in Hyperinflationary Economies
- PSAK 64, Exploration for and Evaluation of Mineral Resources
- ISAK 13, Hedges of Net Investments in Foreign Operations
- ISAK 15, PSAK 24 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- ISAK 16, Service Concession Arrangements
- ISAK 18, Government Assistance – No Specific Relation to Operating Activities
- ISAK 19, Applying the Restatement Approach under PSAK 63: Financial Reporting in Hyperinflationary Economies
- ISAK 20, Income Taxes – Change in Tax Status of an Entity or its Shareholders
- ISAK 22, Service Concession Arrangements: Disclosures
- ISAK 23, Operating Leases – Incentives
- ISAK 24, Evaluating the Substance of Transactions involving the Legal Form of a Lease
- ISAK 25, Land Rights
- ISAK 26, Reassessment of Embedded Derivatives

b. Standards and Interpretations in issued, but not yet adopted

Effective for periods beginning on or after January 1, 2013 is ISAK 21, Agreements for the Constructions of Real Estate and PSAK 38 (revised 2012), Business Combination Under Common Control

As of the issuance date of the financial statements, management is evaluating the effect of these standards and interpretations on the consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

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

b. Consolidated Financial Statement Presentation

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.

c. Principles of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the effective date of acquisition and 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.

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Non-controlling interests in subsidiaries are identified separately and presented within equity. Effective January 1, 2011, the interest of noncontrolling shareholders may be initially measured either at fair value or at the noncontrolling interests' proportionate share of the fair value of the acquiree's identifiable net asset. The choice of measurement is made on acquisition by acquisition basis. Subsequent to acquisition, the carrying amount of noncontrolling interests is the amount of those interests at initial recognition plus noncontrolling interests' share of subsequent changes in equity. Total comprehensive income is attributed to noncontrolling interests even if this results in the non-controlling interests having a deficit balance.

Previously, the noncontrolling interest is measured on initial recognition at the noncontrolling interests' proportionate share in the historical cost of the identifiable net assets of the acquiree. Where the losses applicable to the noncontrolling interests exceed their interest in the equity of the subsidiary, the excess and any further losses attributable to the noncontrolling interest are charged against the majority interest except to the extent that the noncontrolling interest has a binding obligation to, and is able to, make good the losses.

Changes in the Company and its subsidiaries interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Company and its subsidiaries interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

d. Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of the business combination is the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss. For prior year business combination, any cost directly attributable to the business combination is considered as part of the cost of business combination.

Where applicable, the consideration for the acquisition includes any assets or liabilities resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant accounting standards. Changes in the fair value of contingent consideration classified as equity are not recognized.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under PSAK 22 (revised 2010), Business Combination, are recognized at fair value, except for certain assets and liabilities that are measured using the relevant standards. For prior year business combination where the Company acquired less than all the shares of the subsidiary, the minority's proportion of those assets and liabilities is stated at their pre-acquisition carrying amounts.

If the initial accounting for business combination is incomplete by the end of the reporting period in which the combination occurs, the Company and its subsidiaries report provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amount recognized as of that date.

The measurement period is the period from date of acquisition to the date the Company obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

Acquisition relating to restructuring transaction among entities under common control is accounted for in the same way as the pooling of interest method.

e. 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.

f. Transactions With Related Parties

Since January, 2011, the definition of related parties is as follow:

A related party is a person or entity that is related to the reporting entity.

- a. A person or a close member of that person's family is related to a reporting entity if that person:
 - 1) has control or joint control over the Company and its subsidiaries;
 - 2) has significant influence over the Company and its subsidiaries; or
 - 3) is a member of the key management personnel of the Company and its subsidiaries or of a parent of the Company and its subsidiaries.
- b. An entity is related to the Company and its subsidiaries if any of the following conditions applies:
 - 1) The entity, the Company and its subsidiaries are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - 2) The Company and its subsidiaries are associates or joint venture of the other entity or vice versa (or an associate or joint venture of a member of a group of which the Company and its subsidiaries and the other entity is a member).
 - 3) The Company and its subsidiaries and the entity are joint ventures of the same third party.
 - 4) The Company and its subsidiaries are joint ventures of a third entity and the other entity is an associate of the third entity or vice versa.
 - 5) The entity is a post-employment defined benefit plan for the benefit of employees of either the Company and its subsidiaries or an entity related to the Company and its subsidiaries. If the Company and its subsidiaries is itself such a plan, the sponsoring entity is also related to the Company and its subsidiaries.
 - 6) The entity is controlled or jointly controlled by a person identified in a).
 - 7) A person identified in a) 1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Before January 1, 2011, definition of related parties is as follows:

Related parties consist of the following:

- 1) companies that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company (including holding companies, subsidiaries and fellow subsidiaries);
- 2) associated companies;
- 3) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company, and close members of the family of any such individuals (close members of the family are those who can influence or can be influenced by such individuals in their transactions with the Company);
- 4) key management personnel who have the authority and responsibility for planning, directing and controlling the Company's activities, including commissioners, directors and managers of the Company and close members of their families; and
- 5) companies in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (3) or (4) or over which such a person is able to exercise significant influence. This includes companies owned by commissioners, directors or major stockholders of the Company and companies which have a common key member of management as the Company.

All transactions with related parties, whether or not made at similar terms and conditions as those done with third parties, are disclosed in the interim consolidated financial statements.

g. 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 whose 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

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired when 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 affected

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 profit or loss.

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 the Company and subsidiaries transfer 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 continue to control the transferred asset, the Company and their subsidiaries recognise their retained interest in the asset and an associated liability for amounts they 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 recognise a collateralised borrowing for the proceeds received.

h. 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.

i. Netting of Financial Assets and Financial Liabilities

The Company and its subsidiaries only offset financial assets and liabilities and present the net amount in the statement of financial position where they:

- currently have a legal enforceable right to set off the recognized amount; and
- intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

j. 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.

k. Investment in Associates

An associate is an entity over which the Company and its subsidiaries is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The results of operations and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case, it is accounted for in accordance with PSAK 58 (Revised 2009), Non-current Assets Held for Sale and Discontinued Operations. Investments in associates are carried in the consolidated statements of financial position at cost as adjusted by post-acquisition changes in the Company and its subsidiaries' share of the net assets of the associate, less any impairment in the value of the individual investments. Losses of the associates in excess of the Company and its subsidiaries' interest in those associates (which includes any long-term interests that, in substance, form part of the Company and its subsidiaries' net investment in the associate) are recognized only to the extent that the Company and its subsidiaries have incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Company and its subsidiaries' share of the net fair value of identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition, is recognized as goodwill. Goodwill is included within the carrying amount of the investment. Before January 1, 2011, the goodwill is amortized using the straight-line method. Effective January 1, 2011, is no longer amortized but assessed for impairment as part of that investment. Any excess of the Company and its subsidiaries' share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, are recognised immediately in profit or loss

When the Company and its subsidiaries transact with an associate, profits and losses are eliminated to the extent of their interest in the relevant associate.

l. 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.

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

m. 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.

n. Prepaid Expenses

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

o. 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.

p. 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:

	<u>Years</u>
Buildings and facilities	5 - 30
Machinery and equipment	5 - 20

Land is stated at cost and is not depreciated.

q. Property and Equipment – Direct Acquisitions

With the implementation of PSAK 16 (Revisi 2007) Fixed Asset, the Company and subsidiaries was allowed to choose between cost method and revaluation as accounting policies and implemented consistently to all fixed asset in the same category. The Company and subsidiaries using cost method as their accounting policies.

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.

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.

r. Impairment of an Asset

At reporting dates, the Company and its subsidiaries review the carrying amount of nonfinancial 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.

s. 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.

t. 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

u. 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.

v. Unearned Income

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

w. 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 operations.

x. Revenue and Expense Recognition

Space Rental Revenue and Service Charges

Revenue from space rental is recognized in accordance with the policy described in Note 3t, 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 will be carried out by the buyer without involving the seller, are recognized in full 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

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- 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.

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).

y. 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 comprehensive income is recognized as prepaid tax or tax payable.

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 assets and liabilities are measured at the tax rates that are expected to apply to the period in which the liability is settled or the asset realized, based on the tax rates (and tax laws) that have been enacted, or substantively enacted, by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the consequences that would follow from the manner in which the Company and its subsidiaries expect, at the end of the reporting period, to recover or settle the carrying amount of their assets and liabilities.

The carrying amount of deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company and its subsidiaries intend to settle their current tax assets and current tax liabilities on a net basis.

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside of profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside of profit or loss.

z. Earnings per Share

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

Diluted earnings per share is computed by dividing net income attributable to owners of the Company 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.

aa. Segment Information

Segment information is prepared using the accounting policies adopted for preparing and presenting the consolidated financial statements..

Effective January 1, 2011, PSAK 5 (Revised 2009) requires operating segments to be identified on the basis of internal reports about components of the Company and its subsidiaries that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor standard required the Company and its subsidiaries to identify two sets of segments (business and geographical), using a risks and returns approach.

An operating segment is a component of an entity:

- a) that engages in business activities which it may earn revenue and incur expenses (including revenue and expenses relating to the transaction with other components of the same entity);
- b) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decision about resouces to be allocated to the segments and ases its performance; and
- c) for which discrete financial information is available.

The accounting policies used in preparing segment information are the same as those used in preparing the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND 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 those estimates.

Critical judgments in applying the Company and its subsidiaries' accounting policies

In the process of applying the accounting policies described in Note 3, management has not made any critical judgment that has significant impact on the amounts recognized in the consolidated financial statements, apart from those involving estimates, which are dealt with below.

Key sources of estimation uncertainty

The key assumptions concerning future, and other key sources of estimation at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are explained below:

The estimated economic useful life of Investment Properties and Property and Equipment

The useful life of each of the item of the Company and its subsidiaries' investment properties and property and equipment are estimated based on the period over which the asset is expected to be used. Such estimation is based on internal technical evaluation and the Company and subsidiaries experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however,

that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above.

