

PT WAKA OBEROI INDONESIA

BOARD

Mr. I Wayan Pasek
Mr. I Ketut Siandana
Mr. Kamal K. Kaul

AUDITORS

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Tenggara Barat (NTB)
Indonesia

Independent Auditor's Report

Report No. RPC-1045/PSS/2011

The Stockholders and the Boards of Commissioners and Directors PT Waka Oberoi Indonesia

We have audited the balance sheets of PT Waka Oberoi Indonesia (the "Company") as of March 31, 2011 and 2010, and the related statements of income, changes in capital deficiency and cash flows for the years then ended, all expressed in Indonesian rupiah. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PT Waka Oberoi Indonesia as of March 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles in Indonesia.

The accompanying financial statements have been prepared assuming that the Company will continue to operate as a going concern. Note 25 to the financial statements summarizes the effects of the economic conditions in Indonesia on the Company, as well as the measures the Company has implemented in response to these economic conditions. The operations of the Company have been affected, and will continue to be affected for the foreseeable future, by the country's economic conditions. These economic conditions have contributed to recurring losses up to 2006 and in 2009, and capital deficiency and negative working capital as of March 31, 2011 and 2010. These matters raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our audits were conducted for the purpose of forming an opinion on the basic Indonesian rupiah financial statements taken as a whole. The translations of the Indonesian rupiah amounts into United States dollar have been made on the basis set forth in Note 21 and are presented for purposes of additional analysis only and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion thereon.

Purwantono, Suherman & Surja

Drs. Hari Purwantono
Public Accountant License No. 98.1.0065

April 25, 2011

Balance Sheets

March 31, 2011 and 2010

(Expressed in Rupiah, with Translations into United States Dollars)

	Notes	Indonesian Rupiah		Translations into U.S. Dollars (Note 2l)	
		2011	2010	2011	2010
ASSETS					
CURRENT ASSETS					
Cash on hand and in banks	2m,3,15	3,380,333,248	3,717,973,761	388,143	407,896
Trade receivables - net of allowance for impairment of Rp25,734,200 (US\$2,951) in 2011 and Rp525,955,713 (US\$57,702) in 2010	2c,2m,4,15	1,230,781,591	59,019,576	141,323	6,475
Other receivables		63,126,299	55,735,377	7,248	6,115
Inventories - net	2d,5,12	1,633,723,292	1,783,405,735	187,590	195,656
Prepayments and advances		868,977,313	770,160,800	99,779	84,494
Other current financial assets	2m,15	53,916,644	19,623,307	6,191	2,153
TOTAL CURRENT ASSETS		7,230,858,387	6,405,918,556	830,274	702,789
NON-CURRENT ASSETS					
Fixed assets - net	2e,2f,6,12	18,647,198,128	20,482,707,662	2,141,141	2,247,143
Deferred tax assets	2k,8d	2,037,281,625	1,832,050,781	233,928	200,993
Other non-current financial assets	2m,15	126,615,000	126,615,000	14,539	13,890
TOTAL NON-CURRENT ASSETS		20,811,094,753	22,441,373,443	2,389,608	2,462,026
TOTAL ASSETS		28,041,953,140	28,847,291,999	3,219,882	3,164,815

The accompanying notes form an integral part of these Financial Statements.

Balance Sheets (Contd...)

March 31, 2011 and 2010

(Expressed in Rupiah, with Translations into United States Dollars)

	Notes	Indonesian Rupiah		Translations into U.S. Dollars (Note 2I)	
		2011	2010	2011	2010
LIABILITIES AND CAPITAL DEFICIENCY					
LIABILITIES					
CURRENT LIABILITIES					
Trade payables	2m,15	528,857,173	336,107,995	60,725	36,874
Other payables	7	1,243,653,300	1,586,939,204	142,800	174,102
Taxes payable	2k,8a	113,326,893	106,418,385	13,013	11,675
Accrued expenses	2m,9,15	1,366,404,210	1,349,210,402	156,896	148,021
Due to Hotel Operator	2b,10,11	497,109,271	1,749,461,574	57,080	191,932
Due to related party	2b,10	2,627,695,760	2,492,006,241	301,722	273,396
Reserve for replacement of furniture, fixtures and equipment	2g,i3	4,564,409,555	3,917,506,786	524,103	429,787
Loan payable	2b,2m,10,12,15	226,577,698,500	237,140,397,500	26,016,500	26,016,500
Other current financial liabilities		1,297,946,029	1,015,573,012	149,035	111,418
TOTAL CURRENT LIABILITIES		238,817,100,691	249,693,621,099	27,421,874	27,393,705
NON-CURRENT LIABILITY					
Employee benefits liability	2h,14	992,189,446	782,431,561	113,927	85,840
TOTAL LIABILITIES		239,809,290,137	250,476,052,660	27,535,801	27,479,545
CAPITAL DEFICIENCY					
Capital Stock - Rp1,017,000 (US\$500) par value per share Authorized, issued and fully paid - 22,900 shares	16	23,289,300,000	23,289,300,000	11,450,000	11,450,000
Translation adjustment	2I	-	-	(5,676,060)	(5,752,499)
Deficit		(235,056,636,997)	(244,918,060,661)	(30,089,859)	(30,012,231)
Net Capital Deficiency		(211,767,336,997)	(221,628,760,661)	(24,315,919)	(24,314,730)
TOTAL LIABILITIES NET OF CAPITAL DEFICIENCY		28,041,953,140	28,847,291,999	3,219,882	3,164,815

Statements of Income

years ended March 31, 2011 and 2010

(Expressed in Rupiah, with Translations into United States Dollars)

	Notes	Indonesian Rupiah		Translations into U.S. Dollars (Note 2l)	
		2011	2010	2011	2010
DEPARTMENTAL REVENUES	2i				
Rooms	17	18,694,666,218	18,865,532,264	2,084,558	1,899,333
Food and beverages	18	9,441,903,338	10,020,623,129	1,053,419	1,010,402
Other operating departments	19	2,078,074,419	2,098,634,169	232,223	212,099
Others		316,764,313	342,034,873	35,346	34,516
Total Departmental Revenues		<u>30,531,408,288</u>	<u>31,326,824,435</u>	<u>3,405,547</u>	<u>3,156,350</u>
DEPARTMENTAL COSTS AND EXPENSES	2i				
Cost of sales					
Food and beverages	18	2,822,761,166	2,844,692,740	315,012	287,207
Other operating departments	19	567,973,447	581,672,784	63,482	58,871
Total Cost of Sales		<u>3,390,734,613</u>	<u>3,426,365,524</u>	<u>378,494</u>	<u>346,078</u>
Payroll and related expenses	17,18,19	3,282,018,557	2,800,773,184	367,511	285,461
Others	17,18,19	4,367,460,589	4,475,097,148	487,596	455,481
Total Departmental Costs and Expenses		<u>11,040,213,759</u>	<u>10,702,235,856</u>	<u>1,233,601</u>	<u>1,087,020</u>
DEPARTMENTAL PROFIT		<u>19,491,194,529</u>	<u>20,624,588,579</u>	<u>2,171,945</u>	<u>2,069,330</u>
HOTEL OPERATING EXPENSES	2i,20				
Property operations, maintenance and energy		7,419,422,381	6,689,818,718	829,365	681,194
General and administrative		2,949,497,956	3,204,560,114	328,450	325,914
Marketing		2,483,515,134	1,691,814,348	277,744	166,945
Provision for replacement of furniture, fixtures and equipment	2g,13	915,854,619	939,804,734	102,157	94,691
Marketing and sales promotion expenses	22	915,854,619	939,804,734	102,157	94,691
Insurance		97,220,560	100,850,455	10,890	10,230
Total Hotel Operating Expenses		<u>14,781,365,269</u>	<u>13,566,653,103</u>	<u>1,650,763</u>	<u>1,373,665</u>
HOTEL GROSS OPERATING PROFIT		<u>4,709,829,260</u>	<u>7,057,935,476</u>	<u>521,182</u>	<u>695,665</u>

