

# **PT HEXINDO ADIPERKASA Tbk**

## **Financial Statements**

**For Third Quarter ended December 31, 2009 and 2008**

**( In US Dollars)**

**PT HEXINDO ADIPERKASA Tbk**  
**FINANCIAL STATEMENTS**  
**FOR THIRD QUARTER ENDED DECEMBER 31, 2009 AND 2008**

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# PT HEXINDO ADIPERKASA Tbk

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## SURAT PERNYATAAN DIREKSI/ DIRECTORS' STATEMENT TENTANG/ REGARDING

### TANGGUNG JAWAB ATAS LAPORAN KEUANGAN THE RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

UNTUK TRIWULAN KE - III PADA TANGGAL 31 DESEMBER 2009  
FOR THE THIRD QUARTERLY ENDED 31 DECEMBER 2009

PT. HEXINDO ADIPERKASA Tbk

Kami yang bertandatangan di bawah ini :  
*We, the undersigned :*

1. Nama/Name : Drs. Manuntun Situmorang  
Alamat Kantor/Office Address : Jl. Pulo Kambing II Kav I-II No.33, Jakarta Timur  
Alamat Domisili/Residential Address : Pulo Gebang Permai Blok H7/23  
Rt.001 Rw.013, Cakung - Jakarta Timur  
Nomor Telepon/Telephone : 021-4611688  
Jabatan/Title : President Director
2. Nama/Name : Hideo Satake  
Alamat Kantor/Office Address : Jl. Pulo Kambing II Kav I-II No.33, Jakarta Timur  
Alamat Domisili/Residential Address : Oakwood Apartment - Mega Kuningan  
Jakarta Selatan  
Nomor Telepon/Telephone : 021-4611688  
Jabatan/Title : Director

Menyatakan bahwa :  
*Declare that :*

1. Bertanggung jawab atas penyusunan dan penyajian laporan keuangan perusahaan;  
*We are responsible for the preparation and the presentation of the financial statements of the company;*
2. Laporan keuangan perusahaan telah disusun dan disajikan sesuai dengan prinsip akuntansi yang berlaku umum;  
*The financial statements of the company have been prepared and fairly presented in conformity with accounting principles generally accepted in Indonesia;*
3. a. Semua informasi dalam laporan keuangan perusahaan telah di muat secara lengkap dan benar;  
*All information has been fully and correctly disclosed in the financial statements of the company;*  
b. Laporan keuangan perusahaan tidak mengandung informasi atau fakta material yang tidak benar, dan tidak menghilangkan informasi atau fakta material;  
*The financial statements of the company do not contain false material information or facts, do not they omit material information or facts;*
4. Bertanggung jawab atas sistem pengendalian intern dalam perusahaan.  
*We are responsible for the internal control system of the company.*

Demikian pernyataan ini dibuat dengan sebenarnya.  
*This is our declaration, which has been made truthfully.*

Jakarta, January 26, 2010

Drs. Manuntun Situmorang  
President Director



Hideo Satake  
Director

■ JAKARTA ● MEDAN ● PEKANBARU △ PADANG △ PANGKAL PINANG △ JAMBI △ PERAWANG △ TANJUNG ENIM  
△ BANDAR LAMPUNG ● SURABAYA △ SEMARANG △ PONTIANAK ● BALIKPAPAN ● SANGATTA △ SAMARINDA  
△ BANJARMASIN ● MAKASSAR ▲ PALU

*Your Most Reliable Partner*

**PT HEXINDO ADIPERKASA Tbk.**  
**BALANCE SHEETS**  
**December 31, 2009 and 2008**  
**(Expressed in US Dollars, unless Otherwise Stated)**

**ASSETS**

	Notes	2009	2008
		US\$	US\$
<b><u>CURRENT ASSETS</u></b>			
Cash on hand and in banks	3	35,803,061	7,789,361
Receivables			
- Third parties ( Net of allowance for doubtful accounts of US\$ 1.552.394 as of December 31, 2009 and US\$ 2.048.202 as of December 31, 2008)	2b,4	30,479,384	35,596,266
- Related parties	2c,5a	3,304,956	2,182,324
- Finance lease receivables - current portion	2i, 6	1,424,199	8,516,528
- Other receivables - third parties	7	125,380	25,228
Inventories	2d,8	91,072,473	99,892,579
Advance payment	10	5,630,673	354,883
Prepaid expenses	2e	311,533	175,104
Prepaid Tax	9	9,690,653	2,023,838
<b>TOTAL CURRENT ASSETS</b>		<b>177,842,313</b>	<b>156,556,112</b>
<b><u>NON CURRENT ASSETS</u></b>			
Due from related parties	2c,5b	334,054	442,719
Investment in shares of stock	2f	4,612,142	1,588,142
Finance lease receivables - long term portion	2i, 6	934,937	2,295,996
Estimated claim for tax refund	9	1,300,479	1,099,532
Deferred tax assets - net	2o,16	2,734,956	1,344,256
<b>Fixed Assets</b>			
Acquisition cost	2g, 11	47,608,072	41,427,843
Accumulated Depreciation	2g, 11	(20,043,094)	(17,690,356)
<b>Net - Book Value</b>		<b>27,564,978</b>	<b>23,737,488</b>
<b>Other assets</b>	2g	<b>204,825</b>	<b>187,824</b>
<b>Total Non-Current Assets</b>		<b>37,686,371</b>	<b>30,695,956</b>
<b>TOTAL ASSETS</b>		<b>215,528,683</b>	<b>187,252,068</b>

The accompanying notes form an integral part of these financial statements.

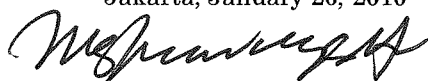
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**PT HEXINDO ADIPERKASA Tbk.**  
**BALANCE SHEETS**  
**December 31, 2009 and 2008**  
**(Expressed in US Dollars, unless Otherwise Stated)**

**LIABILITIES AND EQUITY**

	Notes	2009 US\$	2008 US\$
<b><u>CURRENT LIABILITIES</u></b>			
Short-term bank loans	12	15,000,000	18,000,000
<b><u>Trade payables</u></b>			
- Related parties	2c,5c	61,735,815	57,385,351
- Third parties	13	3,738,377	2,571,906
Other payables	14	9,796,233	3,267,671
Accrued expenses	15	12,826,462	5,227,841
Taxes payables	16	8,963,495	7,301,995
Divident payables	23	-	-
Current maturities of long term liabilities:			
Bank loans	17	1,046,267	2,332,055
Finance lease obligation	18	16,917	73,337
Other payables	19	1,213,605	7,434,360
Estimated liability for employees' benefits	20	66,883	-
<b>Total Current Liabilities</b>		<b>114,404,054</b>	<b>103,594,516</b>
<b><u>NON CURRENT LIABILITIES</u></b>			
Due to related parties	2c, 5d	5,547,272	33,236
Derivative instrument payables	2m, 30f	145,054	903,141
<b><u>Long-term liabilities-net of current portion:</u></b>			
Bank loan	17	6,359,599	3,595,799
Finance lease obligation	18	20,643	32,238
Other payables	19	803,016	2,016,717
Estimated liability for employees' benefits	20	1,873,523	1,804,709
<b>Total Non-Current Liabilities</b>		<b>14,749,106</b>	<b>8,385,840</b>
<b><u>EQUITY</u></b>			
Share capital - par value Rp100 per share			
Authorized - 1.680.000.000 shares			
Issued and fully paid - 840.000.000 shares	1b,21	23,232,926	23,232,926
Additional paid-in capital-net	1b,2j, 22	7,998,836	7,998,836
Retained earnings			
Appropriated	23	2,622,530	2,133,530
Unappropriated		52,521,231	41,906,420
<b>TOTAL EQUITY</b>		<b>86,375,523</b>	<b>75,271,712</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>215,528,683</b>	<b>187,252,068</b>

Jakarta, January 26, 2010



Manuntun Situmorang  
President Director



*The accompanying notes form an integral part of these financial statements.*

**PT HEXINDO ADIPERKASA Tbk.**  
**STATEMENTS OF INCOME**  
**For Third Quarter Ended December 31, 2009 and 2008**  
(Expressed in US Dollars, unless Otherwise Stated)

