PT. PAKUWON JATI Tbk.
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2009 AND 2008

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PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2009 AND 2008

	Notes	2009	2008
		Rp'000	Rp'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3g,4	311,979,328	210,610,494
Fund for replacement of hotel's furniture, fixtures and equipment	3h,4	2,614,140	2,223,420
Trade accounts receivable from third parties-net of allowance for doubtful accounts of Rp 905,685 thousand in 2009 and Rp 3,435,555 thousand in 2008	3i,5	39,795,113	36,956,959
Other accounts receivable from third parties		5,939,949	1,041,066
Inventories	3j	2,193,854	1,461,044
Prepaid taxes	3x,12	23,771,740	55,898,748
Advance and prepaid expenses	3k	4,838,972	4,473,005
Total Current Assests		391,133,097	312,664,736
NONCURRENT ASSETS			
Restricted time deposits	6	165,936,828	329,295,992
Other accounts receivable from related parties - net of allowance for doubtful accounts		-	3,800
Deferred tax assets - net	3x	318,411	6,011,095
Real estate assets	3l,7		
Real estate inventories		589,868,874	626,297,164
Land not yet developed		218,214,795	218,075,546
Investment properties - net of accumulated depreciation of Rp 203,655,722 thousand in 2009 and Rp 180,959,030 thousand in 2008	2a,3m,8	623,923,896	597,651,903
Property and equipment-net of accumulated depreciation of Rp 237,275,282 thousand in 2009 and Rp 213,856,542 thousand in 2008	2a,3n,9	1,563,710,973	1,122,484,478
Property and equipment under build, operate and transfer (BOT) scheme - net of accumulated depreciation of Rp 51,882,400 thousand in 2009 and Rp 48,266,379 thousand in 2008	3o,10	6,780,258	10,396,279
Deferred charges - landrights	3r	798,189	846,040
Total Noncurrent Assets		3,169,552,224	2,911,062,297
TOTAL ASSETS		3,560,685,322	3,223,727,033

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

PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2009 AND 2008

	Notes	2009	2008
		Rp'000	Rp'000
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade accounts payable	11		
Related party	3e	4,646,078	12,639,987
Third parties		28,136,064	29,777,606
Other account payable		14,557,282	11,143,120
Taxes payable	3x,12	8,820,917	5,553,520
Current portion of accrued expenses	13	26,941,601	25,948,466
Reserve for replacement of hotel's furniture,			
fixtures and equipment	3h,4	2,614,140	2,223,420
Current portion of unearned income	3s,3w,14	123,724,034	109,008,228
Current maturities of long-term liabilities			
Bank loan	16	35,000,000	-
Other account payable	3t,17	3,189,809	3,856,124
Bonds payable	3t,3u,18	288,672,200	50,411,966
Total Current Liabilities		536,302,123	250,562,437
NONCURRENT LIABILITIES			
Long term accrued expense - net			
of current portion	13	87,981,270	90,027,800
Long term unearned income - net			
of current portion	3s,3w,14	48,076,814	189,509,913
Advances from customers	3w,15	178,314,816	-
Post employment benefit obligation	3v	30,711,395	27,889,631
Deferred tax liability	3x	11,611,102	-
Long term liabilities - net of current maturities			
Bank loan	16	3,650,000	-
Other account payable	3t,17	6,900,067	26,945,415
Bonds payable	3t,3u,18	874,545,871	1,042,532,501
Tenant's deposits		50,122,736	45,340,989
Mandatory convertible notes payable	19	473,285,546	414,005,241
Total Noncurrent Liabilities		1,765,199,617	1,836,251,490
MINORITY INTEREST IN NET ASSETS			
OF SUBSIDIARIES	3b,3c,20	94,009,352	82,478,851
EQUITY			
Capital stock - Rp 100 par value per share			
Authorized - 12,500,000,000 shares			
Subscribed and paid-up -			
10,033,250,500 shares in 2009			
and 7,717,885,000 shares in 2008	21	1,003,325,050	771,788,500
Additional paid - in capital	22	-	166,933,000
Revaluation increment in property and equipment	2a,3n,9	-	-
Retained earnings		161,849,179	115,712,755
Total Equity		1,165,174,229	1,054,434,255
TOTAL LIABILITIES AND EQUITY		3,560,685,322	3,223,727,033

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 INCOME
FOR THE PERIODS ENDED JUNE 30, 2009 AND 2008

	Notes	2009	2008
		Rp'000	Rp'000
SALES AND REVENUES	3q,3w,23	372,746,725	217,186,447
DIRECT COSTS AND COST OF SALES	3w,24	206,349,171	110,180,179
GROSS PROFIT		166,397,554	107,006,268
OPERATING EXPENSES	3w,25		
General and administrative		13,986,408	16,516,547
Marketing		10,568,034	13,480,932
Total Operating Expenses		24,554,442	29,997,479
INCOME FROM OPERATIONS		141,843,112	77,008,789
OTHER INCOME (CHARGES)			
Interest Income	3w,26	12,171,636	12,330,456
Reversal (provision) of allowance for doubtful accounts - net	3i	1,354,466	(134,750)
Gain (loss) on foreign exchange-net	3d	74,168,225	10,150,093
Financial charges	27	(36,197,674)	(47,166,973)
Gain (loss) on sale of equipment	3n	320	(369,452)
Others - net	17	(428,775)	1,218,521
Other income (charges)-net		51,068,199	(23,972,105)
INCOME BEFORE TAX		192,911,311	53,036,684
TAX EXPENSE	3x,12		
Current Tax		(21,792,929)	(11,243,249)
Deferred Tax		(2,177,550)	(973,741)
		(23,970,479)	(12,216,990)
INCOME BEFORE MINORITY INTEREST IN NET INCOME (LOSS) OF SUBSIDIARIES		168,940,832	40,819,694
MINORITY INTEREST IN NET INCOME (LOSS) OF SUBSIDIARIES	3b,3c,20	(7,691,584)	220,183
NET INCOME		161,249,248	41,039,877
EARNING PER SHARE	3y,28		
(In full Rupiah)			
Basic		16.07	4.09
Diluted		14.59	4.81

See accompanying notes to consolidated financial statements
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PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED JUNE 30, 2009 AND 2008

	Notes	Paid-up capital stock	Additional paid-in capital	Revaluation increment in property and equipment	Retained earning	Total equity
		Rp'000	Rp'000	Rp'000	Rp'000	Rp'000
Balance as of January 1, 2008		771,788,500	166,933,000	542,682,951	(468,010,073)	1,013,394,378
Reclassification of revaluation increment in property and equipment caused by implementation of PSAK 16	20,3n,8,9	-	-	(542,682,951)	542,682,951	-
Net income for the year		-	-	-	41,039,877	41,039,877
Balance as of June 30, 2008		771,788,500	166,933,000	-	115,712,755	1,054,434,255
Balance as of January 1, 2009		1,003,325,050	-	-	599,931	1,003,924,981
Net income for the year		-	-	-	161,249,248	161,249,248
Balance as of June 30, 2008		1,003,325,050	-	-	161,849,179	1,165,174,229

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 FLOW
FOR THE PERIODS ENDED JUNE 30, 2009 AND 2008

	2009 Rp'000	2008 Rp'000
CASH FLOW FROM OPERATING ACTIVITIES		
Cash received from customers	339,995,133	360,595,264
Cash paid to contractors of the subsidiary's project in order to construct real estate assets	(40,498,924)	(93,730,159)
Cash paid to suppliers, employees and others	(204,953,038)	(180,096,582)
Cash generated from operations	94,543,171	86,768,523
Interest received	12,322,544	10,392,129
Interest and bank charges paid	(75,681,070)	(67,237,973)
Income tax paid	(5,262,956)	(4,157,670)
Net Cash Provided by Operating Activities	25,921,688	25,765,009
CASH FLOW FROM INVESTING ACTIVITIES		
Withdrawal of restricted time deposits	113,211,501	226,942,674
Acquisition of investment properties and property and equipment	(85,683,344)	(161,693,427)
Net Cash Provided by Investing Activities	27,528,157	65,249,247
CASH FLOW FROM FINANCING ACTIVITIES		
Payments of bonds payable	(37,023,444)	(24,953,791)
Proceeds from bank loan	35,000,000	-
Net Cash Used in Financing Activities	(2,023,444)	(24,953,791)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	51,426,401	66,060,465
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	268,515,724	146,830,225
Effect of foreign exchange rate changes	(5,348,657)	(56,776)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	314,593,468	212,833,914

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

1. GENERAL

a. Establishment and General Information

PT. Pakuwon Jati Tbk. (the "Company") was established based on Notarial Deed No. 281 dated September 20, 1982 of Kartini Muljadi, SH notary in Jakarta. The Deed of Establishment was approved by the Minister of Justice in his Decision Letter No. C2-308.HT.01.TH.83, dated January 17, 1983, and was published in the State Gazette No. 28, dated April 8, 1983 Supplement No. 420. The Company's Articles of Association have been amended several times, most recently by Notarial Deed No. 87 dated February 23, 2009, of Noor Irawati, SH., notary in Surabaya, to replace the new Company's management. The amendment is under registration process to the Minister of Law and Human Rights of Republic of Indonesia.

