PT WIDJA PUTRA KARYA

BOARD

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

AUDITORS

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Independent Auditor's Report

The Stockholders, and the Boards of Commissioners and Directors PT Widja Putra Karya
Report No. RPC-1051/PSS/2011

We have audited the balance sheets of PT Widja Putra Karya (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 Widja Putra Karya 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. As described in Note 26 to the financial statements, the Company incurred net losses in years prior to 2006, which resulted in a net capital deficiency of Rp3.5 billion and Rpl3.4 billion as of March 31, 2011 and 2010, respectively, mainly due to the past economic and financial conditions affecting the Company. The accompanying financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets and the amounts and classification of liabilities that may 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 dollars 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 on them.

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)

		Indonesian Rupiah		Translations into U.S. Dollars (Note 2l)	
	Notes	2011	2010	2011	2010
ASSETS					
CURRENT ASSETS					
Cash on hand and in banks	2m,3,16	6,044,234,370	4,509,810,188	694,022	494,768
Trade receivables	2m,4,16	2,311,408,609	2,401,295,770	265,404	263,444
Other receivables		213,844,993	754,245,817	24,555	82,748
Inventories - net	2c,6	5,785,324,451	4,285,135,766	664,293	470,119
Prepayments and advances	2d,7	1,813,609,699	1,744,000,189	208,245	191,333
Other current financial assets	2m,16	199,062,529	180,093,236	22,857	19,758
TOTAL CURRENT ASSETS		**16,367,484,651**	**13,874,580,966**	**1,879,376**	**1,522,170**
NON-CURRENT ASSETS					
Due from related parties	2b,5a	7,266,187,538	7,346,737,275	834,331	806,005
Deferred tax assets - net	2k,11e	1,197,720,973	1,141,057,128	137,527	125,184
Fixed assets - net of accumulated depreciation	2e,8,14	8,886,819,636	6,211,801,599	1,020,418	681,492
Other non-current financial assets	2m,16	75,649,117	75,649,117	8,686	8,299
Other non-current assets	2d	6,289,596,676	6,344,577,478	722,195	696,060
TOTAL NON-CURRENT ASSETS		**23,715,973,940**	**21,119,822,597**	**2,723,157**	**2,317,040**
TOTAL ASSETS		**40,083,458,591**	**34,994,403,563**	**4,602,533**	**3,839,210**

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

Balance Sheets *(Contd...)*
March 31, 2011 and 2010

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

		Indonesian Rupiah		Translations into U.S. Dollars (Note 2l)	
	Notes	2011	2010	2011	2010
LIABILITIES AND CAPITAL DEFICIENCY					
LIABILITIES					
CURRENT LIABILITIES					
Trade payables	2m,9,16	1,624,889,643	1,994,147,593	186,576	218,777
Other payables	10	1,079,385,306	656,974,868	123,939	72,076
Taxes payable	2k,11	4,359,268,270	5,821,571,923	500,548	638,680
Accrued expenses	2m,16	2,143,314,713	1,820,537,250	246,103	199,730
Due to Hotel operator	12	2,409,661,477	385,063,175	276,686	42,245
Due to related parties	2b,5b	10,295,387,895	10,775,342,825	1,182,155	1,182,155
Reserve for replacement of furniture, fixtures and equipment	2g,13	246,802,108	48,769,831	28,339	5,350
Current portion of long-term bank loan	2m,14,16	6,282,776,578	6,562,800,000	721,412	720,000
Other current financial liabilities	2m,16	1,680,798,749	1,189,427,534	192,996	130,491
TOTAL CURRENT LIABILITIES		30,122,284,739	29,254,634,999	3,458,754	3,209,504
NON-CURRENT LIABILITIES					
Long-term bank loan - net of current portion	2m,14,16	9,073,675,970	15,166,968,967	1,041,874	1,663,957
Employee benefits liability	2h,15	4,368,158,970	3,943,599,999	501,568	432,650
TOTAL NON-CURRENT LIABILITIES		13,441,834,940	19,110,568,966	1,543,442	2,096,607
TOTAL LIABILITIES		43,564,119,679	48,365,203,965	5,002,196	5,306,111
CAPITAL DEFICIENCY					
Capital stock - Rp100,000 par value per share Authorized, issued and fully paid - 11,070 shares	17	1,107,000,000	1,107,000,000	659,603	659,603
Translation adjustment	2l	–	–	(1,504,309)	(1,538,234)
Deficit		(4,587,661,088)	(14,477,800,402)	445,043	(588,270)
NET CAPITAL DEFICIENCY		(3,480,661,088)	(13,370,800,402)	(399,663)	(1,466,901)
TOTAL LIABILITIES NET OF CAPITAL DEFICIENCY		40,083,458,591	34,994,403,563	4,602,533	3,839,210

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

Statements of Income
years ended March 31, 2011 and 2010

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

	Notes	Indonesian Rupiah 2011	Indonesian Rupiah 2010	Translations into U.S. Dollars (Note 2l) 2011	Translations into U.S. Dollars (Note 2l) 2010
DEPARTMENTAL REVENUES	2i				
Rooms	18	49,730,073,462	48,828,148,888	5,554,947	4,964,421
Food and beverages	19	18,896,341,432	17,738,549,173	2,110,714	1,806,265
Other operating departments	20	3,880,990,429	3,653,193,586	433,726	373,769
Others		720,299,565	641,347,575	80,501	65,140
Total Departmental Revenue		73,227,704,888	70,861,239,222	8,179,888	7,209,595
DEPARTMENTAL COSTS AND EXPENSES	2i				
Cost of sales					
Food and beverages	19	5,302,585,881	4,977,494,700	592,204	507,321
Other operating departments	20	1,403,878,621	1,309,707,829	156,907	134,371
Total Cost of Sales		6,706,464,502	6,287,202,529	749,111	641,692
Payroll and related expenses	18,19,20	8,081,525,640	7,013,425,216	903,644	717,664
Others	18,19,20	9,577,834,057	8,382,011,968	1,070,845	859,119
Total Departmental Costs and Expenses		24,365,824,199	21,682,639,713	2,723,600	2,218,475
DEPARTMENTAL PROFIT		48,861,880,689	49,178,599,509	5,456,288	4,991,120
HOTEL OPERATING EXPENSES	2i,21				
Property operations, maintenance and energy		9,795,879,179	7,854,362,605	1,094,873	805,338
General and administrative		4,789,172,725	4,734,337,838	534,864	483,348
Marketing		3,876,951,529	2,676,393,504	433,899	270,286
Provision for replacement of furniture, fixtures and equipment	2g,13	2,196,831,147	2,125,837,177	245,397	216,288
Marketing and sales promotion expenses	23	2,196,831,147	2,125,837,177	245,397	216,288
Insurance		212,448,408	242,383,758	23,631	24,035
Total Hotel Operating Expenses		23,068,114,135	19,759,152,059	2,578,061	2,015,583
HOTEL GROSS OPERATING PROFIT		25,793,766,554	29,419,447,450	2,878,227	2,975,537

