

PT. PAKUWON JATI Tbk.
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009

UNAUDITED

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

	<u>Page</u>
CONSOLIDATED FINANCIAL STATEMENTS - As of September 30, 2010 and 2009 and for the nine month periods then ended	
Consolidated Balance Sheets	2
Consolidated Statements of Income	4
Consolidated Statements of Changes in Equity	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7

PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2010 AND 2009

	Notes	2010 Rp'000	2009 Rp'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2g,3	237,837,216	327,261,196
Restricted time deposits	4	26,207,400	7,686,808
Fund for replacement of hotel's furniture, fixtures and equipment	2h,3	2,416,681	3,129,603
Trade accounts receivable from third parties - net of allowance for doubtful accounts of Rp 684,196 thousand in 2010 and Rp 909,943 thousand in 2009	2i,5	35,465,026	36,936,615
Other accounts receivable from third parties		5,965,899	5,420,702
Inventories	2j	2,621,652	2,405,375
Prepaid taxes	2x,11	51,726,774	29,406,866
Advances and prepaid expenses	2k	20,330,999	10,544,871
Total Current Assets		<u>382,571,648</u>	<u>422,792,036</u>
NONCURRENT ASSETS			
Restricted time deposits	4	-	127,789,200
Deferred tax assets - net	2x	-	318,411
Real estate assets	2l,6		
Real estate inventories		779,793,652	782,317,270
Land not yet developed		217,844,309	218,759,625
Investment properties - net of accumulated depreciation of Rp 234,785,671 thousand in 2010 and Rp 209,659,779 thousand in 2009	2m,2p,7	614,218,492	619,866,830
Property and equipment - net of accumulated depreciation of Rp 266,915,306 thousand in 2010 and Rp 243,937,784 thousand in 2009	2n,2p,8	1,817,325,337	1,491,384,884
Property and equipment under build, operate and transfer (BOT) scheme - net of accumulated amortization of Rp 55,257,655 thousand in 2010 and Rp 52,786,406 thousand in 2009	2o,9	3,405,003	5,876,252
Deferred charges - landrights	2r	1,386,781	829,237
Total Noncurrent Assets		<u>3,433,973,574</u>	<u>3,247,141,709</u>
TOTAL ASSETS		<u><u>3,816,545,221</u></u>	<u><u>3,669,933,745</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 BALANCE SHEETS
SEPTEMBER 30, 2010 AND 2009 (Continued)

	Notes	2010 Rp'000	2009 Rp'000
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Trade accounts payable	10		
Related party	2e, 28	-	2,647,601
Third parties		30,642,451	85,659,459
Other accounts payable - third parties		14,063,623	16,327,126
Taxes payable	2x,11	12,300,557	7,633,647
Current portion of accrued expenses	12	37,247,380	56,356,719
Reserve for replacement of hotel's furniture, fixtures and equipment	2h,3	2,416,681	3,129,603
Current portion of unearned income	2s,2w,13	125,454,634	124,067,745
Current maturities of long-term liabilities			
Bank loan	15	82,742,100	-
Other accounts payable	2t,16	2,342,716	2,968,119
Bonds payable	2t,2u,17	103,578,618	273,313,992
Total Current Liabilities		<u>410,788,760</u>	<u>572,104,011</u>
NONCURRENT LIABILITIES			
Long-term accrued expenses - net of current portion	12	85,935,194	87,981,270
Long-term unearned income - net of current portion	2s,2w,13	150,396,897	47,824,023
Advances from customers	2w,14	304,119,891	193,679,478
Post-employment benefits obligation	2f, 2v	30,074,304	30,115,338
Deferred tax liabilities - net	2x	16,422,297	10,400,537
Long-term liabilities - net of current maturities			
Bank loan	15	461,303,375	38,650,000
Other accounts payable	2t,16	3,744,563	6,150,399
Bonds payable	2t,2u,17	411,664,765	829,365,526
Tenants' deposits		66,339,276	65,153,754
Mandatory convertible notes payable	18	429,470,149	451,581,076
Total Noncurrent Liabilities		<u>1,959,470,711</u>	<u>1,760,901,401</u>
MINORITY INTEREST IN NET ASSETS OF SUBSIDIARIES	2b,2c,19	<u>118,840,347</u>	<u>98,068,274</u>
EQUITY			
Capital stock - Rp 100 par value per per share			
Authorized - 30,000,000,000 shares			
Subscribed and paid-up - 10,033,250,500 shares	20	1,003,325,050	1,003,325,050
Retained earnings		324,120,353	235,535,009
Total Equity		<u>1,327,445,403</u>	<u>1,238,860,059</u>
TOTAL LIABILITIES AND EQUITY		<u><u>3,816,545,221</u></u>	<u><u>3,669,933,745</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 INCOME
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009

	Notes	2010 Rp'000	2009 Rp'000
SALES AND REVENUES	2q,2w,22	795,065,391	535,654,797
DIRECT COSTS AND COST OF SALES	2w,23	472,024,686	283,618,769
GROSS PROFIT		323,040,705	252,036,028
OPERATING EXPENSES	2w,24		
General and administrative		27,715,113	20,227,382
Marketing		27,462,536	16,853,280
Total Operating Expenses		55,177,649	37,080,662
INCOME FROM OPERATIONS		267,863,056	214,955,366
OTHER INCOME (CHARGES)			
Gain on foreign exchange - net	2d	24,577,767	96,187,862
Interest income	25	6,563,947	18,315,113
Reversal of allowance for doubtful accounts - net	2i	1,516,963	1,378,355
Gain on sale of equipment	2n	515,624	72,264
Finance cost	26	(57,152,262)	(51,949,370)
Others - net		(683,371)	(656,186)
Other Income (Charges) - Net		(24,661,332)	63,348,038
INCOME BEFORE TAX		243,201,724	278,303,404
TAX EXPENSE	2x	(42,825,242)	(31,617,821)
INCOME BEFORE MINORITY INTEREST IN NET INCOME OF SUBSIDIARIES		200,376,482	246,685,583
MINORITY INTEREST IN NET INCOME OF SUBSIDIARY	2b,2c,19	(23,478,304)	(11,750,505)
NET INCOME		176,898,178	234,935,078
EARNINGS PER SHARE	2y,27		
(In full Rupiah)			
Basic		17.63	23.42
Diluted		11.88	21.08

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 NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009

	Paid-up capital stock Rp'000	Retained earning Rp'000	Total equity Rp'000
Balance as of January 1, 2009	1,003,325,050	599,931	1,003,924,981
Net income for the period	-	234,935,078	234,935,078
Balance as of September 30, 2009	<u>1,003,325,050</u>	<u>235,535,009</u>	<u>1,238,860,059</u>
Balance as of January 1, 2010	1,003,325,050	147,222,175	1,150,547,225
Net income for the period	-	176,898,178	176,898,178
Balance as of September 30, 2010	<u>1,003,325,050</u>	<u>324,120,353</u>	<u>1,327,445,403</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 NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009