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

According to Article 3 of the Company's Articles of Association, the scope of its activities is to engage in the operations of (1) shopping center named as Tunjungan Plaza, (2) business center named as Menara Mandiri, (3) five-star hotel named as Sheraton Surabaya Hotel and Towers (the Hotel), and (4) real estate business Pakuwon City (formerly Laguna Indah Housing) and industrial estate (which is not yet operating and will change to residential estate), which are all situated in Surabaya. The Company started commercial operations in May 1986. The Company had average total number of employees of 1.417 in 2009 and 1.437 in 2008.

The Company's management at June 30, 2009 and 2008 consisted of the following:

	June 30, 2009	June 30, 2008
President Commissioner	Alexander Tedja	Alexander Tedja
Commissioner		Acub Zainal
Independent Commissioner	Drs. Agus Soesanto	I Nyoman Budhiarta, S.E.
	Dr Dyah Prajnyaparamitha Duarsa	Drs. Agus Soesanto
President Director	Ir. Richard Adisastra	Ir. Richard Adisastra
Directors	A.S. Ridwan Suhendra	A.S. Ridwan Suhendra
	Omar Ishananto, S.H.	Omar Ishananto, S.H.
	Drs. Minarto	Drs. Minarto

The Company's audit committee at June 30, 2009 and 2008 consisted of the following:

Chairman	Drs. Agus Soesanto
Members	Theresia Tuti Harjati, SE., Ak.
	Edwin Derma Radar Hukum

b. Consolidated Subsidiaries

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

Subsidiaries	Domicile	Nature of Business and Status of Operations	Percentage of Ownership 2009	2008	Total Asset as of June 30, 2009 (before elimination) Rp'000
PT Artisan Wahyu (AW)	Jakarta, Indonesia	Property Development of Gandaria City	83,33%	83,33%	1,346,758,628
PT. Pakuwon Sentra Wisata (PSW)	Surabaya, Indonesia	Dormant	99.99%	99.99%	3,264,559
PT. Regency Laguna Jasamedika (RLJM)	Surabaya, Indonesia	Dormant	99.99%	99.99%	16,350,228
Pakuwon Jati Finance, B.V. (PJBV)	Netherlands	Financial Services	100.00%	100.00%	1,157,323,932

Based on Notarial Deed No. 4 dated March 2, 2007 of Esther Mercia Sulaiman, SH., notary in Jakarta, the Company has acquired 83.33% equity ownership of AW through the purchase of 80,000 new shares with an acquisition cost of US$ 80,000,000 (equivalent to Rp 728,400,000,000) which was accounted using the purchase method (Note 29).

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 in the Jakarta Stock Exchange on October 9, 1989.

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

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

Based on Extraordinary General Meeting of Stockholders dated October 17, 2005, the stockholders agreed to increase the subscribed and paid-up capital stock by 247,000,000 shares without preemptive right to existing stockholders according to Bapepam's Regulation No. IX.D.4.

In 2007, the Company completed a stock split (Note 21).

In 2008, the Company issued bonus shares arising from additional paid in capital and a part of the revaluation increment in property and equipment (Note 21 and 22). As of June 30, 2009, all of the Company's shares totaling 10.033.250.500 shares have been listed in the Indonesia Stock Exchange. (formerly Jakarta Stock Exchange and Surabaya Stock Exchange).

Bonds

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

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

2. ADOPTION OF REVISED STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS (PSAK)

a. Standards effective in the current period

In the current year, the Company and subsidiaries adopted the following revised PSAK which are effective for financial statements beginning on or after January 1, 2008:

PSAK 13 (Revised 2007) Investment Property

The revisions to PSAK 13 have had no impact on the Company and subsidiaries' accounting policy. The principal change to the standard, which allows the use of fair value or cost model in measuring investment property subsequent to initial recognition, has no impact on these financial statements because on initial adoption of the standard, management has chosen to use the cost model and it has been the Company and its subsidiaries' policy under the old PSAK to measure investment property subsequent to initial recognition using the cost model. For presentation purposes, in June 30, 2008, land, building and facilities with machinery and equipment with a carrying amount of Rp 597,651,903 thousand is reclassified in the balance sheet to investment properties.

PSAK 16 (Revised 2007) Property and Equipment

The revised PSAK 16 permits the use of fair value or cost model in measuring property and equipment subsequent to initial recognition, and requires among other things the component approach in depreciating the asset and a review at least annually of the residual value and useful life of the asset. On initial adoption the management has chosen to continue using the cost model. However, management has determined that it was not practicable to estimate the effect of the component approach and the changes in residual value of the asset either retroactively or prospectively from any earlier date. Accordingly, the adoption of this standard has not resulted in a change in the prior year carrying amount of the property and equipment. For certain assets that have been revalued in prior year in accordance with government regulation, the revaluation amount is considered as deemed cost for the purpose of applying PSAK 16, and the balance of revaluation surplus of Rp 478.078.401 thousand previously presented as a separate item in equity, was reclassified to retained earnings on initial adoption of the standard.

PSAK 30 (Revised 2007), Leases

The adoption of the revised PSAK 30 resulted in a change in accounting policy for leases. The principal change to the standard, which is the finance or operating lease classification of the arrangement depending on the transfer of substantially all the risks and rewards, had no impact on prior year financial statements. Management has determined that there are no significant operating leases on initial adoption that would have been classified as finance lease under the revised standard.

b. Standards in issue not yet adopted

PSAK 50 (Revised 2006), Financial Instruments: Presentation and Disclosures

In December 2006, DSAK issued PSAK 50 (Revised 2006), Financial Instruments: Presentation and Disclosures, which supersedes the presentation and disclosure requirements of PSAK 50 (1998), Accounting for Investments in Certain Securities, and PSAK 55 (Revised 1999), Accounting for Derivatives and Hedging Activities.

The objective of the revised standard is to establish principles for the presentation and disclosures of financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of the related interests, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset. The principles in this standard complement the principles for recognizing and measuring financial assets and financial liabilities in PSAK 55 (Revised 2006), Financial Instruments: Recognition and Measurement.

This standard should be applied prospectively for periods beginning on or after January 1, 2010.

PSAK 55 ((Revised 2006), Financial Instruments: Recognition and Measurement

In December 2006, DSAK issued PSAK 55 (Revised 2006), Financial Instruments: Recognition and Measurement.

This standard establishes the principles for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The standard also provides guidance on derecognition, when financial assets and liabilities may be measured at fair value, how to determine fair value and assess impairment, as well as hedge accounting.

This standard supersedes the principles of financial instruments recognition and measurement prescribed in certain previously issued accounting standards.

Entities shall apply this standard prospectively for financial statements covering the periods beginning on or after January 1, 2010. Early application is permitted.

PSAK 14 (Revised 2008), Inventory

In September 2008, DSAK issued the revised accounting standard for inventory which supersedes PSAK 14, Inventory.

The principal changes to the standard include among other things the requirement to use the same cost formula for all inventories having similar nature and use to the entity, and for purchase of inventories with deferred settlement term, the difference between the purchase price for normal credit terms and the amount paid is recognized over the period of financing.

This standard is effective for financial statements beginning on or after January 1, 2009. Earlier application is encouraged.

Management is evaluating the effect of these standards on the consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidated Financial Statement Presentation

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

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

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

b. Principles of Consolidation

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

The minority interest consists of the amount of those interest at the date of original business combination (Note 3c) and minority's share of movements in equity since the date of the business combination. Any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

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

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

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

c. Business Combinations

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

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

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

d. Foreign Currency Transactions and Translation

The books of accounts of the Company and its subsidiaries, except PJBV, are maintained in Indonesian Rupiah. Transactions during the year involving foreign currencies are recorded at the rates of exchange prevailing at the time the transactions are made. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the rates of exchange prevailing at that date. The resulting gains or losses are credited or charged to current operations.