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

Statements of Income *(Contd...)* years ended March 31, 2011 and 2010

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

		Indonesian Rupiah		Translations into U.S. Dollars - (Note 2l)	
	Notes	2011	2010	2011	2010
OWNER'S OPERATING EXPENSES	2i,22				
General and administrative		4,581,439,188	4,237,936,553	508,261	430,091
Operating fees	12,22	3,224,220,819	3,677,430,931	359,778	371,942
Depreciation and amortization	2d,2e,8	1,574,239,322	1,691,825,681	175,403	173,581
Total Owner's Operating Expenses		9,379,899,329	9,607,193,165	1,043,442	975,614
OTHER INCOME (EXPENSES)	2i				
Gain on foreign exchange - net	2j	515,118,624	7,561,698,522	-	-
interest expense - net		(1,350,302,707)	(2,728,019,934)	(150,256)	(275,841)
Taxes and penalties		(1,290,262,589)	(356,833,046)	(146,168)	(36,179)
Loss on construction in progress	8	-	(4,004,909,418)	-	(439,376)
Others - net		7,045,583	-	788	-
Other income (Expenses) - Net		(2,118,401,089)	471,936,124	(295,636)	(751,396)
INCOME BEFORE INCOME TAX		14,295,466,136	20,284,190,409	1,539,149	1,248,527
INCOME TAX BENEFIT (EXPENSE)	2k,11				
Current		(4,461,990,667)	(6,024,754,680)	(512,342)	(660,971)
Deferred		56,663,845	20,860,222	6,506	2,289
Income Tax Expense - Net		(4,405,326,822)	(6,003,894,458)	(505,836)	(658,682)
NET INCOME		9,890,139,314	14,280,295,951	1,033,313	589,845

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

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

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

	Indonesian Rupiah		
	Capital Stock	Deficit	Net Capital Deficiency
Balance as of March 31, 2009	1,107,000,000	(28,758,096,353)	(27,651,096,353)
Net income for the year	–	14,280,295,951	14,280,295,951
Balance as of March 31, 2010	1,107,000,000	(14,477,800,402)	(13,370,800,402)
Net income for the year	–	9,890,139,314	9,890,139,314
Balance as of March 31, 2011	1,107,000,000	(4,587,661,088)	(3,480,661,088)

	Translations Into U.S. Dollars - (Note 2l)			
	Capital Stock	Translation Adjustment	Deficit	Net Capital Deficiency
Balance as of March 31, 2009	659,603	(1,870,352)	(1,178,115)	(2,388,864)
Net income for the year	-	-	589,845	589,845
Translation adjustment	-	332,118	-	332,118
Balance as of March 31, 2010	659,603	(1,538,234)	(588,270)	(1,466,901)
Net income for the year	-	-	1,033,313	1,033,313
Translation adjustment	-	33,925	-	33,925
Balance as of March 31, 2011	659,603	(1,504,309)	445,043	(399,663)

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

Statements of Cash Flows
years ended March 31, 2011 and 2010

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

		Indonesian Rupiah		Translations into U.S. Dollars (Note 2l)	
	Notes	2011	2010	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income		9,890,139,314	14,280,295,951	1,033,313	589,845
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	8,22	1,574,239,322	1,691,825,681	175,403	173,581
Provision for replacement of furniture, fixtures and equipment	13,21	2,196,831,147	2,125,837,177	245,397	216,288
Provision for employee benefits	15	1,019,922,380	871,544,915	113,628	88,765
Deferred income tax benefit	11	(56,663,845)	(20,860,222)	(6,506)	(2,289)
Unrealised loss (gain) on foreign exchange		(1,332,965,159)	(8,574,872,535)	-	-
Translation adjustment		-	-	6,281	29,284
Changes in operating assets and liabilities:					
Trade receivables		89,887,161	1,618,897,414	(1,960)	83,873
Other receivables		540,400,824	(250,126,325)	58,193	(36,808)
Inventories		(1,500,188,685)	(40,215,238)	(194,174)	(103,387)
Prepayments and advances		(69,609,510)	(220,518,761)	(16,912)	(59,715)
Other current financial assets		(18,969,293)	274,942,991	(3,099)	19,554
Due from related parties		123,549,743	262.742,119	(28,326)	(34,060)
Other non-current assets		9,666,665	9,666,665	(29,620)	(9,033)
Trade payables		(369,257,950)	(96,028,864)	(32,201)	38,200
Other payables		456,465,381	(361,580,126)	56,093	(17,224)
Taxes payable		(1,462,303,653)	3,883,355,857	(138,132)	471,232
Accrued expenses		322,777,466	(389,844,378)	46,374	8,768
Due to Hotel operator		2,024,598,302	(6,254,071,744)	234,441	(531,330)
Other current financial liabilities		452,039,055	371,961,555	58,274	61,171
Payments of employee benefits	15	(595,363,409)	(629,085,775)	(66,121)	(64,423)
Net Cash Provided by Operating Activities		13,295,195,256	8,553,866,357	1,510,346	922,292

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

Statements of Cash Flows *(Contd...)* years ended March 31, 2011 and 2010

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

		Indonesian Rupiah		Translations into U.S. Dollars (Note 2l)	
	Notes	2011	2010	2011	2010
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of fixed assets	8	(4,211,728,764)	(1,897,226,439)	(472,063)	(197,701)
Utilization of reserve for replacement of furniture, fixtures and equipment	13	(1,998,798,870)	(2,547,934,112)	(222,314)	(258,014)
Construction in progress	8	-	4,004,909,418	-	439,376
Net Cash Used in Investing Activities		(6,210,527,634)	(440,251,133)	(694,377)	(16,339)
CASH FLOWS FROM FINANCING ACTIVITY					
Payment of long-term bank loan		(5,550,243,440)	(7,178,340,000)	(616,715)	(720,000)
		(5,550,243,440)	(7,178,340,000)	(616,715)	(720,000)
NET INCREASE IN CASH ON HAND AND IN BANKS		1,534,424,182	935,275,224	199,254	185,953
CASH ON HAND AND IN BANKS AT BEGINNING OF YEAR	3	4,509,810,188	3,574,534,964	494,768	308,815
CASH ON HAND AND IN BANKS AT END OF YEAR	3	6,044,234,370	4,509,810,188	694,022	494,768
Supplemental cash flow information					
Cash paid during the year for interest		1,239,306,487	2,912,099,920	137,605	288,458

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

Notes to the Financial Statements years ended March 31, 2011 and 2010

1. GENERAL

PT Widja Putra Karya (the Company) was established based on notarial deed No. 42 dated April 20, 1977 of Amir Sjarifuddin, S.H. The deed of establishment was approved by the Ministry of Justice in its decision letter No. Y.A.5/413/2 dated October 5, 1977. The Company subsequently changed its status to become a foreign capital investment company under the framework of the Foreign Capital Investment Law No. 1 of 1967 as amended by Law No. 11 of 1970 based on approval letter No. 64/V/PMA/1995 dated December 4, 1995 of the State Minister for Mobilization of Investment Fund/the Chairman of the Capital investment Coordinating Board.