	Notes	2009 US\$	2008 US\$
<b>NET REVENUES</b>	2c,2k,24, 30b,30c,3 0d	229,575,015	202,908,264
<b>COST OF REVENUES</b>	2c,2k,25	178,622,976	153,427,309
<b>GROSS PROFIT</b>		50,952,039	49,480,955
<b>OPERATING EXPENSES</b>	2k,26		
Selling		11,898,022	12,096,512
General and administrative		9,396,939	8,715,921
<b>Total operating expenses</b>		21,294,960	20,812,433
<b>OPERATING INCOME</b>		29,657,079	28,668,522
<b>OTHER INCOME (CHARGES)</b>			
Interest income	2i,27	395,942	1,447,682
Gain on sales of property & equipment		21,756	37,896
Interest expenses	2c,28	(1,208,285)	(1,313,622)
Loss on foreign exchange-net	2n	(475,339)	(3,581,142)
Provision (reversal of allowance) for doubtful accounts	2b,4	427,560	(346,550)
Miscellaneous - net		594,720	128,814
<b>Other income (charges) - net</b>		(243,646)	(3,626,922)
<b>INCOME BEFORE INCOME TAX</b>		29,413,433	25,041,600
<b>INCOME TAX BENEFIT (EXPENSES)</b>			
Current	2o,16	(8,739,920)	(7,529,554)
Deferred	2o,16	526,980	(93,284)
<b>Income Tax Expense - Net</b>		(8,212,940)	(7,622,839)
<b>NET INCOME</b>		21,200,493	17,418,761
<b>BASIC EARNINGS PER SHARE ( in US Dollar)</b>	2p	0.025	0.021

Jakarta, January 26, 2010



  
  
**Manuntun Situmorang**  
President Director

*The accompanying notes form an integral part of these financial statements.*

**PT. HEXINDO ADIPERKASA Tbk.**  
**STATEMENTS OF CHANGES IN EQUITY**  
**For Third Quarter Ended December 31, 2009 and 2008**  
**(Expressed in US Dollars, Unless Otherwise Stated)**

	Share Capital - Issued and Fully Paid	Additional Paid-in Capital - Net	Retained Earnings		Total Equity
			Appropriated	Unappropriated	
Balance, April 1, 2009	22,382,617	7,240,795	2,133,530	43,605,224	75,362,166
Re-measurement adjustment	850,309	758,041		(951,476)	656,874
Balance after adjustment of April 01, 2009	23,232,926	7,998,836	2,133,530	42,653,748	76,019,040
Cash dividends declared	-	-	-	(10,844,010)	(10,844,010)
Appropriation for general reserve	-	-	489,000	(489,000)	-
Net income period April-December 2009	-	-	-	21,200,493	21,200,493
Balance, December 31, 2009	23,232,926	7,998,836	2,622,530	52,521,231	86,375,523

The accompanying notes form an integral part of these financial statements.

**PT HEXINDO ADIPERKASA Tbk.**  
**STATEMENTS OF CASH FLOWS**  
**For Third Quarter Ended December 31, 2009 and 2008**  
**(Expressed in US Dollars, Unless Otherwise Stated)**

	2009	2008
	US\$	US\$
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Cash receipts from customers	262,817,039	172,330,768
Cash paid to:		
Suppliers	(161,246,890)	(153,341,742)
Operating activities	(12,428,416)	(10,140,629)
Salaries, wages and benefit of employees	(11,337,613)	(10,525,111)
Net cash provided by operations	<u>77,804,120</u>	<u>(1,676,714)</u>
Received from interest income	395,942	1,287,237
Payment of interest expenses	(1,453,287)	(1,234,947)
Payments for income taxes	(5,912,927)	(909,318)
Payments for value added taxes	(4,358,380)	-
<b>Net cash provided by (used in)</b>		
<b>Operating Activities</b>	<u><b>66,475,469</b></u>	<u><b>(2,533,742)</b></u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Proceeds from sales of property equipment	23,778	34,971
Acquisitions of property and equipment	(2,231,876)	(1,405,832)
Construction in progress	(657,405)	(4,991,961)
Payment of investment in shares of stock	-	(1,369,863)
Additional of advance payment	(4,548,131)	133,492
<b>Net cash used in Investing</b>		
<b>Activities</b>	<u><b>(7,413,634)</b></u>	<u><b>(7,599,193)</b></u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Proceeds from short-term bank loan	12,000,000	18,180,183
Proceeds from long-term bank loan	-	5,352,329
Cash dividend	(10,844,010)	(1,610,959)
Payment of short-term bank loan	(31,000,000)	(15,875,068)
Payment of long-term bank loan	(1,156,036)	(1,068,311)
Payment of other payables	-	(5,850,634)
Payment of finance lease obligation	(179,131)	(109,772)
Net cash provided by (used in)		
Financing Activities	<u>(31,179,177)</u>	<u>(982,232)</u>
<b>Net Increase (Decrease) in cash on hand and in banks</b>	<u><b>27,882,658</b></u>	<u><b>(11,115,167)</b></u>
<b>Cash on hand and in bank at beginning of period</b>	<u><b>7,920,404</b></u>	<u><b>18,904,529</b></u>
<b>CASH ON HAND AND IN BANK AT END OF PERIOD</b>	<u><u><b>35,803,061</b></u></u>	<u><u><b>7,789,361</b></u></u>

The accompanying notes form an integral part of these financial statements.



**PT HEXINDO ADIPERKASA Tbk**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For Third Quarter Ended December 31, 2009 and 2008**  
(Expressed in US\$ Unless Otherwise Stated)

**1 GENERAL**

**a. Establishment of the Company**

PT Hexindo Adiperkasa Tbk (the "Company") was established in Indonesia based on Notarial Deed dated November 28, 1988 No. 37 of Mohamad Ali, S.H. The Deed of Establishment was approved by the Ministry of Justice of Republic Indonesia in its Decision Letter No. C2-4389.HT.01.01.TH.89 dated May 12, 1989, and was published in Supplement No. 1251 of the State Gazette No. 54, dated July 7, 1989. Its Articles of Association has been amended several times, the latest amendment was notarized through Notarial Deed No.163 and 164, June 29, 2009 and No. 61, August 20, 2009 of Robert Purba, S.H.. These amendments will register to the Department of Justice and Human Rights of Republic Indonesia.

The Company started its commercial operations in January 1989.

According to Article 3 of the Company's Articles of Association, its scope of activities comprises of trading and rental of heavy equipment and rendering of after-sales services. Presently, the Company acts as a distributor of certain heavy equipment and related spare parts under Hitachi, John Deere and Krupp trademarks. The Company is domiciled in Jakarta, located at Kawasan Industri Pulo Gadung, Jalan Pulo Kambing II Kav. I-II No. 33, Jakarta 13930. As of December 31, 2009, the Company has 11 main branches, 2 sub-branches, 9 representative offices and 10 project offices, which are all located at various places in Indonesia..

**b. Company's Initial Public Offering**

The Company's registration statement for its public offering of its 10 million shares (with Rp1,000 (full amount) par value per share) at an offer price of Rp2,800 (full amount) per share became effective in accordance with the Letter No. S-1958/PM/1994 dated December 5, 1994 issued by the Chairman of the Capital Market and Financial Institution Supervisory Agency (BAPEPAM-LK). All of the Company's shares have been registered in the Indonesia Stock Exchange since February 13, 1995.

The Company's registration statement for its First Limited Public Offering of 42 million shares (with Rp1,000 (full amount) par value per share) to shareholders with pre-emptive rights at an offer price of Rp1,000 (full amount) per share became effective in accordance with Letter No. S-1264/PM/1998 dated June 19, 1998 issued by the Chairman of BAPEPAM-LK..

In the minutes of the Extraordinary Shareholders' Meeting of the Company held on June 12, 2000, as covered by Notarial Deed No. 12 on the same date of Fathiah Helmi, S.H., the shareholders resolved to amend its Articles of Association, which include, among others, change in par value from Rp1,000 (full amount) per share to Rp500 (full amount) per share. These amendments were accepted and recorded by the Department of Justice and Human Rights of Republic Indonesia in its Letter No. C-21025 HT.01.04.Th.2000 dated September 20, 2000. On July 29, 2002, the stock split was effectively implemented

**PT HEXINDO ADIPERKASA Tbk**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For Third Quarter Ended December 31, 2009 and 2008**  
(Expressed in US\$ Unless Otherwise Stated)

**1 GENERAL (Continued)**

In the minutes of the Extraordinary Shareholders' Meeting of the Company held on June 15, 2004, as covered by Notarial Deed No. 24 on the same date of Fathiah Helmi, S.H., the shareholders resolved to change the par value from Rp500 (full amount) per share to Rp100 (full amount) per share. This amendment was accepted and recorded by the Department of Justice and Human Rights of Republic Indonesia in its Letter No. C-23337 HT.01.04.Th.2004 dated September 17, 2004. On September 1, 2005, the change of the par value was effectively implemented.