The carrying amount of investment properties and property plant and equipment are disclosed in Notes 12 and 13.

Employee Benefits

The determination of provision for post-employment benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rate and rate of salary increase. Actual results that differ from the Company and its subsidiaries' assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded provision in future periods. While it is believed that the Company and its subsidiaries' assumptions are reasonable and appropriate, significant differences in actual results or significant changes in assumptions may materially affect the Company and its subsidiaries' provision for post-employment benefit.

The carrying amount of post employment benefit obligations and the actuarial assumption are disclosed in Note 35.

5. ACQUISITION OF A SUBSIDIARY

In December 2011, The Company acquired 99.99% ownership in EPH with an acquisition cost of Rp 1,300,000,000 thousand from PT Pakuwon Permai (PP), a related party and an entity under common control.

This action has been approved by the stockholder based on the Extraordinary General Meeting of stockholder dated December 1, 2011, as stated in notarial deed No. 4, from Esther Mercia Sulaiman, S.H., notary in Jakarta.

The acquisition constituted restructuring transaction among entities under common control and are accounted for using the pooling of interest method. The consolidated financial statements for the year ended December 31, 2010 and January 1, 2010 have been combined or restated as if EPH were acquired since January 1, 2010. For presentation purposes, the equity in the subsidiary for the year ended December 31, 2010 and January 1, 2010 was presented in the consolidated balance sheet as "Equity in subsidiaries resulting from restatement of financial positions".

The book value of EPH's net assets on acquisition date amounted to Rp 562,831,593 thousand. The difference of Rp 737,168,406 thousand between the book value of the acquired net assets and the acquisition cost is recorded in equity as difference in value of restructuring transaction among entities under common control.

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6. CASH AND CASH EQUIVALENTS

	June 30, 2012 <u>Rp'000</u>	December 31, 2011 <u>Rp'000</u>
Cash on hand	1,286,163	851,417
Cash in banks		
Rupiah		
Bank Mandiri	57,719,437	30,055,921
Bank CIMB Niaga	25,399,930	29,118,694
Bank Central Asia	9,360,064	6,329,512
Bank Danamon Indonesia	5,689,916	1,475,142
Others (below Rp 2,700,000 thousand each)	12,044,805	25,498,027
U.S. Dollar		
Bank CIMB Niaga	5,257,652	718,369
Bank ICBC	4,610,583	2,787,213
Bank UOB Buana	23,616	2,151,099
Others (below Rp 1,600,000 thousand each)	2,854,624	3,575,489
Euro		
ING Asia Private Bank Limited	363,706	30,241
Time deposits		
Rupiah		
Bank ICBC	205,542,288	26,573,473
Bank Bukopin	158,771,796	129,509,540
Bank Internasional Indonesia	86,869,538	44,907,798
Bank UOB Buana	68,103,356	28,053,925
Bank Mega	41,793,007	62,131,526
Bank Muamalat	37,800,000	-
Bank CIMB Niaga	30,657,165	20,327,771
Bank BTPN	29,754,591	-
Bank Danamon Indonesia	22,024,590	8,663,878
Bank Permata	21,103,005	57,125,000
Ban Pan Indonesia	13,400,000	-
Bank Sinar Mas	10,834,273	25,907,387
Bank Mandiri	5,800,000	58,262,862
Bank Bank Jawa Barat	2,100,000	-
U.S. Dollar		
Bank ICBC	35,028,391	18,837,607
Bank Internasional Indonesia	6,167,591	10,186,830
Bank Mega	-	32,654,340
Others (below Rp 1,500,000 thousand each)	471,758	1,194,678
Total cash and cash equivalents	<u>900,831,845</u>	<u>626,927,737</u>
Fund for replacement of hotel's furniture, fixtures and equipment	<u>(7,261,044)</u>	<u>(5,906,664)</u>
Net	<u><u>893,570,801</u></u>	<u><u>621,021,073</u></u>
Interest rates per annum on time deposits		
Rupiah	5.50% - 7.25%	3.25% - 8.50%
U.S. Dollar	1.75% - 3.00%	0.10% - 3.10%

All bank balances and time deposits are placed with third parties and not used as collateral.

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7. OTHER FINANCIAL ASSETS

	June 30, 2012 Rp'000	December 31, 2011 Rp'000
Restricted time Deposit		
Rupiah		
Bank Permata	64,568,114	29,719,372
Bank Mandiri	51,922,724	31,653,745
Bank Internasional Indonesia	28,640,701	17,984,210
Bank Rakyat Indonesia	4,350,154	4,569,878
Bank Central Asia	2,669,745	-
Bank CIMB Niaga	2,601,930	-
Bank Standard Chartered	2,116,026	-
Bank Danamon Indonesia	1,384,862	921,895
Bank Tabungan Negara	426,157	426,157
Bank Negara Indonesia	257,220	257,218
U.S. Dollar		
Bank Mandiri	346,691	211,092
Bank Danamon Indonesia	-	21,795
Total restricted time deposit	<u>159,284,324</u>	<u>85,765,362</u>
Fund replacement of hotel's furnitures, fixtures and equipment (Note 6)	<u>7,261,044</u>	<u>5,906,664</u>
Total	166,545,368	91,672,026
Less: current portions	<u>96,274,829</u>	<u>69,688,800</u>
Other noncurrent financial asset	<u><u>70,270,539</u></u>	<u><u>21,983,226</u></u>
Interest rate per annum		
Rupiah	4,25%-5,00%	3,56%-7,25%
U.S. Dollar	0,25%	0,25%-0,50%

On June 30, 2012 and December 31, 2011, time deposit with Bank Mandiri amounting to Rp 125,525 thousand in Rupiah account and all funds in U.S. Dollar account are used as collateral for payables to *Perusahaan Gas Negara* (Note 38g). Deposits placed in Bank Danamon Indonesia U.S. Dollar account are used as collateral for the Company's letter of credit facility (Note 38f).

All restricted time deposits, except those explained above, represent the Company and subsidiaries funds in connection with the drawdown of consumers' credit facility (Note 38c).

Noncurrent restricted time deposits are credit facility for consumers related with the Company's projects, which are TP V and Edu City, both in development stages.

All balance in restricted time deposit are placed in third parties.

8. TRADE ACCOUNTS RECEIVABLE FROM THIRD PARTIES

	June 30, 2012 <u>Rp'000</u>	December 31, 2011 <u>Rp'000</u>
a. By Business Segment :		
Sale of land and buildings	69,893,890	69,577,747
Space rental and others	35,188,321	31,995,162
Hotel	<u>10,916,337</u>	<u>7,357,444</u>
Total	115,998,548	108,930,353
Allowance for doubtful accounts	<u>(135,354)</u>	<u>(4,320)</u>
Net	<u><u>115,863,194</u></u>	<u><u>108,926,033</u></u>
b. By Age Category :		
Not yet due	99,307,638	89,781,720
Past due:		
1 - 30 days	9,540,792	10,784,815
31 - 60 days	2,399,503	2,712,761
61 - 90 days	1,229,141	2,803,590
More than 90 days	<u>3,521,474</u>	<u>2,847,467</u>
Total	115,998,548	108,930,353
Allowance for doubtful accounts	<u>(135,354)</u>	<u>(4,320)</u>
Net	<u><u>115,863,194</u></u>	<u><u>108,926,033</u></u>
Changes in the allowance for doubtful accounts:		
Beginning balance	41,982	41,982
Reversal of allowance	<u>93,372</u>	<u>(37,662)</u>
Ending balance	<u><u>135,354</u></u>	<u><u>4,320</u></u>

All trade accounts receivable are denominated in Rupiah currency.

Based on the review of receivable, management believes that the allowance for doubtful accounts is adequate because there were no significant changes to the credit quality of the receivables.

Trade accounts receivable of the hotel in 2011, were used as collateral for Series C Bonds (Note 22).

In June 30, 2012 and December 31, 2011, all trade accounts receivable from sale of housing units in Pakuwon City Surabaya, amounting to Rp 2,981,118 thousand and Rp 53,093 thousand, respectively, were used as collateral for bank loan from Bank ICBC Indonesia (Note 21).

In June 30, 2012 and December 31, 2011, trade accounts receivable from sale of office and apartment in Kota Kasablanka, Jakarta amounting to Rp 50,013,196 thousand and Rp 25,441,343 thousand respectively, are used as collateral for Bank Mandiri (Note 21).

9. PREPAID TAXES

	June 30, 2012 <u>Rp'000</u>	December 31, 2011 <u>Rp'000</u>
The Company:		
Final income tax	48,125,669	34,393,123
Income tax 28a	92,748	36,024
The subsidiaries:		
Final income tax	30,569,166	26,137,631
Value added tax - net	<u>16,711,422</u>	<u>18,898,160</u>
Total	<u><u>95,499,005</u></u>	<u><u>79,464,938</u></u>

10. ADVANCE FOR PURCHASE OF LAND AND PROPERTY AND EQUIPMENT

	June 30, 2012	December 31, 2011
	Rp'000	Rp'000
Advance for purchase of land	138,391,377	14,541,258
Advance for purchase of property and equipment	-	9,392,381
Total	138,391,377	23,933,639

11. REAL ESTATE ASSETS

a. Real Estate Inventories

	June 30, 2012	December 31, 2011
	Rp'000	Rp'000
Land lot already developed:		
Laguna Indah	17,247,397	17,286,440
Virginia Regency	14,548,337	14,546,325
Laguna Regency	1,846,855	1,846,855
Royal Villa	1,651,968	1,582,749
Westwood Villa	1,052,433	1,052,433
Riviera Villa	970,288	962,504
Taman Mutiara	893,720	893,812
Land and buildings ready for sale:		
Pakuwon Town Square	12,920,024	17,187,331
Model units	2,433,363	2,433,363
Taman Permata	136,245	132,073
Total	53,700,630	57,923,885
Condominium unit:		
Regency Condominium	3,584,188	4,107,621
Land and buildings under development:		
Kota Kasablanka - Jakarta	754,414,526	452,375,118
Palm Beach	164,838,495	186,176,727
Pakuwon Town Square	33,189,773	32,702,175
Superblock Gandaria City - Jakarta	24,685,629	55,787,508
Central Business District (CBD)	15,902,798	19,837,123
Others	41,077,030	10,515,952
Total	1,034,108,251	757,394,603
Total	1,091,393,069	819,426,109

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

Borrowing cost capitalized for six months period ended June 30, 2012 and for the year ended December 31, 2011 amounted to Rp 44,803,512 thousand and Rp 25,325,192 thousand, respectively.