Statements of Income (*Contd...*)

years ended March 31, 2011 and 2010

(Expressed in Rupiah, with Translations into United States Dollars)

	Notes	Indonesian Rupiah		Translations into U.S. Dollars (Note 2l)	
		2011	2010	2011	2010
OWNER'S OPERATING EXPENSES	2i,21				
Depreciation	2e,6	2,513,526,854	2,518,980,381	280,045	258,568
General and administrative		2,442,256,319	2,300,743,464	270,898	235,355
Operating fees	11,22	588,728,657	882,241,935	65,148	86,958
Total Owner's Operating Expenses		<u>5,544,511,830</u>	<u>5,701,965,780</u>	<u>616,091</u>	<u>580,881</u>
OTHER INCOME (EXPENSES)	2i				
Gain on foreign exchange - net	2j	10,547,347,701	64,762,467,669	-	-
Others - net		(56,472,310)	(99,756,947)	(6,284)	(10,004)
Other income (Expenses) - Net		<u>10,490,875,390</u>	<u>64,662,710,722</u>	<u>(6,284)</u>	<u>(10,004)</u>
INCOME (LOSS) BEFORE INCOME TAX		9,656,192,820	66,018,680,418	(101,193)	104,780
INCOME TAX BENEFIT - DEFERRED	2k,8c	205,230,844	346,471,928	23,565	38,011
NET INCOME (LOSS)		<u>9,861,423,664</u>	<u>66,365,152,346</u>	<u>(77,628)</u>	<u>142,791</u>

Statements of Changes in Capital Deficiency years ended March 31, 2011 and 2010

(Expressed in Rupiah, with Translations into United States Dollars)

	Indonesian Rupiah		
	<u>Capital Stock</u>	<u>Deficit</u>	<u>Net Capital Deficiency</u>
Balance as of March 31, 2009	23,289,300,000	(311,283,213,007)	(287,993,913,007)
Net income for the year	-	66,365,152,346	66,365,152,346
Balance as of March 31, 2010	23,289,300,000	(244,918,060,661)	(221,628,760,661)
Net income for the year	-	9,861,423,664	9,861,423,664
Balance as of March 31, 2011	23,289,300,000	(235,056,636,997)	(211,767,336,997)

	Translations Into U.S. Dollars (Note 21)			
	<u>Capital Stock</u>	<u>Translation Adjustment</u>	<u>Deficit</u>	<u>Net Capital Deficiency</u>
Balance as of March 31, 2009	11,450,000	(6,175,662)	(30,155,022)	(24,880,684)
Net income for the year	-	-	142,791	142,791
Translation adjustment	-	423,163	-	423,163
Balance as of March 31, 2010	11,450,000	(5,752,499)	(30,012,231)	(24,314,730)
Net income for the year	-	-	(77,628)	(77,628)
Translation adjustment	-	76,439	-	76,439
Balance as of March 31, 2011	11,450,000	(5,676,060)	(30,089,859)	(24,315,919)

Statements of Cash Flows

years ended March 31, 2011 and 2010

(Expressed in Rupiah, with Translations into United States Dollars)

	Notes	Indonesian Rupiah		Translations into U.S. Dollars (Note 21)	
		2011	2010	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (loss)		9,861,423,664	66,365,152,346	(77,628)	142,791
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Unrealized gain on foreign exchange		(10,626,681,770)	(65,811,664,243)	-	-
Depreciation	6	2,513,526,854	2,518,980,381	280,045	258,568
Provision for replacement of furniture, fixtures and equipment	13	915,854,619	939,804,734	102,157	94,691
Provision for loss on operating equipment	5	374,751,876	866,566,238	47,463	95,070
Provision for employee benefits	14	254,221,051	159,668,692	29,191	16,351
Provision of impairment of trade receivable		25,734,200	94,022,834	2,955	9,474
Reversal of allowance for impairment of trade receivable		(525,955,713)	-	(57,702)	-
Deferred income tax benefit	8	(205,230,844)	(346,471,928)	(23,565)	(38,011)
Translation adjustment		-	-	(5,177)	(20,982)
Changes in operating assets and liabilities:					
Trade receivables		(671,540,502)	163,513,970	(80,101)	11,400
Other receivables		(7,390,922)	(38,694,709)	(1,133)	(4,642)
Inventories		(225,069,433)	(192,315,758)	(39,397)	(78,402)
Prepayments and advances		(98,816,513)	43,534,886	(15,285)	(14,197)
Other current financial assets		(34,293,337)	(2,371,794)	(4,038)	(663)
Trade payables		192,749,179	(38,562,655)	23,851	4,505
Other payables		(336,384,095)	(2,839,661,237)	(31,302)	(259,825)
Taxes payable		6,908,507	(140,594,529)	1,338	(9,665)
Accrued expenses		17,193,808	(874,262,180)	8,875	(44,072)
Due to Hotel Operator		(1,195,271,342)	(1,115,954,968)	(134,852)	(113,042)
Due to a related party		135,689,519	348,040,626	28,326	40,629
Other current financial liabilities		282,373,017	(66,483,279)	37,617	17,936
Payments of employee benefits	14	(44,463,166)	(54,454,900)	(5,105)	(5,577)
Net Cash Provided by (Used in) Operating Activities		609,328,657	(22,207,473)	86,533	102,337

Statements of Cash Flows (Contd...)

years ended March 31, 2011 and 2010

(Expressed in Rupiah, with Translations into United States Dollars)

	Notes	Indonesian Rupiah		Translations into U.S. Dollars (Note 2I)	
		2011	2010	2011	2010
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of fixed assets	6	(678,017,320)	(193,885,000)	(76,173)	(20,821)
Utilisation of reserve for replacement of furniture, fixtures and equipment	13	(268,951,850)	(650,611,939)	(30,113)	(69,705)
Net Cash Used in Investing Activities		<u>(946,969,170)</u>	<u>(844,496,939)</u>	<u>(106,286)</u>	<u>(90,526)</u>
NET INCREASE (DECREASE) IN CASH ON HAND AND IN BANKS		(337,640,513)	(866,704,412)	(19,753)	11,811
CASH ON HAND AND IN BANKS AT BEGINNING OF YEAR	3	3,717,973,761	4,584,678,173	407,896	396,085
CASH ON HAND AND IN BANKS AT END OF YEAR	3	<u>3,380,333,248</u>	<u>3,717,973,761</u>	<u>388,143</u>	<u>407,896</u>

Notes to the Financial Statements

years ended March 31, 2011 and 2010

1. GENERAL

PT Waka Oberoi Indonesia (the “Company”) was established within the framework of the Foreign Capital Investment Law No. 1 of 1967 as amended by Law No. 11 of 1970 based on notarial deed No. 225 dated November 26, 1992 of Siti Pertiwi Henny Shidki, S.H. The deed of establishment was approved by the Ministry of Justice in its decision letter No. C2-1631.HT.01.01.TH.93 dated March 13, 1993 and was published in Supplement No. 2313 of State Gazette No. 42 dated May 25, 1993.

The Company’s articles of association has been amended several times, the latest amendment of which was made by notarial deed No. 22 dated December 12, 2007 of Gamal Wahidin, S.H., regarding the change in the accounting year end from December 31 to March 31. The change was approved by the Ministry of Justice and Human Rights of the Republic of Indonesia in its decision letter No. AHU-13930.AH.01.02. dated March 19, 2008.

According to Article 3 of the Company’s articles of association, the Company’s scope of activities mainly comprises establishing, developing, operating and managing resort hotels. The Company is domiciled in West Lombok Regency, West Nusa Tenggara and owns The Oberoi Lombok Hotel (the “Hotel”) located in West Nusa Tenggara, which started commercial operations on April 14, 1997. The Hotel is currently being managed and operated by EIH Management Services B.V. up to 2034 with option to extend for 20 years (Note 21a).