The Company's articles of association has been amended from time to time, the latest of which was notarized under deed No. 23 dated December 12, 2007 of Gamal Wahidin, S.H., regarding the change in accounting year end from December 31 to March 31. The latest amendment was approved by the Ministry of Justice and Human Rights of the Republic of Indonesia in its decision letter No. AHU~13090.AH.01.02 dated March 17, 2008.

According to Article 3 of the Company's articles of association, the Company shall engage in activities related to the tourism industry. Currently, the Company is the owner of The Oberoi Bali (the Hotel), located at Jalan Kayu Aya, Seminyak Beach, Bali. The Hotel is managed and operated by EIH Management Services, B.V. (the Operator) upto 2032 with option to extend for 10 or 20 years (Note-23).

As of March 31, 2011 and 2010, the composition of the Company's boards of commissioners and directors is as follows:

President Commissioner	I Made Sutarjana
Commissioner	Deepak Madhok
President Director	I Wayan Pasek
Directors	Kamal K. Kaul
	I Ketut Siandana

The Company employed a total of 186 and 194 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 on the accrual basis using the historical cost concept of accounting except for inventories which are valued at the lower of cost or net realizable value.

The statements of cash flows present cash receipts and payments 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 third parties, are disclosed in Note 5.

c. Inventories

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

d. Prepayments

Prepayments are amortized over their beneficial periods using the straight-line method. Prepaid land rent which has beneficial period of more than one year is presented as other non-current assets.

e. Fixed Assets

Fixed assets, except land which are stated at cost and not depreciated, are stated at cost less accumulated depreciation and impairment losses 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 statement of income as incurred.

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

	Years
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 are reclassified to the appropriate fixed asset account when the construction is substantially completed and the asset is ready for its intended use.

The fixed assets’ residual values, useful lives and methods of depreciation are reviewed and adjusted prospectively, if appropriate, at each financial year end.

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 at 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 in the accounts for replacement of and additions to furniture, fixtures and equipment of the Hotel at 3% of the Hotel and Spa revenues in accordance with the Hotel Operation Agreement. Actual replacements and additions are charged against this account.

h. Employee Benefits Liability

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 PSAK No. 24 (Revised 2004), the cost of providing employee benefits under the Law is determined using the projected-unit-credit actuarial valuation method. Actuarial gains or losses are recognized as income or expense when the net cumulative unrecognized actuarial gains or losses for each individual plan at the end of the previous reporting period 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 untii 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 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 Rp8,709 and Rp9,115, 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 it relates to items previously charged or credited to capital deficiency.

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.) Dollars

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. dollars were made at the following rates:

Assets and liabilities	-	Middle rate as of balance sheet date (Rp8,709 to US$1 and Rp9,115 to US$1 as last quoted 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 sheets and statements of income accounts is presented as "Translation adjustment" under the capita! 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.

Company did not have financial assets at 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 determinate 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.

- 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 shall be reclassified to profit or loss as a reclassification adjustment.

The Company did not have any AFS financial assets as of 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, include of directly attributable transaction costs.

The Company's financial liabilities include trade payables, accrued expenses, long term bank loan 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 liabilities of 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, long term bank loan and other asset financial liabilities are included in this category

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

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.

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 owns 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 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 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.

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 2l)**	
	2011	2010	2011	2010
Cash on hand				
Rupiah	34,127,400	41,228,950	3,919	4,523
Cash in banks				
Rupiah	2,692,134,270	1,331,896,402	309,121	146,122
U.S. dollars	3,317,972,700	3,136,684,836	380,982	344,123
Total	6,044,234,370	4,509,810,188	694,022	494,768

4. TRADE RECEIVABLES

This account consists of the following:

	Indonesian Rupiah		**Translations into U.S. Dollars (Note 2l)**	
	2011	2010	2011	2010
City ledger	1,766,858,599	1,602,842,439	202,877	175,847
Guest ledger	544,550,010	798,453,331	62,527	87,597
Total	2,311,408,609	2,401,295,770	265,404	263,444

	Indonesian Rupiah		Translations into U.S. Dollars - (Note 2l)		Percentage to Total (%)	
	2011	2010	2011	2010	2011	2010
Current	1,786,347,928	2,015,134,174	205,115	221,079	77.2	83.92
Past due						
1-30 days	389,603,004	228,379,066	44,736	25,055	16.9	9.51
31-60 days	61,363,900	15,513,600	7,046	1,702	2.7	0.65
Over 60 days	74,093,779	142,268,930	8,508	15,608	3.2	5.92
Total	2,311,408,609	2,401,295,770	265,404	263,444	100.00	100.00

Based on the review of the status of the individual receivable accounts at the end of the year, the Company's management believes that no allowance for doubtfui accounts was necessary as of March 31, 2011 and 2010 since all the receivables can be collected in full.