As of June 30, 2012 and December 31, 2011, land with HGB No. 938 and 1772 are used as collateral for the loan with Bank Mandiri (Note 21).

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As of June 30, 2012 and December 31, 2011, land with HGB No. 961 is used as collateral for the loan with Bank ICBC (Note 21).

Land and buildings (Superblock Gandaria City and Kota Kasablanka) and construction in progress was insured together with property and equipment (Note 13).

Based on the review of the real estate assets at the end of the year, management believes that there was no indication of decrease in the value of real estate assets.

b. Land Not Yet Developed

	June 30, 2012 <u>Rp'000</u>	December 31, 2011 <u>Rp'000</u>
Location:		
East Surabaya	141,890,897	142,095,574
West Surabaya	130,959,466	127,763,826
Embong Malang, Central Surabaya	<u>4,975,535</u>	<u>4,975,535</u>
Total	<u><u>277,825,898</u></u>	<u><u>274,834,935</u></u>

The total land not yet developed measures 2,823,296 square meters and 2,771,586 square meters as of June 30, 2012 and December 31, 2011, respectively.

12. INVESTMENT PROPERTIES

	Januari 1, 2012 <u>Rp'000</u>	Additions <u>Rp'000</u>	Deductions <u>Rp'000</u>	Reclassifications <u>Rp'000</u>	June 30, 2012 <u>Rp'000</u>
Cost:					
Land	561,115,683	-	-	-	561,115,683
Buildings and facilities	1,651,626,216	6,440,532	-	-	1,658,066,748
Machinery and equipment	166,107,618	853,052	-	-	166,960,670
Construction in progress	-	-	-	679,672,562	679,672,562
Buildings and facilities	-	-	-	679,672,562	679,672,562
Total	<u>2,378,849,517</u>	<u>7,293,584</u>	<u>-</u>	<u>679,672,562</u>	<u>3,065,815,663</u>
Accumulated depreciation:					
Buildings and facilities	255,880,787	39,385,732	-	-	295,266,519
Machinery and equipment	<u>90,512,747</u>	<u>4,648,254</u>	<u>-</u>	<u>-</u>	<u>95,161,001</u>
Total	<u>346,393,534</u>	<u>44,033,986</u>	<u>-</u>	<u>-</u>	<u>390,427,520</u>
Net Book Value	<u><u>2,032,455,983</u></u>				<u><u>2,675,388,143</u></u>

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	Januari 1, 2011	Additions	Deductions	Reclassifications	December 31, 2011
	Rp'000	Rp'000	Rp'000	Rp'000	Rp'000
Cost:					
Land	555,415,626	-	-	5,700,057	561,115,683
Buildings and facilities	1,543,605,898	44,560,740	-	63,459,578	1,651,626,216
Machinery and equipment	157,258,776	8,848,842	-	-	166,107,618
Total	<u>2,256,280,300</u>	<u>53,409,582</u>	<u>-</u>	<u>69,159,635</u>	<u>2,378,849,517</u>
Accumulated depreciation:					
Buildings and facilities	178,583,129	77,297,658	-	-	255,880,787
Machinery and equipment	81,457,048	9,055,699	-	-	90,512,747
Total	<u>260,040,177</u>	<u>86,353,357</u>	<u>-</u>	<u>-</u>	<u>346,393,534</u>
Net Book Value	<u>1,996,240,123</u>				<u>2,032,455,983</u>

Depreciation expense amounted to Rp 44,033,986 thousand, and Rp 42.693.297 thousand for the six months period ended June 30, 2012 and June 30, 2011, respectively, and Rp 86,353,357 thousand in year 2011, which was recorded in direct cost-building expense (Note 28).

The investment property represents the land, buildings and machines of Tunjungan Plaza I (Plaza East), Tunjungan Plaza III (Plaza Central), Tunjungan Plaza IV (Plaza West), Eastcoast Center, Gandaria City Mall and construction in progress of Kota Kasablanka Mall.

The fair value of the investment properties as of June 30, 2012 and December 31, 2011 (excluded construction in progress of Kota Kasablanka Mall) amounted to Rp 6,843,030,000 thousand and Rp 6.568.580.000 thousand respectively. The valuation was determined by management based on income approach method.

Rental and service charges revenue from investment property in June 30, 2012, June 30, 2011 and December 31, 2011 amounted to Rp 257,360,036 thousand, Rp 219,367,526 thousand and Rp 442,678,045 thousand, respectively.

As of June 30, 2012 and December 31, 2011, the investment properties were insured along with property and equipment (Note 13).

As of June 30, 2012 and December 31, 2011, the land, building and insurance claim over Tunjungan Plaza I (Plaza East) and Tunjungan Plaza III (Plaza Central) are used as collateral for the loan with bank CIMB Niaga (Note 21).

As of December 31, 2011 land with HGB Nos. 828 and 1190 are used as collateral for the loan with Bank Mega (Note 21).

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13. PROPERTY AND EQUIPMENT

	January 1, 2012	Additions	Deductions	Reclassifications	June 30, 2012
	Rp'000	Rp'000	Rp'000	Rp'000	Rp'000
Cost:					
Land	486,065,111	2,590,823	-	-	488,655,934
Buildings and facilities	511,859,106	-	-	-	511,859,106
Machinery and equipment	28,936,372	-	-	-	28,936,372
Motor vehicles	19,130,188	3,615,245	652,600	-	22,092,833
Office equipment	50,796,053	5,781,958	-	-	56,578,011
Interior design	39,369,329	29,642	-	-	39,398,971
Construction in progress					-
Buildings and facilities	824,265,751	44,716,090	12,561,943	(679,672,562)	176,747,336
Total	1,960,421,910	56,733,758	13,214,543	(679,672,562)	1,324,268,563
Accumulated depreciation:					
Buildings and facilities	206,701,433	8,058,329	-	-	214,759,762
Machinery and equipment	23,291,300	732,401	-	-	24,023,701
Motor vehicles	13,877,578	1,259,794	652,600	-	14,484,772
Office equipment	37,708,995	2,689,723	-	-	40,398,718
Interior design	19,550,541	1,469,412	-	-	21,019,953
Total	301,129,847	14,209,659	652,600	-	314,686,906
Net Book Value	1,659,292,063				1,009,581,657

	January 1, 2011	Additions	Deductions	Reclassifications	December 31, 2011
	Rp'000	Rp'000	Rp'000	Rp'000	Rp'000
Cost:					
Land	488,556,300	2,207,818	-	(4,699,007)	486,065,111
Buildings and facilities	465,303,775	1,219,328	-	45,336,003	511,859,106
Machinery and equipment	28,867,802	100,545	31,975	-	28,936,372
Motor vehicles	16,579,294	2,991,557	440,663	-	19,130,188
Office equipment	45,261,810	5,716,064	181,821	-	50,796,053
Interior design	34,956,660	-	-	4,412,669	39,369,329
Construction in progress					-
Buildings and facilities	646,498,259	58,080,107	-	119,687,385	824,265,751
Total	1,726,023,900	70,315,419	654,459	164,737,050	1,960,421,910
Accumulated depreciation:					
Buildings and facilities	190,653,097	16,048,336	-	-	206,701,433
Machinery and equipment	21,869,790	1,446,499	24,989	-	23,291,300
Motor vehicles	12,463,792	1,854,449	440,663	-	13,877,578
Office equipment	33,020,932	4,811,453	123,390	-	37,708,995
Interior design	16,683,413	2,867,128	-	-	19,550,541
Total	274,691,024	27,027,865	589,042	-	301,129,847
Net Book Value	1,451,332,876				1,659,292,063

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Depreciation expense was allocated to the following:

	June 30, 2012 Rp'000	June 30, 2011 Rp'000	December 31, 2011 Rp'000
Direct costs - building expense (Note 28)	1,667,877	1,834,169	3,783,295
Hotel operating expense (Note 28)	9,672,584	9,440,023	19,259,697
General and administrative expense (Note 30)	<u>2,869,197</u>	<u>1,386,368</u>	<u>3,984,873</u>
Total	<u>14,209,659</u>	<u>12,660,560</u>	<u>27,027,865</u>

Construction in progress consists of projects located in Jakarta, which include hotel building located in Superblock Gandaria City owned by AW which is estimated to be completed in 2013 and mall building located in Kota Kasablanka owned by EPH, which is estimated to be completed in 2012. Subsidiary's management believes there is no hindrance to complete the construction.

Borrowing cost capitalized in 2011 amounted to Rp 36,747,905 thousand.

The Company, AW and EPH own several parcels of land located in Kelurahan Kaliasin and Kedungdoro, Surabaya and also in Gandaria and in Jalan Casablanca, 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 2037. 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 (Note 22).