As of March 31, 2011 and 2010, the composition of the Company’s Boards of Commissioners and Directors is as follows:

Board of Commissioners

Commissioners	: Deepak Madhok
	: Sudarshan Rao
	: Ida Bagus Gede Yudana

Board of Directors

President Director	: I Ketut Siandana
Directors	: Kamal K. Kaul
	: I Wayan Pasek

The Company employed a total of 126 and 129 permanent employees as of March 31, 2011 and 2010, respectively (unaudited).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and financial reporting policies adopted by the Company conform to generally accepted accounting principles and practices in Indonesia. The significant accounting policies applied consistently in the preparation of the financial statements for the years ended March 31, 2011 and 2010 are as follows:

a. **Basis of Presentation of the Financial Statements**

The financial statements have been prepared in accordance with generally accepted accounting principles in Indonesia and prevailing hotel industry practices on the accrual basis using the historical cost concept, except for inventories which are valued at the lower of cost or net realizable value.

The statements of cash flows present receipts and payments of cash classified into operating, investing and financing activities. Cash flows from operating activities are presented using the indirect method.

Notes to the Financial Statements (*Contd...*)**b. Transactions with Related Parties**

All significant transactions with related parties, as defined under Indonesian Statement of Financial Accounting Standards (PSAK) No. 7, "Related Party Disclosures", whether or not made under terms and conditions similar to those granted to/by third parties, are disclosed in the notes herein.

c. Allowance for Impairment Trade Receivable

Prior to 2011, allowance for impairment trade receivable was provided based on the review of the status of the individual receivable accounts at the end of the year. Starting 2011, the allowance is determine based on the policies outlined in note 2m.

d. Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method. Allowance for inventory losses is provided to reduce the carrying value of inventories to their net realizable value.

e. Fixed Assets

Fixed assets, except land which is stated at cost and not depreciated, are stated at cost less accumulated depreciation and impairment loss, if any. Such cost includes the cost of replacing part of the fixed assets when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the fixed assets as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs that do not meet the recognition criteria are recognized in the statements of income as incurred.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Buildings	20
Structures and improvements	10
Machinery and equipment	8
Furniture, fixtures and equipment	5
Motor vehicles	5

An item of fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statements of income in the year the asset is derecognized.

Expenditures relating to construction are capitalized to the construction in progress account. The accumulated costs will be reclassified to the appropriate fixed asset account when the construction is substantially completed and the asset is ready for its intended use.

f. Impairment of Assets Value

The recoverable amount of an asset is estimated whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized at the amount by which the asset's carrying value exceeds its recoverable value.

Notes to the Financial Statements (*Contd...*)

g. Reserve for Replacement of Furniture, Fixtures and Equipment

Provisions are made for replacement of and addition to furniture, fixtures and equipment of the Hotel and the Spa at 3% of their respective revenues in accordance with the Hotel Operation Agreement and Management Agreement. Actual replacement and addition are charged against this account.

h. Employee Benefits

The Company recognizes its unfunded employee benefits liability in accordance with Labor Law No. 13/2003 dated March 25, 2003 (the "Law") and PSAK No. 24 (Revised 2004), "Employee Benefits".

Under Revised PSAK No. 24, the cost of providing employee benefits under the Law is determined using the projected-unit-credit method. Actuarial gains or losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceed the greater of 10% of the present value of the defined benefit obligation or 10% of the fair value of the plan assets, if any. These gains or losses in excess of the 10% threshold are recognized on a straight-line basis over the expected average remaining working lives of the employees. Further, past service costs arising from the introduction of a defined benefit plan or changes in the benefits payable of an existing plan are required to be amortized over the period until the benefits concerned become vested.

i. Revenue and Expense Recognition

Revenues are recognized when the services are rendered or when the goods are delivered. Expenses are recognized when incurred.

j. Foreign Currency Transactions and Balances

Transactions involving foreign currencies are recorded in rupiah amounts, using the Company's standard booking rates which approximate the prevailing rates of exchange at the time the transactions are made. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the prevailing rates of exchange last quoted by Bank Indonesia at such date. The resulting gains or losses are credited or charged to current operations.

As of March 31, 2011 and 2010, the rates of exchange used were Rp 8,709 and Rp 9,115, respectively, to US\$1.

k. Income Tax

Current tax expense is provided based on the estimated taxable income for the year. Deferred tax assets and liabilities are recognized for temporary differences between the financial and the tax bases of assets and liabilities at each reporting date. Future tax benefits, such as the carry-forward of unused tax losses, are also recognized to the extent that realization of such benefits is probable.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Changes in the carrying amount of deferred tax assets and liabilities due to a change in tax rate are credited or charged to current year operations, except to the extent that they relate to items previously charged or credited to capital deficiency.

Notes to the Financial Statements (*Contd...*)

Amendment to a tax obligation is recorded when an assessment is received and the Company has incurred an obligation or, if appealed against by the Company, when the result of the appeal is determined.

l. Translations of Indonesian Rupiah Amounts into United States (U.S.) Dollar

The financial statements are stated in Indonesian rupiah, the currency of the country in which the Company operates. The translations of Indonesian rupiah amounts into U.S. dollar were made at the following rates:

Assets and liabilities	- Middle rate as of balance sheet date (Rp 8,709 to US\$1 and Rp 9,115 to US\$1 as published by Bank Indonesia as of March 31, 2011 and 2010, respectively)
Capital stock	- Historical rates
Revenue and expense accounts	- Transaction date exchange rates

The resulting difference arising from the translations of the balance sheet and statement of income accounts is presented as "Translation adjustment" under the capital deficiency section of the balance sheets.

m. Financial Instruments

Effective April 1, 2010, the Company has applied PSAK 50 (Revised 2006), "Financial Instruments: Presentation and Disclosures", and PSAK 55 (Revised 2006), "Financial Instruments: Recognition and Measurement", which superseded PSAK 50, "Accounting for Certain Investments in Securities" and PSAK 55 (Revised 1999), "Accounting for Derivative Instruments and Hedging Activities".

PSAK 50 (Revised 2006) contains the requirements for the presentation of financial instruments and identifies the information that should be disclosed. The presentation requirements apply to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset. This PSAK requires the disclosure of, among others, information about factors that affect the amount, timing and certainty of an entity's future cash flows relating to financial instruments and the accounting policies applied to those instruments.

PSAK 55 (Revised 2006) establishes the principles for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This PSAK provides the definitions and characteristics of derivatives, the categories of financial instruments, recognition and measurement, hedge accounting and determination of hedging relationships, among others.

ml. Financial assets

Initial recognition

Financial assets within the scope of PSAK 55 (Revised 2006) are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates the designation of such assets at each financial period-end.

Notes to the Financial Statements (*Contd...*)

Financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the assets.

The Company's financial assets include cash on hand and in banks, trade receivables, other current financial assets, and other non-current financial assets.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

- Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivative assets are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with gains or losses recognized in the statements of income.

Derivatives embedded in host contracts are accounted for as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognized in the statements of income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The Company did not have financial assets at a fair value through profit or loss as of March 31, 2011.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the statements of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Company's cash on hand and in banks, trade receivables, other current financial assets, and other non-current financial assets are included in this category.

- Held-to-maturity (HTM) investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Company has the positive intention and ability to hold them to maturity. After initial measurement, HTM investments are measured at amortized cost using the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Gains and losses are recognized in the statement of income when the investments are derecognized or impaired, as well as through the amortization process.

The Company did not have any HTM investments as of March 31, 2011.

Notes to the Financial Statements (*Contd...*)

- Available-for-sale (AFS) financial assets

AFS financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized in capital deficiency until the investment is derecognized. At that time, the cumulative gain or loss previously recognized in capital deficiency is reclassified to profit or loss.

The Company did not have any AFS financial assets during the years ended March 31, 2011.

m2. Financial liabilities

Initial recognition

Financial liabilities within the scope of PSAK 55 (Revised 2006) are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, inclusive of directly attributable transaction costs.

The Company's financial liabilities include trade payables, accrued expenses, loan payables and other current financial liabilities.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

- Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivative liabilities are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of income. The company did not have financial liability at fair value through profit or loss as of March 31, 2011.

- Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method.

Gains and losses are recognized in the statement of income when the liabilities are derecognized as well as through the amortization process.