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

e. Transactions with Related Parties

Related parties consist of the following:

1) 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) associates;

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 consolidated financial statements.

f. Use of Estimates

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

g. Cash and Cash Equivalents

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.

h. 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 reserve and the fund.

i. Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided based on a review of the status of the individual receivable accounts at the end of the year.

j. Inventories

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.

k. Prepaid Expenses

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

l. 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 the cost of land for development, 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 cost of the land. 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.

m. Investment Properties

Investment properties are properties (land or a building – 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 life of the investment properties as follows:

	Years
Building and facilities	5-30
Machinary and equipment	5-20

Land is stated at cost and is not depreciated.

n. Property and Equipment - Direct Acquisitions

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

Certain assets were revalued in previous years based on an independent appraisal made in accordance with government regulations. In line with the initial adoption of PSAK 16 (Revised 2007), the previous revalued amount of certain assets under the previous standard is considered as deemed cost, and the balance of the revaluation surplus previously reported as separate line item in equity is reclassified into retained earnings.

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

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

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

o. 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.

p. Impairment of an asset

When the carrying amount of an asset exceeds its estimated recoverable amount, the asset is write down to its estimated recoverable amount, which is determined as the higher of net selling price or value in use.

q. 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

r. Deferred Charges for 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.

s. Unearned Income

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

t. Debt Restructuring

The excess of the carrying amount of the loan and related accounts over the total future cash payments specified by the new terms of the loan in a troubled debt restructuring involving only modification of terms is recognized immediately as restructuring gain. After the restructuring, all cash payments under the terms of the loan are deducted from the carrying amount of the loan, and no interest expense is recognized on such loan until maturity.

If the carrying amount of the loan is less than the total future cash payments specified by the new terms of the loan in a troubled debt restructuring involving only modification of terms, no gain or loss is recognized. The effect of such restructuring is accounted for respectively from the time of restructuring. After the restructuring, interest expense is computed by applying a constant effective interest rate to the carrying amount of the loan and related accounts at the beginning of each period until maturity.

When settlement of the loan is made through transfer of asset, the excess of the carrying amount of the restructured debt over the fair value of the asset is recognized immediately as debt restructuring gain. Gain arising from the restructuring of loans through transfer of assets which terms and conditions are not fully met is recognized as deferred gain or loss on the restructured loans presented under other accounts payable account and will be recognized as gain in the consolidated statement of income when related terms and conditions are fully met.

u. Issuance Costs of Bonds

Issuance costs of Bond are deducted directly from the related proceeds of the related bonds to determine the net proceeds of the bonds. Differences between the net proceeds and nominal values represent discount or premium which are amortized using the straight-line method over the term of the bonds.

v. Post-Employment Benefits

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

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

The benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation, as adjusted for unrecognized actuarial gains or losses and unrecognized past service cost.

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

w. Revenue and Expense Recognition

Space Rental Revenue and Service Charges

Revenues from space rental and 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).

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

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

If any of the above criteria are not met, the payments received from the buyers are recognized as advances from customers and recorded using the deposit method until all the criteria are met.

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, all payments received from the buyers are recorded as advances from customers received using the deposit method, until all the criteria are met.

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).

x. Income Tax

Final Income Tax

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

Non-Final Income Tax

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

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

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

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

y. Earnings (Loss) per Share

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

Diluted earnings (loss) per share is computed by the weighted average number of share 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 earnings (loss) per share for all periods presented is adjusted retrospectively.

z. Segment Information

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

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

A geographical segments is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

Assets and liabilities that relate jointly to two or more segments are allocated to those segments, if and only if, the related revenues and expenses are allocated to those segments and the relative autonomy of those segments.

4. CASH AND CASH EQUIVALENTS

	2009	2008
	Rp'000	Rp'000
Cash on hand	2,989,785	918,397
Cash on banks		
Rupiah		
Bank Mandiri	3,962,960	4,652,946
Bank CIMB Niaga (formerly Bank Lippo)	2,095,990	1,363,076
Bank Danamon Indonesia	1,599,519	3,894,832
Bank Central Asia	1,469,660	7,319,242
Bank Internasional Indonesia	1,466,268	2,211,068
Bank Mega	1,357,861	-
Bank Rakyat Indonesia	19,012	-
Others (below Rp 10 million)	14,889	43,687
U.S. Dollar		
JP Morgan	22,548,372	-
ING Asia Private Bank Limited	5,219,597	2,778,583
Bank Mandiri	2,379,970	497,686
Bank Danamon Indonesia	1,081,488	14,645,560
Bank of New York	940,445	847,720
Bank CIMB Niaga (formerly Bank Lippo)	219,519	70,568
Bank Panin	21,245	23,376
Others (below Rp 10 million)	10,714	49,062
Euro		
ING Asia Private Bank Limited	203,618	183,350
Time deposits		
Rupiah		
Bank Danamon Indonesia	67,244,540	2,602,006
Bank Internasional Indonesia	57,248,073	110,716,697
Bank Permata	29,733,065	-
Bank Mega	25,710,876	33,758,443
Bank KPA	5,924,971	
Bank Mandiri	4,382,381	6,473,597
Bank Rakyat Indonesia	-	1,039,291
Bank CIMB Niaga (formerly Bank Niaga)	-	400,000
U.S. Dollar		
Bank Danamon Indonesia	53,658,195	-
Bank Mega	19,790,021	12,461,977
UBS AG, Singapura	3,096,276	-
Bank Mandiri	204,160	186,300
Bank DBS Indonesia	-	5,696,450
Total cash and cash equivalents	314,593,468	212,833,914
Fund for replacement of hotel's furniture, fixtures and equipment	(2,614,140)	(2,223,420)
Net	311,979,328	210,610,494
Interest rates per annum on time deposits		
Rupiah	10,00 % - 13,50 %	8,50 % - 8,75 %
U.S. Dollar	5,70 % - 6.00%	4,00% - 4,25 %

5. TRADE ACCOUNTS RECEIVABLE FROM THIRD PARTIES

	2009	2008
	Rp'000	Rp'000
a. **By Business Segment:**		
Sale of land and buildings	19,049,228	22,841,326
Space rental and others	15,099,824	11,550,878
Hotel	6,551,746	6,000,310
Total	40,700,798	40,392,514
Allowance for doubtful accounts	(905,685)	(3,435,555)
Net	39,795,113	36,956,959
b. **By Age Category:**		
1 - 30 days	37,037,400	25,366,716
31 - 60 days	514,114	2,729,431
61 - 90 days	835,708	1,047,704
More than 90 days	2,313,576	11,248,663
Total	40,700,798	40,392,514
Allowance for doubtful accounts	(905,685)	(3,435,555)
Net	39,795,113	36,956,959
Changes in the allowance for doubtful accounts:		
Beginning balance	1,880,333	3,314,438
Provision (reversal of allowance)	(974,648)	121,117
Ending balance	905,685	3,435,555

All trade accounts receivable in 2009 and 2008 are in Rupiah currency.

Management believes that the allowance for doubtful accounts is adequate to cover possible losses on uncollectible accounts.

Management also believes that there is no significant risk associated to the above receivables.

Trade accounts receivable from hotel operations amounting to Rp 6,551,746 thousand and Rp 6,000,310 thousand were used as collateral for Series C Bonds in 2009 and for Series A and C Bonds in 2008 (Note 18).

6. RESTRICTED TIME DEPOSITS

	2009	2008
	Rp'000	Rp'000
The Subsidiary (AW)		
ING Asia Private Bank Limited, Singapore (US$ 3,028,540.65 in 2009 and US$ 20,682,880.00 in 2008)	30,966,828	190,799,566
UBS AG, Singapore (US$ 1,813,162.66) in 2008	-	16,726,426
Total	30,966,828	207,525,992
The Company		
UBS AG, Singapore (US$ 13,200,000)	134,970,000	121,770,000
Total	165,936,828	329,295,992
Interest rate per annum	1.15% - 2.10%	2.70% - 5.27%

Time deposits owned by AW represent proceeds from the issuance of the subsidiary's capital stock and restricted only for the construction of Superblock Gandaria City. Such time deposits mature on June 30, 2009.

Time deposits owned by the Company represent restricted time deposit that will be used for the payment of interest of Senior Secured Note in November 2009 (Note 18).