(Expressed in Rupiah, with Translations into United States Dollars

5. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

In the normal course of business, the Company entered into transactions with related parties consisting of the sale of vacation packages by The Oberoi Lombok, owned by PT Waka Oberoi Indonesia, wherein the Company is entitled to its share in the proceeds, and inter-company advances. Related parties comprise of companies which have the same management as the Company and associated entities. The details of account balances with such related parties are as follows:

a. Due from related parties

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2l)	
	2011	2010	2011	2010
PT Waka Oberoi Indonesia	2,627,695,760	2,492,006,241	301,722	273,396
PT Waka Gae Selaras	2,133,705,000	2,233,175,000	245,000	245,000
EIH International Limited	1,577,086,680	1,650,608,004	181,087	181,087
EIH Management Services B.V.	927,700,098	970,948,030	106,522	106,522
Total	7,266,187,538	7,346,737,275	834,331	806,005

b. Due to related parties

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2l)	
	2011	2010	2011	2010
EIH Holdings Limited	7,925,190,000	8,294,650,000	910,000	910,000
PT Waka Gae Selaras	2,370,197,895	2,480,692,825	272,155	272,155
Total	10,295,387,895	10,775,342,825	1,182,155	1,182,155

6. INVENTORIES

Inventories consist of the following:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2l)	
	2011	2010	2011	2010
Operating supplies	3,833,735,020	3,033,245,273	440,204	332,775
Materials and supplies	1,367,502,407	938,273,039	157,022	102,937
Food	806,874,423	694,597,875	92,648	76,204
Beverages	742,460,789	602,523,709	85,252	66,102
Tobacco	13,041,341	7,199,680	1,498	790
Total	6,763,613,980	5,275,839,576	776,624	578,808
Allowance for losses	(978,289,529)	(990,703,810)	(112,331)	(108,689)
Net	5,785,324,451	4,285,135,766	664,293	470,119

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

(Expressed in Rupiah, with Translations into United States Dollars

7. PREPAYMENTS AND ADVANCES

This account consists of the following:

	Indonesian Rupiah		Translations into U.S. Dollars Note 2l)	
	2011	2010	2011	2010
Advances for purchases of equipment	636,313,322	611,551,449	73,064	67,093
Insurance	439,860,219	458,169,912	50,506	50,265
Agency fees	–	238,102,114	–	26,122
Rent	9,666,667	9,666,666	1,110	1,061
Others	727,769,491	426,510,048	83,565	46,792
Total	1,813,609,699	1,744,000,189	208,245	191,333

8. FIXED ASSETS

The details of fixed assets are as follows:

	Indonesian Rupiah			
	Balance as of March 31, 2010	Additions/ Reclassification	Deduction/ Reclassification	Balance as of March 31, 2011
2010-2011 Movements				
Cost				
Land	94,854,375	–	–	94,854,375
Buildings	5,267,010,957	2,607,828,075	–	7,874,839,032
Structures and improvements	5,518,663,626	–	–	5,518,663,626
Machinery and equipment	3,430,162,904	146,729,700	–	3,576,892,604
Furniture, fixtures and equipment	12,777,689,531	1,457,170,989	–	14,234,860,520
Motor vehicles	1,198,375,280	–	–	1,198,375,280
Total Cost	28,286,756,673	4,211,728,764	–	32,498,485,437
Accumulated Depreciation				
Buildings	3,193,414.720	272,444,346	–	3,465,859,066
Structures and improvements	4,550.636,471	180,479,292	–	4,731.115,763
Machinery and equipment	2,755.598,670	111,811,865	–	2,867.410,535
Furniture, fixtures and equipment	10,765,162,640	848,856,192	–	11,614,018.832
Motor vehicles	810,142,573	123,119,032	–	933,261,605
Total Accumulated Depreciation	22,074,955,074	1,536,710,727	–	23,611,665,801
Net Book Value	6,211,801,599			8,886,819,636

	Indonesian Rupiah			
	Balance as of March 31, 2009	Additions/ Reclassification	Deduction/ Reclassification	Balance as of March 31, 2010
2009-2010 Movements				
Cost				
Land	94,854,375	–	–	94,854,375
Buildings	4,512,105,224	754.905.733	–	5,267,010,957
Structures and improvements	5,493,002,626	25,661,000	–	5,518,663.626
Machinery and equipment	2,860,937,004	569,225,900	–	3,430,162.904
Furniture, fixtures and equipment	12.230,255,725	547.433,806	–	12,777,689,531
Motor vehicles	1.198,375,280	–	–	1,198,375,280
Construction in progress	4,004,909,418	–	4,004.909,418	–
Total Cost	30,394,439,652	1,897,226,439	4.004,909,418	28,286.756,673

(Expressed in Rupiah, with Translations into United States Dollars

8. FIXED ASSETS *(Contd...)*

	Indonesian Rupiah			
	Balance as of March 31, 2009	**Additions/ Reclassification**	**Deduction/ Reclassification**	**Balance as of March 31, 2010**
Accumulated Depreciation				
Buildings	2,977,269,357	216,145,363	–	3,193,414,720
Structures and improvements	4,366,106,900	184,529,571	–	4,550,636,471
Machinery and equipment	2,707,844,345	47,754,325	–	2,755,598,670
Furniture, fixtures and equipment	9,713,860,062	1,051,302,578	–	10,765,162,640
Motor vehicles	655,577,326	154,565,247	–	810,142,573
Total Accumulated Depreciation	20,420,657,990	1,654.297,084	–	22,074,955,074
Net Book Value	9,973,781,662			6,211,801,599

	Translations into U.S. Dollars - (Note 2l)				
	Balance as of March 31, 2010	**Additions**	**Deductions**	**Translation Adjustment**	**Balance as of March 31, 2011**
2010-2011 Movements					
Cost					
Land	10,406	-	-	486	10,892
Buildings	577,840	292,331	-	34,048	904,219
Structures and improvements	605,449	-	-	28,225	633,674
Machinery and equipment	376.321	16.575	-	17,816	410.712
Furniture, fixtures and equipment	1,401,831	163,157	-	69,512	1.634,500
Motor vehicles	131,473	-	-	6,128	137,601
Total Cost	3,103,320	472,063	-	156,215	3.731,598
Accumulated Depreciation					
Buildings	350,347	30,389	-	17,227	397,963
Structures and improvements	499,247	20,110	-	23,887	543,244
Machinery and equipment	302,315	12,463	-	14,469	329,247
Furniture, fixtures and equipment	1,181,038	94,549	-	57,978	1,333.565
Motor vehicles	88,881	13,711	-	4,569	107.161
Total Accumulated Depreciation	2,421,828	171,222	-	118,130	2,711,180
Net Book Value	681,492				1,020,418

	Translations into U.S. Dollars - (Note 2l)				
	Balance as of March 31, 2009	**Additions**	**Deductions**	**Translation Adjustment**	**Balance as of March 31, 2010**
2009-2010 Movements					
Cost					
Land	8,195	-	-	2,211	10.406
Buildings	389.815	77,416	-	110,609	577,840
Structures and improvements	474,557	2,617	-	128,275	605,449
Machinery and equipment	247,165	60,941	-	68,215	376,321
Furniture, fixtures and equipment	1,056,610	56,727	-	288,494	1.401,831
Motor vehicles	103,531	-	-	27,942	131.473
Construction in progress	345,997	-	439,376	93.379	-
Total Cost	2,625,870	197,701	439,376	719,125	3,103,320