The Company's trade payable, accrued expense, loan payable and other current financial liabilities are included in this category.

m3. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Notes to the Financial Statements (*Contd...*)

m4. Fair value of financial instruments

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business at the end of the reporting year. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis; or other valuation models.

Credit risk adjustment

The Company adjusts the price in the more advantageous market to reflect any differences in counterparty credit risk between instruments traded in that market and the ones being valued for financial asset positions. In determining the fair value of financial liability positions, the Company's own credit risk associated with the instrument is taken into account.

m5. Amortized cost of financial instruments

Amortized cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

m6. Impairment of financial assets

The Company assesses at the end of each reporting year whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

- **Financial assets carried at amortized cost**

For loans and receivables carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan or receivable financial asset has a variable interest rate, the discount rate for measuring impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously

Notes to the Financial Statements (*Contd...*)

recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in profit or loss.

- **AFS financial assets**

In the case of an equity investment classified as an AFS financial asset, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost.

Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss - is reclassified from capital deficiency to profit or loss, impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in capital deficiency.

In the case of a debt instrument classified as an AFS financial asset, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of the "Interest income" account in the statement of income. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

m7. Derecognition of financial assets and liabilities

Financial assets

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when: (1) the rights to receive cash flows from the asset have expired; or (2) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

n. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported therein. Due to inherent uncertainty in making estimates, actual results reported in future periods might be based on amounts which differ from those estimates.

Notes to the Financial Statements (*Contd...*)

(Expressed in Rupiah, with Translations into United States Dollars)

3. CASH ON HAND AND IN BANKS

This account consists of the following:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2I)	
	2011	2010	2011	2010
Cash on hand				
Rupiah	87,500,000	87,500,000	10,047	9,600
Cash in banks				
U.S. dollars	1,965,533,309	2,326,607,478	225,690	255,250
Rupiah	1,327,299,939	1,303,866,283	152,406	143,046
Total	3,380,333,248	3,717,973,761	388,143	407,896

4. TRADE RECEIVABLES

This account consists of the following:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2I)	
	2011	2010	2011	2010
City ledger	1,080,093,089	527,516,599	124,020	57,873
Guest ledger	176,422,702	57,458,690	20,258	6,304
Total	1,256,515,791	584,975,289	144,278	64,177
Less allowance for impairment	25,734,200	525,955,713	2,955	57,702
Net	1,230,781,591	59,019,576	141,323	6,475

The aging analysis of these receivables is presented below:

	Indonesian Rupiah		Translations into U.S. Dollars - (Note 2I)		Percentage to Total (%)	
	2011	2010	2011	2010	2011	2010
Current	550,831,371	441,690,631	63,249	48,458	43.84	75.51
Past due						
1-30 days	43,852,921	118,392,505	5,035	12,989	3.49	20.24
31-60 days	614,353,299	24,892,153	70,542	2,730	48.89	4.25
Over 60 days	47,478,200	-	5,452	-	3.78	-
Total	1,256,515,791	584,975,289	144,278	64,177	100.00	100.00
Less allowance for impairment	25,734,200	525,955,713	2,955	57,702	2.05	89.91
Net	1,230,781,591	59,019,576	141,323	6,475	97.95	10.09

Based on the review of the status of the individual receivable accounts at the end of the year, management believes that the above allowance for impairment is adequate to cover possible losses from the non collection of the accounts.

Notes to the Financial Statements (*Contd...*)

(Expressed in Rupiah, with Translations into United States Dollars)

5. INVENTORIES

Inventories consist of the following:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 21)	
	2011	2010	2011	2010
Operating supplies	1,241,318,114	1,241,318,114	142,533	136,184
Materials and supplies	1,175,241,809	954,600,279	134,946	104,729
Beverages	303,235,898	298,729,764	34,819	32,772
Food	145,590,229	150,705,989	16,717	16,534
Tobacco	9,655,356	4,617,827	1,109	507
Total	2,875,041,406	2,649,971,973	330,123	290,726
Less Allowance for loss on operating equipment	(1,241,318,114)	(866,566,238)	(142,533)	(95,070)
Net	1,633,723,292	1,783,405,735	187,590	195,656

Inventories are used as collateral for long-term loan (Note 12).

6. FIXED ASSETS

The details of fixed assets are as follows:

	Indonesian Rupiah			Balance as of March 31, 2011
	Balance as of March 31, 2010	Additions	Deduction	
2010-2011 Movements				
<u>Cost</u>				
Land	5,470,511,683	–	–	5,470,511,683
Buildings	33,968,280,611	291,776,000	–	34,260,056,611
Structures and improvements	5,849,910,128	–	–	5,849,910,128
Machinery and equipment	7,090,529,592	87,990,000	–	7,178,519,592
Furniture, fixtures and equipment	14,958,293,963	298,251,320	–	15,256,545,283
Motor vehicles	421,576,000	–	–	421,576,000
Total Cost	67,759,101,977	678,017,317	–	68,437,119,297
<u>Accumulated Depreciation</u>				
Buildings	21,882,964,016	1,698,885,111	–	23,581,849,127
Structures and improvements	5,561,181,915	70,810,254	–	5,631,992,169
Machinery and equipment	5,527,687,383	322,247,849	–	5,849,935,232
Furniture, fixtures and equipment	13,972,918,334	364,783,644	–	14,337,701,978
Motor vehicles	331,642,667	56,799,996	–	388,442,663
Total Accumulated Depreciation	47,276,394,315	2,513,526,854	–	49,789,921,169
Net Book Value	20,482,707,662			18,647,198,128

Notes to the Financial Statements (*Contd...*)

(Expressed in Rupiah, with Translations into United States Dollars)

6. FIXED ASSETS (*Contd...*)

	Indonesian Rupiah			
	Balance as of March 31, 2009	Additions	Deduction	Balance as of March 31, 2010
2009-2010 Movements				
<u>Cost</u>				
Land	5,470,511,683	–	–	5,470,511,683
Buildings	33,811,388,579	156,892,032	–	33,968,280,611
Structures and improvements	5,849,910,128	–	–	5,849,910,128
Machinery and equipment	7,041,529,592	49,000,000	–	7,090,529,592
Furniture, fixtures and equipment	14,813,408,963	144,885,000	–	14,958,293,963
Motor vehicles	421,576,000	–	–	421,576,000
Construction in progress	156,892,032	–	156,892,032	–
Total Cost	67,565,216,977	350,777,032	156,892,032	67,759,101,977
Indonesian Rupiah				
	Balance as of March 31, 2009	Additions	Deduction	Balance as of March 31, 2010
<u>Accumulated Depreciation</u>				
Buildings	20,184,549,994	1,698,414,022	–	21,882,964,016
Structures and improvements	5,484,011,010	77,170,905	–	5,561,181,915
Machinery and equipment	5,213,978,501	313,708,882	–	5,527,687,383
Furniture, fixtures and equipment	13,600,031,770	372,886,564	–	13,972,918,334
Motor vehicles	274,842,659	56,800,008	–	331,642,667
Total Accumulated Depreciation	44,757,413,934	2,518,980,381	–	47,276,394,315
Net Book Value	22,807,803,043			20,482,707,662

Translations into U.S. Dollars - (Note 21)

	Balance as of March 31, 2010	Additions	Deductions	Translation Adjustment	Balance as of March 31, 2011
2010-2011 Movements					
<u>Cost</u>					
Land	600,165	–	–	27,980	628,145
Buildings	3,726,635	33,194	–	174,039	3,933,868
Structures and improvements	641,789	–	–	29,920	671,709
Machinery and equipment	777,898	9,780	–	36,587	824,265
Furniture, fixtures and equipment	1,641,064	33,199	–	77,551	1,751,814
Motor vehicles	46,251	–	–	2,156	48,407
Total Cost	7,433,802	76,173	–	348,233	7,85,820

Notes to the Financial Statements (*Contd...*)

(Expressed in Rupiah, with Translations into United States Dollars)