7. REAL ESTATE ASSETS

Real Estate Inventories

	2009	2008
	Rp'000	Rp'000
Land lot already developed		
Laguna Indah	17,532,230	17,532,230
Virginia Regency	13,777,593	14,605,860
Laguna Regency	2,056,216	2,258,415
Royal Villa	1,641,547	1,748,320
Riviera Villa	1,050,292	1,047,606
Westwood Villa	951,308	951,308
Taman Mutiara	934,842	1,237,233
Taman Permata	-	125,377
Land and buildings ready for sale		
Pakuwon Town Square	6,868,136	6,357,756
Model unit	2,424,342	2,424,341
Taman Permata	130,219	130,219
Virginia Regency	-	1,120,759
Total	47,366,725	49,539,424
Condominium unit:		
Kondominium Regency	4,939,780	6,201,774
Land under development:		
Superblock Gandaria City	400,690,302	478,708,926
Palm Beach	83,307,984	60,696,859
Pakuwon Town Square	53,564,084	31,150,181
Total	537,562,370	570,555,966
Total	589,868,874	626,297,164

Land Not Yet Developed

	2009	2008
	Rp'000	Rp'000
Location:		
East Surabaya	119,987,732	120,728,361
North Surabaya	75,041,540	74,178,157
West Surabaya	18,060,877	18,045,877
Embong Malang, Central Surabaya	5,124,646	5,123,151
Total	218,214,795	218,075,546

The total land not yet developed measures 2,572,206 square meters in 2009 and 2,582,206 square meters in 2008. Other than Superblock Gandaria City which is located in Jakarta, all real estate inventories are located in Surabaya, East Java.

In 2009, borrowing costs capitalized to land under development (Superblock Gandaria City) amounted to Rp 33,124,723 thousand, consisting of interest expense of Rp 24,090,708 thousand and loss on foreign exchange of Rp 9,034,015 thousand.

In 2008, borrowing costs capitalized to land under development (Superblock Gandaria City) amounted to Rp 13,121,429 thousand.

The additions to real estate inventory in 2007 included real estate assets of AW at the date of acquisition amounting to Rp 249,426,127 thousand (Note 29).

As of June 30, 2009 and 2008, land under development (Superblock Gandaria City) was covered by contractor all risk insurance with PT MAA General Assurance for US$ 144,300,000.

8. INVESTMENT PROPERTIES

	January 1, 2009	Additions	Deductions	Reclassification	June 30, 2009
	Rp'000	Rp'000	Rp'000	Rp'000	Rp'000
Cost:					
Land	242,326,057	-	-	-	242,326,057
Building and facilities	440,488,092	2,579,776	-	-	443,067,868
Machinery and equipment	140,391,293	1,794,401	-	-	142,185,694
Total	823,205,442	4,374,177	-	-	827,579,619
Accumulated depreciation:					
Building and facilities	126,212,282	8,032,034	-	-	134,244,316
Machinery and equipment	65,618,499	3,792,907	-	-	69,411,406
Total	191,830,781	11,824,941	-	-	203,655,722
Net Book Value	631,374,661				623,923,896

	January 1, 2008	Additions	Deductions	Reclassification	June 30, 2008
	Rp'000	Rp'000	Rp'000	Rp'000	Rp'000
Cost:					
Land	236,858,454	3,502,603	-	-	240,361,057
Building and facilities	403,166,619	571,745	-	-	403,738,364
Machinery and equipment	134,430,524	1,117,037	1,036,048	-	134,511,513
Total	774,455,597	5,191,385	1,036,048	-	778,610,934
Accumulated depreciation:					
Building and facilities	112,031,285	6,902,786	-	-	118,934,071
Machinery and equipment	58,806,704	3,498,851	280,596	-	62,024,959
Total	170,837,989	10,401,637	280,596	-	180,959,030
Net Book Value	603,617,608				597,651,903

The fair value of the investment properties as of June 30 2009 amounted to Rp 2,037,000,000 thousand based on management assessment. The valuation was done based on cost and revenue method.

Depreciation amounting to Rp 11,824,941 thousand and Rp 10,401,638 thousand for the periods ended June 30, 2009 and 2008 respectively were recorded under direct costs-building expenses (Note 24).

Certain investment properties were revalued in 1999. On initial adoption of PSAK 13 (Revised 2007), the revalued amount of those assets are considered as deemed cost and the balance of the revaluation increment, which was previously recorded as part of equity, is reclassified to retained earnings.

As of June 30, 2009 and 2008, the investment properties were insured along with property and equipment.

In 2009 and 2008, the land and building comprising Tunjungan Plaza I and III with HGB Nos. 446, 206, 266, 284, 286, 293, and 299 are used as collateral for Senior Secured Notes (Note 18).

9. PROPERTY AND EQUIPMENT

	January 1, 2009	Additions	Deductions	Reclassification	June 30, 2009
	Rp'000	Rp'000	Rp'000	Rp'000	Rp'000
Cost:					
Land	499,521,865	17,174,461	-	-	516,696,326
Buildings and facilities	464,038,117	37,881	-	-	464,075,998
Machinery and equipment	28,867,802	-	-	-	28,867,802
Motor vehicles	12,575,749	71,019	97,500	-	12,549,268
Office equipment	32,520,379	381,271	-	-	32,901,650
Interior design	33,393,587	-	-	-	33,393,587
Construction in progress					
Buildings and facilities	600,135,344	112,366,280	-	-	712,501,624
Total	1,671,052,843	130,030,912	97,500	-	1,800,986,255
Accumulated depreciation					
Buildings and facilities	158,953,618	7,897,038	-	-	166,850,656
Machinery and equipment	18,725,684	798,862	-	-	19,524,546
Motor vehicles	9,116,678	794,848	11,580	-	9,899,946
Office equipment	27,220,581	1,007,865	-	-	28,228,446
Interior design	11,535,268	1,236,420	-	-	12,771,688
Total	225,551,829	11,735,033	11,580	-	237,275,282
Net Book Value	1,445,501,014				1,563,710,973

	January 1, 2008	Additions	Deductions	Reclassification	June 30, 2008
	Rp'000	Rp'000	Rp'000	Rp'000	Rp'000
Cost:					
Land	445,308,312	4,759,178	-	-	450,067,490
Buildings and facilities	463,765,664	69,318	-	-	463,834,982
Machinery and equipment	28,828,982	59,921	-	-	28,888,903
Motor vehicles	11,978,449	-	151,600	-	11,826,849
Office equipment	29,609,704	1,364,600	-	-	30,974,304
Interior design	11,273,253	-	-	691,058	11,964,311
Construction in progress					
Buildings and facilities	184,776,589	154,698,650	-	(691,058)	338,784,181
Total	1,175,540,953	160,951,667	151,600	-	1,336,341,020
Accumulated depreciation					
Buildings and facilities	143,166,622	7,610,113	-	-	150,776,735
Machinery and equipment	17,139,871	991,782	-	-	18,131,653
Motor vehicles	7,373,095	1,106,301	90,960	-	8,388,436
Office equipment	25,448,779	814,974	-	-	26,263,753
Interior design	10,161,116	134,849	-	-	10,295,965
Total	203,289,483	10,658,019	90,960	-	213,856,542
Net Book Value	972,251,470				1,122,484,478

In 2006 and 1999, the Company revalued part of its property and equipment. The revaluation was based on government rules. In 2006, the Company revalued land where the Sheraton Surabaya Hotel & Tower is located and two (2) parcels of land situated beside the Hotel, with net revaluation increment amounting to Rp 50,999,400 thousand. For the revaluation of property and equipment, the Company obtained approval from the Tax Office for Listed Companies on December 26, 2006 through its Decision Letter No. 2027/WPJ.07/BD.04/2006. In 1999, the Company revalued part of its property and equipment as of December 31, 1998 with net revaluation increment in property and equipment amounting to Rp 491,683,551 thousand. The Company obtained approval from the Tax Office for Listed Companies in its Decision Letter No. 021/WPJ.06/KP.0404/1999 dated May 20, 1999. On June 30, 2009 and 2008, the balance of the net revaluation increment in property and equipment were recorded as part of equity amounting to Rp 542,682,951 thousand.

In 2008, revaluation increment amounting to Rp 64,603,550 thousand was used in the issuance of bonus share (Note 21).

On initial adoption of PSAK 16, (Revised 2007) the revalued amount of these assets are considered as deemed cost and the balance of the revaluation increment, which was previously recorded as part of equity, is reclassified to retained earning.

Depreciation amounting to Rp 12,563,403 thousand in 2009 and Rp 10,469,270 thousand in 2008 were recorded under direct cost-building expenses and under hotel operating expenses (Note 24).

Construction in progress includes building under construction in Jakarta called Superblock Gandaria City owned by AW. The building is estimated to be completed in 2010.

In 2009, borrowing costs capitalized to construction in progress amounted to Rp 38,038,934 thousand consisting of interest expense of Rp 27,664,680 thousand and loss on foreign exchange of Rp 10,374,255 thousand.

In 2008, borrowing costs capitalized to construction in progress amounted to Rp 10,540,889 thousand consisting of interest expense of Rp 14,316,036 thousand and gain on foreign exchange of Rp 3,775,146 thousand.