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

(Expressed in Rupiah, with Translations into United States Dollars

8. FIXED ASSETS *(Contd...)*

	Translations into U.S. Dollars - (Note 2l)				
	Balance as of March 31, 2009	**Additions**	**Deductions**	**Translation Adjustment**	**Balance as of March 31, 2010**
2009-2010 Movements					
Accumulated Depreciation					
Buildings	257,216	22,241	-	70,890	350,347
Structures and improvements	377,201	18,895	-	103,151	499,247
Machinery and equipment	233,939	4,964	-	63,412	302,315
Furniture, fixtures and equipment	839,210	107,756	-	234,072	1,181,038
Motor vehicles	56,638	15,864	-	16,379	88,881
Total Accumulated Depreciation	1,764,204	169,720	-	487,904	2,421,828
Net Book Value	861,666				681,492

Depreciation charged to operations amounted to Rp1,536,710,727 (US$171,222) and Rp1,654,297,084 (US$169,720) for the years ended March 31, 2011 and 2010, respectively.

Land and buildings are pledged as collateral to the long-term bank loan obtained from PT Bank Internasional Indonesia Tbk, (Note 14).

Costs related to the planned redevelopment of the Hotel were charged to the Statement of Income in 2010 in relation to the cancellation of the project.

Fixed assets are covered by insurance against losses from fire and other risks under blanket policies for US$49,536,500 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 its fixed assets.

9. TRADE PAYABLES

This account consists mainly of liabilities to the Hotel's suppliers of goods and services.

10. OTHER PAYABLES

This account consists of the following:

	Indonesian Rupiah		**Translations into U.S. Dollars - (Note 2l)**	
	2011	2010	2011	2010
Marketing and sales promotion expenses	755,624,649	361,623,960	86,764	39,673
Others	323,760,657	295,350,908	37,175	32,403
Total	1,079,385,306	656,974,868	123,939	72,076

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

(Expressed in Rupiah, with Translations into United States Dollars

11. TAXATION

a. Taxes payable consists of the following:

	Indonesian Rupiah		**Translations into U.S. Dollars - (Note 2l)**	
	2011	2010	2011	2010
Development tax I	1,791,352,720	976,517,431	205,690	107,133
Corporate income tax	1,467,387,841	4,544,375,202	168,491	498,560
Income tax				
Article 4 (2)	7,413,260	6,067,406	851	666
Article 21	141,933,146	45,410,446	16,297	4,982
Article 23	69,333,729	10,620,968	7,961	1,165
Article 26	101,309,869	-	11,633	
Article 25	453,051,328	125,995,753	52,021	13,823
Value added tax	327,486,377	112,584,717	37,604	12,351
Total	4,359,268,270	5,821,571,923	500,548	638,680

b. The reconciliation between income before income tax multiplied by the applicable tax rate and income tax expense - net as shown in the statements of income is as follows:

	Indonesian Rupiah	
	2011	**2010**
Income before income tax	14,295,466,136	20,284,190,409
Tax expenses at the applicable rate	3,573,866,534	5,679,573,315
Tax effect on permanent differences:		
Interest income already subjected to final tax	(17,350,625)	(23,690,989)
Non-deductible expenses		
Salaries, wages and employee benefits	354,838,304	331,265,131
Taxes	241,960,127	–
Others	252,012,482	7,298,579
Effect of change in tax rate	–	9,448,422
Income tax expense - net	4,405,326,822	6,003,894,458

c. Computation of estimated current income tax expense and estimated income tax payable:

	Indonesian Rupiah		**Translations into U.S. Dollars - (Note 2l)**	
	2011	2010	2011	2010
Current income tax expense	4,461,990,667	6,024,754,680	512,342	660,971
Prepayments of				
Income tax article 25	2,994,602,826	1,480,379,478	343,851	162,411
Estimated corporate income tax payable	1,467,387,841	4,544,375,202	168,491	498,560

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

(Expressed in Rupiah, with Translations into United States Dollars

11. TAXATION *(Contd...)*

d. Deferred income tax benefit (expense) consists of:

	Indonesian Rupiah		Translations into U.S. Dollars - (Note 2l)	
	2011	2010	2011	2010
Provision for replacement of furniture, fixtures and equipment - net	49,508,069	(118,187,142)	5,771	(11,683)
Provision for employee benefits - net	106,139,743	67,888,559	11,877	6,816
Provision for inventory losses	(3,103,570)	37,866,235	(911)	4,154
Depreciation and amortization - net	(95,880,397)	42,740,992	(10,231)	4,689
Effect of change in tax rate	-	(9,448,422)	-	(1,687)
Net	56,663,845	20,860,222	6,506	2,289

e. Deferred tax assets (liability) consist of:

	Indonesian Rupiah		Translations into U.S. Dollars - (Note 2l)	
	2011	2010	2011	2010
Deferred tax assets				
Employee benefits liability	1,092,039,742	985,899,999	120,039	108,162
Allowance for inventory losses	244,572,382	247,675,952	26,261	27,172
Reserve for replacement of furniture, fixtures and equipment	61,700,527	12,192,458	7,109	1,338
Total deferred tax assets	1,398,312,651	1,245,768,409	153,409	136,672
Deferred tax liability				
Depreciation and amortization - net	(200,591,678)	(104,711,281)	(27,059)	(16,828)
Translation adjustment	–	–	11,177	5,340
Net deferred tax assets	1,197,720,973	1,141,057,128	137,527	125,184

f. Tax assessments and claims for tax refund

On March 18, 2011, the Company received several tax assessment letters (SKP) covering the fiscal year 2006 for the underpayment of income tax articles 21, 23, 4(2),26 and 29 and value added tax amounting to Rp115,576,572, Rp59,022,218, Rp1,720,907, Rp101,309,869, Rp162,316,265 and Rp219,626,075, respectively. These underpayments were paid on April 8, 2011.

On October 30, 2010, the Company received several tax assessment letters (SKP) covering the fiscal year 2008 for the underpayment of income tax articles 23, 4(2), 26 and 29 and value added tax amounting to Rp24,007,519, RpNil, Rp87,979,386 and Rp110,305,140 and Rp84,691,420, respectively. On the same date the Company also received Tax Collection letter (STP) covering the fiscal year 2008 for the underpayment of value added tax amounting to Rp1,285,135. These underpayments were paid on November 23, 2010.