	2010 Rp'000	2009 Rp'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	999,075,099	544,503,414
Cash paid to contractors of the subsidiary's project for the construction of real estate assets	(293,845,009)	(40,498,924)
Cash paid to suppliers, employees and others	(358,538,540)	(214,462,291)
Cash generated from operations	346,691,550	289,542,199
Interest received	6,347,129	16,598,876
Interest and bank charges paid	(65,205,243)	(101,366,964)
Income tax paid	(57,012,740)	(6,680,010)
Net Cash Provided by Operating Activities	<u>230,820,696</u>	<u>198,094,101</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Withdrawal of noncurrent restricted time deposits	8,019,599	136,491,521
Decrease in fund for replacement of hotel's furniture, fixture and equipment	(254,221)	-
Acquisitions of investment properties and property and equipment	(254,639,862)	(262,764,832)
Net Cash Provided by (Used in) Investing Activities	<u>(246,874,484)</u>	<u>(126,273,311)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of bonds payable	(34,571,832)	(38,838,804)
Payments of bank loan	(9,261,525)	-
Drawdown of bank loan	94,679,100	35,000,000
Net Cash Provided by (Used in) Financing Activities	<u>50,845,743</u>	<u>(3,838,804)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	34,791,955	67,981,986
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	203,278,194	268,515,724
Effect of foreign exchange rate changes	2,183,748	(6,106,911)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>240,253,897</u></u>	<u><u>330,390,799</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
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009**

1. GENERAL

a. Establishment and General Information

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

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

According to Article 3 of the Company's Articles of Association, the scope of its activities is to engage in the operations of (1) shopping center named as Tunjungan Plaza, (2) business center named as Menara Mandiri, (3) five-star hotel named as Sheraton Surabaya Hotel and Towers (the Hotel), and (4) real estate business Pakuwon City (formerly Laguna Indah Housing) and industrial estate (which is not yet operating and will change to residential estate), which are all situated in Surabaya. The Company started commercial operations in May 1986. The Company had average total number of employees of 1,298 in 2010 and 1,417 in 2009.

The Company's management at September 30, 2010 and 2009 consisted of the following:

	<u>September 30, 2010</u>	<u>September 30, 2009</u>
President Commissioner	Alexander Tedja	Alexander Tedja
Commissioner	Dr Dyah Pradnyaparamitha Duarsa	Dr Dyah Pradnyaparamitha Duarsa
Independent Commission	Drs. Agus Soesanto	Drs. Agus Soesanto
President Director	Ir. Richard Adisastra	Ir. Richard Adisastra
Director	A.S. Ridwan Suhendra	A.S. Ridwan Suhendra
	Omar Ishananto, S.H.	Omar Ishananto, S.H.
	Drs. Minarto	Drs. Minarto
	Irene Tedja	
	Ivy Wong	

The Company's Audit Committee at September 30, 2010 and 2009 consisted of the following:

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

b. Consolidated Subsidiaries

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

Subsidiaries	Domicile	Nature of Business and Status of Operations	Percentage of ownership		Total Assets as of September 30, 2010 (before elimination) Rp'000
			2010	2009	
PT Artisan Wahyu (AW)	Jakarta, Indonesia	Property development of Gandaria City	83,33%	83,33%	1,661,624,291
PT. Pakuwon Sentra Wisata (PSW)	Surabaya, Indonesia	Dormant	99.99%	99.99%	3,526,164
PT. Regency Laguna Jasamedika (RLJM)	Surabaya, Indonesia	Dormant	99.99%	99.99%	15,616,026
Pakuwon Jati Finance, B.V. (PJBV)	Belanda	Financial services	100.00%	100.00%	542,926,648

PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009 (Continued)

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

Shares

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

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

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

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

In 2007, the Company completed a stock split.

In 2008, the Company issued bonus shares arising from additional paid in capital and a part of the revaluation increment in property and equipment (Notes 20 and 21).

At September 30, 2010, 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 (currently Indonesia Stock Exchange) on July 2, 1996.

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

In 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 (Note 17).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidated Financial Statement Presentation

The consolidated financial statements have been prepared using accounting principles and reporting practices generally accepted in Indonesia. These financial statements are on English translation of the Company's statutory report 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, while the measurement basis is the historical cost, except for certain accounts which are measured on the bases described in the related accounting policies.

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

b. Principles of Consolidation

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

The minority interest consists of the amount of those interest at the date of original business combination (Note 2c) 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 States (U.S.) Dollar is translated into Rupiah using the same procedures as the Company.

e. Transactions With Related Parties

Related parties consist of the following:

- 1) 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;

PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009 (Continued)

- 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 transacted 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 fund reserve.

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

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.

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 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.

m. 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.

n. Property and Equipment – Direct Acquisitions

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

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) in 2008, the previous revalued amount of certain assets under the previous standard is considered as

PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009 (Continued)

deemed cost, and the balance of the revaluation surplus on property and equipment previously reported as a 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:

	<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 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 written 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 – 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 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 debt restructuring involving only modification of terms, no gain or loss is recognized. The effect of such restructuring is accounted for prospectively 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 whose 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 bonds are deducted directly from the related proceeds to determine the net proceeds of the Bonds. Differences between the net proceeds and nominal values represent discounts or premiums which are amortized using the straight-line method over the term of the bonds.

v. Post-Employment Benefits

The Company and its subsidiary 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

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

Revenue from Real Estate

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

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

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

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

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

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

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).

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 difference between the financial statement carrying amounts of assets and liabilities and their respective tax bases.

Non-Final Income Tax

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

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

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

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

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 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 (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 segment 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.

PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009 (Continued)

3. CASH AND CASH EQUIVALENTS

	2009	2008
	Rp'000	Rp'000
Cash on hand	3,006,034	3,280,009
Cash in banks		
Rupiah		
Bank Danamon Indonesia	50,816,981	5,142,114
Bank CIMB Niaga	20,197,256	1,434,096
Bank Central Asia	15,563,048	11,470,519
Bank Mandiri	7,144,694	6,827,482
Bank Internasional Indonesia	2,406,805	2,005,317
Bank ICBC Indonesia	1,994,464	-
Bank Mega	1,262,021	987,884
Bank OCBC NISP	963,083	-
Bank Rakyat Indonesia	147,992	519,987
Bank Permata	102,584	-
Bank Standard Chartered	26,982	-
Others	1,434	97,852
U.S. Dollar		
Bank ICBC Indonesia	3,904,326	-
Bank Danamon Indonesia	3,599,268	3,646,165
Bank Mandiri	3,008,069	2,919,642
ING Asia Private Bank Limited	795,728	4,689,885
Bank CIMB Niaga	475,056	206,611
Bank Panin	17,780	19,900
Bank of New York	-	890,411
JP Morgan	-	708,016
Others	8,591	9,982
Euro		
ING Asia Private Bank Limited	6,257	121,578
Time deposits		
Rupiah		
Bank Danamon Indonesia	42,134,384	68,937,806
Bank Mega	25,726,554	3,208,245
Bank CIMB Niaga	20,050,000	-
Bank Mandiri	5,425,510	3,700,000
Bank Internasional Indonesia	4,909,205	43,108,546
Bank Permata	900,000	64,878,907
U.S. Dollar		
Bank Internasional Indonesia	18,963,500	-
Bank Mega	5,721,691	11,003,463
Bank Danamon Indonesia	588,979	87,452,037
Bank Mandiri	385,621	192,800
UBS AG, Singapura	-	2,931,545
Total cash and cash equivalents	<u>240,253,897</u>	<u>330,390,799</u>
Fund for replacement of hotel's furniture, fixtures and equipment	<u>(2,416,681)</u>	<u>(3,129,603)</u>
Net	<u>237,837,216</u>	<u>327,261,196</u>
Interest rates per annum on time deposits		
Rupiah	7,00%	5,75% - 9,50%
U.S. Dollar	0.25% - 1,75%	2,50%

PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009 (Continued)

4. RESTRICTED TIME DEPOSITS

Current

	<u>2010</u>	<u>2009</u>
	Rp'000	Rp'000
Rupiah		
Bank Mandiri	10,610,759	1,660,671
Bank Permata	4,791,868	3,135,502
Bank Internasional Indonesia	8,024,091	1,144,241
Bank Rakyat Indonesia	<u>2,780,682</u>	<u>1,746,394</u>
Total	<u><u>26,207,400</u></u>	<u><u>7,686,808</u></u>

Interest rate per annum		
Rupiah	5,25% - 5,75%	5,75%-6,00%

This account represents the Company and its subsidiary's funds in connection with the draw down of consumers' credit facilities (Note 30c).

Noncurrent

	<u>2009</u>
	Rp'000
The Company	
UBS AG, Singapore (US\$ 13.200.000)	<u>127,789,200</u>
Total	<u><u>127,789,200</u></u>
Interest rate per annum	2.11%

Time deposits owned by the Company represent restricted time deposits reserved for the payment of interest accruing on the Senior Secured Notes. On November 16, 2009, this deposit was used to pay the principal of Senior Secured Notes Obligation pursuant to the exchange offer (Note 17).

PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009 (Continued)

5. TRADE ACCOUNTS RECEIVABLE FROM THIRD PARTIES

	<u>2010</u>	<u>2009</u>
	Rp'000	Rp'000
a. By Business Segment		
Sale of land and buildings	11,228,288	18,187,744
Space rental and others	19,149,696	13,492,884
Hotel	<u>5,771,238</u>	<u>6,165,930</u>
Total	36,149,222	37,846,558
Allowance for doubtful accounts	<u>(684,196)</u>	<u>(909,943)</u>
Net	<u><u>35,465,026</u></u>	<u><u>36,936,615</u></u>
b. By Age Category:		
Not yet due	18,851,002	26,828,553
Past due		
1 - 30 days	12,326,030	6,155,125
31 - 60 days	880,430	1,257,861
61 - 90 days	306,292	410,762
More than 90 days	<u>3,785,468</u>	<u>3,194,257</u>
Total	36,149,222	37,846,558
Allowance for doubtful accounts	<u>(684,196)</u>	<u>(909,943)</u>
Net	<u><u>35,465,026</u></u>	<u><u>36,936,615</u></u>
Changes in the allowance for doubtful accounts :		
Beginning balance	2,177,313	2,288,298
Reversal of allowance	<u>(1,493,117)</u>	<u>(1,378,355)</u>
Ending balance	<u><u>684,196</u></u>	<u><u>909,943</u></u>

All trade accounts receivable are denominated 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 are no significant concentrations of credit risk in third party receivables.

Trade accounts receivable from hotel operations were used as collateral for Series C Bonds in 2010 and 2009, respectively (Note 17).

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

PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009 (Continued)

6. REAL ESTATE ASSETS

Real Estate Inventories

	<u>2010</u>	<u>2009</u>
	Rp'000	Rp'000
Land lot already developed		
Laguna Indah	16,874,535	17,532,230
Virginia Regency	14,794,900	13,925,014
Laguna Regency	1,990,332	2,056,216
Royal Villa	1,699,381	1,641,547
Riviera Villa	1,122,017	1,050,292
Westwood Villa	1,010,374	951,308
Taman Mutiara	957,132	934,842
Land and buildings ready for sale		
Pakuwon Town Square	23,435,607	25,615,066
Model units	711,470	2,424,342
Taman Permata	131,773	130,219
Laguna Regency	1,713,284	-
Total	<u>64,440,806</u>	<u>66,261,076</u>
Condominium unit:		
Regensi Condominium	<u>4,360,863</u>	<u>4,939,780</u>
Land and buildings under development:		
Superblock Gandaria City	534,231,977	548,160,535
Palm Beach	142,580,768	132,291,207
Pakuwon Town Square	<u>34,179,238</u>	<u>30,664,672</u>
Total	<u>710,991,983</u>	<u>711,116,414</u>
Total	<u><u>779,793,652</u></u>	<u><u>782,317,270</u></u>

Land Not Yet Developed

	<u>2010</u>	<u>2009</u>
	Rp'000	Rp'000
Location:		
East Surabaya	118,234,112	120,318,642
West Surabaya	94,638,662	93,316,337
Embong Malang, Central Surabaya	<u>4,971,535</u>	<u>5,124,646</u>
Total	<u><u>217,844,309</u></u>	<u><u>218,759,625</u></u>

The total land not yet developed measures 2.632.311 m² in 2010 and 2.571.191 m² in 2009 respectively. Other than Superblock Gandaria City which is located in Jakarta, all real estate inventories are located in Surabaya, East Java.

Accumulated borrowing costs capitalized to land and buildings under development (Superblock Gandaria City) amounted to Rp 22.251.049 thousand in 2010 and Rp 107.027.162 thousand in 2009.

As of September 30, 2010 and 2009, land and buildings under development (Superblock Gandaria City) was covered by contractor all risk insurance with PT MAA General Assurance for an insurance coverage of US\$ 144,300,000.

PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009 (Continued)

7. INVESTMENT PROPERTIES

	January 1, 2010 Rp'000	Additions Rp'000	Deductions Rp'000	Reclassifications Rp'000	September 30, 2010 Rp'000
Cost:					
Land	242,777,899	-	-	-	242,777,899
Buildings and facilities	456,717,726	4,823,168	-	-	461,540,894
Machinery and equipment	143,230,833	1,454,538	-	-	144,685,371
Total	<u>842,726,458</u>	<u>6,277,706</u>	<u>-</u>	<u>-</u>	<u>849,004,164</u>
Accumulated depreciation:					
Buildings and facilities	142,477,229	12,994,801	-	-	155,472,030
Machinery and equipment	73,322,090	5,991,551	-	-	79,313,641
Total	<u>215,799,319</u>	<u>18,986,352</u>	<u>-</u>	<u>-</u>	<u>234,785,671</u>
Net Book Value	<u>626,927,139</u>				<u>614,218,492</u>

	January 1, 2009 Rp'000	Additions Rp'000	Deductions Rp'000	Reclassifications Rp'000	September 30, 2009 Rp'000
Cost:					
Land	242,326,057	-	-	-	242,326,057
Buildings and facilities	440,488,092	3,780,978	-	-	444,269,070
Machinery and equipment	140,391,293	2,540,189	-	-	142,931,482
Total	<u>823,205,442</u>	<u>6,321,167</u>	<u>-</u>	<u>-</u>	<u>829,526,609</u>
Accumulated depreciation:					
Buildings and facilities	126,212,282	12,087,830	-	-	138,300,112
Machinery and equipment	65,618,499	5,741,168	-	-	71,359,667
Total	<u>191,830,781</u>	<u>17,828,998</u>	<u>-</u>	<u>-</u>	<u>209,659,779</u>
Net Book Value	<u>631,374,661</u>				<u>619,866,830</u>

The fair value of the investment properties as of September 30, 2010 amounted to Rp 3,506,000,000 thousand. The valuation was determined by independent valuers based on market value.

Depreciation amounting to Rp 18,986,352 thousand in 2010 and Rp 17,828,998 thousand in 2009 were recorded under direct costs-building expenses (Note 23).

As of September 30, 2010 and 2009, the investment properties were insured along with property and equipment (Note 8).

In 2010 and 2009, the land and building comprising Tunjungan Plaza I (Plaza East) and Tunjungan Plaza III (Plaza Central) are used as collateral for the Senior Secured Notes (Note 17).

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

PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009 (Continued)

In 2008, revaluation increment in property and equipment amounting to Rp 64,603,550 thousand was used in the issuance of bonus shares (Note 20).

On initial adoption of PSAK 16 (Revised 2007) in 2008, 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 earnings.

Depreciation amounting to Rp 17,833,710 thousand in 2010 and Rp 17,560,834 thousand in 2009 were recorded under direct costs-building expenses and under hotel operating expenses (Note 23).

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

Accumulated borrowing costs capitalized to construction in progress amounted to Rp 179,986,110 thousand in 2010 and Rp 122,905,154 thousand in 2009.

The Company and AW owns several parcels of land located in Kelurahan Kaliasin and Kedungdoro, Surabaya and in Gandaria, Jakarta with legal rights in the form of Building Use Rights (HGBs) for a period of 10 to 30 years which will be due between 2010 to 2032. Management believes that there will be no difficulty in the extension of the landrights since all parcels of land were acquired legally and supported by sufficient evidence of ownership.

The land and building thereon comprising Sheraton Surabaya Hotel & Towers are used as collateral for Series C Bond in 2010 and 2009. Land together with the Tunjungan Plaza IV buildings thereon are used as collateral for Bonds Payable I (Note 17).

In 2010 and 2009, land with HGB Nos. 828 and 1190 are used as collateral the loan with Bank Mega (Note 15).

At September 30, 2010 and 2009, investment properties, property and equipment and property and equipment under build, operate and transfer (BOT) scheme, except land, were insured as follows:

- Tunjungan Plaza I (Plaza East), Tunjungan Plaza II (Lifestyle Center) / Menara Mandiri, Tunjungan Plaza III (Plaza Central), Tunjungan Plaza IV (Plaza West), Central Plant and Laguna Square (Pakuwon City) were covered by property-all-risk insurance with PT. Chartis Insurance Indonesia (formerly PT Asuransi AIU Indonesia) for US\$ 91.400.000 and Rp 29.000.000 thousand as of September 30, 2010 and for US\$ 67.240.000 and Rp 26.000.000 thousand as of September 30, 2009. Sheraton Surabaya Hotel & Towers was covered by property-all-risk insurance with PT Chartis Insurance Indonesia (formerly PT Asuransi AIU Indonesia) for US\$ 35.000.000 as of September 30, 2010 and for US\$ 28.000.000 as of September 30, 2009. These properties were also insured against terrorism and sabotage with PT Asuransi Himalaya Pelindung for US\$ 126.400.000 as of September 30, 2010 and for US\$ 95.200.000 as of September 30, 2009.
- 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 and Laguna Square (Pakuwon City) were covered by Public Liability Insurance with PT. Chartis Insurance Indonesia (formerly PT Asuransi AIU Indonesia) for US\$ 1.000.000 in 2010 and in 2009. Sheraton Surabaya Hotel & Towers was covered by Public Liability Insurance with PT. Asuransi QBE Pool Indonesia in 2010, and PT. ACE INA Insurance in 2009 for US\$ 10.000.000 respectively.
- Construction in progress Eastcoast Center was covered by construction-all-risk insurance with PT Asuransi Indrapura and PT Asuransi Rama Satria Wibawa for Rp 110.000.000 thousand as of 30 September 2010.
- Some of the vehicles were insured with PT. Asuransi Allianz Utama Indonesia, PT. Asuransi MSIG Indonesia and PT. Chartis Insurance Indonesia (formerly PT Asuransi AIU Indonesia) in 2010 and 2009 for Rp 5.402.500 thousand and Rp 4.129.500 thousand respectively.