6. FIXED ASSETS (*Contd...*)

	Translations into U.S. Dollars - (Note 2I)				Balance as of March 31, 2011
	Balance as of March 31, 2010	Additions	Deductions	Translation Adjustment	
<u>Accumulated Depreciation</u>					
Buildings	2,400,764	189,308	-	117,684	2,707,756
Structures and improvements	610,113	7,880	-	28,693	646,686
Machinery and equipment	606,439	35,909	-	29,364	671,712
Furniture, fixtures and equipment	1,532,959	40,619	-	72,731	1,646,309
Motor vehicles	36,384	6,329	-	1,889	44,602
Total Accumulated Depreciation	5,186,659	280,045	-	250,361	5,717,065
Net Book Value	2,247,143				2,141,141
<u>Translations into U.S. Dollars - (Note 2I)</u>					
	Balance as of March 31, 2009	Additions	Deductions	Translation Adjustment	Balance as of March 31, 2010
2009-2010 Movements					
<u>Cost</u>					
Land	472,614	-	-	127,551	600,165
Buildings	2,921,070	13,554	-	792,011	3,726,635
Structures and improvements	505,392	-	-	136,397	641,789
Machinery and equipment	608,340	5,213	-	164,345	777,898
Furniture, fixtures and equipment	1,279,776	15,608	-	345,680	1,641,064
Motor vehicles	36,421	-	-	9,830	46,251
Construction in progress	13,554	-	13,554	-	-
Total Cost	5,837,167	34,375	13,554	1,575,814	7,433,802
<u>Accumulated Depreciation</u>					
Buildings	1,743,806	174,324	-	482,634	2,400,764
Structures and improvements	473,780	7,920	-	128,413	610,113
Machinery and equipment	450,452	32,199	-	123,788	606,439
Furniture, fixtures and equipment	1,174,949	38,295	-	319,715	1,532,959
Motor vehicles	23,744	5,830	-	6,810	36,384
Total Accumulated Depreciation	3,866,731	258,568	-	1,061,360	5,186,659
Net Book Value	1,970,436				2,247,143

Depreciation charged to operations amounted to Rp 2,513,526,854 (US\$280,045) and Rp2,518,980,381 (US\$258,568) for the years ended March 31, 2011 and 2010, respectively.

Land and buildings are used as collateral for long-term loan (Note 12).

Fixed assets are covered by insurance against losses from fire and other risks under blanket policies for US\$35,530,000 as of March 31, 2011. The Company's management believes that the insurance coverage is adequate to cover possible losses arising from such risks.

As of March 31, 2011 and 2010, the Company's management believes that there have been no impairment in the value of the Company's fixed assets.

Notes to the Financial Statements (*Contd...*)

(Expressed in Rupiah, with Translations into United States Dollars)

7. OTHER PAYABLES

This account consists of the following:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2I)	
	2011	2010	2011	2010
Loss and breakage	577,902,837	646,620,424	66,357	70,940
Marketing and sales promotion expenses	334,648,343	549,675,764	38,426	60,305
Others	331,102,120	390,643,016	38,017	42,857
Total	1,243,653,300	1,586,939,204	142,800	174,102

8. TAXATION

a. Taxes payable consists of the following:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2I)	
	2011	2010	2011	2010
Development tax	75,819,854	74,396,142	8,706	8,162
Income tax				
Article 21	14,503,422	16,959,257	1,665	1,861
Article 23	5,683,066	3,285,701	653	360
Article 26	8,688,000	3,017,600	998	331
Value added tax	8,632,551	8,759,685	991	961
Total	113,326,893	106,418,385	13,013	11,675

b. A reconciliation between income before income tax, as shown in the statements of income, and estimated taxable income follows:

	Indonesian Rupiah	
	2011	2010
Income before income tax per statements of income	9,656,192,820	66,018,680,418
Temporary differences:		
Provision for replacement of furniture, fixtures and equipment - net	646,902,769	289,192,795
Provision for loss on operating equipment	374,751,876	866,566,238
Provision for employee benefits	254,221,051	159,668,692
Provision (reversal of allowance) for impairment of trade receivable-net	(500,221,513)	64,502,246
Depreciation	89,732,358	60,412,642
Employee benefit payments	(44,463,166)	(54,454,900)
Permanent differences:		
Non-deductible expenses		
Salaries, wages and employees' welfare	417,914,158	457,422,112
Interest income already subjected to final tax	(29,613,404)	(60,715,355)
Others	604,030,645	(305,011,634)
Estimated taxable income for the year	11,469,447,594	67,496,263,254
Accumulated tax losses carry-forward at beginning of year	(18,201,978,556)	(136,427,410,740)
Tax loss already expired	-	50,729,168,930
Correction of tax loss year 2004 and 2007	(53,357,528,619)	-
Accumulated tax losses carry-forward at end of year	(60,090,059,581)	(18,201,978,556)

Notes to the Financial Statements (*Contd...*)

(Expressed in Rupiah, with Translations into United States Dollars)

8. TAXATION (*Contd...*)

c. Details of deferred income tax benefit (expense) follow:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2I)	
	2011	2010	2011	2010
Provision for replacement of furniture, fixtures and equipment- net	161,725,692	72,298,199	18,011	7,932
Provision for loss on operating equipment	93,687,969	216,641,559	11,866	23,768
Provision for employee benefits	63,555,263	39,917,173	7,298	4,379
Provision (reversal of allowance) for impairment of trade receivable-net	(125,055,378)	16,125,562	(13,687)	1,769
Depreciation	22,433,090	15,103,160	1,353	1,657
Employee benefit payments	(11,115,792)	(13,613,725)	(1,276)	(1,494)
Net	205,230,844	346,471,928	23,565	38,011

d. Deferred tax assets consist of:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2I)	
	2011	2010	2011	2010
Reserve for replacement of furniture, fixtures and equipment	1,141,102,388	979,376,696	134,071	116,060
Depreciation	331,368,797	308,935,707	38,778	37,425
Employee benefits liability	248,047,361	195,607,890	30,433	24,411
Allowance for doubtful accounts	6,433,551	131,488,929	1,211	14,898
Allowance for loss on operating equipment	310,329,528	216,641,559	35,634	23,768
Translation adjustment	-	-	(6,199)	(15,569)
Total	2,037,281,625	1,832,050,781	233,928	200,993

In consideration of the uncertainty of profitable operations in the immediate future, the Company did not recognize the deferred income tax on the tax losses prior to the year ended March 31, 2010.

Notes to the Financial Statements (*Contd...*)

(Expressed in Rupiah, with Translations into United States Dollars)

9. ACCRUED EXPENSES

	Indonesian Rupiah		Translations into U.S. Dollars (Note 21)	
	2011	2010	2011	2010
Professional fees	603,202,611	640,627,341	69,262	70,283
Utilities	262,568,269	364,066,435	30,149	39,941
Others	500,633,330	344,516,626	57,485	37,797
Total	1,366,404,210	1,349,210,402	156,896	148,021

10. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

In the normal course of business, the Hotel entered into transactions with related parties consisting of the sale of vacation packages wherein The Oberoi Bali, owned by PT Widja Putra Karya, is entitled to its share in the proceeds, and inter-company advances. Related parties consist of companies which have the same management and associated entities and shareholder. The details of due to related parties are as follows:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 21)	
	2011	2010	2011	2010
<u>Due to related party</u>				
PT Widja Putra Karya	2,627,695,760	2,492,006,241	301,722	273,396
<u>Long-term loan</u>				
EIH Management Services B.V. (Note 12)	226,577,698,500	237,140,397,500	26,016,500	26,016,500
<u>Due to hotel operator</u>				
EIH Management Services B.V. (Note 11)	497,109,271	1,749,461,574	57,080	191,932

11. DUE TO HOTEL OPERATOR

The details of this account follow:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 21)	
	2011	2010	2011	2010
Balance at beginning of year	1,749,461,574	3,530,073,767	191,932	304,974
Operating fees during the year -12.5% of hotel gross operating profit (Notes 21 and 22)	588,728,657	882,241,935	65,148	86,958
Payment during the year	(1,784,000,000)	(1,998,200,000)	(200,000)	(200,000)
Unrealized loss on foreign exchange - net	(57,080,960)	(664,654,128)	-	-
Balance at end of year	497,109,271	1,749,461,574	57,080	191,932