(Expressed in Rupiah, with Translations into United States Dollars

11. TAXATION *(Contd...)*

Based on tax assessment letter (SKPKB) No. 00103/206/00/901/02 dated December 12, 2002, the Tax Office assessed the Company for the underpayment of income tax Article 29 for the year 2000 amounting to Rp3,747,748,321. On December 31, 2002, the Company made a partial payment of Rp432,678,280 out of the total underpayment of income tax Article 29. The remaining balance of the underpayment was settled through several overbooking slips issued by the Tax Office. On March 6, 2003, the Company filed an objection to the above SKPKB and on February 20, 2004, the Tax Office issued decision letter No. KEP-15/WPJ.17/BD.03.03/2004 which approved the reduction in the assessment for the underpayment of income tax Article 29 for the year 2000 from Rp3,747,748,321 to Rp3,059,248,675.

On May 12, 2004, the Company appealed for a reduction in the 2000 assessment for income tax Article 29 and based on the Tax Tribunal's decision letter No. Put.06284/PP/M.VII/15/2005 dated August 31, 2005, the Tax Tribunal ruled in favour of the Company and cancelled the 2000 tax assessment issued by the Tax Office. In November 2005, the Company received the refund of all payments applied to the 2000 corporate income tax assessment for underpayment, plus interest. Subsequently, on January 20, 2006, the Directorate General of Taxes filed a request for reconsideration to the Tax Tribunal. Based on the Supreme Court decision letter No.37/B/PK/PJK/2006 dated February 19, 2010, the Supreme Court refuted a request for reconsideration by the Directorate General of Taxes and charged them to pay the legal cost.

12. DUE TO HOTEL OPERATOR

The details of this account are as follows:

	Indonesian Rupiah		**Translations into U.S. Dollars - (Note 2l)**	
	2011	2010	2011	2010
Balance at beginning of year	385,063,175	6,639,134,919	42,245	573,575
Operating fees -12.5% of Hotel gross operating profit (Notes 1 and 22)	3,224,220,819	3,677,430,931	359,778	371,942
Payments	(1,082,089,139)	(9,927,523,186)	(125,337)	(903,272)
Unrealized gain on foreign exchange - net	(117,533,378)	(3,979,489)	–	–
Balance at end of year	2,409,661,477	385,063,175	276,686	42,245

13. RESERVE FOR REPLACEMENT OF FURNITURE, FIXTURES AND EQUIPMENT

The details of this account are as follows:

	Indonesian Rupiah		**Translations into U.S. Dollars - (Note 2l)**	
	2011	2010	2011	2010
Balance at beginning of year	48,769,831	470,866,766	5,350	40,680
Provisions during the year	2,196,831,147	2,125,837,177	245,397	216,288
Utilization of reserve	(1,998,798,870)	(2,547,934,112)	(222,314)	(258,014)
Translation adjustment	-	-	(94)	6,396
Balance at end of year	246,802,108	48,769,831	28,339	5,350

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

(Expressed in Rupiah, with Translations into United States Dollars

14. LONG-TERM BANK LOAN

On April 6, 2010, the Company entered into a credit agreement with PT Bank Internasional Indonesia Tbk with a maximum credit of US$2,380,000. The proceeds of the loan were used for the early repayment of the long-term loan payable to PT Bank CIMB Niaga Tbk amounting to US$2,383,957 which bore interest at annual rates ranging from 6.56% to 7.35% in 2011.

The terms of the loan agreement with PT Bank Internasional Indonesia Tbk are as follows:

– Amount of facility : US$2,380,000
– Final maturity date : July 6, 2013
– Interest : 7% per annum, based on one-month SIBOR plus 6.7574% per annum (reviewed every 3 months)
– Repayment : The loan will be repaid in 39 monthly installments starting May 2010 until July 2013.
– Collateral : Land and buildings, in the form of the Hotel, located at Jl. Kayu Aya, Seminyak, Kuta-Bali

As of March 31, 2011, the outstanding balance of the loan amounted to US$1,763,286 (equivalent to Rp15,356,452,548).

15. EMPLOYEE BENEFITS LIABILITY

The Company provides benefits for its employees who achieve the retirement age at 55 years 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 employee benefits expense recognized in the statements of income and amounts recognized in the balance sheets as 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 benefits expense

	Indonesian Rupiah		**Translations into U.S. Dollars - (Note 2l)**	
	2011	2010	2011	2010
Current service cost	364,003,917	225,180,159	40,553	22,572
Interest cost	385,767,360	420,815,889	42,978	43,095
Amortization of unrecognized actuarial gain	(21,850,412)	(66,452,648)	(2,434)	(6,805)
Amortization of unrecognized past service cost - unvested	292,001,515	292,001,515	32,531	29,903
Employee benefits expense	1,019,922,380	871,544,915	113,628	88,765

b. Employee benefits liability

	Indonesian Rupiah		**Translations into U.S. Dollars - (Note 2l)**	
	2011	2010	2011	2010
Present value of employee benefits obligation	4,608,651,843	4,102,339,414	529,183	450,065
Unrecognized past service cost - unvested	(623,956,377)	(915,957,893)	(71,645)	(100,489)
Unrecognized actuarial gain	383,463,504	757,218,478	44,030	83,074
Employee benefits liability	4,368,158,970	3,943,599,999	501,568	432,650

(Expressed in Rupiah, with Translations into United States Dollars

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

Movements in the employee benefits liability are as follows:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2l)	
	2011	2010	2011	2010
Beginning balance	3,943,599,999	3,701,140,859	432,650	319,753
Provision during the year	1,019,922,380	871,544,915	113,628	88,765
Payments during the year	(595,363,409)	(629,085,775)	(66,121)	(64,423)
Translation adjustment	–	–	21,411	88,555
Ending balance	4,368,158,970	3,943,599,999	501,568	432,650

The principal assumptions used in determining the employee benefits liability are as follows:

Discount rate	: 9% in 2011 and 11% in 2010
Annual salary increase	: 8% in 2011 and in 2010
Mortality	: CSO-1980
Retirement age	: 55 years
Disability rate	: 10% of CSO-1980

16. 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 the fair values of the Company's financial instruments that are carried in the balance sheet as of March 31, 2011.

	Indonesian Rupiah	Translation into U.S. Dollars (Note 2l)
Current Financial Assets		
Cash on hand and in banks	6,044,234,370	694,022
Trade receivables	2,311,408,609	265,404
Other current financial assets	199,062,529	22,857
Total current financial assets	8,554,705,508	982,283
Non-current Financial Assets		
Other non-current financial assets	75,649,117	8,686
Total Financial Assets	**8,630,354,625**	**990,969**
Current Financial Liabilities		
Trade payables	1,624,889,843	186,576
Accrued expenses	2,143,314,713	246,103
Current portion of long-term bank loan	6,282,776,578	721,412
Other current financial liabilities	1,680,798,749	192,996
Total current financial liabilities	11,731,779,683	1,347,087
Non-current Financial Liabilities		
Long-term bank loan - net of current portion	9,073,675,970	1,041,874
Total Financial Liabilities	**20,805,455,653**	**2,388,961**

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.