The Company and AW owns several parcels of land located in Kelurahan Kaliasin and Kedungdoro, Surabaya and in Gandaria with legal rights in the form of Building Use Rights (HGBs) for a period of 10 to 30 years from 2009 to 2032. Management believes that there will be no difficulty in the extension of the landrights since all parcels of land were acquired legally and supported by sufficient evidence of ownership.

In 2009 and 2008, land with HGB Nos. 265, 275 and 294 together with Sheraton Surabaya Hotel & Towers thereon are used as collateral for Series A and C Bonds. Land with HGB Nos. 183, 282, 290, 292, 300 and 458 together with the Tunjungan Plaza IV buildings thereon are used as collateral for Bonds Payable I.

In 2008, land with HGB Nos. 828 and 1190 are used as collateral for Bank Mega Loan.

At June 30, 2009 and 2008, investment properties, property and equipment and property and equipment under build, operate and transfer (BOT) scheme, except land, were insured as follows:

- Tunjungan Plaza I and II / Menara Mandiri, Tunjungan Plaza III, Tunjungan Plaza IV, Central Plant and Laguna Square (Pakuwon City) were covered by property-all-risk insurance with PT. AIU Indonesia for US$ 67,240,000 and Rp 26,000,000 thousand as of June 30, 2009 and with PT. Zurich Insurance Indonesia for US$ 83,900,000 and Rp 15,000,000 thousand as of June 30, 2008. Sheraton Surabaya Hotel & Towers was covered by property-all-risk insurance with PT. Asuransi AIU Indonesia as of June 30, 2009 for US$ 28,000,000 and with PT. Asuransi Allianz Utama Indonesia as of June 30, 2008 for US$ 35,000,000. These properties were also insured against terrorism and sabotage with PT. Asuransi Bintang Tbk for US$ 95,200,000 and US$ 118,900,000 as of June 30, 2009 and 2008 respectively.

- Tunjungan Plaza I, II / Menara Mandiri, III and IV, Central Plant and Laguna Square (Pakuwon City) were covered by Public Liability insurance with PT. AIU Indonesia and PT. Asuransi Allianz Indonesia in 2009 and 2008 for US$ 1,000,000 and US$ 250,000 respectively. Sheraton Surabaya Hotel & Towers was covered by Public Liability insurance with PT. ACE INA Insurance in 2008 for US$ 10,000,000.

- Some of the vehicles were insured with PT. Asuransi AIU Indonesia and PT. Asuransi Allianz Utama Indonesia in 2009 and 2008 for Rp 2,094,000 thousand and Rp 2,226,000 thousand.

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

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

	January 1, 2009	Additions	Deductions	June 30, 2009
	Rp'000	Rp'000	Rp'000	Rp'000
Cost::				
Buildings	46,927,905	-	-	46,927,905
Machinery and equipment	11,734,753	-	-	11,734,753
Total	58,662,658	-	-	58,662,658
Accumulated depreciation:				
Building	39,956,905	1,514,641	-	41,471,546
Machinery and equipment	10,117,484	293,370	-	10,410,854
Total	50,074,389	1,808,010	-	51,882,400
Net Book Value	8,588,269			6,780,258

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 depreciation:				
Buildings	36,927,621	1,514,641	-	38,442,262
Machinery and equipment	9,530,748	293,368	-	9,824,116
Total	46,458,370	1,808,009	-	48,266,379
Net Book Value	12,204,288			10,396,279

Amortization expense amounting to Rp 1,808,010 thousand in 2009 and 2008 respectively was presented under direct costs-building expenses (Note 24).

As of June 30, 2009 and 2008, the property and equipment under BOT scheme were insured along with property and equipment (Note 9).

11. TRADE ACCOUNTS PAYABLE

	2009	2008
	Rp'000	Rp'000
Related party		
PT. Pakuwon Darma	4,646,078	12,639,987
Third party	28,136,064	29,777,606
Total Trade Accounts Payable	32,782,141	42,417,593

All trade account payable are in Rupiah currency.

12. TAXES PAYABLE, PREPAID TAXES AND TAX EXPENSES

Taxes Payable

	2009	2008
	Rp'000	Rp'000
The Company		
Value added tax	1,430,373	3,046,048
Final income tax	619,400	1,028,434
Income tax - article 21	26,649	12,901
Income tax - article 23/26	165,738	189,851
Taxes on promotional activities	-	13,262
Hotel and restaurant tax	1,479,918	335,779
The subsidiaries:		
Final income tax	4,794,639	-
Current tax	-	566,244
Income tax - article 21	16,525	80,954
Income tax - article 23/26	-	280,047
Other	287,674	-
Total	8,820,917	5,553,520

Details of final income tax payable are as follows:

	2009	2008
	Rp'000	Rp'000
Final income tax on unearned income and service charges	13,595,296	10,884,830
Less:		
Amount withheld by third parties	(8,736,337)	(6,587,320)
Payment by the Company	(4,239,558)	(3,269,076)
Final income tax payable	619,401	1,028,434

Prepaid Taxes

	2009	2008
	Rp'000	Rp'000
The Company		
Final income tax of unearned rental income	13,402,602	11,843,800
Income tax - article 22	19,970	22,868
Income tax - article 23	38,555	-
The Subsidiaries		
Value Added Tax	9,749,321	43,314,995
Income tax - article 23	561,292	-
Final income tax	-	717,085
Total	23,771,740	55,898,748

Tax Expenses

	2009	2008
	Rp'000	Rp'000
Current tax expense		
Final income tax		
The Company	13,595,296	10,884,830
Subsidiary	7,982,356	-
Nonfinal income tax		
Subsidiary	215,277	358,419
Total current tax expense	21,792,929	11,243,249
Deferred tax expense		
The Company	2,177,550	973,741
Subsidiary	-	-
Total deferred tax expense	2,177,550	973,741
Net tax expense	23,970,479	12,216,990

13. ACCRUED EXPENSES

	2009	2008
	Rp'000	Rp'000
Interest and penalty payable on bonds (Note 18)	106,898,596	107,427,496
Electricity, water and gas	1,123,849	1,720,081
Others	6,900,425	6,828,689
Total	114,922,870	115,976,266
Current portion	(26,941,601)	(25,948,466)
Long-term portion	87,981,269	90,027,800

14. UNEARNED INCOME

	2009	2008
	Rp'000	Rp'000
Space rental	160,748,104	280,981,949
Others	11,052,745	17,536,192
Total	171,800,849	298,518,141
Current portion	(123,724,034)	(109,008,228)
Long-term portion	48,076,815	189,509,913

15. ADVANCES FROM CUSTOMERS

This account mainly represents advance payments received by the Company and AW, a subsidiary, from customers for the retail center, pre-sale of condominiums and office buildings which do not satisfy the revenue recognition criteria.

16. BANK LOAN

	2009	2008
	Rp'000	Rp'000
Bank ICBC	35,000,000	-
Bank Mega	3,650,000	-
Total	38,650,000	-
Current portion	(35,000,000)	-
Long-term portion	3,650,000	-

In June 2009, the Company obtained a term loan facility from Bank ICBC used as a working capital (AR Financing) amounting to Rp 35,000,000 thousand due in 1 year. Interest rate per annum is at 12.5% with floating rate, which is paid monthly. Under the agreement, this AR Financing is secured by receivables of land lot and building (houses) units sold in Pakuwon City.

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. Interest rate per annum is at 15% with floating rate, which is paid monthly. Under the agreement, this credit facility will be used to finance the Pakuwon Center construction. As of June 30, 2009, the Company has already used Rp 3,650,000 thousand of the credit facility.

The Company shall open an escrow account in Bank Mega as saving account for all Pakuwon Center and commercial unit Pakuwon Town Square rental revenue. The Company should maintain minimum fund balance in the escrow account of 30% of Pakuwon Town Square revenue.

The bank loan is secured by first priority security rights of 6,866 square meters land which a part of 114,680 square meters land with HGB Certificate Nos. 828 and 1190/Kelurahan Kejawan Putih Tambak with area of 19,366 square meters and 95.314 square meters, respectively. This land is the location of Pakuwon Center building construction site which is located in Pakuwon City in Surabaya. Both HGB certificates expire on July 11, 2014.

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

17. OTHER ACCOUNTS PAYABLE

	2009	2008
	Rp'000	Rp'000
Deferred gain on restructured bonds, from:		
Reduction of interest and write-off of penalty on Bonds I	4,365,233	6,111,326
Settlement with real estate inventory	-	17,366,096
Interest payable on Series C Bonds	2,564,074	4,163,548
Others	3,160,569	3,160,569
Total	10,089,876	30,801,539
Current maturities from:		
Reduction of interest and write-off of penalty on Bonds I	1,746,093	1,746,093
Interest payable on Series C Bonds	1,443,716	2,110,031
Total	3,189,809	3,856,124
Long-term portion	6,900,067	26,945,415

Deferred gain on restructured bonds from reduction of interest and write-off of penalty represents the diffrerence between the carrying amount of restructured Bonds I (principal and accrued interest) in 2003 and the agreed total settlement amount and outstanding loan balance. The difference was deferred since the carrying amount was less than the future cash payments.