Notes to the Financial Statements (*Contd...*)

(Expressed in Rupiah, with Translations into United States Dollars)

12. LOAN PAYABLE

The details of this account follow:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 21)	
	2011	2010	2011	2010
EIH Management Services B.V. (Note 10)	226,577,698,500	237,140,397,500	26,016,500	26,016,500

In November 2006 and April 2007, Euro-Pacific Holdings Ltd. (EPHL) completed the purchase of the remaining outstanding loan balance held by PT Bank Arta Niaga Kencana Tbk and PT Bank DKi, respectively, making EPHL the sole creditor of the Company. Subsequently on November 28, 2007, the Company and EPHL entered into a "Write-Off Agreement" whereby EPHL agreed that with the exception of the loan amount of US\$26,016,500, any interest and/or other charges arising from the date of purchase of the syndicated loan by EPHL from the respective banks would be written off by EPHL. Also under the Write-Off Agreement, a grace period in the payment of the loan would be effective from the signing date up to the settlement date of December 31, 2008. In the event that the loan was not settled on December 31, 2008, the following would prevail:

- The loan would bear interest at the annual rate of 11 % starting January 1, 2009.
- The Company would be obliged to establish an escrow account which would be fully controlled by EPHL.
- The Company should allow EPHL to repossess all of the Company's assets, including the Hotel.

On December 15, 2008, the Company and EPHL entered into an Amendment to the Write-Off Agreement whereby the Company and EPHL agreed on the following amendments:

- The Company should settle the loan in full on or before December 31, 2009.
- The grace period would be effective from the day after the signing date up to the settlement date of December 31, 2009.
- The loan would bear interest at the annual rate of 11% starting January 1, 2010.

Based on an Assignment of Receivable Agreement dated March 31, 2009 between EPHL and EIH Management Services B.V. (EIH, the Hotel Operator - Note 21), EPHL assigned the loan to EIH.

Based on an Agreement dated May 1, 2009, the Company and EIH agreed to terminate the Write-Off Agreement and its amendment between the Company and EPHL.

Based on a Settlement Agreement dated May 1, 2009 between the Company and EIH, a grace period will be effective from the signing date up to the settlement date of March 31, 2011, during which time no interest will be charged and no principal installment will be paid. In the event that the loan is not settled on March 31, 2011, the following shall prevail:

- The loan will bear interest at the annual rate of 11.5% starting April 1, 2012.
- The Company will be obliged to establish an escrow account which will be fully controlled by EIH
- The Company shall allow EIH to repossess all its assets including the Hotel.

Based on a Settlement Agreement dated May 1, 2009 between the Company and EIH which was amended and effective as from March 30, 2011, a grace period is extended up to September 30, 2011, during which time no interest will be charged and no principal installment will be paid. In the event that the loan is not settled on September 30, 2011, the following shall prevail:

- The loan will bear interest at the annual rate of 11.5% starting October 1, 2011.
- The Company will be obliged to establish an escrow account which will be fully controlled by EIH
- The Company shall allow EIH to repossess all its assets including the Hotel.

Notes to the Financial Statements (*Contd...*)

(Expressed in Rupiah, with Translations into United States Dollars)

13. RESERVE FOR REPLACEMENT OF FURNITURE, FIXTURES AND EQUIPMENT

The details of this account follow:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2I)	
	2011	2010	2011	2010
Balance at beginning of year	3,917,506,786	3,628,313,991	429,787	313,461
Provision during the year	915,854,619	939,804,734	102,157	94,691
Utilization of reserve	(268,951,850)	(650,611,939)	(30,113)	(69,705)
Translation adjustment	-	-	22,272	91,340
Balance at end of year	4,564,409,555	3,917,506,786	524,103	429,787

14. EMPLOYEE BENEFITS LIABILITY

The Company provides benefits for its employees who achieve the retirement age at 55 based on the provisions of Labor Law No. 13/2003 dated March 25, 2003. The benefits are unfunded.

The following tables summarize the components of net employee benefit expense for the years ended March 31, 2011 and 2010 recognized in the statements of income and the amounts recognized in the balance sheets for the employee benefits liability as of March 31, 2011 and 2010 as determined by PT Adi Langgeng Rahayu, an independent actuary, in its reports dated April 5, 2011 and April 6, 2010, respectively.

a. Employee benefit expense

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2I)	
	2011	2010	2011	2010
Current service cost	164,902,442	91,851,229	18,935	9,406
Interest cost	82,133,976	66,998,251	9,431	6,861
Amortization of unrecognized actuarial gain	(1,006,478)	(7,371,899)	(116)	(755)
Amortization of unvested past service cost	8,191,111	8,191,111	941	839
Net employee benefit expense	254,221,051	159,668,692	29,191	16,351

Notes to the Financial Statements (*Contd...*)

(Expressed in Rupiah, with Translations into United States Dollars)

14. EMPLOYEE BENEFITS LIABILITY (*Contd...*)

b. Employee benefits liability

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2I)	
	2011	2010	2011	2010
Present value of employee benefits obligation	1,202,991,455	791,135,678	138,132	86,795
Unrecognized past service cost - unvested	(99,232,765)	(107,423,876)	(11,394)	(11,785)
Unrecognized actuarial gain	(111,569,244)	98,719,759	(12,811)	10,830
Employee benefits liability	992,189,446	782,431,561	113,927	85,840

Movements in the employee benefits liability are as follows:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2I)	
	2011	2010	2011	2010
Beginning balance	782,431,561	677,217,769	85,840	58,507
Employee benefit expense	254,221,051	159,668,692	29,191	16,351
Benefit payments	(44,463,166)	(54,454,900)	(5,105)	(5,577)
Translation adjustment	—	—	4,001	16,559
Ending balance	992,189,446	782,431,561	113,927	85,840

The principal assumptions used in determining the employee benefits liability as of March 31, 2011 and 2010 are as follows:

Discount rate	: 9% in 2011 and 11% in 2010
Annual salary increase	: 8% per annum in 2011 and 2010
Mortality	: CSO-1980
Retirement age	: 55 years old
Disability rates	: 10% mortality table CSO-1980

Notes to the Financial Statements (*Contd...*)

(Expressed in Rupiah, with Translations into United States Dollars)

15. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Company has various financial assets which arise directly from the Company's operations. The Company's principal financial liabilities, consisting mainly of long-term bank loan, are used to finance the Company's operations.

The following table sets forth the carrying values which are also fair values, of the Company's financial instruments that are carried in the balance sheet as of March 31, 2011:

	Indonesian Rupiah	Translations into U.S. Dollars (Note 21)
Current Financial Assets		
Cash on hand and in banks	3,380,333,248	388,143
Trade receivables	1,230,781,591	141,323
Other current financial assets	53,916,644	6,191
Total current financial assets	<u>4,665,031,483</u>	<u>535,657</u>
Non-current Financial Assets		
Other non-current financial assets	126,615,000	14,539
Total Financial Assets	<u>4,791,646,483</u>	<u>550,196</u>
Current Financial Liabilities		
Trade payables	528,857,173	60,725
Accrued expenses	1,366,404,210	156,896
Other current financial liabilities	1,297,946,029	149,039
Loan payable	226,577,698,500	26,016,500
Total current financial liabilities	<u>229,770,905,912</u>	<u>26,383,156</u>
Non-current Financial Liabilities	-	-
Total Financial Liabilities	<u>229,770,905,912</u>	<u>26,383,156</u>

The fair values of the financial assets and liabilities are stated at the amounts at which the instruments could be exchanged in current transactions between willing parties, other than in a forced sale or liquidation.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Current financial assets and liabilities:

- Current financial instruments with remaining maturities of one year or less (cash in banks, trade receivables, other current financial assets, trade payables, accrued expenses and other current financial liabilities).

The carrying values of the Company's current financial assets and liabilities approximate their fair value due to the current maturity of these financial assets and liabilities.