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

(Expressed in Rupiah, with Translations into United States Dollars

16. FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(Contd...)*

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 on hand and in banks, trade receivables, other current financial assets, current portion of long-term bank loan, 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 financial assets and liability:

- Long-term variable-rate financial liability (unquoted long-term bank loan)
  The fair value of this financial liability is determined by discounting future cash flows using applicable rates from observable current market transactions for instruments with similar terms, credit risk and remaining maturities.
- 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.

17. CAPITAL STOCK

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

Stockholders	Number of Shares Issued and Fully Paid	Percentage of Ownership	Amount	Translations into U.S. Dollars - (Note 2l)
PT Waka Gae Selaras	3.321	30.00	332,100,000	252,064
EIH International Limited	2,337	21.11	233,700,000	139,250
EIH Management Services B.V.	5,412	48.89	541,200,000	268,289
Total	11,070	100.00	1,107,000,000	659,603

18. ROOMS

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

	Indonesian Rupiah		Translations into U.S. Dollars - (Note 2l)	
	2011	2010	2011	2010
Room Revenues	49,730,073,462	48,828,148,888	5,554,947	4,964,421
Payroll and Related Expenses				
Employee benefits	2,069,072,546	1,651,362,448	231,383	168,485
Salaries and wages	1,257,787,424	1,259,991,931	140,591	129,356
	3,326,859,970	2,911,354,379	371,974	297,841
Other Expenses				
Cleaning and guest supplies	1,234,443,883	1,170,756,840	138,008	119,355
Linens and uniforms	808,583,762	529,039,050	90,524	54,879
Welcome drinks, fruit baskets and amenities	696,321,879	590,755,797	77,813	60,402
Travel agents	649,505,650	524,861,313	72.710	54,168

(Expressed in Rupiah, with Translations into United States Dollars

18. ROOMS *(Contd...)*

	Indonesian Rupiah		Translations into U.S. Dollars - (Note 2l)	
	2011	2010	2011	2010
Laundry	622,420.103	571,747,492	69,554	58.448
Security	476,361,600	344,723,894	53,259	35,491
Transportation and travel	305,471,686	270,243.313	34,125	27,334
Printing and stationery	291,024,197	247,341,126	32,517	25,448
Decoration	276,519,827	206,841,933	30,916	21,115
Guest newspaper	248,104,726	212,387.285	27,763	21,716
Cable television and music	151,769,776	155,324,721	16,978	15,966
Telephone and facsimile	125,007,242	83.243.190	13,960	8,514
Others	208,926,413	160,911,220	23,385	16,626
	6,094,460,744	5,068,177,174	681,512	519,462
Total Departmental Expenses	9,421,320,714	7,979,531,553	1,053,486	817,303
Departmental Profit	40,308,752,748	40,848,617,335	4,501,461	4,147,118

In 2011 and 2010, the average Hotel room occupancy rates were 71.88% and 67.22%, respectively (unaudited).

19. FOOD AND BEVERAGES

The details of food and beverages departmental revenues and expenses are as follows:

	Indonesian Rupiah		Translations into U.S. Dollars - (Note 2l)	
	2011	2010	2011	2010
Net Sales	18,896,341,432	17,738,549,173	2,110,714	1,806,265
Cost of Sales	5,302,585,881	4,977,494,700	592,204	507,321
Payroll and Related Expenses				
Salaries and wages	2,056,979,386	2,051,804,382	229,944	210,055
Employee benefits	2,253,805,481	1,732,541,677	252,038	176,995
	4,310,784,867	3,784,346,059	481,982	387,050
Other Expenses				
Cultural music and shows	558,310,740	440,203,992	62,422	45,311
Cleaning and guest supplies	519,969,538	551,111,048	58,091	56,411
Linens, uniforms and housewares	445,324,143	327,576,834	49,807	33,414
Laundry	396,865,975	363.924,566	44,353	37,230
Kitchen fuel	270,665,300	309,372,355	30,222	31,623
Mineral water and ice	170,396,816	173,428,853	19,023	17,606
Others	576.569,076	625,157,302	64,438	64,616
	2,938,101,588	2,790,774,950	328,356	286,211
Total Departmental Cost and Expenses	12,551,472,336	11,552,615,709	1,402,542	1,180,582
Departmental Profit	6,344,869,096	6,185,933,464	708,172	625,683

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

(Expressed in Rupiah, with Translations into United States Dollars

20. OTHER OPERATING DEPARTMENTS

The details of other operating departmental revenues, cost and expenses are as follows:

	Indonesian Rupiah		**Translations into U.S. Dollars - (Note 2l)**	
	2011	2010	2011	2010
Revenues				
Health club	1,550,247,358	1,496,097,061	173,276	153,064
Boutique	1,499,545,950	1,432,704,834	167,602	146,735
Telephone and communication	262,518,669	225,263.323	29,351	22,978
Beauty salon	227,942,018	191,089,578	25,436	19.505
Laundry	316,281,434	279,338,790	35,326	28,517
Cigar and cigarettes	24,455,000	28,700,000	2,735	2,970
	3,880,990,429	3,653,193,586	433,726	373,769
Cost of Sales				
Health club	60,020,689	36,075,970	6,702	3,739
Boutique	965,116,954	913,709,265	107,888	93,665
Telephone and communication	88,230,895	66,791,079	9,879	6,786
Beauty salon	47,791,986	73,284,280	5,327	7,687
Laundry	219,623,358	198,351,465	24,528	20,264
Cigar and cigarettes	23,094,739	21,495,770	2,582	2,230
	1,403,878,621	1,309,707,829	156,906	134,371
Payroll and Related Expenses				
Employee benefits	202,555,158	130,575,653	22,686	13,396
Salaries and wages	241,325,645	187,149,125	27,002	19,377
	443,880,803	317,724,778	49,688	32,773
Other Expenses				
Consultant fees	211,863,761	184,557,088	23,682	18,989
Others	333,407,964	338,502,756	37,296	34,457
	545,271,725	523,059,844	60,978	53,446
Total Departmental Cost and Expenses	2,393,031,149	2,150,492,451	267,572	220,590
Other Departmental Profit	1,487,959,280	1,502,701,135	166,154	153,179