The conditions for the settlement of the obligation through real estate assets have been fully met, hence the Company accounted for the remaining gain in 2008. In 2007, the Company accounted for the gain of Rp 7,993,912 thousand. The realized gain was presented as part of the other income.

Interest payable on Series C Bonds represents the difference between the nominal value of Series C Bonds and the future cash payments of the related restructured loan (Note 18) and will be realized on due date of each interest payable.

18. BONDS PAYABLE

	2009 Rp'000	2008 Rp'000
Senior Secured Notes - net of unamortized bond issuance costs	1,104,152,646	985,480,076
Bonds payable (in Rupiah)		
Bonds I	38,482,500	71,467,500
Bonds resulting from restructured loans:		
Series A Bonds US$ 2.314.202 in 2008	-	10,674,266
Series C Bonds US$ 2.196.000 in 2009 and US$ 2.928.000 in 2008	20,582,925	25,322,625
Total	1,163,218,071	1,092,944,467
Current maturities	(288,672,200)	(50,411,966)
Long-term Bond Payable	874,545,871	1,042,532,501

Senior Secured Notes

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

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

The funds generated from the issuance of bonds were used for the repayments of certain existing debts and the acquisition of 83.33% of AW, through the purchase of new shares (Note 29).

Based on “account management agreement” dated 16 Desember 2006, the Company would deposit the net proceeds from the issue of the Notes into an offshore account in Singapore. The acquisition portion in Pakuwon Offshore Account will be paid to AW on the date the acquisition is completed and AW will deposit these proceeds into an offshore account in Singapore.

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

The Company shall cause AW to deposit US$ 80,000,000 into the Artisan Offshore Reserve Account. Funds on deposit in the Artisan Reserve Account may be withdrawn or transferred to either the Artisan Offshore Operating Account or the Artisan Onshore Operating Account to pay for (i) qualified construction costs, provided that as condition to such withdrawal AW will deliver to the Trustee a disbursement certificate, a written certification by an independent quantity surveyor and copies of invoices setting forth the charges from contractors and vendor included in such qualified construction (ii) qualified other construction and development related cost provided that as a condition to such withdrawal AW will deliver to the Trustee a disbursement certificate and copies of invoices setting forth the charges from contractors and vendors.

Based on the ratings issued by Moody's Investors Service, Inc. on March 16, 2009 and Fitch on June 18, 2009, the bonds are rated Caa1 and CC respectively.

The Senior Secured Notes payable consists of the following:

	2009	2008
	Rp'000	Rp'000
Nominal value (US$ 110.000.000)	1,124,750,000	1,014,750,000
Unamortized bond issuance costs	(20,597,354)	(29,269,924)
Net	1,104,152,646	985,480,076

The Senior Secured Notes are secured by:
- First priority security rights over Tunjungan Plaza I and III (Note 8).
- Fiduciary security of all movable assets located in Tunjungan Plaza I and III.
- Fiduciary security of all claims under insurance and reinsurance policies maintained on the land and buildings comprising Tunjungan Plaza I and III.
- A pledge of the Company's shares in AW.
- Several offshore accounts and an onshore account to be managed by Account Managers in accordance with the Account Management Agreement.

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

<u>Bonds Payable I</u>

In 1996, the Company issued Bonds I totaling Rp 150,000,000 thousand, with interest at 19.125% per annum. The maturity date of these bonds has been extended up to June 28, 2011 based on Bondholders' General Meeting (RUPO) in 2003. The bonds were intended for the project development for Tunjungan Plaza IV. Bonds I are secured by HGB Certificate Nos. 183, 282, 290, 292, 300 and 458, covering a total area of 0.885 hectares located in Kelurahan Kedungdoro, Surabaya, together with the buildings thereon (Note 8 and 9).

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

a. Based on RUPO of Bonds I with principal totaling Rp 109,950,000 thousand as stated in the Minutes of RUPO I No. 65 dated June 23, 2003 and Deed No. 9 dated September 8, 2003 concerning Addendum V of the Custodianship Agreement of Bonds I both from Notary Mrs. Machrani Moertolo S. SH., the holders of Bonds I agreed on the following among others:

   i. Schedule of payment of bond principal as follows :
      - 2005 amounting to Rp 16,492,500 thousand
      - 2007 amounting to Rp 21,990,000 thousand
      - 2009 amounting to Rp 32,985,000 thousand
      - 2011 amounting to Rp 38,482,500 thousand

   ii. Floating rate of 1% over Bank Indonesia Certificate (SBI) capped at 12% per annum.

   iii. Interest-free cash payment of interest in arrears amounting to Rp 102,303,802 thousand through installment of 2% per annum depending on the cash flow position of the Company and the remaining will be paid in the ninth year through refinancing. The past due interest was presented under accrued expenses (Note 13).

   iv. Write-off of penalty for the late payment of coupon nos. 8, 9, and 10 amounting to Rp 519,456 thousand

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

   As of December 31, 2008, the Company failed to meet certain financial ratio required. As stated in the credit agreement, upon failure by the Company to meet the above requirement, the bank can declare the the loans be payable on demand. On February 12, 2009, the Company has sent the letter to PT Bank Rakyat Indonesia (Persero) Tbk. (BRI) as the Trustee for the Bonds Payable I for a waiver of the financial covenants. On February 26, 2009, the Company received the letter from BRI stating that the waiver has been approved under a certain condition stated in the letter.

In 2009, the Company paid installments amounting to Rp 32,985,000 thousand thus Bond I payable amounted to Rp 38,482,500 thousand.

Based on the ratings issued by Fitch, the Bond I payable as of June 18, 2009 is rated CC.

Bonds Resulting from Restructured Loans

On October 25, 2005, the Company and all its lenders entered into agreements to restructure all loans and related interest payable. This restructuring has been approved in the Extraordinary Stockholders' General Meeting as documented in Notarial Deed No. 72 dated October 17, 2005 of Noor Irawati SH., notary in Surabaya.

The details of series A and C Bonds, are as follows represent from restructured loans. Part of Series A Bonds and Series B, D and E have been converted into capital.

Series A Bonds

The details of Series A and C Bonds as of June 30,2008, are as follows

	2008	
Bondholder	US$	Equivalent Rp'000
Sino Connect Invesment Ltd	922,601	8,510,994
Oakhill Capital Ltd	108,155	997,730
Burgami Investment Ltd	81,134	748,461
BSL Investment Inc.	45,212	417,081
Total	1,157,102	10,674,266

Series A Bonds are transferable and redeemable at the option of the Company, non-interest bearing and have a term of seven (7) years from the date of issue.

Series A Bonds amounting to US$ 1,157,102 have been fully paid in 2008.

Series C Bonds

The balance of Series C Bonds issued to Bank Pan Indonesia (Panin) as of June 30, 2009 and 2008 amounted to US$ 2,013,000 or equivalent Rp 20,582,925 thousand and US$ 2,745,000 or equivalent Rp 25,322,625 thousand respectively. Payments to Series C Bonds in 2009 and 2008 each amounted US$ 366.000.

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 A and 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 theron, located in Kelurahan Kedungdoro, Surabaya

- Receivables, claims and rights over proceeds from the hotel operations and proceeds from insurance claim.

19. MANDATORY CONVERTIBLE NOTES (MCN) PAYABLE

	2009 Rp'000	2008 Rp'000
Nominal value (US$ 58,000,000)	593,050,000	535,050,000
Unamortized discount (US$ 11,712,905.05) in 2009 and (US$ 13,121,383.06) in 2008	(119,764,454)	(121,044,759)
Total	473,285,546	414,005,241

On August 1, 2006, AW, a subsidiary, issued MCNs to UOB Kay Hian Finance Limited amounting to US$ 58,000,000. These MCNs are convertible to one (1) share per US$ 1,000 MCN until July 31, 2016. At any time after July 31, 2013 but prior to the maturity date, the note may be redeem 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. These 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.