**c. Boards of Commissioners, Directors, Audit Committee and Employees.**

The composition of the Company's boards of commissioners and directors as of December 31, 2009 are as follows:

Board of Commissioners:

Kardinal Alamsyah Karim, MM.	-	President Commissioner
Harry Danui	-	Commissioner
Donald Christian	-	Commissioner

Directors:

Manuntun Situmorang	-	President Director
Toshiaki Takase	-	Director
Hideo Satake	-	Director
Yoshiya Hamamachi	-	Director
Shinichi Hirota	-	Director
Hideo Kumagai	-	Director
Tony Endroyoso	-	Director
Shogo Yokoyama	-	Director
Toru Sakai	-	Director

The composition of the Company's audit committee as of December 31, 2009 are as follows:

Harry Danui	-	Chairman
Danny Lolowang.	-	Member
Bambang Wiharto	-	Member

The composition of the Company's boards of commissioners and directors as of December 31, 2008 are as follows

Board of Commissioners:

Kardinal Alamsyah Karim, MM.	-	President Commissioner
Harry Danui	-	Commissioner
Donald Christian	-	Commissioner

**PT HEXINDO ADIPERKASA Tbk**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For Third Quarter Ended December 31, 2009 and 2008**  
(Expressed in US\$ Unless Otherwise Stated)

**c. Boards of Commissioners, Directors, Audit Committee and Employees (Continued)**

Directors:

Manuntun Situmorang	-	President Director
Toshiaki Takase	-	Director
Hideo Satake	-	Director
Yoshiya Hamamachi	-	Director
Shinichi Hirota	-	Director
Tetsuo Maruyama	-	Director
Tony Endroyoso	-	Director
Naoki Kito	-	Director
Yasushi Ochiai	-	Director

The composition of the Company's audit committee as of December 31, 2008 are as follows:

Harry Danui	-	Chairman
Danny Lolowang.	-	Member
Bambang Wiharto	-	Member

The salaries and other compensations benefits incurred for the Company's commissioners and directors amounted to US\$889,288 for December 31, 2009 and US\$ 933,093 for December 31, 2008

As of December 31, 2009 and December 31, 2008, the Company had 997 and 956 permanent employees

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **a. Basis of Preparation of the Financial Statements**

The financial statements are prepared in accordance with generally accepted accounting principles in Indonesia, which are the Statements of Financial Accounting Standards (PSAK), BAPEPAM-LK regulations and the Guidelines for Financial Statements Presentation as circulated by BAPEPAM-LK for trading companies, which offer their shares to the public.

The financial statements are prepared on the historical cost basis, except for inventories which are valued at the lower of cost or net realizable value and derivative instrument which are valued at fair value. The financial statements are prepared based on accrual basis, except for the statements of cash flows.

The statements of cash flows presents cash receipts and payments classified into operating, investing and financing activities using the direct method.

In accordance with the minutes of the Extraordinary Shareholders' Meeting of the Company held on July 21, 2008, as covered by Notarial Deed No. 159 on the same date of Robert Purba, S.H., the shareholders resolved to change the Company's fiscal year from January to December to April to March that will be effective for 2009 fiscal year. The change was approved by the Directorate General of Tax in its decision letter No. KEP-00003/THBK/ WPJ.07/KP.0803/2008.

The reporting currency used in the financial statements is United State Dollar.

**PT HEXINDO ADIPERKASA Tbk**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For Third Quarter Ended December 31, 2009 and 2008**  
(Expressed in US\$ Unless Otherwise Stated)

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**b. Allowance for Doubtful Accounts**

The Company provides allowance for doubtful accounts based on the certain percentage of accounts receivable balance and review on the condition of each customer at balance sheet date.

**c. Transactions with Related Parties**

The Company has transactions with certain related parties. Related parties are defined in accordance with PSAK No. 7, "Related Party Disclosures".

All transactions with related parties are disclosed in the notes to the financial statements

**d. Inventories**

Effective January 1, 2009, the Company has applied PSAK No. 14 (Revised 2008), "Inventories", which supersedes PSAK No. 14 (1994), "Inventories". The adoption of this revised PSAK did not result in a significant effect in the Company's financial statements.

Inventories are stated at the lower of cost or net realizable value. Cost of heavy equipment inventories reclassified from heavy equipment previously being leased out, at the end of the lease terms are stated at net book value

The cost of heavy equipment inventories is determined by the specific identification method while the cost of spare parts is determined using the average method.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated cost necessary to make the sale.

Allowance for inventories obsolescence is provided based on a review of the condition of the inventories at balance sheet date

**e. Prepaid Expenses**

Prepaid expenses are charged to operations over the periods benefited

**f. Investment in shares of stock**

Investment in shares in which the Company has ownership less than 20% is recorded using cost method.

**PT HEXINDO ADIPERKASA Tbk**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For Third Quarter Ended December 31, 2009 and 2008**  
(Expressed in US\$ Unless Otherwise Stated)

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**g. Property and Equipment**

**1 Direct ownership**

Effective January 1, 2008, the Company applied PSAK No. 16 (Revised 2007), "Fixed Assets", which supersedes PSAK No. 16 (1994), "Fixed Assets and Other Assets", and PSAK No. 17 (1994), "Accounting for Depreciation", whereby the Company has chosen the cost model. The adoption of this revised PSAK did not result in a significant effect in the Company's financial statements.

Property and equipment is stated at cost less accumulated depreciation and impairment losses. Such cost includes the cost of replacing part of the property and equipment when that cost incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are met. All other repairs and maintenance costs that do not meet the recognition criteria are recognized in profit or loss as incurred

Depreciation, except for heavy equipment being leased out, is computed using the straight-line method over the estimated useful lives of the assets as follows

	Year	Rate
Building	20	5%
Vehicles, office equipment, furniture and fixtures and machineries	5	20%
Tools for after-sales service	2	50%

Depreciation for heavy equipment being leased out is based on operational hours and over the term of the lease, which are in line with the related leased agreements

An item of property and equipment is unrecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from unrecognized of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is unrecognized.

The asset's useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at each financial year end.

Costs incurred in connection with the acquisition or renewal of landrights are deferred and amortized over the lower of legal terms of the related landrights or economic lives of the land using the straight-line method. The deferred charges are presented as part of "Other Assets" account in the balance sheets.

**2 Construction in progress**

Construction in progress represents the accumulated cost of materials and other costs related to the asset under construction. When the asset is completed and ready for its intended use, these costs are reclassified to the related accounts

**PT HEXINDO ADIPERKASA Tbk**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For Third Quarter Ended December 31, 2009 and 2008**  
(Expressed in US\$ Unless Otherwise Stated)

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**h. Impairment in Assets Value**

At balance sheet date, the Company conducts a review for any indication of impairment due to possible events or changes in circumstances that the carrying value may not be fully recoverable. Impairment in asset value, if any, is recognized as loss in the statement of income of the current year.

**i. Lease**

Effective January 1, 2008, the Statement of Financial Accounting Standards (PSAK) No. 30 (Revised 2007), "Leases" supersedes PSAK No. 30 (1990), "Accounting for Leases". Based on PSAK No. 30 (Revised 2007), the determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and whether the fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset. Under this revised PSAK, leases that transfer substantially to the lessee all the risks and rewards incidental to ownership of the leased item are classified as finance leases. Moreover, leases which do not transfer substantially all the risks and rewards incidental to ownership of the leased item are classified as operating leases.

**The Company as a lessee**

- i**
- Based on PSAK No. 30 (Revised 2007), under a finance leases, the Company shall recognize assets and liabilities in their balance sheets at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Minimum lease payments shall be apportioned between the finance charge and the reduction of the outstanding liability. The finance charge shall be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance charges are reflected in profit and loss. Capitalised leased assets (presented under the account of property and equipment) are depreciated over the shorter of the estimated useful life of the assets and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term..
- ii**
- Under an operating lease, the Company recognized lease payments as an expense on a straight-line basis over the lease term

**The Company as a lessor**

- i**
- Based on PSAK No.30 (Revised 2007), under a finance lease, the Company shall recognise assets held under a finance lease in its balance sheets and present them as a receivable at an amount equal to the net investment in the lease. Lease payment receivable is treated as repayment of principal and finance income. The recognition of finance income shall be based on a pattern reflecting a constant periodic rate of return on the Company's net investment in the finance lease.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Lease (Continued)**

Under an operating lease, the Company shall present assets subject to operating leases in its balance sheets according to the nature of the asset. Initial direct cost incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Lease income from operating leases shall be recognized as income on a straight-line basis over the lease term.