On June 30, 2012 and December 31, 2011, investment properties, property and equipment and property and equipment under build, operate and transfer (BOT) scheme, except land, were insured to third parties 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 insured for property all risk to PT Asuransi Rama Satria Wibawa for US\$ 91,400,000 and Rp 139,000,000 thousand as of June 30, 2012 and December 31, 2011. Sheraton Surabaya Hotel & Towers was insured for property-all-risk to PT Asuransi Rama Satria Wibawa for US\$ 35,000,000 as of June 30, 2012 and December 31, 2011. Property and equipment including property and equipment under BOT and investment properties were also insured against the risk of terrorism and sabotage to PT Asuransi Himalaya Pelindung as of June 30, 2012 and December 31, 2011 for US\$ 185,400,000 and US\$ 176,000,000, respectively.
- 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 insured for Public Liability Insurance with PT Asuransi AXA Indonesia for US\$ 2,250,000 as of June 30, 2012 and December 31, 2011. Sheraton Surabaya Hotel & Towers was covered by Public Liability Insurance with PT Asuransi QBE Pool Indonesia for US\$ 10,000,000 as of June 30, 2012 and December 31, 2011, respectively.
- PT Artisan Wahyu has insured the investment properties and real estate assets with Property All Risks insurance to PT Zurich Insurance Indonesia for US\$ 178,000,000 as of June 30, 2012 and to PT Asuransi AXA Indonesia for US\$ 178,000,000 and Rp 13,000,000 thousand as of December 31, 2011. PT Artisan Wahyu was covered for Public Liability Insurance to PT Asuransi AXA Indonesia and PT Zurich Insurance Indonesia for a sum of US\$ 5,000,000, respectively as of June 30 2012 and December 31, 2011. Investment properties and real estate assets are also insured for risks arising from terrorism and sabotage the PT Himalaya Protective Insurance on June 30, 2012 and December 31, 2011 amounted to US\$ 228.000.000 thousand and US\$ 217.000.000 thousand
- PT Elite Prima Utama has insured its construction in progress assets with Contractor's All Risks insurance to PT Asuransi Allianz Utama Indonesia, PT Asuransi Adira Dinamika and PT MAA General Assurance for a sum of Rp 1,778,000,000 thousand as of June 30 2012 and December 31, 2011
- Some of the vehicles were insured to PT Asuransi Allianz Utama Indonesia, PT Zurich Insurance Indonesia, PT Chartis Insurance Indonesia, PT Asuransi Mitsui Sumitomo and PT Asuransi Sinar Mas for a sum of Rp 13.199.900 thousand as of June 30, 2012 and December 31, 2011.

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

Based on the review of the property and equipment at the end of the year, management believes that there was no indication of decrease in the value of property and equipment.

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

	January 1, 2012 Rp'000	Additions Rp'000	Deduction Rp'000	June 30, 2012 Rp'000
Cost:				
Buildings	46,927,905	-	-	46,927,905
Machinery and equipment	11,734,753	-	-	11,734,753
Total	58,662,658	-	-	58,662,658
Accumulated amortization:				
Buildings	45,339,154	1,588,751	-	46,927,905
Machinery and equipment	11,734,751	2	-	11,734,753
Total	57,073,905	1,588,753	-	58,662,658
Net Book Value	1,588,753			-

	January 1, 2011 Rp'000	Additions Rp'000	Deduction Rp'000	December 31, 2011 Rp'000
Cost:				
Buildings	46,927,905	-	-	46,927,905
Machinery and equipment	11,734,753	-	-	11,734,753
Total	58,662,658	-	-	58,662,658
Accumulated amortization:				
Buildings	44,358,534	980,620	-	45,339,154
Machinery and equipment	11,290,959	443,792	-	11,734,751
Total	55,649,493	1,424,412	-	57,073,905
Net Book Value	3,013,165			1,588,753

Amortization expense amounting to Rp 1,558,753 thousand and Rp 783.681 thousand for the six months period ended June 30, 2012 and June 30, 2011 respectively and Rp 1,424,412 thousand in year 2011 was recorded under direct costs-building expenses (Note 28).

As of June 30, 2012 and December 31, 2011, the property and equipment under BOT scheme were insured along with property and equipment (Note 13).

15. BANK LOAN

	June 30, 2012 Rp'000	December 31, 2011 Rp'000
Bank ICBC Indonesia		
EPH	135,000,000	104,500,000
AW	-	27,204,000
Total	135,000,000	131,704,000

EPH

In October 2010, EPH obtained fixed loan credit facility from PT Bank ICBC Indonesia with maximum facility Rp 100,000,000 thousand and due in 12 months with interest rate 7.65% per annum and will be adjusted according to the prevailing market rate set by the bank. The facility was extended until May 24, 2013.

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In December 2009, EPH obtained additional credit facility in the form of Fixed Loan On Demand Basis with maximum of Rp 30,000,000 thousand, excluding interest, penalty and other fee. This facility has a term of 12 months and bears 7.65% interest per annum which will be adjusted according to the prevailing market rate set by the bank. The facility was extended until May 24, 2013.

On March 28, 2011, EPH obtained fixed loan credit facility with maximum facility Rp 100,000,000 thousand and due in 12 months with interest rate 9.15% per annum and will be adjusted according to the prevailing market rate set by the bank. The facility was extended until May 24, 2013.

AW

On March 26, 2010, AW obtained credit facility from Bank ICBC for the purpose of refinancing the project Gandaria Office 8 amounting to US\$ 4,000,000 with floating interest, on December 31, 2011 the interest rate was 6% per annum. The credit facility is due in 12 months and can be extended.

In April 2012, AW was settled liabilities associated with Bank ICBC loan.

16. TRADE ACCOUNTS PAYABLE

	June 30, 2012 Rp'000	December 31, 2011 Rp'000
a. By debtor		
Third parties	91,825,561	65,240,747
Total	<u>91,825,561</u>	<u>65,240,747</u>
b. By Currency		
Rupiah	91,825,561	52,022,671
U. S. Dollar	-	12,751,475
Euro	-	466,601
Total	<u>91,825,561</u>	<u>65,240,747</u>

17. TAXES PAYABLE

	June 30, 2012 Rp'000	December 31, 2011 Rp'000
The Company:		
Value added tax	11,066,098	7,622,954
Final income tax	3,919,368	3,941,476
Other income taxes:		
- Article 21/26	308,043	2,237,876
- Article 23	469,931	31,585
Taxes on promotional activities	2,125	42,888
Hotel and restaurant tax	1,244,784	378,039
The subsidiaries:		
Value added tax	2,712,844	3,968,432
Final income tax	16,623,530	16,398,738
Current tax (Note 33)	-	47,111
Other income taxes:		
- Article 21/26	50,255	484,533
- Article 23	205,867	34,927
Total	<u>36,602,845</u>	<u>35,188,559</u>

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18. ACCRUED EXPENSES

	June 30, 2012	December 31, 2011
	<u>Rp'000</u>	<u>Rp'000</u>
Interest and penalty payable on banks loans and bonds (Notes 21 and 22)	11,644,943	17,273,616
General and administrative	2,632,718	2,161,838
Salary	2,506,949	2,487,860
Loss and breakage	2,376,690	2,103,453
Electricity, water and gas	2,179,256	7,377,120
Professional fee	-	5,125,761
Others	9,708,188	5,674,514
Total	<u>31,048,744</u>	<u>42,204,162</u>
Current portion	<u>(31,048,744)</u>	<u>(42,204,162)</u>
Long-term portion	<u>-</u>	<u>-</u>

Other accrued expenses mainly represent accrual for security, cleaning service and parking.

19. UNEARNED INCOME

	June 30, 2012	December 31, 2011
	<u>Rp'000</u>	<u>Rp'000</u>
Space rental	404,709,727	356,338,621
Others	24,513,812	22,290,681
Total	<u>429,223,539</u>	<u>378,629,302</u>
Current portion	<u>(170,026,158)</u>	<u>(160,099,987)</u>
Long-term portion	<u>259,197,381</u>	<u>218,529,315</u>

20. ADVANCES FROM CUSTOMERS

	June 30, 2012	December 31, 2011
	<u>Rp'000</u>	<u>Rp'000</u>
Condominiums	425,489,051	262,785,904
Land and buildings	286,628,202	297,120,282
Office	117,155,961	50,126,837
Total	<u>829,273,214</u>	<u>610,033,023</u>

Advances for land and buildings 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 mainly represents advance payments received by TP V, the Company project in Surabaya, AW and EPH, from customers for pre-sale of condominiums and office buildings that do not satisfy the revenue recognition criteria.

21. BANK LOANS

	June 30, 2012	December 31, 2011
	<u>Rp'000</u>	<u>Rp'000</u>
Bank CIMB Niaga	905,630,325	723,913,278
Bank Mandiri	268,289,493	226,289,493
Bank ICBC Indonesia	330,000,000	124,000,000
Bank Central Asia	150,000,000	
Bank Mega	-	45,000,000
Total	<u>1,653,919,818</u>	<u>1,119,202,771</u>
Less: current maturities	<u>(171,289,395)</u>	<u>(165,569,150)</u>
Noncurrent	<u>1,482,630,423</u>	<u>953,633,621</u>

The bank loans are repayable as follows:

	June 30, 2012	December 31, 2011
	<u>Rp'000</u>	<u>Rp'000</u>
Due in one year	171,289,395	165,569,150
In the second year	292,266,291	320,138,300
In the third year	273,274,800	339,473,894
In the fourth year	351,093,847	105,000,000
More than five years	565,995,485	189,021,427
Total	<u>1,653,919,818</u>	<u>1,119,202,771</u>

Bank CIMB Niaga

	June 30, 2012	December 31, 2011
	<u>Rp'000</u>	<u>Rp'000</u>
The Company	305,630,325	314,891,850
EPH	<u>600,000,000</u>	<u>409,021,428</u>
Total	<u>905,630,325</u>	<u>723,913,278</u>

The Company

In 2009, the Company obtained a loan facility of Rp 370,461,000 thousand 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 22). Based on Credit Agreement No.62 dated March 28, 2012 were approved refinancing the loan amounting to Rp 305.630.325 thousand with maturity date April 30, 2017. For the period ended June 30, 2012 the average interest rate is 11% per annum.