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

PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009 (Continued)

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

	January 1, 2010 Rp'000	Additions Rp'000	Deductions Rp'000	September 30, 2010 Rp'000
Cost:				
Buildings	46,927,905		-	46,927,905
Machinery and equipment	11,734,753		-	11,734,753
Total	<u>58,662,658</u>	<u>-</u>	<u>-</u>	<u>58,662,658</u>
Accumulated depreciation:				
Buildings	42,986,188	1,127,190	-	44,113,378
Machinery and equipment	10,704,223	440,054	-	11,144,277
Total	<u>53,690,411</u>	<u>1,567,244</u>	<u>-</u>	<u>55,257,655</u>
Net Book Value	<u>4,972,247</u>			<u>3,405,003</u>

	January 1, 2009 Rp'000	Additions Rp'000	Deductions Rp'000	September 30, 2009 Rp'000
Cost:				
Buildings	46,927,905		-	46,927,905
Machinery and equipment	11,734,753		-	11,734,753
Total	<u>58,662,658</u>	<u>-</u>	<u>-</u>	<u>58,662,658</u>
Accumulated depreciation:				
Buildings	39,956,906	2,271,961	-	42,228,867
Machinery and equipment	10,117,484	440,055	-	10,557,539
Total	<u>50,074,390</u>	<u>2,712,016</u>	<u>-</u>	<u>52,786,406</u>
Net Book Value	<u>8,588,268</u>			<u>5,876,252</u>

Amortization expense amounting to Rp 1,567,244 thousand in 2010 and Rp 2,712,016 thousand in 2009 was presented under direct costs-building expenses (Note 23).

As of September 30, 2010 and 2009, the property and equipment under BOT scheme were insured along with property and equipment (Note 8).

10. TRADE ACCOUNTS PAYABLE

	2010 Rp'000	2009 Rp'000
Related party		
PT. Pakuwon Darma	-	2,647,601
Third parties	30,642,451	85,659,459
Total	<u>30,642,451</u>	<u>88,307,060</u>

All trade accounts payable are denominated in Rupiah currency.

PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009 (Continued)

11. TAXES PAYABLE AND PREPAID TAXES

Taxes Payable

	2010	2009
	Rp'000	Rp'000
The Company		
Value added tax	485,019	1,580,703
Final income tax	449,483	784,085
Other income taxes:		
- Article 21	20,795	286,822
- Article 23/26	670,338	119,880
Taxes on promotional activities	92,048	104,680
Hotel and restaurant tax	-	1,067,871
The subsidiaries:		
Final income tax	9,312,662	-
Other income taxes		
- Article 21	333,564	30,439
- Article 23/26	561,082	3,446,617
Current tax	375,566	212,550
Total	12,300,557	7,633,647

Prepaid Taxes

	2010	2009
	Rp'000	Rp'000
The Company		
Final income tax	18,775,605	13,284,965
Income taxes article 22	19,970	19,970
Income taxes article 23	68,902	-
The subsidiaries:		
Final income tax	14,959,583	-
Value added tax	17,840,812	16,101,931
Income taxes article 23	691	-
Income taxes article 26	59,937	-
Income taxes article 22	1,274	-
Total	51,726,774	29,406,866

12. ACCRUED EXPENSES

	2010	2009
	Rp'000	Rp'000
Interest and penalty payable on bonds (Note 15 and 17)	114,810,986	137,948,296
Electricity, water and gas	1,962,446	1,049,605
Others	6,409,142	5,340,088
Total	123,182,574	144,337,989
Current portion	<u>(37,247,380)</u>	<u>(56,356,719)</u>
Long-term portion	<u>85,935,194</u>	<u>87,981,270</u>

PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009 (Continued)

13. UNEARNED INCOME

	<u>2010</u>	<u>2009</u>
	Rp'000	Rp'000
Space rental	265,966,700	161,457,254
Others	<u>9,884,831</u>	<u>10,434,514</u>
Total	275,851,531	171,891,768
Current portion	<u>(125,454,634)</u>	<u>(124,067,745)</u>
Long-term portion	<u><u>150,396,897</u></u>	<u><u>47,824,023</u></u>

14. ADVANCES FROM CUSTOMERS

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

15. BANK LOAN

	<u>2010</u>	<u>2009</u>
	Rp'000	Rp'000
Bank CIMB Niaga	361,199,475	-
Bank ICBC Indonesia		
Rupiah	139,000,000	35,000,000
US Dollar	35,696,000	-
Bank Mega	<u>8,150,000</u>	<u>3,650,000</u>
Total	544,045,475	38,650,000
Current maturities	<u>(82,742,100)</u>	-
Long-term portion	<u><u>461,303,375</u></u>	<u><u>38,650,000</u></u>

Bank CIMB Niaga

The Company entered into 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 17), with a floating interest 13,5% per annum as of September 30, 2010. In August 2010 there is payment amounted to Rp 9,361,525 thousand hence the outstanding as of September 30, 2010 amounted to Rp 361,199,475 thousand.

The loan is secured by the following:

- Second priority security rights over Tunjungan Plaza I (Plaza East) and Tunjungan Plaza III (Plaza Central) (Note 7) with a minimum of 150% from the credit facility. At the latest, in December 2011, Bank CIMB Niaga shall be able to put first priority right over Tunjungan Plaza I (Plaza East) and Tunjungan Plaza III (Plaza Central).
- Second priority of fiduciary security on all movable assets owned by the Company located at the Tunjungan Plaza I (Plaza East) and Tunjungan Plaza III (Plaza Central).
- Second priority of fiduciary security on all claims under insurance and reinsurance policies maintained in connection with the Tunjungan Plaza I (Plaza East) and Tunjungan Plaza III (Plaza Central).
- Second priority security right amounting Rp 200,000,000 thousand over Blok M Plaza (Note 8) located at Jalan Bulungan No.76 with Land Title SHGB No. 883. This collateral will be released after Bank CIMB Niaga is able to put first priority security right over Tunjungan Plaza I (Plaza East) and Tunjungan Plaza III (Plaza Central).

PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009 (Continued)

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

Bank ICBC Indonesia

On June 9, 2009, the Company obtained a working capital loan with a maximum credit limit of Rp 35,000,000 thousand due on June 9, 2011. Interest rate per annum is floating rate at the interest rate of 9.4% per annum as of September 30, 2010. As of September 30, 2010, this loan facility has been utilized.

On October 26, 2009, the Company obtained a working capital loan with a maximum credit limit of Rp 100,000,000 thousand due in 24 months with interest rate of 9.4% per annum. As of September 30, 2010, Rp 50,000,000 thousand of this loan facility has been utilized.

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

In March 2010, AW, the subsidiary obtained fixed loan credit facility on installment with a maximum credit limit of Rp 54,000,000 thousand due on May 2013. Interest rate is 11% per annum. As of September 30, 2010, this loan facility has been utilized.

In March 2010, AW, the subsidiary also obtained fixed loan credit facility on demand with a maximum credit limit of US\$ 4,000,000 due on March 2011. Interest rate is 6% per annum. As of September 30 2010, this loan facility has been utilized.

The credit facilities are secured by 7.435 square meters of land with HGB Certificate Nos. 933 and 935/Kelurahan Kebayoran Lama where part of Superblock Gandaria, located in Jakarta (Note 6).