20. MINORITY INTEREST IN SUBSIDIARIES

	2009 Rp'000	2008 Rp'000
a. Minority interest in net assets of subsidiaries		
AW	94,009,351	82,478,850
Others	1	1
Total	94,009,352	82,478,851
b. Minority interest in net income (loss) of subsidiaries		
AW	7,691,584	(220,183)
Others	-	-
Total	7,691,584	(220,183)

21. CAPITAL STOCK

Name of stockholder	2009 Number of Shares	 Percentage of Ownership	 Total Paid-up Capital Stock
		%	Rp'000
BSL Investment Inc.	2,221,898,250	22.14	222,189,825
Burgami Investments Ltd	2,096,581,500	20.90	209,658,150
PT. Pakuwon Arthaniaga	1,520,032,460	15.15	152,003,246
Concord Media Investment Ltd (CMIL)	741,000,000	7.38	74,100,000
Raylight Investments Limited	716,917,500	7.15	71,691,750
Sino Connect Investments Limited	429,000,000	4.28	42,900,000
Oakhill Capital Limited	390,000,000	3.89	39,000,000
PT. Pakuwon Trijaya	164,658,000	1.64	16,465,800
Alexander Tedja (President Commissioner)	1,872,000	0.02	187,200
Richard Adisastra (President Director)	27,300	0.00	2,730
Public (less than 5%)	1,751,263,490	17.45	175,126,349
Total	10,033,250,500	100.00	1,003,325,050

Name of stockholders	2008 Number of Shares	 Percentage of Ownership	 Total Paid-up Capital Stock
		%	Rp'000
BSL Investment Inc.	1,709,152,500	22.14	170,915,250
Burgami Investments Ltd	1,612,755,000	20.90	161,275,500
PT. Pakuwon Arthaniaga	1,169,255,740	15.15	116,925,574
Concord Media Investment Ltd (CMIL)	570,000,000	7.38	57,000,000
Raylight Investments Limited	551,475,000	7.15	55,147,500
Sino Connect Investments Limited	508,942,500	6.59	50,894,250
Oakhill Capital Limited	394,810,000	5.12	39,481,000
PT. Pakuwon Trijaya	126,660,000	1.64	12,666,000
Alexander Tedja (President Commissioner)	1,440,000	0.02	144,000
A S Ridwan Suhendra (Director)	45,000	0.00	4,500
Richard Adisastra (President Director)	21,000	0.00	2,100
Public (less than 5%)	1,073,328,260	13.92	107,332,826
Total	7,717,885,000	100.00	771,788,500

The changes in the shares outstanding for 2009 and 2008 are as follows:

	Number of shares
Balance as of January 2007	1,543,577,000
Increase from stock split of par value	6,174,308,000
Balance as of June 30, 2008	7,717,885,000
Increase from the issuance of bonus shares	2,315,365,500
Balance as of June 30, 2009	10,033,250,500

Based on the Extraordinary General Meeting of Stockholders as stated in Notarial Deed No.192 dated June 30, 2008 of Noor Irawati, S.H., notary in Surabaya, which was approved by the Minister of Law and Human Right of Republic Indonesia through Letter No. AHU-90465.AH.01.02.TH.08 dated November 27, 2008, the stockholders have agreed to issue 2,315,365,500 bonus shares out of the additional paid-in capital and a part of the revaluation increment in property and equipment as of December 31, 2007 at 100 per share par value, at 10:3 ratio. The issuance of bonus share is effective on August 7, 2008, to stockholders who are included in the Stockholder's list as of July 23, 2008 at four o'clock in the afternoon. In accordance with the Letter Nos.S.03739/BEI.PSJ/07-2008 dated July 3, 2008 from the Indonesia Stock Exchange, the bonus shares stated above have been approved thus all of the Company's outstanding shares totaling 10,033,250,500 shares at par value of Rp 100 per share were listed on the Indonesia Stock Exchange.

Based on the Annual General Stockholders' Meeting as stated in Notarial Deed No.28 dated August 7, 2007 from Noor Irawati, SH notary in Surabaya, which was received and registered in the Department of Law and Human Rights through Letter No. W10-HT.01.10-dated September 11, 2007, the stockholders approved the stock split through reduction of par value from Rp 500 per share to Rp 100 per share. Accordingly, as a result of the stock split, the number of outstanding shares increased from 1,543,577,000 shares to 7,717,885,000 shares.

22. ADDITIONAL PAID-IN CAPITAL

	Additional paid-in capital Rp'000
Sale of the Company's shares through public offering in 1989	18,900,000
Rights offering I to stockholders in 1991	50,000,000
Rights offering II to stockholders in 1994	115,500,000
Distribution of 35,000,000 bonus shares in 1992	(35,000,000)
Total	149,400,000
Conversion of bonds into shares in 2006	
Total proceeds from the issuance of 876,577,000 shares	455,821,500
Total par value	(438,288,500)
Excess proceeds	17,533,000
Balance as of June 30, 2008	166,933,000
Bonus shares issuance in 2008	(166,933,000)
Balance as of June 30, 2009	-

23. SALES AND REVENUES

	2009 Rp'000	2008 Rp'000
Rental and service charges:		
Space rental	89,147,921	82,776,339
Service charges	34,843,677	30,691,971
Subtotal	123,991,598	113,468,310
Hotel revenues	46,840,167	40,754,314
Sale of land lots and buildings	8,604,517	34,418,387
Sale of condominiums and office	159,647,114	-
Other operating revenues:		
Electricity and water billing	18,575,210	17,171,960
Parking fee	5,462,710	4,883,496
Others	9,625,408	6,489,980
Subtotal	33,663,328	28,545,436
Total	372,746,725	217,186,447

The Company has insurance for business interruption with PT Asuransi AIU Indonesia for US$ 37,300,000 in 2009 and PT. Zurich Insurance Indonesia for US$ 40,800,000 in 2008.

24. DIRECT COSTS AND COST OF SALES

	2009	2008
	Rp'000	Rp'000
Direct Costs		
Building expenses:		
Electricity, water and gas	30,004,177	27,891,586
Depreciation (Note 8 and 9)	14,596,694	12,971,043
Repairs and maintenance	2,687,776	8,145,561
Cleaning	3,293,799	2,594,510
Land and building taxes	3,252,657	2,067,737
Amortization of property and equipment under BOT scheme (Note 10)	1,808,010	1,808,010
Insurance	1,099,783	1,104,204
Others	2,075,472	2,119,120
Total building expenses	58,818,367	58,701,772
Personnel expenses	7,649,681	7,738,443
Hotel operating expenses		
Hotel department	9,125,046	8,622,266
Electricity, water and gas	8,302,171	8,519,369
Depreciation (Note 9)	8,963,279	8,088,613
Personnel expenses	6,191,887	5,489,016
Total hotel operating expenses	32,582,383	30,719,263
Total Direct Costs	99,050,431	97,159,478
Cost of sales - Land lots and buildings	3,093,534	13,020,702
Cost of sales - Condominium and office	104,205,205	-
Total Direct Costs and Cost of Sales	206,349,171	110,180,179

25. OPERATING EXPENSES

	2009	2008
	Rp'000	Rp'000
General and administrative:		
Salaries and allowances	4,856,413	3,777,712
Office expenses	1,531,440	2,131,933
Hotel operator's fees	1,736,749	1,359,737
Professional fees	2,763,155	1,392,772
Travelling expenses	564,120	1,023,076
Shares administration and reporting	178,500	190,719
Bank charges	549,903	597,519
Entertainment	275,006	276,891
Office equipment	207,798	-
Others	1,323,326	5,766,188
Total	13,986,408	16,516,547
Marketing:		
Advertising and promotion	4,722,355	10,507,113
Events	919,581	1,559,555
Salaries and allowances	1,767,350	1,316,955
Others	3,158,748	97,309
Subtotal	10,568,034	13,480,932
Total	24,554,442	29,997,479

26. INTEREST INCOME

	2009	2008
	Rp'000	Rp'000
Time deposits	12,092,970	12,129,563
Current accounts	78,666	200,893
Total	12,171,636	12,330,456

27. FINANCIAL CHARGES

	2009	2008
	Rp'000	Rp'000
Financial charges on		
Senior Secured Note	25,387,698	38,438,688
MCNs discount amortization	7,342,037	6,369,220
Bond payable I	3,099,921	2,359,065
Bank loan	368,018	-
Total	36,197,674	47,166,973

28. EARNINGS PER SHARE

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

	2009	2008
	Rp'000	Rp'000
Earning (loss) for computation of basic earning (loss) per share	161,249,248	41,039,877
Earning (loss) for computation of diluted earning (loss) per share	146,415,551	48,287,827
	Shares	Shares
Weighted average number of ordinary shares for computation of basic earning (loss) per shares (thousand shares)	10,033,251	10,033,251
Weighted average number of ordinary shares for computation of diluted earning (loss) per shares (thousand shares)	10,033,251	10,033,251
	Rp	Rp
In full Rupiah		
Basic earning (loss) per share	16.07	4.09
Diluted earning (loss) per share	14.59	4.81

The weighted average number of shares for the computation of basic and diluted earning (loss) per shares, has been adjusted to reflect the effect of the bonus shares in 2008. Thus earning per share as of June 30, 2008 have been restated.