The loan is secured by the following:

- Paripassu for first priority security rights over Tunjungan Plaza I (Plaza East) and Tunjungan Plaza III (Plaza Central) with a minimum value of 125% from the credit facility.
- Paripassu for first 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).
- Paripassu for first 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).
- Paripassu for first priority of fiduciary security on rental income of Tunjungan Plaza I (Plaza East) and Tunjungan Plaza III (Plaza Central).

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The above collateral paripassu bonded to the loan facility from bank ICBC amounting to Rp 280,000,000 thousand and Bank Central Asia amounting to Rp 350,000,000 thousand.

The loan is payable on installments, with the last installment due in April 2017.

The loan agreement provides negative covenants, including compliance with certain financial ratios. As of June 30, 2012, all of the financial ratios have been met.

EPH

EPH has investment loan facility, as well as letter of credit (LC) and Letter of Credit with Domestic Documentation (SKBDN). These facilities are in the form of Tranche A : Investment facility 1 with interest rate on June 30, 2012 at 12% per annum and Tranche B : Investment Facility 2 with interest rate on June 30, 2012 at 12% per annum. Maximum drawdown for each facility is Rp 300,000,000 thousand for financing the construction of shopping mall in Kota Kasablanka, and submit L/C SKBDN facility to import mechanical and electrical equipment that related to the construction of shopping mall in Kota Kasablanka. The maturity date of the loan facility is December 13, 2017

On June 30, 2012, loan facility amounting to Rp 600.000.000 thousand have been fully drawdown.

The loan agreement provides several requirements for EPH to comply, such as to maintain bank account balance in creditor bank at a certain balance.

Bank Mandiri

In June 2011, EPH obtained a Special Loan Facility from Bank Mandiri with a maximum credit of Rp 500,000,000 thousand, due in 4 years and 6 months, including grace period of 18 months from June 17, 2011 until December 16, 2015. The interest rate per annum as of June 30, 2012 is 11,5%.

This credit facility is secured by land owned by EPH with HGB certificate No. 938 /Menteng Dalam and No. 1772/Menteng Dalam (Note 11), trade accounts receivable from sale of office and apartment in Kota Kasablanka amounting to Rp 250,000,000 thousand (Note 8) maximum Corporate Guarantee dan Defisit Cash Flow Guarantee from the Company.

Bank ICBC Indonesia

	June 30, 2012	December 31, 2011
	Rp'000	Rp'000
The Company	330,000,000	85,000,000
AW	-	39,000,000
Total	<u>330,000,000</u>	<u>124,000,000</u>

The Company

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 prior to settlement was 7% per annum. This loan facility have settled on June 9, 2012.

On October 26, 2009, the Company obtained a working capital loan with a maximum credit limit of Rp 100,000,000 thousand. As of June 30, 2012 and December 31, 2011, Rp 50,000,000 thousand of this loan facility has been utilized which will matured on October 29, 2012.

The credit facilities are secured by trade accounts receivable from the sale of housing units in Pakuwon City Surabaya (Note 8).

Based on Credit Agreement No 60 dated March 28, 2012, the Company obtained loan on installment amounting to Rp 180.000.000 thousand for construction of shopping centers and maturing within five years from the date of the first disbursement of the loan facilities with interest rate of 10,5% per annum on June 30, 2012.

Based on Credit Agreement No 61 dated March 28, 2012, the Company obtained loan on demand amounting to Rp 100.000.000 thousand for loan refinancing and maturing within three years from the date of the first disbursement of the loan facilities with interest rate of 10,5% per annum on June 30, 2012.

On June 30, 2012, loan facility amounting to Rp 280.000.000 thousand have been fully drawdown.

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Collateral for loan facilities amounting to Rp 280.000.000 thousand is bound paripassu with credit facilities from Bank CIMB and Bank Central Asia.

The loan agreement also provides certain negative covenants that the Company must comply.

AW

On March 26, 2010, AW obtained credit facilities from Bank ICBC for the purpose of refinancing the project Gandaria Office 8 amounting to Rp 34,000,000 thousand and Rp 20,000,000 thousand, both with a floating interest rate and on June 30, 2012 the interest rate was 10.5% and will mature in 36 months from the date of the first disbursement of the loan facility.

The loan is secured by HGB No. 961 covering of 7,435 square meters of land area located in Jakarta (Note 11).

The loan agreement also provides certain negative covenants that the subsidiary must comply.

This loan was settled in April 2012.

Bank Central Asia

Based on credit agreement No.118 dated March 28, 2012, the Company obtained investment credit from Bank Central Asia with maximum amounting to Rp 350.000.000 thousand to refinance Company's bank loan and bond payable and construction of TP5 mall and will mature in five years from the date of the first disbursement of the loan facility and with interest rate 10% per annum. On June 30, 2012 this loan facility have been drawdown Rp 150.000.000 thousand.

Collateral for loan facilities amounting to Rp 280.000.000 thousand is bound paripassu with credit facilities from Bank CIMB and Bank ICBC Indonesia.

The loan agreement also provides certain negative covenants that the Company must comply.

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 floating rate, with the rate at December 31, 2011 set at 13%, which is paid monthly. Under the agreement, this credit facility will be used to finance the Eastcoast Center (formerly Pakuwon Center) construction.

Based on the credit facility agreement, the Company shall open an escrow account in Bank Mega as savings account for all Eastcoast Center and commercial unit Pakuwon Town Square rental revenue. The Company should maintain minimum fund 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 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 12).

The loan agreement also provides certain negative covenants that the Company must comply.

On February 22, 2012, the Company has settled all liabilities associated with Bank Mega's loan.

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22. BONDS PAYABLE

	June 30, 2012	December 31, 2011
	Rp'000	Rp'000
2015 Notes - net of unamortized bond issuance costs	-	360,290,197
Bonds resulting from restructured loans:		
Series C Bonds (US\$ 183,000 in 2011)	-	1,660,454
Total	-	361,950,651
Less: current maturities	-	(1,660,454)
Noncurrent	-	360,290,197

The bonds are repayable as follows:

	June 30, 2012	December 31, 2011
	Rp'000	Rp'000
Due in one year	-	1,660,454
In the second year	-	-
In the third year	-	-
In the fourth year	-	360,290,197
Total	-	361,950,651

2015 Notes

Based on agreement dated November 30, 2009, PJBV issued 2015 Notes. This agreement is effective on November 14, 2009. The 2015 Notes are unsecured, unrated securities, paying a combination of cash and PIK coupon wherein all the securities will be repayable on maturity. The 2015 Notes will mature on May 14, 2015 and guaranteed by the Company and the subsidiary (AW). Interest is payable in cash and the issuance of additional notes in principal amount equal to the amount of interest rates set out below:

Period	Interest payable in cash	Interest payable in the 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%

The balance of the 2015 Notes consists of the following:

	June 30, 2012	December 31, 2011
	Rp'000	Rp'000
Nominal value (US\$ 43,451.774 at 2011)	-	394,020,692
Unamortized bond issuance costs	-	(33,730,495)
Net	-	360,290,197

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The terms of the Notes also include certain requirement among others:

- If there is delay in repayment, PJBV has to pay the interest on past due principal and interest using specified interest rate.
- The Company and PJBV are not allowed to do loan subordination.
- The Company and its subsidiaries are not allowed to pay dividend, obtain new loans, pledge its assets without written approval from the custodian.

In April 2012, the Company have settled all liability associated with Notes 2015.

Series C Bonds

Series C Bonds issued to Bank Pan Indonesia (Panin) as of December 31, 2011 amounted to US\$ 183,111 (equivalent to Rp 1,660,454 thousand).

Related to the application of Statement of Revocation of Financial Accounting Standard (PPSAK) No. 3, Revocation of PSAK 54, Troubled Debt Restructuring, which is effective January 1, 2010, the Company reclassified the interest payable on Series C Bond amounting Rp 1,618,653 thousand, originally recorded in other account payable, into bond payable account in January 1, 2010, then the Company then recalculated the present value of future cash flows of the related debt using the effective date incremental interest rate. The difference between the recalculated amount and the carrying amount is 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:

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

Series C Bonds are secured by:

- The Company's HGBs with certificate Nos. 265, 275 and 294 covering a total area of 17,979 square meters together with the building thereon, located in Kelurahan Kedunggoro, Surabaya (Note 13).
- Receivables, claims and rights over proceeds from the hotel operations (Note 8) and proceeds from insurance claim.

The Company is restricted to do certain action without the prior written approval of holders of bonds among others: Providing or trying to provide loans to shareholders, affiliated parties, or any third party, directly or indirectly, except if done for business which is fair, voluntarily dissolve and liquidate the Company, give corporate guarantee to secure the debts of others or used the Company's assets to guarantee the debts of others and mortgage or dispose the Company assets that are used as collateral for the benefit of creditors.

On March 6, 2012, the Company has settled all liabilities associated with the Series C Bonds.