At the application of this revised PSAK, the Company has chosen to apply this revised PSAK retrospectively in which all leases transactions that existed before January 1, 2008, were evaluated by the Company to determine their classifications in accordance with this revised PSAK and treated as if it had been applied since the commencement of the lease term.

**j. Additional Paid-in Capital - Net**

Additional paid-in capital - net is the difference between the offering price and the par value of share capital issued, net of the costs incurred in connection with the public offering.

**k. Revenue and Expense Recognition**

Revenue from sales of heavy equipment and spare parts are recognized when the heavy equipment and spare parts are delivered to the customers. Revenue from repairs and maintenance services and commission income are recognized when the services are rendered to the customers. Revenue from rental of heavy equipment is recognized based on the usage of heavy equipment in accordance with the related agreement.

Expenses are recognized when incurred (accrual basis).

**l. Estimated Liability for Employees' Benefits**

The Company adopts PSAK No. 24 (Revised 2004), "Employee Benefits" that recognizes the accounting and disclosures of estimated liability for employees' benefits. Total estimated liability for employees' benefits is calculated in accordance with the Labor Law No. 13 Year 2003 dated March 25, 2003. Under PSAK No. 24 (Revised 2004), the defined benefit obligation, current service cost and past service cost are calculated using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting year exceeded 10% of the present value of defined benefit obligation at that date. These actuarial gains or losses 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 benefit payable of an existing plan are required to be amortized over the period until the benefits concerned become vested

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**m. Derivative Instruments**

Every derivative instrument (including embedded derivatives) is recorded in the balance sheets as either asset or liability and measured at their fair values of each contract. Changes in derivative fair value are recognized in current earnings unless for specific hedges which allow a derivative's gains and losses to offset related results on the hedged item in statements of income. An entity must formally document, designate and assess the effectiveness of transactions that meet hedge accounting. The Company's derivative instruments are not designated as hedging instruments for accounting purposes.

**n. Foreign Currency Transactions and Balances**

Transactions involving foreign currencies are recorded in US Dollar at the rates of exchange prevailing at the time the transactions are made. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are adjusted to Rupiah to reflect the rates at such date. The resulting gains or losses are credited or charged to operations for the period

As of December 31, 2009 and December 31, 2008, the rates of exchange used are, as follows (full amount of US Dollar):

	<u>2009</u>	<u>2008</u>
1 Euro (EUR)	13,510	15,432
1 United States Dollar (US\$)	9,400	10,950
1 Australian Dollar (AUD)	8,432	7,555
1 Singapore Dollar (SGD)	6,699	7,607
1 Japanese Yen (JP¥)	102	121

**o. Income Tax**

Current tax expense is provided based on the estimated taxable income for the period. 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 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 period 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 rates is charged to current period operations.

At balance sheet date, the carrying amount of deferred tax asset is reviewed and adjusted to the extent that it is no longer probable that part or all of that deferred tax assets will be realized in the future.

Amendments to tax obligations are recorded when an assessment is received or, if appealed against by the Company, when the result of the appeal is determined.



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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**p. Basic Earnings per Share**

Basic earnings per share is computed by dividing the net income for the period with the weighted-average number of the shares outstanding during the period. The weighted-average number of shares outstanding as of December 31, 2009 and 2008 is 840,000,000 shares.

**q. Segment Information**

The Company classifies its segment reporting as follows:

- i) Business segment (primary) based on the nature of its products sold, consists of sales and rental of heavy equipment, sales of spare parts of heavy equipment and repairs and maintenance services
- ii) Geographical segment (secondary) based on location of sales, consists of within Java island and outside Java island.

**r. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in Indonesia requires management to make estimations 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 that differ from those estimates.

**s. Revised Statements of Financial Accounting Standards**

The following summarizes the revised Statements of Financial Accounting Standards (PSAK) which have been issued by the Indonesian Institute of Accountants but not yet effective in 2009:

- 1 PSAK No. 50 (Revised 2006), "Financial Instruments: Presentation and Disclosures", contains the requirements for the presentation of financial instruments and identification of 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 interests, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset. This standard requires the disclosure, among others, of 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 No. 50 (Revised 2006) supersedes PSAK No. 50, "Accounting for Certain Investments in Securities" and is applied prospectively for the periods beginning on or after January 1, 2009 (which was subsequently revised to become on or after January 1, 2010). Earlier application is permitted and should be disclosed.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- 2 PSAK No. 55 (Revised 2006), "Financial Instruments: Recognition and Measurement", establishes the principles for recognising and measuring financial assets, financial liabilities, and some contracts to buy or sell non-financial items. This standard provides for the definitions and characteristics of a derivative, the categories of financial instruments, recognition and measurement, hedge accounting and determination of hedging relationships, among others. PSAK No. 55 (Revised 2006) supersedes PSAK No. 55, "Accounting for Derivative Instruments and Hedging Activities", and is applied prospectively for financial statements covering the periods beginning on or after January 1, 2009 (which was subsequently revised to become on or after January 1, 2010). Earlier application is permitted and should be disclosed.
  
- 3 PSAK No. 26 (Revised 2008) "Borrowing cost" prescribes the accounting treatment for borrowing cost, and supersedes PSAK No. 26 (1997). This revised PSAK provides guidance on borrowing cost of that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognized as an expense. This revised PSAK is effective start on January 1, 2010. Early application is permitted.
  
- 4 PSAK No. 10 (Revised 2009), "The Effect of Changes in Foreign Exchange Rates", this PSAK supersedes PSAK No. 10 (1994), PSAK No. 11 (1994) and PSAK No. 52 (1997). This revised PSAK is effective start on January 1, 2011.
  
- 5 PSAK No. 48 (Revised 2009), "Impairment Of Assets", this PSAK revised PSAK No. 48 (1998). This revised is effective start on January 1, 2011.

The Company is currently evaluating the effect of the above revised PSAK and has not determined the effect on its financial statements.

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**3. CASH ON HAND AND IN BANKS**

This account consists of:

	December 2009 US\$	December 2008 US\$
<b>Cash on hand</b>		
Cash, RP 962.928.010 as of December 31, 2009 and RP. 417,433,637 as of December 31, 2008	102,439	38,122
<b>Cash in bank</b>		
<b>Rupiah accounts</b>		
PT Bank CIMB Niaga Tbk ( previously Bank Lippo Tbk.) (RP 9.514.570.114 as of December 31, 2009 and RP 13.640.738.776 as of December 31, 2008 )	1,012,188	1,245,730
PT Bank Resona Perdania (RP 80.130.300 as of December 31, 2009 RP81.034.817 as of December 31, 2008 )	8,525	7,400
PT Bank International Indonesia Tbk (RP 5.454.160.684 as of December 31, 2009 and RP4.626.803.870 as of December 31, 2008 )	580,230	422,539
PT Bank Rakyat Indonesia (RP 822.417.186 as of December 31, 2009 and RP 124.139.951 as of December 31, 2008 )	87,491	11,337
PT Bank Danamon Tbk. (RP 2.049.562.840 as of December 31, 2009 and Rp 591.167.730 as of December 31, 2008)	218,039	53,988
PT Bank Mandiri (RP 1.029.178.082 as of December 31, 2009 and RP 1.816.859.854 as of December 31, 2008)	109,487	165,923
PT Bank Mega (RP 6.357.594.496 as of December 31, 2009 and RP 8.611.387.246 as of December 31, 2008)	676,340	786,428
Citibank N.A., Jakarta (RP 1.622.353.896 as of December 31, 2009 and RP 1.159.494.099 as of December 31, 2008 )	172,591	105,890
PT Bank Negara Indonesia (Persero) Tbk. (RP 125.463.116 as December 31, 2009 and RP 66.399.719 as of December 31, 2008 )	13,347	6,064
PT. Bank Mizuho Indonesia (RP9.707.756 as of December 31, 2009 and RP9.784.178 as of December 31, 2008 )	1,033	894
The Bank of Tokyo Mitsubishi UFJ, Ltd., Jakarta (RP 3.452.792.866 as of December 31, 2009 and RP 3.396.729.982 as of December 31, 2008 )	367,318	310,204
Bank SumitomoMitsui Indonesia (RP 9.979.322 as December 31, 2009)	1,062	-
<b>Total Rupiah Accounts</b>	<b>3,247,650</b>	<b>3,116,396</b>
<b>United States Dollars accounts</b>		
PT Bank Resona Perdania	2,543	2,543
PT Bank International Indonesia Tbk	25,490,947	1,923,027
The Bank of Tokyo-Mitsubishi UFJ, Ltd. Singapore	432,839	411,037
PT Bank Mega	739,692	59,181
Citibank N.A., Jakarta	231,538	292,189
PT. Bank Mizuho Indonesia	11,053	7,465
PT Bank Shinta	195	195
The Bank of Tokyo Mitsubishi UFJ, Ltd.	5,445,577	1,857,742
Bank Sumitomo Mitsui Indonesia	77,071	
<b>Total United States Dollar Accounts</b>	<b>32,431,454</b>	<b>4,553,379</b>
<b>Japanese Yen accounts</b>		
The Bank of Tokyo Mitsubishi UFJ, Ltd. Jakarta (JPY 1.857.221,91 as of December 31, 2009 and JPY 6,379,043 as December 2008)	20,094	70,618
PT Bank International Indonesia Tbk. ( JPY 131.596,28 as of December 31, 2009 and JPY 979,638 as December 31, 2008)	1,424	10,846
<b>Total Japanese Yen accounts</b>	<b>21,518</b>	<b>81,464</b>
<b>Total cash in Banks</b>	<b>35,700,622</b>	<b>7,751,239</b>
<b>Total cash on hand and in banks</b>	<b>35,803,061</b>	<b>7,789,361</b>