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

(Expressed in Rupiah, with Translations into United States Dollars

21. HOTEL OPERATING EXPENSES

The details of hotel operating expenses are as follows:

	Indonesian Rupiah		**Translations into U.S. Dollars - (Note 2l)**	
	2011	2010	2011	2010
Property Operations, Maintenance and Energy				
Electricity, energy and water				
Electricity	2,206,811,298	1,921,019,520	246,796	196,979
Water	1,635,030,051	607,438,489	182,704	63,546
Light bulbs	193,020,855	152,349,865	21,576	15,655
Gas	44,235,000	47,500,000	4,961	4,899
Fuel	18,090,481	60,897,555	2,032	6,430
	4,097,187,685	2,789,205,429	458,069	287,509
Repairs and maintenance	4,671,321.679	4,321,991,630	521,824	441,547
Salaries and wages	625,745,446	588,481,108	70,017	60,422
Cleaning supplies	258,957,311	38,119,646	29,022	3,930
Laundry	32,809,388	32,656,036	3,664	3,348
Uniforms	23,901,861	17,825,204	2,671	1,830
Telephone	16,781,594	15,717,692	1,871	1,612
Others	69,174,215	50,365,860	7,735	5,140
Total	5,698,691,494	5,065,157,176	636,804	517,829
	9,795,879,179	7,854,362,605	1,094,873	805,338
General and Administrative Expenses				
Salaries and wages	1,421,016,431	1,285,436,126	158,871	131,920
Commission on credit cards	1,197,810,856	1,110,670,411	133,888	112,883
Professional fees	662,271,609	1,309,985,532	73,144	132,564
Telephone and communication	339,164,524	276,838,807	37,874	28,253
Bank charges	107,003,759	96,225,740	11,975	9,938
Transportation and travelling	106,860,845	132,597,952	11,928	13,933
Printing and stationery	43,090,574	62,681,329	4,827	6,434
Others	911,954,127	459,901,941	102,358	47,423
Total	4,789,172,725	4,734,337,838	534,864	483,348
Marketing Expenses				
Public relations	1,002,179,829	698,271,666	112,467	70,760
Advertising and promotion	1,314,752,500	639,552,581	146,875	63,998
Sales representation	656,770,683	558,469,060	73,390	55,914
Transportation and travel	385,733,164	324,129,878	43,277	32,864
Salaries and wages	321,499,073	312,179,023	35,943	31,998
Telephone and communication	109,826,567	95,498,845	12,272	9,834
Printing and stationery	74,772,478	47,292,451	8,398	4,821
Others	11,417,235	1,000,000	1,277	97
Total	3,876,951,529	2,676,393,504	433,899	270,286

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

(Expressed in Rupiah, with Translations into United States Dollars

21. HOTEL OPERATING EXPENSES *(Contd...)*

	Indonesian Rupiah		Translations into U.S. Dollars - (Note 2l)	
	2011	2010	2011	2010
Provision for Replacement of Furniture, Fixtures and Equipment (Notes 2f and 13)	2,196,831,147	2,125,837,177	245,397	216,288
Marketing and Sales Promotion Expenses (Note 22)	2,196,831,147	2,125,837,177	245,397	216,288
Insurance	212,448,408	242,383,758	23,631	24,035
Total Hotel Operating Expenses	23,068,114,135	19,759,152,059	2,578,061	2,015,583

22. OWNER'S OPERATING EXPENSES

The details of this account are as follows:

	Indonesian Rupiah		Translations into U.S. Dollars - (Note 2l)	
	2011	2010	2011	2010
General and administrative				
Professional fees	1,725,022,185	1,469,977,222	191,328	153,842
Salaries and wages	916,889,636	899,859,414	101,852	92,130
Rental	714,459,743	782,596,707	79,599	80,117
Insurance	506,753,131	565,736,725	55,294	52,985
Transportation and travel	57,185,145	7,288,913	6,532	773
Miscellaneous	661,129,348	512,477,572	73,656	50,244
Total	4,581,439,188	4,237,936,553	508,261	430,091
Operating fees (Notes 12)	3,224,220,819	3,677,430,931	359,778	371,942
Depreciation and amortization	1,574,239,322	1,691,825,681	175,403	173,581
Total Owner′s Operating Expenses	9,379,899,329	9,607,193,165	1,043,442	975,614

23. SIGNIFICANT AGREEMENTS

The Company entered into a Hotel Operation Agreement with EIH Management Services B.V. {the Operator) to manage and operate the Hotel effective December 31, 1998. On July 22, 2000, the Company signed a Renewal Agreement whereby the original term was extended until February 1, 2032. The Operator has automatic and irrevocable options to extend the Agreement for another 10 or 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.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

RISK MANAGEMENT

The main risks arising from the Company's financial instruments are interest rate risk, 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. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to its long-term bank loan.

The Company manages the interest rate risk through monitoring of the fluctuation of market interest rates and placing limits on the maximum interest rate charged. The Company also regularly evaluates the movement of interest rates on the financial markets and re-negotiates with its creditors if the interest rate increases significantly.

B. 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 long-term bank loan.

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 long-term bank loan 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.

C. 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.

D. 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.

In the management of liquidity risk, the Company monitors and maintains a level of cash on hand and in banks deemed adequate to finance its operations and to mitigate the effects of fluctuation in cash flows. The Company also regularly evaluates the projected and actual cash flows, including its loan maturity profiles, and continuously assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives, such as obtaining bank loan.

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

25. REVISED STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS

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. 10 (Revised 2010), "The Effects of Changes in Foreign Exchange Rates", prescribes how to include foreign currency transactions and foreign operations in the financial statements of an entity and to translate financial statements into a presentation currency.
- 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", identifies the circumstances in which the criteria on revenue recognition will be met and, therefore, revenue will be recognized. It prescribes the accounting treatment of revenue arising from certain types of transactions and events, as well as practical guidance on the application of criteria on revenue recognition.
- 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.
- Interpretation of Financial Accounting Standards (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.

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

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 standards and interpretations on its financial statements.

26. ECONOMIC ENVIRONMENT

The past and 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 adversely affected business travel and the number of tourists visiting Indonesia, and resulted in unfavorable financial and operating impact, and exposure to other risks.

The Company incurred net losses in years prior to 2006, which resulted in a net capital deficiency of Rp3.5 billion and Rp13.4 billion as of March 31, 2011 and 2010, respectively, mainly due to the past economic and financial conditions affecting the Company. The accompanying financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets and the amounts and classification of liabilities that may result from the outcome of this uncertainty.

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 of which are beyond the Company's control.

27. COMPLETION OF THE FINANCIAL STATEMENTS

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