23. MANDATORY CONVERTIBLE NOTES (MCN) PAYABLE

	June 30, 2012	December 31, 2011
	Rp'000	Rp'000
Nominal value (US\$ 58,000,000)	549,840,000	525,944,000
Unamortized discount (US\$ 7,140,332 in 2012 and US\$ 7,948,038 in 2011)	<u>(67,690,346)</u>	<u>(72,072,807)</u>
Total	<u>482,149,654</u>	<u>453,871,193</u>

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

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24. CAPITAL STOCK

Name of Stockholder	June 30, 2012		
	Number of Shares	Percentage of Ownership %	Total Paid-up Capital Stock Rp'000
Burgami Investments Ltd	10,063,591,200	20.90	251,589,780
PT. Pakuwon Arthaniaga	8,067,864,000	16.75	201,696,600
BSL Investment Inc.	7,141,599,600	14.83	178,539,990
Concord Media Investment Ltd (CMIL)	3,556,800,000	7.39	88,920,000
Raylight Investments Limited	3,441,204,000	7.15	86,030,100
PT. Pakuwon Trijaya	658,632,000	1.37	16,465,800
Alexander Tedja (President Commissioner)	7,488,000	0.02	187,200
Irene Tedja (Director)	3,823,000	0.01	95,575
Richard Adisastra (President Director)	131,040	0.00	3,276
Public (less than 5% each)	15,218,469,560	31.60	380,461,739
Total	48,159,602,400	100.00	1,203,990,060

Name of Stockholder	December 31, 2011		
	Number of Shares	Percentage of Ownership %	Total Paid-up Capital Stock Rp'000
BSL Investment Inc.	2,666,277,900	22.15	266,627,790
Burgami Investments Ltd	2,515,897,800	20.90	251,589,780
PT. Pakuwon Arthaniaga	2,016,966,000	16.75	201,696,600
Concord Media Investment Ltd (CMIL)	889,200,000	7.39	88,920,000
Raylight Investments Limited	860,301,000	7.15	86,030,100
PT. Pakuwon Trijaya	164,658,000	1.37	16,465,800
Alexander Tedja (President Commissioner)	1,872,000	0.02	187,200
Irene Tedja (Director)	955,750	0.01	95,575
Richard Adisastra (President Director)	32,760	0.00	3,276
Public (less than 5% each)	2,923,739,390	24.28	292,373,939
Total	12,039,900,600	100.00	1,203,990,060

At the extraordinary General Meeting of Stockholders as Stated in notarial deed No. 4 dated December 1, 2011 from Esther Mercia Sulaiman S.H., notary in Jakarta, the stockholder approved the issuance of new shares through of Rights Issue with Pre-emptive Rights. The Company issued 2,006,650,100 common shares with nominal value Rp 100 per share and at an exercise price of Rp 650 per share.

Based on the Extraordinary General Meeting of Stockholders as Stated in notarial deed No. 28 dated March 13, 2012 from Esther Mercia Sulaiman S.H., notary in Jakarta, the stockholder approved the Company's stock split with ratio 1:4 which will change the Company's nominal per share from Rp 100 per share to Rp 25 per share. On April 4, 2012, all the shares has been recorded at the Indonesia Stock Exchange.

Based on General Meeting of Stockholders dated June 29, 2012, the stockholder approved cash dividend distribution amounting to Rp 70.000.000 thousand.

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25. ADDITIONAL PAID-IN CAPITAL

	<u>Additional Paid-in Capital</u> Rp'000
Additional paid-in capital from Limited Oferring III of 2,006,650,100 shares through Rights Issue with preemptive rights with par value of Rp 100 per share, at an offering price of Rp 650 per share	1,103,657,555
Less stock issuance cost	<u>(4,295,046)</u>
Balance as of June 30, 2012 and December 31, 2011	<u><u>1,099,362,509</u></u>

26. NONCONTROLLING INTERESTS

	<u>June 30, 2012</u> Rp'000	<u>December 31, 2011</u> Rp'000
a. Noncontrolling interest in net asset subsidiaries		
- AW	149,478,089	139,203,668
- RLJM	15,720,000	-
Others	<u>1</u>	<u>1</u>
Total	<u><u>165,198,090</u></u>	<u><u>139,203,669</u></u>
b. Net income for the years attributable to:		
Noncontrolling interest - AW	<u><u>10,274,421</u></u>	<u><u>22,859,431</u></u>

27. NET REVENUES

	2012 <u>(Six months)</u> Rp'000	2011 <u>(Six months)</u> Rp'000
Rental and service charges:		
Space rental	188,301,349	164,630,778
Service charges	<u>82,385,639</u>	<u>69,527,454</u>
Subtotal	<u>270,686,988</u>	<u>234,158,232</u>
Sale of condominiums and offices	<u>453,407,248</u>	<u>209,524,195</u>
Hotel revenues	<u>69,456,053</u>	<u>58,641,855</u>
Sale of land and buildings	<u>166,446,725</u>	<u>83,661,477</u>
Sale of condominiums	<u>2,631,579</u>	<u>-</u>
Other operating revenues:		
Electricity and water billing	55,022,368	46,090,848
Parking fee	18,057,031	14,660,152
Others	<u>13,560,535</u>	<u>7,523,578</u>
Subtotal	<u>86,639,934</u>	<u>68,274,579</u>
Total	<u><u>1,049,268,527</u></u>	<u><u>654,260,338</u></u>

The Company was insured for business interruption with third parties, which are: Asuransi Rama Satria Wibawa for sum insured US\$ 59,000,000 and US\$ 49,600,000 as of June 30, 2012 and June 30, 2011, respectively.

There are no sales and revenue generated from related parties.

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28. COST OF REVENUES

	2012 (Six months) Rp'000	2011 (Six months) Rp'000
Direct Costs		
Building expenses:		
Electricity, water and gas	61,578,483	58,997,276
Depreciation (Notes 12 and 13)	45,701,865	44,527,466
Security	7,051,328	-
Land and building taxes	6,976,462	2,032,546
Cleaning	6,301,596	6,103,035
Repairs and maintenance	6,128,019	4,512,849
Parking management	4,561,702	3,974,133
Amortization of property and equipment under the BOT scheme (Note 14)	1,588,751	783,679
Insurance	1,077,135	1,562,323
Rental	897,989	-
Others	973,695	4,982,426
Total building expenses	<u>142,837,025</u>	<u>127,475,732</u>
Personnel expenses	<u>15,044,201</u>	<u>14,246,335</u>
Hotel operating expenses:		
Hotel department	13,370,237	12,496,283
Depreciation (Note 13)	9,672,584	9,440,023
Electricity, water and gas	9,598,123	9,999,255
Salary and allowances	<u>7,671,572</u>	<u>6,465,236</u>
Total hotel operating expenses	<u>40,312,516</u>	<u>38,400,796</u>
Total direct costs	198,193,742	180,122,863
Costs of sales - Condominiums and offices	184,969,269	116,591,925
Costs of sales - Land and buildings	59,856,457	34,789,283
Costs of sales - Condominiums	<u>582,617</u>	<u>-</u>
Total cost of revenues	<u><u>443,602,085</u></u>	<u><u>331,504,071</u></u>

29. SELLING EXPENSES

	2012 (Six months) Rp'000	2011 (Six months) Rp'000
Events	9,871,088	3,671,239
Salaries and allowances	4,637,690	3,944,428
Advertising and promotion	4,593,642	4,259,613
Others	<u>8,793,696</u>	<u>6,682,290</u>
Total	<u><u>27,896,116</u></u>	<u><u>18,557,570</u></u>

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30. GENERAL AND ADMINISTRATIVE EXPENSE

	2012 (Six months) <u>Rp'000</u>	2011 (Six months) <u>Rp'000</u>
Salaries and allowances	14,905,568	13,448,083
Professional fees	3,653,546	1,973,588
Post-employment benefits (Note 35)	3,455,384	768,573
Office expenses	3,445,439	3,423,954
Hotel operator's fees	3,430,998	2,259,393
Depreciation expense (Note 13)	2,869,197	1,386,368
Travelling expenses	1,420,623	1,339,735
Entertainment	515,464	644,250
Shares administration and reporting	297,316	121,250
Office electricity	124,655	-
Training expenses	110,198	19,436
Security expenses	54,390	1,745,412
Vehicle tax expenses	43,963	47,442
Others	3,067,246	1,862,831
Total	<u>37,393,987</u>	<u>29,040,315</u>

31. FINANCE COSTS

	2012 (Six months) <u>Rp'000</u>	2011 (Six months) <u>Rp'000</u>
Financial charges on:		
Senior Secured Notes	54,596,692	39,532,845
Bank loans	29,341,185	26,523,708
Bank provision	10,191,530	-
Mandatory Convertible Notes		
Discount amortization	7,657,052	6,676,777
Effect of the initial application of PSAK 50 and 55	804,838	10,267,403
Bonds payable	36,306	1,839,362
Others	1,087,179	4,917,840
Total	<u>103,714,782</u>	<u>89,757,935</u>

32. INTERESTS INCOME

	2012 (Six months) <u>Rp'000</u>	2011 (Six months) <u>Rp'000</u>
Time deposits	17,019,701	9,940,212
Others	1,535,288	465,860
Total	<u>18,554,989</u>	<u>10,406,072</u>

33. INCOME TAX

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

	2012 (Six months) Rp'000	2011 (Six months) Rp'000
Current tax expense		
Final income tax of the Company	25,854,469	19,100,346
Final income tax of the subsidiaries	<u>36,777,903</u>	<u>21,233,447</u>
Total current tax expense	<u>62,632,372</u>	<u>40,333,794</u>
Deferred tax expense		
The Company	<u>2,014,456</u>	<u>517,551</u>
Deferred tax expense - net	<u>2,014,456</u>	<u>517,551</u>
Tax expense - net	<u><u>64,646,828</u></u>	<u><u>40,851,345</u></u>

Current tax – Nonfinal Income Tax

A reconciliation between income before tax per consolidated statements of comprehensive income and fiscal loss carryforward is as follows:

	2012 (Six months) Rp'000	2011 (Six months) Rp'000
Income before tax per consolidated statements of comprehensive income	438,514,380	238,984,197
Income subject to final tax	(203,731,822)	(132,428,162)
Net income before tax of subsidiaries after consolidated adjustments	<u>(301,209,932)</u>	<u>(132,633,510)</u>
Loss before tax of the Company - net of income already subjected to final tax	<u>(66,427,374)</u>	<u>(26,077,475)</u>
Temporary differences:		
Provision for post-employment benefits	344,434	-
Reserve for placement of hotel's furniture, fixture and equipment	1,354,380	1,455,454
Reversal of allowance for doubtful accounts	131,034	(31,389)
Depreciation	<u>(9,887,673)</u>	<u>(3,494,270)</u>
Net	<u>(8,057,825)</u>	<u>(2,070,205)</u>
Permanent differences:		
Interest expense	64,528,046	45,839,498
Foreign exchange difference on income subject to final income tax	5,731,698	(23,284,207)
Interest income already subjected to final income tax	(9,502,952)	(161,766)
Equity in net income of associates	<u>(863,796)</u>	<u>-</u>
Net	<u>59,892,996</u>	<u>22,393,525</u>
Current year fiscal loss	<u>(14,592,203)</u>	<u>(5,754,155)</u>
Fiscal loss carryforward	<u>(99,245,043)</u>	<u>(69,222,225)</u>
Fiscal loss carryforward of the Company	<u><u>(113,837,246)</u></u>	<u><u>(74,976,380)</u></u>

Corporate tax return in 2011 is in compliance with the Surat Pemberitahuan Pajak (SPT) which is delivered to the Tax Office.