Bank Mega

In September 2008, the Company obtained a term loan facility from Bank Mega with a maximum credit of Rp 45,000,000 thousand due in 3.5 years. The interest rate per annum is a floating rate at the interest rate of 13% per annum as of September 30, 2010, which is paid monthly. Under the agreement, this credit facility will be used to finance the Pakuwon Center construction. As of September 30, 2010 and 2009, the Company has already used Rp 8,150,000 thousand and Rp 3,650,000 thousand of the credit facility, respectively.

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

This credit facility is secured by 6,886 square meters of land which is a part of 114,680 square meters of land with HGB Certificate Nos. 828 and 1190/Kelurahan Kejawan Putih Tambak. This land is the location of Pakuwon Center building construction site which is located in Pakuwon City in Surabaya (Note 8).

At January 25, 2010, the Company obtained approval from Bank Mega to extend the term of the loan with a maturity date of July 11, 2013.

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

PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009 (Continued)

16. OTHER ACCOUNTS PAYABLE

	<u>2010</u>	<u>2009</u>
	Rp'000	Rp'000
Deferred gain on restructured bonds		
Reduction of interest and write-off of penalty on Bonds I	2,182,617	3,928,710
Interest payable on Series C Bonds	744,093	2,029,239
Others	<u>3,160,569</u>	<u>3,160,569</u>
Total	<u>6,087,279</u>	<u>9,118,518</u>
Current maturities:		
Reduction of interest and write-off of penalty on Bonds I	1,746,093	1,746,093
Interest payable on Series C Bonds	<u>596,623</u>	<u>1,222,026</u>
Total	<u>2,342,716</u>	<u>2,968,119</u>
Long-term portion	<u>3,744,563</u>	<u>6,150,399</u>

Deferred gain on restructured bonds (reduction of interest and write-off of penalty) represents the difference 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.

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 17) and will be realized on due date of each interest payable.

17. BONDS PAYABLE

	<u>2010</u>	<u>2009</u>
	Rp'000	Rp'000
Senior Secured Notes - net of unamortized bond issuance costs	173,362,961	1,046,480,788
2015 Notes - net of unamortized bond issuance costs	293,599,370	-
Bonds payable I (in Rupiah)	38,482,500	38,482,500
Bonds resulting from restructured loans:		
Series C Bonds US\$ 1,098,000 in 2010 and US\$ 1,830,000 in 2009	<u>9,798,552</u>	<u>17,716,230</u>
Total	515,243,383	1,102,679,518
Current maturities	<u>(103,578,618)</u>	<u>(273,313,992)</u>
Long-term Bonds Payable	<u>411,664,765</u>	<u>829,365,526</u>

Senior Secured Notes

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

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

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

PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009 (Continued)

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

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

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

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

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

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

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

The Senior Secured Notes payable consists of the following:

	<u>2010</u>	<u>2009</u>
	Rp'000	Rp'000
Nominal value		
(US\$ 19,687,500) in 2010 and		
(US\$ 110,000,000) in 2009	175,691,250	1,064,910,000
Unamortized bond issuance costs	<u>(2,328,289)</u>	<u>(18,429,212)</u>
Net	<u><u>173,362,961</u></u>	<u><u>1,046,480,788</u></u>

The Senior Secured Notes are secured by:

- First priority security rights over Tunjungan Plaza I (Plaza East) and Tunjungan Plaza III (Plaza Central) (Note 7).
- Fiduciary security of all movable assets located in Tunjungan Plaza I (Plaza East) and Tunjungan Plaza III (Plaza Central).

PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009 (Continued)

- Fiduciary security of all claims under insurance and reinsurance policies maintained on the land and buildings comprising Tunjungan Plaza I (Plaza East) and Tunjungan Plaza III (Plaza Central).
- Several offshore accounts and an onshore account to be managed by Account Managers in accordance with the Account Management Agreement.

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

Based on the ratings issued by Moody's Investors Service, Inc. and Fitch, the bonds as of September 30, 2010 are rated Caa1 and CCC, respectively with stable outlook.

Notes 2015

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

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

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

The balance 2015 Notes consists of the following:

	2010 Rp'000
Nominal value (US\$ 35,075,000)	313,009,300
Additional notes (US\$ 1,929,125)	17,215,512
Total nominal value (US\$ 37.004.125)	330,224,812
Unamortized bond issuance costs	(36,625,442)
Net	<u>293,599,370</u>

Bonds Payable I

In 1996, the Company issued Bonds I totaling Rp 150,000,000 thousand, with interest at 19.13% per annum. The maturity date of these bonds has been extended up to June 28, 2011 based on Bondholders' General Meeting (RUPO) in 2003. The bonds were intended for the project development for Tunjungan Plaza IV. Bonds I are secured by HGB Certificate Nos. 183, 282, 290, 292, 300 and 458, covering a total area of 0.885 hectares located in Kelurahan Kedungdoro, Surabaya, together with the buildings thereon (Notes 7 and 8).

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:

PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009 (Continued)

- i. Schedule of payment of bond principal as follows :
 - 2005 amounting to Rp 16.492.500 thousand.
 - 2007 amounting to Rp 21.990.000 thousand.
 - 2009 amounting to Rp 32.985.000 thousand.
 - 2011 amounting to Rp 38.482.500 thousand.
- ii. Floating rate of 1% over Bank Indonesia Certificate (SBI) capped at 12% per annum.
- iii. Interest-free cash payment of interest in arrears amounting to Rp 102,303,802 thousand, through installment of 2% per annum depending on the cash flow position of the Company and the remaining will be paid in the ninth year through refinancing. The past due interest was presented under accrued expenses (Note 12).
- iv. Write-off of penalty for the late payment of coupon Nos. 8, 9, and 10 amounting to Rp 519,456 thousand.
- v. Release as collateral the land measuring 825,525 square meters located in Kelurahan Dukuh Sutorejo, Surabaya and Kelurahan Kalisari, Surabaya, upon the completion of Tunjungan Plaza IV project, based on the valuation from independent appraiser appointed by the the Company the value of which is over 120% of the outstanding bonds principal.

The Company paid installments according to the above schedule resulting to a Bonds I payable balance of Rp 38,482,500 thousand as of September 30, 2010.

Based on the rating issued by Fitch, the bond as of September 30, 2010 is rated B.

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 was 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.

Series C Bonds

Series C Bonds issued to Bank Pan Indonesia (Panin) as of September 30, 2010 and 2009 amounted to US\$ 1,098,000 (equivalent to Rp 9,798,552 thousand) and US\$ 1,830,000 (equivalent to Rp 17,716,230 thousand), respectively. Payments to series C Bonds in 2010 and 2009 each amounted to US\$ 549,000.