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**4. TRADE RECEIVABLES - THIRD PARTIES**

This account represents trade receivables - third parties arising from:

	December 2009	December 2008
	US\$	US\$
Sales and rental of heavy equipment, used in:		
Plantation and logging	4,268,038	8,276,260
Constructions	7,574	31,872
Mining	3,426,987	12,446,491
<b>Total</b>	<b>7,702,599</b>	<b>20,754,623</b>
Repairs and maintenance services	9,695,648	7,863,616
Sales of spare parts	14,633,531	9,026,229
<b>Total</b>	<b>32,031,778</b>	<b>37,644,468</b>
Allowance for doubtful accounts	(1,552,394)	(2,048,202)
<b>Net</b>	<b>30,479,384</b>	<b>35,596,266</b>

The movements of allowance for doubtful accounts during the period are as follows:

	December 2009	December 2008
	US\$	US\$
Beginning balance	1,979,745	1,968,160
Provision during the period	164,669	198,946
Reversal of allowance for account receivables	(580,952)	-
Write-off of accounts during the period	(11,068)	(118,904)
<b>Ending balance</b>	<b>1,552,394</b>	<b>2,048,202</b>

The aging analysis of trade receivables - third parties based on due dates are as follows:

	December 2009	December 2008
	US\$	US\$
Sales and rental of heavy equipment		
Current and less than 3 months	7,318,108	20,529,041
3 - 6 months	280,656	82,833
Over 6 months - 1 year	38,328	65,940
Over 1 year	65,508	76,810
<b>Total</b>	<b>7,702,599</b>	<b>20,754,623</b>
Repairs and maintenance services		
Current and less than 3 months	9,543,588	7,677,608
3 - 6 months	109,990	119,518
Over 6 months - 1 year	16,457	28,559
Over 1 year	25,613	37,931
<b>Total</b>	<b>9,695,648</b>	<b>7,863,616</b>
Sales of spare parts		
Current and less than 3 months	14,540,891	8,905,749
3 - 6 months	43,637	103,252
Over 6 months - 1 year	33,887	5,310
Over 1 year	15,116	11,917
<b>Total</b>	<b>14,633,531</b>	<b>9,026,229</b>

Details of trade receivables - third parties based on original currencies are as follows:

	December 2009	December 2008
	US\$	US\$
United States Dollars	28,165,552	35,897,707
Rupiah	3,866,226	1,746,761
<b>Total</b>	<b>32,031,778</b>	<b>37,644,468</b>

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**5. BALANCES AND TRANSACTIONS WITH RELATED PARTIES**

**a. Trade Receivables**

Details of trade receivables from related parties on sale transactions are as follows:

	December 2009		December 2008	
	US\$	US\$	2009	2008
			Percentage to total assets	Percentage to total assets
			2009	2008
			%	%
Hitachi Construction Machinery Asia and Pasific Pte, Ltd, Singapore	1,279,428	2,182,324	0.59	1.01
Hitachi Construction Machinery Thailand	2,227	-	0.00	-
SHCM Service	5,875	-	0.00	-
PT Hitachi Construction Machinery Finance Indonesia	2,017,426	-	0.94	-
<b>Total</b>	<b>3,304,956</b>	<b>2,182,324</b>	<b>1.53</b>	<b>1.01</b>

	December 2009		December 2008	
	US\$	US\$	2009	2008
			Percentage to total assets	Percentage to total assets
			2009	2008
			%	%
<b>b. Other Receivables</b>				
Employees	278,537	282,167	0.13	0.13
Hitachi Construction Machinery Asia and Pacific Pte., Ltd., Singapura	-	847	-	0.00
Hitachi Construction Machinery Co, Ltd, Japan	50,132	63,381	0.02	0.03
Hitachi Construction Truck Manufacturing Ltd., Canada.	-	96,324	-	0.04
PT Hitachi Construction Machinery Finance Indonesia	5,385	-	0.00	-
<b>Total</b>	<b>334,054</b>	<b>442,719</b>	<b>0.15</b>	<b>0.21</b>
<b>Total of receivables from related parties</b>	<b>3,639,010</b>	<b>2,625,043</b>	<b>1.69</b>	<b>1.22</b>

Receivables from employees mainly represent non-interest bearing for housing loans collectible through monthly payroll deductions.

**c. Trade Payables**

Details of trade payables to related parties on purchase transactions are as follows:

	December 2009		December 2008	
	US\$	US\$	2009	2008
			Percentage to Total Liabilities	Percentage to Total Liabilities
			2009	2008
			%	%
PT Hitachi Construction Machinery Indonesia	40,812,832	24,470,320	31.60	21.85
Hitachi Construction Machinery Asia & Pasific Pte., Ltd Singapore	20,778,498	31,991,907	16.09	28.57
Hitachi Construction Machinery Co., Ltd., Japan	123,354	895,439	0.10	0.80
Hitachi Construction Truck Manufacturing Ltd., Canada	12,140	27,685	0.01	0.02
HCM Trading	8,991	-	0.01	-
<b>Total</b>	<b>61,735,815</b>	<b>57,385,351</b>	<b>47.80</b>	<b>51.25</b>

Payables to PT Hitachi Construction Machinery Indonesia represent payables on purchases of spare parts inventories and heavy equipment.

Payables to Hitachi Construction Machinery Asia and Pacific Pte., Ltd., Singapore (HMAP), represent payables on purchases of spare parts inventories and heavy equipment, and deposits received by the Company from HMAP's customers for purchases of heavy equipment to HMAP, of which the Company is the sales agent.

Payables to Hitachi Construction Machinery Co., Ltd., Japan, represent payables on purchases of spare parts inventories.

Payables to Hitachi Construction Truck Manufacturing Ltd., Canada (HTM), represent portion of revenue sharing of HTM for the rental of heavy equipment owned by HTM to a certain customer.

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**5. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)**

	December 2009 US\$	December 2008 US\$	Percentage to Total Liabilities	
			2008 %	2007 %
d. <u>Other Payables</u>				
Hitachi Construction Machinery Co., Ltd, Japan	210,630	9,732	0.16	0.01
Hitachi Construction Machinery Asia & Pasific Pte, Ltd,	5,333,902	-	4.13	-
Others (below Rp.300 million each)	2,740	23,504	0.00	0.02
<b>Total</b>	<b>5,547,272</b>	<b>33,236</b>	<b>4.30</b>	<b>0.03</b>

The nature of relationship of the Company with related parties are as follows:

<u>Name of Related Parties</u>	<u>Relationship</u>
1. Hitachi Construction Machinery Co., Ltd, Japan	Shareholder
2. Hitachi Construction Machinery Asia Pasific Pte, Ltd., Singapore	Shareholder
3. Itochu Corporation, Japan	Shareholder
4. Hitachi Construction Truck Manufacturing Ltd., Canada	Affiliated Company
5. PT Hitachi Construction Machinery Indonesia	Affiliated Company
6. Hitachi Construction Machinery (Shanghai) Co., Ltd., Cina	Affiliated Company

**6. FINANCE LEASE RECEIVABLES**

The future collection finance lease receivables required under the lease agreements are as follows:

	December 2009 US\$	December 2008 US\$
Finance lease receivables	2,359,136	10,812,524
Unearned finance lease income	-	-
<b>Total</b>	<b>2,359,136</b>	<b>10,812,524</b>
Less Current portion	(1,424,199)	(8,516,528)
Long-term portion	934,937	2,295,996

Finance lease receivables represent receivables from PT Kaltim Prima Coal (KPC) in connection with rentals of 14 units of heavy equipment purchased from Mitsubishi Corporation .