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Deferred Tax

The details of the Company and its subsidiaries' deferred tax assets and liabilities are as follows:

	January 1, 2012	Credited (charged) to income for the period	June 30, 2012
	Rp'000	Rp'000	Rp'000
The Company			
Deferred tax assets (liability):			
Provision for post-employment benefits	1,337,671	86,108	1,423,779
Reserve for placement of hotel's furniture, fixture and equipment	1,476,666	338,595	1,815,261
Allowance for doubtful accounts	1,080	32,758	33,838
Depreciation	<u>(22,221,347)</u>	<u>(2,471,918)</u>	<u>(24,693,265)</u>
Deferred tax liabilities - net	<u>(19,405,930)</u>	<u>(2,014,456)</u>	<u>(21,420,386)</u>

	January 1, 2011	Credited (charged) to income for the period	June 30, 2011
	Rp'000	Rp'000	Rp'000
The Company			
Deferred tax assets (liability):			
Provision for post-employment benefits	1,193,316	-	1,193,316
Reserve for placement of hotel's furniture, fixture and equipment	961,760	363,864	1,325,624
Allowance for doubtful accounts	10,496	(7,847)	2,649
Depreciation	<u>(20,437,468)</u>	<u>(873,567)</u>	<u>(21,311,035)</u>
Deferred tax liabilities - net	<u>(18,271,896)</u>	<u>(517,550)</u>	<u>(18,789,446)</u>

Management believe that the deferred tax asset could be realized.

A reconciliation between the total tax expense and the amounts computed by applying the effective tax rates to income before tax of the Company net of income subjected to final tax is as follows:

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	<u>2012</u> <u>(Six months)</u> Rp'000	<u>2011</u> <u>(Six months)</u> Rp'000
Income before tax per consolidated statements of comprehensive income	438,514,380	238,984,197
Income subject to final tax	(203,731,822)	(132,633,511)
Net income before tax of subsidiary after consolidated adjustments	<u>(301,209,932)</u>	<u>(132,428,161)</u>
Loss before tax of the Company - net of income subject to final tax	<u>(66,427,374)</u>	<u>(26,077,475)</u>
Tax benefit at effective tax rate	16,606,843	6,519,369
Tax effect of:		
Permanent differences	(14,973,249)	(5,598,381)
Unrecognized fiscal loss	<u>(3,648,051)</u>	<u>(1,438,539)</u>
Net	<u>(18,621,300)</u>	<u>(7,036,920)</u>
Total nonfinal tax expense		
The Company	(2,014,456)	(517,551)
Final income tax of the Company	(25,854,469)	(19,100,346)
Final income tax of the subsidiaries	<u>(36,777,903)</u>	<u>(21,233,447)</u>
Total Tax Expense	<u>(64,646,828)</u>	<u>(40,851,345)</u>

34. EARNINGS PER SHARE

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

	<u>2012</u> Rp'000	<u>2011</u> Rp'000
Net income for the computation of basic earnings per share	<u>363,593,131</u>	<u>175,273,421</u>
Earnings for computation of diluted earnings per share	<u>343,630,703</u>	<u>120,203,043</u>
Number of shares	<u>Shares</u>	<u>Shares</u>
Total weighted average number of ordinary shares	48,159,602,400	10,033,250,500
Effect of dilutive potential ordinary shares arising from stock split	-	1:4
Weighted average number of shares for the calculation of basic and diluted earnings per share	48,159,602,400	40,133,002,000
In full Rupiah		
Basic earning per shares	7.55	4.37
Dilluted earning per shares	7.14	3.00

Diluted earnings per share as of June 30, 2012 and December 31, 2011 reflects the effect of the mandatory convertible notes of the subsidiary (AW).

35. POST-EMPLOYMENT BENEFITS OBLIGATION

The Company and its subsidiaries provide 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. The number of employees entitled to the benefits was 1,152 employees in 2012 and 2011.

The Hotel employees participate in a defined contribution pension plan. The plan is managed by Dana Pensiun Lembaga Keuangan (DPLK) AIG, the deed of establishment of which was approved by the Minister of Finance of the Republic of Indonesia in his Decision Letter No. KEP-070/KM.17/1995 dated March 10, 1995. The contribution is determined based on certain amount, which is contributed by the Company and employees.

Amounts recognized in income in respect of the defined benefit plan are as follows:

	June 30, 2012	December 31, 2011
	<u>Rp'000</u>	<u>Rp'000</u>
Current service cost	2,315,359	6,030,187
Interest cost	952,185	2,015,993
Past service cost	119,826	119,826
Effect of curtailment	-	(2,384,936)
Amortization of actuarial gain	68,014	(250,715)
Others	-	33,481
Total	<u>3,455,384</u>	<u>5,563,836</u>

Amounts included in the statement of financial position arising from the Company and its subsidiaries obligation in respect of the defined benefit plan are as follows:

	June 30, 2012	December 31, 2011
	<u>Rp'000</u>	<u>Rp'000</u>
Present value of unfunded liability	40,305,955	42,169,941
Unrecognized actuarial gain	(3,750,383)	(3,816,959)
Past service cost (nonvested)	(397,043)	(516,868)
Net liability	<u>36,158,529</u>	<u>37,836,114</u>

Movements in the net liability recognized in the statement of financial position are as follows:

	June 30, 2012	December 31, 2011
	<u>Rp'000</u>	<u>Rp'000</u>
Beginning of the year	37,836,114	32,273,183
Amount charged to income	3,455,384	5,563,836
Benefits payment	(2,058,756)	(373,928)
Adjustment	(3,074,213)	373,023
End of the year	<u>36,158,529</u>	<u>37,836,114</u>

The post-employment benefits cost of the Company and its subsidiaries were calculated by independent actuary, PT. Padma Radya Aktuaria, using the following key assumptions:

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	June 30, 2012	December 31, 2011
Discount rate per annum	6-6,5%	6-6,5%
Salary increment rate per annum	10%	10%
Proportion of normal retirement	100%	100%
Normal retirement age	55 years	55 years

36. RELATIONSHIP AND TRANSACTIONS WITH RELATED PARTIES

Nature of Relationship

- a. BSL Investment Inc, Burgami Investments Limited, PT Pakuwon Arthaniaga and Raylight Investment Limited are the Company shareholder.
- b. Alexander Tedja, Richard Adisastra and Irene Tedja are the Company shareholder and also key management personnel.
- c. PT Pakuwon Darma is an entity that is controlled by a key management personel of the Company.
- d. PT Bumi Pranata Laksana is an associate of the Company.

Transaction with Related Parties

The Company and its subsidiaries entered into certain transactions with related parties, including the following:

- a. The Company and its subsidiaries provide short term benefit to the Commissioners and Directors of the Company and its subsidiaries as follows:

	2012 (Six months) Rp'000	2011 (Six months) Rp'000
Commisioner and Director		
Salary	2,938,255	2,251,026
Pension	1,913,066	-
Others benefit	32,591	12,616
Total	<u>4,883,912</u>	<u>2,263,642</u>

- b. The Company also entered into nontrade transactions with related parties. At the reporting dates, receivable arising from this transactions is presented as other accounts receivable from related parties.

37. SEGMENT INFORMATION

Business Segments

In prior years, the segment information reported was based on business and geographical segments. However, effective January 1, 2011, the new standard requires that operating segments be identified based on the information reviewed by the chief operating decision maker, which is used for the purpose of resources allocation and assessment of their operating segments performance.

In compliance with PSAK 5, Segment Operation effective January 1, 2011, operating segments are identified based on the information reviewed by the chief operating decision maker used for the purpose of resources allocation and assessment of operating segments performance.

Segment information reported is similar to the business segment reported in previous years: a) office and shopping center business, b) real estate and c) hospitality.