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 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 Kedungdoro, Surabaya (Note 8).
- Receivables, claims and rights over proceeds from the hotel operations (Note 5) and proceeds from insurance claim.

PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009 (Continued)

18. MANDATORY CONVERTIBLE NOTES (MCN) PAYABLE

	2010	2009
	Rp'000	Rp'000
Nominal value (US\$ 58,000,000)	517,592,000	561,498,000
Unamortized discount (US\$ 9,874,703.15) in 2010 and (US\$ 11,353,881.24) in 2009	<u>(88,121,851)</u>	<u>(109,916,924)</u>
Total	<u>429,470,149</u>	<u>451,581,076</u>

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

19. MINORITY INTEREST IN SUBSIDIARIES

	2010	2009
	Rp'000	Rp'000
a. Minority interest in net assets of subsidiaries - AW	<u>118,840,347</u>	<u>98,068,274</u>
b. Minority interest in net income of subsidiary - AW	<u>(23,478,304)</u>	<u>(11,750,505)</u>

20. CAPITAL STOCK

Name of Stockholder	2010 and 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	0.01	2,730
Public (less than 5% each)	<u>1,751,263,490</u>	<u>17.44</u>	<u>175,126,349</u>
Total	<u>10,033,250,500</u>	<u>100.00</u>	<u>1,003,325,050</u>

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 Rights of Republic of 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 Rp 100 per share par value, at 10:3 ratio. The issuance of bonus shares is effective on August 7, 2008, to stockholders who are included in the Stockholders' list as of July 23, 2008 at four o'clock in the afternoon. In accordance with the Letter No.S.03739/BEI.PSJ/07-2008 dated July 3, 2008 from the Indonesia Stock Exchange, the

PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009 (Continued)

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 Notarial Deed No. 150 dated July 19, 2008 of Noor Irawati, SH, notary in Surabaya, and approved by Minister of Law and Human Rights of Republic Indonesia through Letter No. AHU-90465.AH.01.02-TH.08 dated November 27, 2008, the stockholders agreed to increased the authorized capital stock from Rp 1,250,000,000 thousand to Rp 3,000,000,000 thousand with par value of Rp 100 per share.

21. ADDITIONAL PAID-IN CAPITAL

	Additional Paid in capital Rp'000
Sale of the Company's shares through public offering in 1988	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	<u>(35,000,000)</u>
Balance as of January 1, 2006	<u>149,400,000</u>
Conversion of bonds into shares in 2006	
Total proceeds from the issuance of 876,577,000 share:	455,821,500
Recorded as paid-in capital	<u>(438,288,500)</u>
Additional paid-in capital	<u>17,533,000</u>
Balance as of December 31, 2007	166,933,000
Bonus shares issuance in 2008 (Note 20)	<u>(166,933,000)</u>
Balance as of September 30, 2010 and 2009	<u><u>-</u></u>

22. SALES AND REVENUES

	2010 Rp'000	2009 Rp'000
Rental and service charges:		
Space rental	151,723,633	136,633,957
Service charges	<u>63,181,536</u>	<u>54,121,709</u>
Subtotal	<u>214,905,169</u>	<u>190,755,666</u>
Sale of apartment and offices	<u>408,181,795</u>	<u>215,399,244</u>
Hotel revenues	<u>77,910,994</u>	<u>70,916,064</u>
Sale of land and buildings	<u>26,561,719</u>	<u>8,604,517</u>
Sale of condominiums	<u>2,295,455</u>	<u>-</u>
Other operating revenues:		
Electricity and water billing	37,466,308	28,516,263
Parking fee	10,105,657	8,406,427
Others	<u>17,638,294</u>	<u>13,056,616</u>
Subtotal	<u>65,210,259</u>	<u>49,979,306</u>
Total	<u><u>795,065,391</u></u>	<u><u>535,654,797</u></u>

The Company is insured for business interruption with PT. Chartis Insurance Indonesia (formerly PT Asuransi AIU Indonesia) for US\$ 42,000,000 in 2010 and for US\$ 32,000,000 in 2009.

Rental revenue and service charges from investment properties as of September 30, 2010 and 2009 amounted to Rp 208,089,702 thousand and Rp 188,955,984 thousand.

PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009 (Continued)

23. DIRECT COSTS AND COST OF SALES

	2010	2009
	Rp'000	Rp'000
Direct Costs		
Building expenses:		
Electricity, water and gas	56,453,582	45,647,224
Depreciation (Notes 7 and 8)	22,907,778	21,684,855
Cleaning	6,894,364	5,039,198
Repairs and maintenance	5,932,032	4,111,187
Land and building taxes	3,151,138	6,636,341
Amortization of property and equipment under the BOT scheme (Note 9)	1,567,244	2,712,016
Insurance	1,519,967	1,414,502
Others	5,771,235	3,208,618
Total building expenses	<u>104,197,339</u>	<u>90,453,940</u>
Personnel expenses	17,125,290	12,338,908
Hotel operating expenses:		
Hotel department	15,212,449	13,785,229
Depreciation (Note 8)	13,912,284	13,707,977
Electricity, water and gas	12,654,134	12,351,024
Salary and allowances	8,154,469	8,963,030
Total hotel operating expenses	<u>49,933,336</u>	<u>48,807,260</u>
Total direct costs	<u>171,255,965</u>	<u>151,600,108</u>
Costs of sales - Land and buildings	7,867,361	3,149,399
Costs of sales - Apartment and offices	292,322,443	128,872,262
Costs of sales - Condominium	578,917	-
Total direct costs and cost of sales	<u><u>472,024,686</u></u>	<u><u>283,621,769</u></u>

24. OPERATING EXPENSES

	2010	2009
	Rp'000	Rp'000
General and administrative:		
Salaries and allowances	10,639,036	7,410,078
Professional fees	3,567,987	3,061,595
Hotel operator's fees	3,136,781	2,694,730
Office expenses	2,850,542	2,222,608
Travelling expenses	2,057,870	947,191
Entertainment	1,237,492	446,958
Bank charges	1,087,243	874,968
Office equipment	266,764	336,524
Shares administration and reporting	229,310	289,953
Others	2,642,088	1,942,777
Subtotal	<u>27,715,113</u>	<u>20,227,382</u>
Marketing:		
Advertising and promotion	8,415,977	6,763,754
Salaries and allowances	5,752,321	2,784,847
Events	5,568,032	1,654,005
Others	7,726,206	5,650,674
Subtotal	<u>27,462,536</u>	<u>16,853,280</u>
Total	<u><u>55,177,649</u></u>	<u><u>37,080,662</u></u>

PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009 (Continued)