Long-term fixed-rate liability (unquoted loan payable):

- No disclosure of fair value is made for the loan payable and amounts due to the Company as it is not practicable to determine their fair value with sufficient reliability since these amounts have to fixed term of repayment and the timing of future cash flows cannot be estimated with reasonable reliability.
- Other long-term financial assets (other non-current financial assets)
The fair values of other non-current financial asset are assumed to be the same as the cash amount that will be received due to the fact the maturity of such financial asset is not stated in related contract and the management is not yet able to determine when the financial asset will be realized.

Notes to the Financial Statements (*Contd...*)

(Expressed in Rupiah, with Translations into United States Dollars)

16. CAPITAL STOCK

The share ownership details as of March 31, 2011 and 2010 follow:

Stockholders	Number of Shares Issued and Fully Paid	Percentage of Ownership	Amount	Translations into U.S. Dollar (Note 2I)
EIH Management Services B.V.	13,060	57.03	13,282,020,000	6,530,000
EIH International Ltd.	6,000	26.20	6,102,000,000	3,000,000
PT Waka Gae Selaras	3,840	16.77	3,905,280,000	1,920,000
Total	22,900	100.00	23,289,300,000	11,450,000

17. ROOMS

The details of rooms departmental revenues and expenses are as follows:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2I)	
	2011	2010	2011	2010
Room Revenues	18,694,666,218	18,865,532,264	2,084,558	1,899,333
Payroll and Related Expenses				
Salaries and wages	596,808,270	514,698,792	66,803	52,715
Employee benefits	435,307,966	405,820,922	48,794	41,203
	1,032,116,236	920,519,714	115,597	93,918
Other Expenses				
Cleaning and guest supplies	426,584,155	357,040,123	47,625	35,962
Welcome drinks, fruit baskets and amenities	350,028,176	320,424,324	39,045	32,397
Linens and uniforms	314,180,276	197,190,578	35,066	19,616
Travel agents	156,000,000	170,076,884	17,398	17,159
Cable television	110,849,550	116,090,294	12,409	11,791
Telephone and communication	65,996,505	83,657,424	7,365	8,445
Decoration	55,034,805	73,859,235	6,138	7,448
Transportation and travel	93,843,323	45,723,764	10,468	4,646
Others	535,858,408	433,199,623	59,861	43,528
	2,108,375,198	1,797,262,249	235,374	180,992
Total Departmental Expenses	3,140,491,434	2,717,781,963	350,971	274,910
Departmental Profit	15,554,174,784	16,147,750,301	1,733,588	1,624,423

In 2011 and 2010, the average Hotel room occupancy rates were 37.7% and 35.2%, respectively (unaudited).

Notes to the Financial Statements (*Contd...*)

(Expressed in Rupiah, with Translations into United States Dollars)

18. FOOD AND BEVERAGES

The details of food and beverages departmental revenues and expenses follow:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2I)	
	2011	2010	2011	2010
Net Sales	9,441,903,338	10,020,623,129	1,053,419	1,010,402
Cost of Sales	2,822,761,166	2,844,692,740	315,012	287,207
Payroll and Related Expenses				
Salaries and wages	951,717,503	741,721,514	106,540	69,714
Employee benefits	706,525,148	571,610,460	79,152	64,012
	1,658,242,651	1,313,331,974	185,692	133,726
Other Expenses				
Kitchen fuel	327,402,854	286,250,425	36,552	29,098
Cultural music and shows	145,414,669	191,579,828	16,269	19,386
Linen and uniform	178,829,264	155,971,734	19,947	15,725
Cleaning and guest supplies	118,646,000	111,844,741	13,252	11,340
Loss and damages	60,964,966	45,782,472	6,833	4,659
Others	874,692,989	1,420,986,520	97,480	146,846
	1,705,950,742	2,212,415,720	190,333	227,054
Total Departmental Cost and Expenses	6,186,954,559	6,370,440,434	691,038	647,987
Departmental Profit	3,254,948,779	3,650,182,695	362,381	362,415

Notes to the Financial Statements (*Contd...*)

(Expressed in Rupiah, with Translations into United States Dollars)

19. OTHER OPERATING DEPARTMENTS

The details of other operating departments' revenues, costs and expenses are as follows:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2I)	
	2011	2010	2011	2010
Revenues				
Health club	1,066,302,704	1,060,903,529	119,133	107,075
Boutique	568,275,719	681,596,405	63,489	68,813
Airport lounge	285,845,323	204,957,612	32,005	21,044
Telephone and communication	51,891,824	39,058,273	5,802	3,880
Laundry	105,758,849	112,118,350	11,794	11,287
	<u>2,078,074,419</u>	<u>2,098,634,169</u>	<u>232,223</u>	<u>212,099</u>
Cost of Sales				
Health club	97,617,340	80,335,828	10,907	8,127
Boutique	365,814,863	431,075,755	40,870	43,582
Airport lounge	79,633,167	51,582,481	8,920	5,306
Telephone and communication	24,908,077	18,678,720	2,785	1,856
	<u>567,973,447</u>	<u>581,672,784</u>	<u>63,482</u>	<u>58,871</u>
Payroll and Related Expenses				
Salaries and wages	313,737,560	360,600,733	35,092	37,802
Employee benefits	277,922,110	206,320,763	31,130	20,015
	<u>591,659,670</u>	<u>566,921,496</u>	<u>66,222</u>	<u>57,817</u>
Other Expenses	553,134,649	465,419,179	61,889	47,435
Total Costs and Expenses	<u>1,712,767,766</u>	<u>1,614,013,459</u>	<u>191,593</u>	<u>164,123</u>
Other Operating Departments' Profit	<u>365,306,653</u>	<u>484,620,710</u>	<u>40,630</u>	<u>47,976</u>

Notes to the Financial Statements (*Contd...*)

(Expressed in Rupiah, with Translations into United States Dollars)

20. HOTEL OPERATING EXPENSES

The details of hotel operating expenses follow:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2I)	
	2011	2010	2011	2010
Property Operations, Maintenance and Energy				
Electricity, energy and water				
Electricity	1,743,277,194	1,630,665,724	194,815	165,864
Fuel	1,718,354,856	1,309,042,121	192,124	133,668
Water	162,026,000	244,250,000	18,077	25,164
	<u>3,623,658,050</u>	<u>3,183,957,845</u>	<u>405,016</u>	<u>324,696</u>
Repairs and maintenance	2,443,871,552	2,189,520,106	273,214	222,245
Supplies	739,842,028	697,896,739	82,637	71,038
Salaries and wages	404,596,207	442,926,903	45,302	45,379
Others	207,454,544	175,517,125	23,197	17,836
	<u>3,795,764,331</u>	<u>3,505,860,873</u>	<u>424,349</u>	<u>356,498</u>
Total	<u>7,419,422,381</u>	<u>6,689,818,718</u>	<u>829,365</u>	<u>681,194</u>
General and Administrative Expenses				
Salaries and wages	1,205,576,171	1,037,007,675	134,971	95,283
Employee benefits	444,165,124	416,782,296	49,749	53,488
Commission on credit cards	413,084,914	416,850,089	46,117	42,110
Licenses and taxes	149,174,188	198,127,804	16,646	19,991
Telephone and communication	135,474,657	122,444,759	15,126	12,173
Printing and stationery	113,933,481	119,346,690	12,748	12,095
Bank charges	100,511,572	89,500,337	11,247	9,171
Recruitment	14,204,200	20,500,000	1,577	2,051
Others	373,373,649	784,000,464	40,269	79,552
Total	<u>2,949,497,956</u>	<u>3,204,560,114</u>	<u>328,450</u>	<u>325,914</u>
Marketing Expenses				
Advertising and promotion	1,773,364,890	941,929,149	198,485	91,689
Transportation and travel	500,268,300	478,592,597	55,993	47,870
Salaries and wages	117,098,953	133,621,221	13,070	13,615
Others	92,782,991	137,671,381	10,197	13,771
Total	<u>2,483,515,134</u>	<u>1,691,814,348</u>	<u>277,744</u>	<u>166,945</u>
Provision for Replacement of Furniture, fixtures and equipment (Notes 2g and 13)	915,854,619	939,804,734	102,157	94,691
Marketing and Sales Promotion (Note 22)	915,854,619	939,804,734	102,157	94,691
Insurance	97,220,560	100,850,455	10,890	10,230
Total Operating Expenses	<u>14,781,365,269</u>	<u>13,566,653,103</u>	<u>1,650,763</u>	<u>1,373,665</u>