The Company's management believes that all finance lease receivables can be collected, and thus no allowance for doubtful accounts were provided for.

**7. OTHERS RECEIVABLES - THIRD PARTIES**

This account consists of:

	December 2009 US\$	December 2008 US\$
Anglo Coal South Africa	-	4,671
Cipta Krida Bahari	-	2,590
Gracemount Pesut Jay	67,953	-
Kita bangun Persada	3,354	-
Madhani Talatah Nusa	17,933	10,985
PAMA Persada	4,620	-
Petroconas	742	-
Trackspare PT	-	1,005
Waratah	-	1,352
Others	30,777	4,626
<b>Total</b>	<b>125,380</b>	<b>25,228</b>

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**8. INVENTORIES - NET**

This account consists of:

	December 2009	December 2008
	US\$	US\$
Merchandise inventories		
Heavy equipment	31,787,735	49,907,672
Spare parts	61,714,834	51,422,971
Total	<u>93,502,569</u>	<u>101,330,643</u>
Less allowance for inventories obsolescence	<u>(2,430,096)</u>	<u>(1,438,064)</u>
Net	<u>91,072,473</u>	<u>99,892,579</u>

The movements of allowance for inventories obsolescence during the period are as follows:

	December 2009	December 2008
	US\$	US\$
Balance at beginning of year	1,394,384	1,057,619
Provision during the period	1,378,553	787,706
Reversal of allowance during the year	(342,841)	-
Write-off during the period	-	(407,261)
Balance at end of year	<u>2,430,096</u>	<u>1,438,064</u>

The Company's management believes that the allowance for inventories obsolescence is adequate to cover possible losses from inventories obsolescence.

All inventories (except for inventories in transit) are covered by insurance against losses from fire and other risks under blanket policies of Rp499,466,000,000 (equivalent US\$48,845,575) as of December 31, 2009 and Rp416,169,000,000 (equivalent US\$45,113,171) as of December 30, 2008, which the Company's management believes that the insurance coverage is adequate to cover possible losses arising from such risks.

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**9. PREPAID TAXES**

Prepayment of income taxes:

	December 2009	December 2008
	US\$	US\$
Article 22	1,615,096	-
Article 23	1,221,373	-
Article 25	5,176,579	-
<b>Total prepayment of income taxes</b>	<b>8,013,048</b>	<b>-</b>
Value Added Tax	1,677,605	2,023,838
<b>Total prepaid taxes</b>	<b>9,690,653</b>	<b>2,023,838</b>

Estimated tax receivables:

	December 2009	December 2008
	US\$	US\$
Income taxes:		
- Period 2007	1,300,479	-
- Period 2006	-	1,099,532
<b>Total estimated tax receivables</b>	<b>1,300,479</b>	<b>1,099,532</b>

**10. ADVANCE PAYMENT**

This account consists of:

	December 2009	December 2008
	US\$	US\$
Purchasing goods	5,279,444	336,984
Travelling	42,712	-
Others	308,517	17,899
<b>Total</b>	<b>5,630,673</b>	<b>354,883</b>



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**11. PROPERTY AND EQUIPMENT**

This account consists of:

**Direct ownership**

	<b>April- December 2009</b>			
	Beginning Balance	Additions (Reclassifications)	Deduction (Reclassification)	Ending Balance
<u>Cost</u>	US\$	US\$	US\$	US\$
Land	9,115,696	133,738	-	9,249,434
Building	8,869,272	8,964,804	45	17,834,031
Vehicles	5,580,034	751,560	255,085	6,076,509
Office equipment	4,164,612	494,422	40,043	4,618,991
Furniture & fixtures	1,440,136	174,938	3,072	1,612,002
Machineries	1,755,857	794,681	20,871	2,529,668
Tool for after-sales services	3,162,155	484,875	53,090	3,593,941
Heavy equipment - rental	1,660,957	-	168,065	1,492,892
<u>Leased asset</u>				
Vehicles	466,037	-	-	466,037
	-	-	-	-
<u>Construction in progres</u>	8,360,776	657,405	8,883,614	134,567
<b>Total cost</b>	<b>44,575,531</b>	<b>12,456,424</b>	<b>9,423,884</b>	<b>47,608,072</b>
<b>Accumulated Depreciation</b>				
Land	-			
Building	4,171,772	525,430	45	4,697,157
Vehicles	4,820,485	337,918	250,139	4,908,263
Office equipment	3,010,724	436,080	38,092	3,408,712
Furniture & fixtures	1,196,506	114,046	3,035	1,307,517
Machineries	1,277,872	159,179	20,871	1,416,181
Tool for after-sales services	2,844,076	448,477	53,056	3,239,497
Heavy equipment - rental	569,319	378,095	112,043	835,371
<u>Leased asset</u>				
Vehicles	161,111	69,284	-	230,395
<u>Construction in progres</u>	-	-	-	-
<b>Total Accumulated Depreciation</b>	<b>18,051,866</b>	<b>2,468,510</b>	<b>477,281</b>	<b>20,043,094</b>
<b>Book value</b>				
<b><u>Direct ownership</u></b>				
Land	9,115,696	133,738	-	9,249,434
Building	4,697,500	8,439,374	-	13,136,874
Vehicles	759,549	413,642	4,946	1,168,246
Office equipment	1,153,888	58,342	1,951	1,210,278
Furniture & fixtures	243,630	60,892	37	304,485
Machineries	477,985	635,502	-	1,113,487
Tool for after-sales services	318,079	36,398	34	354,444
Heavy equipment - rental	1,091,638	(378,095)	56,022	657,521
<u>Leased asset</u>	-	-	-	-
Vehicles	304,926	(69,284)	-	235,642
<u>Construction in progres</u>	8,360,776	657,405	8,883,614	134,567
<b>Net book value</b>	<b>26,523,666</b>	<b>9,987,915</b>	<b>8,946,603</b>	<b>27,564,978</b>

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**11. PROPERTY AND EQUIPMENT (continued)**

**Direct ownership**

	<b>April- December 2008</b>			
	Beginning Balance	Additions (Reclassifications)	Deduction (Reclassification)	Ending Balance
<b>Cost</b>	US\$	US\$	US\$	US\$
Land	8,883,620	232,077	-	9,115,697
Building	8,763,504	32,530	-	8,796,034
Vehicles	5,520,830	124,439	241,553	5,403,717
Office equipment	4,066,873	187,368	87,189	4,167,052
Furniture & fixtures	1,380,855	34,572	4,415	1,411,012
Machineries	1,490,880	238,490	7,268	1,722,102
Tool for after-sales services	2,860,458	341,483	35,891	3,166,050
Heavy equipment - rental	1,492,892	-	-	1,492,892
<b><u>Leased asset</u></b>		-	-	-
Vehicles	413,525	52,512	-	466,037
			-	-
<b><u>Construction in progres</u></b>	7,554	5,679,697		5,687,251
<b>Total cost</b>	34,880,991	6,923,168	376,316	41,427,843

**Accumulated Depreciation**

Land	0			
Building	3,730,391	330,193	-	4,060,584
Vehicles	4,905,088	133,505	241,138	4,797,455
Office equipment	2,698,887	307,242	83,359	2,922,770
Furniture & fixtures	1,102,558	72,556	4,412	1,170,702
Machineries	1,153,569	92,456	7,268	1,238,757
Tool for after-sales services	2,597,498	176,458	35,867	2,738,089
Heavy equipment - rental	(172,484)	791,422	-	618,938
<b><u>Leased asset</u></b>				-
Vehicles	70,529	72,532	-	143,061
<b><u>Construction in progres</u></b>	0	-	-	-
<b>Total Accumulated Depreciation</b>	16,086,036	1,976,363	372,044	17,690,356

**Book value**

Land	8,883,620	232,077	-	9,115,697
Building	5,033,113	(297,664)	-	4,735,449
Vehicles	615,742	(9,065)	415	606,261
Office equipment	1,367,986	(119,874)	3,830	1,244,282
Furniture & fixtures	278,297	(37,984)	3	240,310
Machineries	337,311	146,034	-	483,345
Tool for after-sales services	262,960	165,026	24	427,962
Heavy equipment - rental	1,665,376	(791,422)	-	873,954
<b><u>Leased asset</u></b>	-	-	-	0
Vehicles	342,996	(20,020)	-	322,976
<b><u>Construction in progres</u></b>	7,554	5,679,697	-	5,687,251
<b>Book value - net</b>	18,794,955	4,946,805	4,272	23,737,488

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**11. PROPERTY AND EQUIPMENT (continued)**

*Depreciation charged to operations are as follows:*

	<u>December 2009</u>	<u>December 2008</u>
	US\$	US\$
Selling	778,644	612,980
General and administrative	611,792	481,627
Cost of rental heavy equipment	<u>378,095</u>	<u>791,422</u>
Total	<u><u>1,768,531</u></u>	<u><u>1,886,029</u></u>

The Company's land are under "Hak Guna Bangunan (HGB)" (non-ownership with limited duration) and "Hak Milik". As of December 31, 2009, the related landrights under HGB will expire between 2017 to 2038 and the Company's management believes that these rights are renewable upon their expiry.