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Segment information based on business segments is presented below:

	June 30, 2012				
	Office and shopping center Rp'000	Real estate Rp'000	Hospitality Rp'000	Eliminations Rp'000	Consolidated Rp'000
Net Revenue					
External sales and revenues	356,253,936	623,558,538	69,456,053	-	1,049,268,527
Internal sales and revenues	9,598,123	-	-	(9,598,123)	-
Total Sales and Revenues	<u>365,852,059</u>	<u>623,558,538</u>	<u>69,456,053</u>	<u>(9,598,123)</u>	<u>1,049,268,527</u>
Segment result	199,451,437	379,948,646	26,435,904	-	605,835,987
Unallocated cost of revenues					(169,545)
Gross Profit					<u>605,666,442</u>
Selling expenses					(27,896,116)
General and administrative expenses					(37,393,987)
Finance costs					(103,714,782)
Interests Income					18,554,989
Loss from foreign exchange					(24,629,862)
Equity in net earnings of associates					863,796
Others					<u>7,063,900</u>
Income Before Tax					<u>438,514,380</u>
OTHER INFORMATION					
ASSETS					
Segment assets	4,557,951,302	2,609,853,991	419,317,596	(1,634,297,018)	5,952,825,871
Unallocated assets					667,490,157
Consolidated total assets					<u>6,620,316,028</u>
LIABILITIES					
Segment liabilities	1,749,387,952	1,335,765,105	36,171,205	40,342,368	3,161,666,630
Unallocated liability					765,926,380
Consolidated total liabilities					<u>3,927,593,009</u>
Addition to property and equipment and investment property	56,533,556	170,561	29,642	-	56,733,759
Depreciation and amortization	48,759,498	1,400,314	9,672,584	-	59,832,397

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	June 30, 2011				
	Office and shopping center	Real estate	Hospitality	Eliminations	Consolidated
	Rp'000	Rp'000	Rp'000	Rp'000	Rp'000
Net Revenue					
External sales and revenues	302,235,901	293,382,582	58,641,855	-	654,260,338
Internal sales and revenues	9,999,255			(9,999,255)	-
Total Sales and Revenues	<u>312,235,156</u>	<u>293,382,582</u>	<u>58,641,855</u>	<u>(9,999,255)</u>	<u>654,260,338</u>
Segment result	121,014,840	184,261,873	17,677,771	-	322,954,484
Unallocated segment result					(198,217)
Gross Profit					<u>322,756,267</u>
Selling expenses					(18,557,570)
General and administrative expenses					(29,040,315)
Finance costs					(89,757,935)
Interests Income					10,406,072
Gain from foreign exchange					42,980,620
Others					<u>197,058</u>
Income before tax					<u>238,984,197</u>
	December 31, 2011				
	Office and shopping center	Real estate	Hospitality	Eliminations	Consolidated
	Rp'000	Rp'000	Rp'000	Rp'000	Rp'000
OTHER INFORMATION					
ASSETS					
Segment assets	3,136,372,234	1,364,488,377	28,198,261	(33,730,495)	4,495,328,377
Unallocated assets					1,249,382,658
Consolidated total assets					<u>5,744,711,035</u>
LIABILITIES					
Segment liabilities	1,473,855,858	996,155,081	32,003,377	(462,880,849)	2,039,133,467
Unallocated liability					1,332,442,101
Consolidated total liabilities					<u>3,371,575,568</u>
Addition to property and equipment and investment property	120,184,423	2,207,790	1,332,788	-	<u>123,725,001</u>
Depreciation and amortization	93,781,348	1,764,589	19,259,697	-	<u>114,805,634</u>

Revenue by geographical market

The following is the distribution of the Company and subsidiaries's sales based on geographical information:

	2012	2011
	Rp'000	Rp'000
Jakarta	604,910,030	323,696,095
Surabaya	444,358,497	330,564,244
Total	<u>1,049,268,527</u>	<u>654,260,338</u>

The segment assets and addition to noncurrent asset based on geographic location of the assets are as follows:

	2012	2011
	Rp'000	Rp'000
Jakarta	3,421,316,751	3,024,061,571
Surabaya	1,774,576,456	1,789,954,301
Total	<u>5,195,893,207</u>	<u>4,814,015,872</u>

Noncurrent assets consists investment in associate, advance for purchase of land and property and equipment, real estate assets, investment properties, property and equipment, BOT, deferred charges and other assets.

38. 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.

On February 21, 2012, the Company entered into agreement with Bank Mandiri to extend BOT arrangement over Menara Mandiri until February 22, 2013 with compensation amounting to Rp 2,500,000 thousand which will be paid by the Company in two installment.

- b. The agreement relating to the operations of Sheraton Surabaya Hotel & Towers is a management agreement with 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 June 30, 1996 and terminates on December 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 7).

- 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 in 2010 with varying contract periods. In 2011 there is no significant addition of significant contract.
- e. AW entered into a Letter of Credit Import with credit limit of US\$ 3,000,000 with Bank Danamon. This facility is secured by AW's deposits and Letter of Comfort from the Company. The facility was renewed with the Agreement of Change and Renewal of Credit Agreement.
- f. The Company entered into a letter of credit agreement with Bank Danamon. This facility is secured by Company's time deposits (Note 7).
- g. 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 7).
- h. 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.

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

39. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY

On June 30, 2012 and December 31, 2011, the Company and its subsidiaries had monetary assets and liabilities denominated in foreign currency as follows:

		June 30, 2012		December 31, 2011	
		Foreign currency	Equivalent in Rp'000	Foreign currency	Equivalent in Rp'000
Assets					
Cash and cash equivalents	US\$	5,739,896	54,414,215	7,958,496	72,176,608
	EUR	30,819	363,706	2,576	30,241
Restricted time deposits	US\$	36,571	346,691	25,682	232,887
Total assets			<u>55,124,612</u>		<u>72,439,736</u>
Liabilities					
Trade account payable	US\$	-	-	1,403,433	12,751,475
	EUR	-	-	39,748	466,602
Accrued expenses	US\$	-	-	836,701	7,599,222
Bank loan	US\$	-	-	3,000,000	27,204,000
Bonds payable	US\$	-	-	39,915,157	361,950,651
Mandatory convertible notes payable	US\$	50,859,668	482,149,654	50,051,962	453,871,193
Total liabilities			<u>482,149,654</u>		<u>863,843,143</u>
Net Liabilities			<u>(427,025,042)</u>		<u>(791,403,407)</u>

The conversion rates used by the Company and its subsidiaries on June 30, 2012 and December 31, 2011 are as follows:

Foreign currencies	June 30, 2012	December 31, 2011
	Rp	Rp
1 US\$	9,480.00	9,068.00
1 EUR	11,801.19	11,738.99

40. FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

a. Capital risk management

The Company and its subsidiaries manage capital risk to ensure that they will be able to continue as going concern and to maximizing the profits of the shareholders through the optimization of the balance of debt and equity. The Company and its subsidiaries' capital structure consists of cash and cash equivalents (Note 6), debts (Note 15, 21, 22 and 23) and equity shareholders of the holding, consisting of capital stock (Note 24), additional paid-in capital (Note 25), retained earnings and noncontrolling interest (Note 26).

The Board of Directors of the Company periodically review the Company's capital structure. As part of this review, the Board of Directors consider the cost of capital and related risk.

The gearing ratio as of June 30, 2012 and December 31, 2011 are as follows:

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	2012	2011
	Rp'000	Rp'000
Debt	1,788,919,818	1,612,857,422
Cash and cash equivalent	893,570,801	621,021,073
Net debt	895,349,017	991,836,349
Equity	2,692,723,019	2,373,135,467
Net debt to equity ratio	33.25%	41.79%

b. Financial risk management objectives and policies

The Company and its subsidiaries' 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. The Company and its subsidiaries operate within defined guidelines that are approved by the Board.

i. Foreign currency risk management

The Company and its subsidiaries are exposed to the effect of foreign currency exchange rate fluctuation mainly because of foreign currency denominated transactions such as purchases of goods and borrowings denominated in foreign currency.

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 refinancing loan in foreign currency with loan in Rupiah currency and 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 reporting date is disclosed in Note 39.

ii. Interest rate risk management

The Company and its subsidiaries financial instruments that are exposed to fair value interest rate risk (i.e. fixed rate instruments) and cash flow interest rate risk (i.e. floating rate instruments), as well as those that are non-interest bearing, are as follows:

	Floating rate	Fixed rate	Non-interest bearing	Total
	Rp'000	Rp'000	Rp'000	Rp'000
<u>Financial Assets:</u>				
Cash and cash equivalents	116,063,289	776,221,349	1,286,163	893,570,801
Other financial assets	7,261,044	159,284,324	-	166,545,368
Trade accounts receivable	-	-	115,863,194	115,863,194
Other accounts receivable	-	-	23,810,302	23,810,302
<u>Financial Liabilities:</u>				
Bank loans	135,000,000	-	-	135,000,000
Trade accounts payable	-	-	91,825,561	91,825,561
Other accounts payable	-	-	98,198,284	98,198,284
Accrued expenses	-	-	31,048,744	31,048,744
<u>Long-term liabilities</u>				
Bank loans	1,653,919,818	-	-	1,653,919,818
Others	-	-	3,160,569	3,160,569
Tenant's deposit	-	-	72,350,822	72,350,822

The maturity analysis of long term liabilities are disclosed in Notes 15, 21, 22 and 23.

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 subsidiaries.

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.

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.

c. Fair value of financial instruments

The fair value of financial assets and liabilities, together with the carrying amounts as of June 30, 2012 are as follows:

	2012		
	Carrying amount	Fair value	
	Rp'000	Rp'000	
Financial Assets			
Cash and cash equivalent	893,570,801	893,570,801	(i)
Other financial assets	166,545,368	166,545,368	(i)
Trade accounts receivable	115,863,194	111,794,612	(i)
Other accounts receivable	23,810,302	23,810,302	(i)
Financial Liabilities			
Bank loans	135,000,000	135,000,000	(ii)
Trade accounts payable	91,825,561	91,825,561	(i)
Other accounts payable	98,198,284	98,198,284	(i)
Accrued expenses	31,048,744	31,048,744	(i)
Long-term liabilities			
Bank loans	1,653,919,818	1,653,919,818	(ii)
Other accounts payable	3,160,569	3,160,569	(i)
Tenant's deposits	72,350,822	72,350,822	(i)
Mandatory convertible notes payable	482,149,654	377,611,171	(iii)

- (i) Fair value approximates the carrying value because of short term maturity.
- (ii) The fair value is carrying amount because interest rate is market rate.
- (iii) Fair value is determined using the present value of future cash flow discounted at market interest rate.

41. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the Board of Directors on July 26, 2012.