Notes to the Financial Statements (*Contd...*)

(Expressed in Rupiah, with Translations into United States Dollars)

21. OWNER'S OPERATING EXPENSES

The details of Owner's operating expenses follow:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 21)	
	2011	2010	2011	2010
Depreciation (Note 6)	2,513,526,854	2,518,980,381	280,045	258,568
General and administrative				
Professional fees	1,398,149,623	1,180,858,072	155,581	123,965
Payroll, tax and employee benefits	482,818,819	612,901,427	53,689	62,590
Insurance	403,733,065	437,369,017	44,169	41,587
Land and building tax	74,296,410	63,151,948	8,218	6,523
Miscellaneous	83,258,402	6,463,000	9241	690
Total	2,442,256,319	2,300,743,464	270,898	235,355
Operating fees (Notes 11 and 22)	588,728,657	882,241,935	65,148	86,958
Total Owner's Operating Expenses	5,544,511,830	5,701,965,780	616,091	580,881

22. SIGNIFICANT AGREEMENT

The Company entered into an Agreement with EIH Management Services B.V. (the Hotel Operator) to manage and operate the Hotel effective December 31, 1998. On July 24, 2000, the Company signed a Renewal Agreement whereby the original term was extended until April 24, 2034. The Hotel Operator has automatic and irrevocable options to extend the agreement for another twenty (20) years. Under the agreement, the Hotel Operator is entitled for a fee of 12.5% of the total gross operating profit. Also, under the agreement, the Hotel Operator is entitled to pay out of the gross operating revenue and as part of gross operating expenses, an amount equal to 3% of the Hotel gross operating revenue for marketing and sales promotion expenses. Any loss incurred by the Hotel in any financial year shall be borne exclusively by the Company.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**RISK MANAGEMENT**

The main risks arising from the Company's financial instruments are foreign exchange rate risk, credit risk and liquidity risk. The Company's Board of Directors reviews and approves the policies for managing these risks which are summarized below.

A. Foreign Exchange Rate Risk

Foreign exchange rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to exchange rate fluctuations results primarily from its U.S.dollar-denominated cash in banks and loan payable.

The Company's policies are to minimize the risk arising from the foreign exchange rate by monitoring its fluctuations and maintaining an adequate level of cash in banks and long-term bank loan in U.S. dollar. To the extent the Indonesian rupiah depreciates further from the exchange rates in effect at March 31, 2011, the Company's loan payable increases in Indonesian rupiah terms. However, the increase in this obligation will be offset in part by the increase in the value of its U.S. dollar-denominated cash in banks.

Notes to the Financial Statements (*Contd...*)

B. Credit Risk

Credit risk is the risk that the Company will incur loss arising from its customers or counterparties that fail to discharge their contractual obligations. There are no significant concentrations of credit risk. The Company manages and controls this credit risk by setting limits on the amount of risk it is willing to accept for individual customers and by monitoring exposures in relation to such limits.

C. Liquidity Risk

The liquidity risk is defined as a risk when the cash flow position of the Company indicates that the short-term revenue is not enough to cover the short-term expenditure.

The Company's liquidity requirements mainly come from repayments of loan payable. Currently, the Company has been making efforts to overcome the liquidity problem, such as by re-negotiating with creditor for an extension of the loan maturity and non-charging of interest over a certain period.

24. REVISED STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS AND INTERPRETATIONS

Accounting Standards and interpretations issued by the Indonesian Accounting Standards Board (DSAK) up to the date of completion of the Company's financial statements which are relevant to the Company but are not yet effective as of March 31, 2011 are summarized below:

- PSAK No. 1 (Revised 2009) "Presentation of Financial Statements"
Prescribes the basis for presentation of general purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities.
- PSAK No. 2 (Revised 2009) "Statement of Cash Flows"
Requires the provision of information about the historical changes in cash and cash equivalents by means of a statement of cash flows which classifies cash flows during the period from operating, investing and financing activities.
- PSAK No. 7 (Revised 2010), "Related Party Disclosures"
Requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the separate financial statements of a parent, and also applies to individual financial statements.
- PSAK No. 8 (Revised 2010), "Events after the Reporting Period", prescribes when an entity should adjust its financial statements for events after the reporting period, and requires disclosures about the date when financial statements were authorized for issue and events after reporting period. It requires an entity not to prepare financial statements on a going concern basis if events after the reporting period indicate that going concern assumption is not appropriate.
- PSAK No. 23 (Revised 2010), "Revenue", provides that revenue is recognized when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably. This standard identifies the circumstances in which these criteria will be met and therefore, revenue will be recognized. It also provides practical guidance on the application of these criteria.
- PSAK No. 25 (Revised 2009) "Accounting Policies, Changes in Accounting Estimates and Errors" Prescribes the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and correction of errors.
- PSAK No. 48 (Revised 2009) "Impairment of Assets"
Prescribes the procedures applied to ensure that assets are carried at no more than their recoverable amount and if the assets are impaired, an impairment loss should be recognized.
- PSAK No. 57 (Revised 2009) "Provisions, Contingent Liabilities and Contingent Assets"
Aims to provide that appropriate recognition criteria and measurement bases are applied to provisions, contingent liabilities and contingent assets and to ensure that sufficient information is disclosed in the notes to enable users to understand the nature, timing and amount related to the information.

Notes to the Financial Statements (*Contd...*)

- Interpretation of Financial Accounting Standard (ISAK) No. 9 “Changes in Existing Decommissioning, Restoration and Similar Liabilities”

Applies to changes in the measurement of any existing decommissioning, restoration or similar liability recognized as part of the cost of an item of property, plant and equipment in accordance with PSAK No. 16 and as a liability in accordance with PSAK No. 57.

- ISAK No. 11 “Distributions of Non-cash Assets to Owners”

Applies to types of non-reciprocal distributions of assets by an entity to its owners acting in their capacity as owners, i.e., distributions of non-cash assets and distributions that give owners a choice of receiving either non-cash assets or a cash alternative.

- PSAK No. 24 (Revised 2010), “Employee Benefits”, establishes the accounting and disclosures for employee benefits.

- PSAK No. 46 (Revised 2010), “accounting for Income Taxes”, prescribes the accounting treatment for income taxes to account for the current and future tax consequences of the future recovery (settlement) of the carrying amount of assets (liabilities) that are recognized in the balance sheet, and transactions and other events of the current period that are recognized in the financial statements.

The Company is presently evaluating and has not determined the effects of these revised and new Standards, Interpretations and Standards Revocation on its financial statements.

25. ECONOMIC ENVIRONMENT

The financial statements have been prepared assuming that the Company will continue to operate as a going concern. The current global economic crisis has caused volatility in foreign exchange rates and interest rates, unstable stock markets, tight liquidity, reduced economic activity and lack of investors’ confidence across the globe, including Indonesia. Such global economic conditions have significantly affected all sectors of the economy, including the Company’s markets and industries, which may result in unfavorable financial and operating impact, and exposure to other risks.

The Company incurred net losses up to 2006 and in 2009, which resulted in net capital deficiency of Rp211.8 billion and Rp221.6 billion as of March 31, 2011 and 2010, respectively. The Company also had negative working capital as of March 31, 2011 and 2010.

In response to the economic conditions and going concern uncertainty, the Company will continue its aggressive marketing activities in the international market to boost room occupancy rates to pre-crisis levels. In addition, the Company has successfully been negotiating for the extension in the maturity date of its loan payable to a related party (Note 12).

Indonesia’s ability to minimize the impact of the global economic crisis on the country’s economy is largely dependent on the monetary, fiscal and economic stimulus programs and other measures that are being taken and will be undertaken by the Government, actions which are beyond the Company’s control.

26. COMPLETION OF THE FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation of the accompanying financial statements that were completed on April 25, 2011.