Property and equipment, except for land, are covered by insurance against losses by fire and other risks under blanket policies of Rp220,166,000,000 (equivalent US\$21,532,127) as of December 31, 2009 and Rp158,620,000,000 (equivalent US\$17,194,580) as of December 31, 2008, which the Company's management believes that the insurance is adequate to cover possible losses arising from such risks.

As of December 31, 2009 and December 31, 2008, the Company's management believes that there is no events or conditions that may indicate impairment of assets.

Leased assets are acquired through financing from PT Orix Indonesia Finance. The leased assets are pledged against the related finance lease obligations.

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**12. SHORT-TERM BANK LOANS**

This account represents short-term bank loan obtained from various banks, as follow:

	December 2009	December 2008
	US\$	US\$
The Bank of Tokyo-Mitsubishi UFJ., Ltd.	15,000,000	18,000,000
<b>Total</b>	<b>15,000,000</b>	<b>18,000,000</b>

The Bank of Tokyo - Mitsubishi UFJ, Ltd.

The Company and PT Hitachi Construction Machinery Indonesia obtained a multi-currency loan facility from The Bank of Tokyo Mitsubishi UFJ, Ltd., Jakarta (BTMU Jakarta) with a maximum credit facility of US\$25,000,000 and US\$40,000,000, respectively. The term of this facility is 36 months since date of the agreement. The outstanding principal is due at the date of payment of the interest every month but subject to roll-over every date of payment of interest until the end of credit facility. The loan bears interest at 0.25% above LIBOR per year for 2009 and 2008. This loan is guaranteed by Hitachi Construction Machinery Co., Ltd., Japan, a shareholder. The outstanding balance as of December 31, 2009 and December 31, 2008 are US\$15,000,000 and US\$18,000,000, respectively.

The loan obtained from The Bank of Tokyo-Mitsubishi UFJ, Ltd., Singapore (BTMU Singapore) is a multi-currency loan facility for the Company and its related parties (i.e. Hitachi Construction Machinery Asia and Pacific Pte., Ltd., Singapore, Hitachi Construction Machinery Thailand Co., Ltd., Thailand, PT Hitachi Construction Machinery Indonesia, Hitachi Construction Machinery Sdn., Bhd., Malaysia and Cableprice (NZ) Limited) with a maximum credit facility amounting to US\$30,000,000.

The term of this facility is 36 months since date of the agreement. The outstanding principal is due at the date of payment of the interest every month but subject to roll-over every date of payment of interest until the end of credit facility. The loan bears interest at 0.25% above LIBOR per year.

On July 29, 2009, the Company obtained an unsecured short-term working capital facility from The Bank of Tokyo-Mitsubishi UFJ, Ltd., Jakarta Branch with a maximum credit facility of US\$10,000,000. Availability period on July 29, 2009 - March 31, 2010. The loan bears interest at 0.70% above SIBOR per year.

Each loan can be drawdown through BTMU Singapore and/or BTMU Jakarta. This loan is guaranteed by Hitachi Construction Machinery Co., Ltd., Japan, a shareholder.

The related loan agreements with BTMU Jakarta and BTMU Singapore contain certain restriction on the Company, among others, change of its business, and sell, lease, transfer or otherwise dispose substantial part of its assets, unless such activity is made in the ordinary course of the Company's business.

Citibank N.A.

On June 5, 2006, the Company obtained a short-term working capital facility from Citibank, N.A., Jakarta with a maximum credit facility of US\$15,000,000. This loan facility have been extended several times, the latest was until June 5, 2010. The loan bears interest at 0.75% above LIBOR per year and is payable in 3 months.

PT Bank Mizuho Indonesia

On April 21, 2006, the Company obtained a short-term working capital facility from PT Bank Mizuho Indonesia with a maximum credit facility of US\$10,000,000. This loan facility have been extended several times, the latest was until July 27, 2009. The loan bears interest at 0.75% above SIBOR per year, is payable in 3 months. The loan contains certain restriction on the Company, among others, to consolidate with or merge into any other corporation and change of its business

**13. TRADE PAYABLES – THIRD PARTIES**

Details of trade payables - third parties in relation with purchases of goods and services are as follows:

	December 2009	December 2008
	US\$	US\$
Heavy equipment	129,453	419,913
Spare parts	1,485,093	1,201,340
Repairs and maintenance	686,543	701,372
Others	1,437,289	249,281
<b>Total</b>	<b>3,738,377</b>	<b>2,571,906</b>
<u>Heavy equipment</u>		
Current and less than 3 months	129,453	419,913
3 - 6 months	-	-
Over 6 months - 1 year	-	-
Over 1 year	-	-
<b>Total</b>	<b>129,453</b>	<b>419,913</b>

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**13. TRADE PAYABLES – THIRD PARTIES (Continued)**

<u>Spare parts</u>		
Current and less than 3 months	1,485,093	1,201,340
3 - 6 months	-	-
Over 6 months - 1 year	-	-
Over 1 year	-	-
Total	1,485,093	1,201,340
<u>Repairs and maintenance</u>		
Current and less than 3 months	686,543	701,372
3 - 6 months	-	-
Over 6 months - 1 year	-	-
Over 1 year	-	-
Total	686,543	701,372

As of December 31, 2009 and 2008, the aging of all trade payables - third parties was current and less than 3 months.

**14. OTHER PAYABLES - THIRD PARTIES**

This account consists of:

	December 2009	December 2008
	US\$	US\$
Heavy equipment	9,101,982	2,498,057
Spare parts	112,271	27,164
Service and Maintenance	11,331	13,230
Others	570,649	729,220
Total	9,796,233	3,267,671

**15 ACCRUED EXPENSES**

This account consists of:

	December 2009	December 2008
	US\$	US\$
Salaries and employees' benefits	1,669,618	865,068
Interest	67,393	183,085
Marketing expenses	10,966,435	3,414,275
Others	123,016	765,413
Total	12,826,462	5,227,841

**16. TAXES PAYABLES**

Taxes payable represents income taxes payables on:

	December 2009	December 2008
	US\$	US\$
Estimated tax payable in current period	8,739,920	4,057,221
<u>The other taxes payables</u>		
Article 21/26	177,712	551,489
Article 23/26	45,863	28,619
Article 4(2)	-	8,061
Article 25	-	2,656,605
Total	8,963,495	7,301,995
<u>Income Tax Expense – Current</u>		

The reconciliation between income before income tax, as shown in the statements of income and taxable income for nine months ended December 31, 2009 and for the year ended December 31, 2008, are as follows:

	December 2009	December 2008
	US\$	US\$
Income before income tax expense per statements of income	29,413,433	25,041,600
<u>Add (deduct) temporary differences:</u>		
Provision (reversal of allowance) for Inventories obsolescence	692,194	715,654
Inventories written-off	-	(383,409)
Provision for employee benefits	-	400,136
Payment of employee benefits	-	(101,726)
Depreciation of property and equipment	(2,427,315)	(99,948)
Depreciation of leased assets	69,906	54,535
Depreciation - Assets leased	-	-
Provision for doubtful accounts	164,669	288,343
Reversal of allowance for doubtful accounts	(592,229)	-
Finance lease receivables	-	35,289
Gain on sale of property and equipment	(21,756)	(165,777)

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**16. TAXES PAYABLES (continued)**