25. INTEREST INCOME

	<u>2010</u>	<u>2009</u>
	Rp'000	Rp'000
Time deposits	6,387,476	18,189,995
Current accounts	<u>176,471</u>	<u>125,119</u>
Total	<u><u>6,563,947</u></u>	<u><u>18,315,114</u></u>

26. FINANCE COST

	<u>2010</u>	<u>2009</u>
	Rp'000	Rp'000
Financial charges on:		
Senior Secured Note	18,522,142	36,454,140
Discount amortization on Mandatory Convertible Notes	9,996,257	10,427,128
Bonds payable I	889,897	3,442,112
Bank loan	<u>27,743,966</u>	<u>1,625,990</u>
Total	<u><u>57,152,262</u></u>	<u><u>51,949,370</u></u>

27. EARNINGS PER SHARE

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

	<u>2010</u>	<u>2009</u>
	Rp'000	Rp'000
Earnings for computation of basic earnings per share	<u>176,898,178</u>	<u>234,935,078</u>
Earnings for computation of diluted earnings per share	<u><u>119,203,742</u></u>	<u><u>211,484,129</u></u>
Number of ordinary shares for computation of basic and diluted earnings share per (thousand shares)	<u>10,033,251</u>	<u>10,033,251</u>
	<u>Rp</u>	<u>Rp</u>
In full Rupiah amounts		
Basic earnings per share	<u>17.63</u>	<u>23.42</u>
Diluted earnings per share	<u><u>11.88</u></u>	<u><u>21.08</u></u>

Diluted earnings per share as of September 30, 2010 and 2009 reflects the effect of the mandatory convertible notes of the subsidiary (AW).

28. 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 purchase of land was approved by the stockholders through the Company's Extraordinary Stockholders Meeting on June 27, 2007. As of September 30, 2009, payable arising from this transaction is presented as trade accounts payable (Note 10).

29. 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:

PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009 (Continued)

	2010				Consolidated Rp'000
	Office and shopping center Rp'000	Real estate Rp'000	Hospitality Rp'000	Eliminations Rp'000	
	SALES AND REVENUES				
External sales and revenues	258,905,050	458,249,346	77,910,994	-	795,065,391
Internal sales and revenues	12,654,134			(12,654,134)	-
Total Sales and Revenues	271,559,184	458,249,346	77,910,994	(12,654,134)	795,065,391
RESULT					
Segment result	154,538,647	105,986,836	9,820,772	-	270,346,255
Unallocated segment result					(2,483,199)
Income from operations					267,863,056
Gain on foreign exchange - net					24,577,767
Interest income					6,563,947
Reversal of allowance for doubtful accounts - net					1,516,963
Gain on sale of equipment					515,624
Finance cost					(57,152,262)
Others - net					(683,371)
Income before tax					243,201,724
Tax expense					(42,825,242)
Income before minority interest in net income of subsidiaries					200,376,482
Minority interest in net income of subsidiary					(23,478,304)
Net income					176,898,178
OTHER INFORMATION					
ASSETS					
Segment assets	1,908,723,141	673,051,752	443,445,932	(1,318,998,460)	1,706,222,365
Unallocated assets					2,110,322,856
Consolidated total assets	1,908,723,141	673,051,752	443,445,932	(1,318,998,460)	3,816,545,221
LIABILITIES					
Segment liabilities	988,966,682	593,756,070	20,138,664	(694,942,611)	907,918,805
Unallocated liability					1,462,340,665
Consolidated total liabilities	988,966,682	593,756,070	20,138,664	(694,942,611)	2,370,259,471
Addition to property and equipment and investment property	256,243,063	23,298,443	2,560,236	-	282,101,742
Depreciation and amortization	22,041,446	2,433,577	13,912,284	-	38,387,306

PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009 (Continued)

	2009				
	Office and shopping center	Real estate	Hospitality	Eliminations	Consolidated
	Rp'000	Rp'000	Rp'000	Rp'000	Rp'000
SALES AND REVENUES					
External sales and revenues	234,588,818	230,149,915	70,916,063	-	535,654,797
Internal sales and revenues	12,351,024			(12,351,024)	-
Total Sales and Revenues	246,939,842	230,149,915	70,916,063	(12,351,024)	535,654,797
RESULT					
Segment result	138,316,009	72,593,909	5,357,691	-	216,267,609
Unallocated segment result					(1,312,243)
Income from operations					214,955,366
Gain on foreign exchange - net					96,187,862
Interest income					18,315,113
Reversal of allowance for doubtful accounts - net					1,378,355
Gain on sale of equipment					72,264
Finance cost					(51,949,370)
Others - net					(656,186)
Income before tax					278,303,404
Tax expense					(31,617,821)
Income before minority interest in net income of subsidiaries					246,685,583
Minority interest in net income of subsidiary					(11,750,505)
Net income					234,935,078
OTHER INFORMATION					
ASSETS					
Segment assets	1,558,927,663	1,156,447,765	447,736,640	(1,816,665,168)	1,346,446,900
Unallocated assets					2,323,486,845
Consolidated total assets	1,558,927,663	1,156,447,765	447,736,640	(1,816,665,168)	3,669,933,745
LIABILITIES					
Segment liabilities	833,591,487	652,958,225	15,286,375	(1,292,491,999)	209,344,088
Unallocated liability					2,123,661,323
Consolidated total liabilities	833,591,487	652,958,225	15,286,375	(1,292,491,999)	2,333,005,411
Addition to property and equipment and investment property	56,600,819	13,320,484	-	-	69,921,303
Depreciation and amortization	22,072,801	2,321,070	13,707,977	-	38,101,848

PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009 (Continued)

Geographical Segments

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

Sales by geographical market

The following table shows sales based on geographical market:

	<u>2010</u>	<u>2009</u>
Surabaya	375,233,575	320,255,553
Jakarta	419,831,816	215,399,244
Total	<u>795,065,391</u>	<u>535,654,797</u>

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

	<u>Total segment assets</u>		<u>Addition to property and equipment</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	Rp'000	Rp'000	Rp'000	Rp'000
Surabaya	1,833,863,728	1,892,834,141	76,814,743	29,243,095
Jakarta	1,981,648,289	1,772,215,052	205,286,999	40,678,208
Netherland	1,033,204	4,884,552	-	-
Total	<u>3,816,545,221</u>	<u>3,669,933,745</u>	<u>282,101,742</u>	<u>69,921,303</u>

30. COMMITMENTS

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

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

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

PT. PAKUWON JATI Tbk. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009 (Continued)

- 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/or 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 subsidiaries to the related bank, the Company and its subsidiaries 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 subsidiaries' obligations, all bank's rights towards the buyer based on the credit agreement will be transferred to the Company and its subsidiaries.

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