Diluted earning (loss) per share reflects the effect of the mandatory convertible notes of the subsidiary (AW).

29. ACQUISITION OF A SUBSIDIARY

On February 23, 2007 in the Extraordinary General Meeting of Stockholders, the Company's stockholders agreed to invest in 80,000 new shares of AW amounting to US$ 80,000,000.

Based on Notarial Deed No. 4 dated March 2, 2007 of Esther Mercia Sulaiman, SH. Notary in Jakarta, the Company acquired 83.33% equity ownership of 80,000 shares of AW at an acquisition cost amounting to US$ 80,000,000. The deed was approved by the Minister of Justice and Human Rights through Letter No. W7-03156-HT.01.04 dated March 26, 2007.

At the acquisition date, the Company recorded the assets and liabilities of AW at its fair values.

The assets and liabilities of AW at the acquisition date are as follows:

	Fair value	Book value prior to acquisition
	Rp'000	Rp'000
Assets		
Cash	4,667,039	4,667,039
Receivables	500	500
Prepayment and other current assets	5,175,180	5,175,180
Real estate assets	316,574,459	160,266,376
Property and equipment - net	365,026,280	185,529,144
Other noncurrent assets	15,317	15,317
Total	691,458,775	355,653,556
Liabilities		
Mandatory convertible bonds	367,220,844	531,280,000
Other liabilities	72,608,846	72,608,846
Total	439,829,690	603,888,846
Total	251,629,085	(248,235,290)
Shares issuance	728,400,000	728,400,000
Net Assets	980,029,085	480,164,710

	Rp'000
Fair value of net assets acquired (83.33%)	816,690,904
Total cost (US$ 80,000,000)	(728,400,000)
Excess of the fair value of net assets acquired over acquisition cost	88,290,904
Reduction to fair value of nonmonetary assets acquired	(88,290,904)
Negative Goodwill	-

The excess of the fair values of the net assets acquired over the acquisition cost amounting to Rp 88,290,904 thousand was eliminated by reducing proportionately the fair values of the acquired real estate assets and property and equipment.

30. RELATIONSHIP AND TRANSACTIONS WITH RELATED PARTIES

Nature of Relationship

PT. Pakuwon Darma has partly the same management as the Company.

Transaction with Related Parties

In 2007, the Company purchased land from PT. Pakuwon Darma measuring 101,769 square meters in Kelurahan Kalisari, Surabaya amounting to Rp 21,269,721 thousand (including VAT 10%). Such purchased land was approved by the stockholders through the Company's Extraordinary Stockholders Meeting on June 27, 2007. As of June 30, 2009 and 2008, payable arising from this transaction is presented as trade account payable (Note 11).

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

31. SEGMENT INFORMATION

Business Segments

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

These business segments are the bases on which the Company and its subsidiaries report their primary segment information.

Segment information based on business segments is presented below:

	2009				
	Office and shopping center Rp'000	Real estate (Residential, Condominium, Office) Rp'000	Hospitality Rp'000	Elimination Rp'000	Consolidated Rp'000
SALES/REVENUE					
External sales/revenues	153,974,239	171,932,318	46,840,167	-	372,746,725
Internal sales/revenues	8,302,171			(8,302,171)	-
Total sales / revenue	162,276,410	171,932,318	46,840,167	(8,302,171)	372,746,725
RESULT					
Segment result	90,642,047	49,485,635	2,968,369	-	143,096,051
Unallocated segment result					(1,252,939)
Unallocated expense					-
Income from operations					141,843,112
Interest income					12,171,636
Reversal of allowance for doubtful accounts - net					1,354,466
Gain on foreign exchange - net					74,168,225
Financial charges					(36,197,674)
Gain on sale of equipment					320
Others - net					(428,775)
Income before tax					192,911,311
Tax expense					(23,970,479)
Income before minority interest in net income of subsidiaries					168,940,832
Minority interest in net income of subsidiaries					(7,691,584)
Net income					161,249,248
OTHER INFORMATION					
ASSETS					
Segment assets	1,642,687,647	948,382,312	452,668,199	(1,830,834,346)	1,212,903,813
Unallocated assets					2,347,781,509
Consolidated total assets	1,642,687,647	948,382,312	452,668,199	(1,830,834,346)	3,560,685,322
Liabilities					
Segment liabilities	902,939,394	526,057,071	16,099,469	(1,325,413,561)	119,682,373
Unallocated liabilities					2,181,819,367
Consolidated total liabilities	902,939,394	526,057,071	16,099,469	(1,325,413,561)	2,301,501,740
Addition to property and equipment and investment property	4,374,177	130,030,912	-	-	134,405,089
Unallocated addition to property and equiment					-
Total addition to property and equipment and investment property	4,374,177	130,030,912	-	-	134,405,089
Depreciation and amortization	13,632,951	2,771,753	8,963,279	-	25,367,983
Unallocated depreciation and amortization					-
Total depreciation and amortization	13,632,951	2,771,753	8,963,279	-	25,367,983

	2008				
	Office and shopping center	Real estate (Residential, Condominium, Office)	Hospitality	Elimination	Consolidated
	Rp'000	Rp'000	Rp'000	Rp'000	Rp'000
SALES/REVENUE					
External sales/revenues	139,306,459	37,125,674	40,754,314		217,186,447
Internal sales/revenues	8,519,369			(8,519,369)	-
Total sales / revenue	147,825,828	37,125,674	40,754,314	(8,519,369)	217,186,447
RESULT					
Segment result	72,102,338	5,304,320	368,382	-	77,775,040
Unallocated segment result					(766,251)
Unallocated expense					-
Income from operations					77,008,789
Interest income					12,330,456
Reversal of allowance for doubtful accounts - net					(134,750)
Gain on foreign exchange - net					10,150,093
Financial charges					(47,166,973)
Loss on sale of equipment					(369,452)
Others - net					1,218,521
Income before tax					53,036,684
Tax expense					(12,216,990)
Income before minority interest in net income of subsidiaries					40,819,694
Minority interest in net income of subsidiaries					220,183
Net income					41,039,877
OTHER INFORMATION					
ASSETS					
Segment assets	1,412,896,235	997,703,782	461,753,350	(1,645,507,214)	1,226,846,153
Unallocated assets					1,996,880,880
Consolidated total assets	1,412,896,235	997,703,782	461,753,350	(1,645,507,214)	3,223,727,033
Liabilities					
Segment liabilities	779,738,023	553,611,421	10,225,064	(1,204,352,663)	139,221,845
Unallocated liabilities					1,947,592,082
Consolidated total liabilities	779,738,023	553,611,421	10,225,064	(1,204,352,663)	2,086,813,927
Addition to property and equipment and investment property	5,191,385	160,951,667	-	-	166,143,052
Unallocated addition to property and equiment					-
Total addition to property and equipment and investment property	5,191,385	160,951,667	-	-	166,143,052
Depreciation and amortization	13,717,415	1,061,638	8,088,613	-	22,867,666
Unallocated depreciation and amortization					-
Total depreciation and amortization	13,717,415	1,061,638	8,088,613	-	22,867,666

Geographical Segments

The Company's operations are located in Surabaya, Indonesia. The subsidiaries are domiciled in Surabaya, Jakarta and the Netherlands.

The Company did not present sales information based on geographical market because the nature of the Company's operations is to engange in the operation of business center and shopping center, real estate and hotel.

The carrying amount of segment assets and addition to property and equipment based on geographic location of the assets are as follows:

	The carrying amount of segment assets		Addition to property and equipment	
	2009	2008	2009	2008
	Rp'000	Rp'000	Rp'000	Rp'000
Surabaya	1,824,113,661	1,789,803,055	4,864,348	11,444,402
Jakarta	1,731,082,062	1,430,877,588	129,540,741	154,698,650
Netherlands	5,489,599	3,046,390	-	-
Total	3,560,685,322	3,223,727,033	134,405,089	166,143,052

32. 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/ Menara Mandiri..

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

   – The Company will construct a 35,130-square-meter-building (17-storey) to be called Tunjungan Plaza II/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/Menara Mandiri will be owned by Bank Mandiri, but the bank will grant the Company the right to manage and operate Tunjungan Plaza II/Menara Mandiri for a period of 20 years.

b. The agreements relating to the operations of Sheraton Surabaya Hotel & Towers are as follows:

   – Management agreement with Indo Pacific Sheraton (IPS) Hongkong, to operate and manage the Hotel. As provided in the agreement, incentive fee in 2009 and 2008 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. AW, subsidiary, 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 936,037,726 thousand and US$ 5,859,023 with varying contracts periods.

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