<u>Add (deduct) permanent differences:</u>		
Donation	20,777	20,810
Interest income already subject to final tax	(386,141)	(59,972)
Rental Revenue	3,957,498	
Salaries and wages	80,703	24,545
Taxes and licenses	26,242	221,519
Payment of finance lease obligation	(41,595)	(68,025)
Entertainment	35,168	138,813
Others expenses	222,568	347,245
Taxable Income	31,214,122	26,409,632

**Deferred Income Tax**

The computations of deferred income tax benefit (expense) on temporary differences between commercial and tax reporting purposes using the maximum tax rate of 28% and 30% for nine months ended December 31, 2009 and the year ended December 31, 2008, respectively, are as follows:

	December 2009	December 2008
	US\$	US\$
Depreciation of property and equipment	(679,648)	(29,984)
Depreciation of leased assets	19,574	16,360
Depreciation on rental assets	-	-
Gain on sale of property and equipment	(6,092)	(49,733)
Provision for employee - benefit net	22,597	62,568
Provision for doubtful accounts	(119,717)	86,503
Provision (reversal of allowance) for Inventories obsolescence	193,814	99,674
Finance lease receivables	1,108,099	10,587
Payment of finance lease obligation	(11,647)	(20,407)
Total	526,980	175,567
Reduction on tax rate	-	(268,851)
Deferred income tax benefit - net	526,980	(93,284)
Taxable Income	31,214,122	26,409,632
Estimated Income tax expenses	8,739,920	7,529,554

The deferred tax assets and liabilities as of December 31, 2009 and December 31, 2008, are as follows:

	December 2009	December 2008
	US\$	US\$
<b><u>Deferred tax assets</u></b>		
Allowance for doubtful accounts	435,367	573,010
Allowance for inventories obsolescence	543,967	302,880
Estimated liability for employees' benefits	425,970	391,846
Deferred tax adjustment	-	-
Total deferred tax assets	1,405,304	1,267,735
<b><u>Deferred tax liabilities</u></b>		
Depreciation of property and equipment	(166,137)	(115,596)
Depreciation of leased assets	50,586	27,884
Depreciation on rental assets	(3,386,755)	(3,564,150)
Finance lease receivable	5,394,900	4,511,339
Payment of finance lease obligation	(57,013)	(41,241)
Interest Income	(1,032,865)	(1,086,966)
Gain (loss) foreign exchange	581,452	396,026
Gain on sale of property and equipment	(54,516)	(50,776)
Total deferred tax liabilities	1,329,652	76,520
<b>Deferred tax assets - net</b>	2,734,956	1,344,256

The computations of income tax expense and tax payable as of December 31, 2009 and December 31, 2008, are as follows:

	December 2009	December 2008
	US\$	US\$
Taxable income	31,214,122	26,409,632
Income tax expense - current	8,739,920	7,529,554
<b>Prepayment of income taxes:</b>		
	December 2009	December 2008
	US\$	US\$
Article 22	1,615,096	1,897,848
Article 23	1,221,373	1,568,184
Article 25	5,176,579	6,301
Total prepayment of income tax	8,013,048	3,472,334
Estimated tax (receivable) payable	726,872	4,057,221

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**17. LONG-TERM BANK LOAN**

This account represents long-term bank loan , as follow:

	December 2009	December 2008
	US\$	US\$
The Bank of Tokyo Mitsubishi UFJ., Ltd., Indonesia (Rp 69.604.000.000 as of December 31, 2009 and Rp 64.910.000.000 as of December 31, 2008)	7,405,866	5,927,854
Current maturities	(1,046,267)	(2,332,055)
Long-term portion	<u>6,359,599</u>	<u>3,595,799</u>

Loans obtained from The Bank of Tokyo-Mitsubishi UFJ, Ltd., Jakarta (BTMU Jakarta) are uncommitted credit facility for investment purposes that were obtained in December 28, 2007 and various dates in 2008 and 2009 with a total maximum credit facility of Rp 118,000,000,000. These loans are payable on installment basis every month for 3 years. These loans bear annual interest at 0.50% above cost of fund for relevant interest period as determined by BTMU Jakarta.

The related loan agreement stated that the Company cannot enter into the various transactions, among others, to sell, lease, transfer or otherwise dispose of part of its assets and obtain a loan from any other party, unless such activity is made in the ordinary course of the Company's business; to declare or pay dividend to the shareholders; to consolidate or merge with other party; and to change of its composition of share capital, shareholders or their shareholdings, composition of the Boards of Directors and Commissioners or its Articles of Association, without prior written consent to BTMU Jakarta.

In relation with payment of dividend to the shareholders, changes in the composition of the Boards of Directors and amendment of its Articles of Association in 2008, the Company had obtained Consent Letter from BTMU on February 24, 2009.

**18. FINANCE LEASE OBLIGATION**

Leased assets are acquired through financing from PT Orix Indonesia Finance. The leased assets are pledged against the related finance lease obligations.

The future minimum finance lease payment required under the lease agreements are as follows:

<u>Years</u>	December 2009	December 2008
	US\$	US\$
2009	18,072	83,006
2010	19,591	30,435
2011	2,185	3,750
Total	<u>39,848</u>	<u>117,191</u>
Less amount applicable to interest	(2,288)	(11,616)
Present value of minimum finance lease payment	37,559	105,575
Current maturities	(16,917)	(73,337)
Long-term portion	<u>20,643</u>	<u>32,238</u>

**19. LONG-TERM OTHER PAYABLES**

This account represents long-term payables to Mitsubishi Corporation, Japan, in US Dollar currency in relation to purchases of 14 units of heavy equipment that are leased out to PT Kaltim Prima Coal (Note 5). This loan is payable in quarterly installment in 4 years and bears average interest at 8.50% per year. The payables are guaranteed by certain heavy equipment being leased out. The future installment payment of these payables are as follows:

	December 2009	December 2008
	US\$	US\$
2009	-	7,967,583
2010	2,089,458	2,089,458
<b>Total</b>	<u>2,089,458</u>	<u>10,057,041</u>
Less amount applicable to interest	(72,837)	(605,964)
<b>Net</b>	<u>2,016,621</u>	<u>9,451,077</u>
Current maturities	(1,213,605)	(7,434,360)
Long-term portion	<u>803,016</u>	<u>2,016,717</u>

**20. ESTIMATED LIABILITY FOR EMPLOYEES' BENEFITS**

This account consists of:

	December 2009	December 2008
	US\$	US\$
Employees' benefits liability	1,940,406	1,804,709
Current maturities	(66,883)	-
Long term portion	<u>1,873,523</u>	<u>1,804,709</u>

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**20. ESTIMATED LIABILITY FOR EMPLOYEES' BENEFITS (Continued)**

The movement of estimated liability for employees' benefits during the period are as follows:

	December 2009	December 2008
	US\$	US\$
Beginning balance	1,606,323	1,506,262
Benefit costs during the period	409,392	400,091
Payment during the period	(75,308)	(101,644)
Ending balance	<u>1,940,406</u>	<u>1,804,709</u>

**21. SHARE CAPITAL**

The share ownership as of December 31, 2009 and December 31, 2008 based on the report from PT Sirca Datapro Perdana, the shares administrator bureau, are as follows:

Shareholders	December 2009		
	Number of Shares Issued and fully Paid Rp 100	Percentage of Ownership	Amount US\$
<b>Local</b>			
Commissioner			
- Donald Christian Sie	64,500	0.008%	1,784
Director			
- Tony Endroyoso	50,000	0.006%	1,383
- Toru Sakai	1,580,000	0.188%	43,700
Public (below 5% ownership each)	149,943,000	17.850%	4,147,160
Foreign			
Hitachi Construction Machinery Co., Ltd., Japan	408,180,000	48.593%	11,289,543
Itochu Corporation, Japan	189,400,000	22.548%	5,238,472
Hitachi Construction Machinery Asia and Pacific Pte., Ltd., Singapore	42,620,000	5.074%	1,178,794
Public (below 5% ownership each)	<u>48,162,500</u>	<u>5.734%</u>	<u>1,332,090</u>
Balance as of December, 31 2009	<u>840,000,000</u>	<u>100.00%</u>	<u>23,232,926</u>
		December 2008	
Shareholders	Number of Shares Issued and fully Paid Rp 100	Percentage of Ownership	Amount US\$
<b>Local</b>			
Commissioner			
- Donald Christian Sie	25,000	0.003%	691
Director			
- Tony Endroyoso	50,000	0.01%	1,383
Public (below 5% ownership each)	171,614,000	20.43%	4,746,542
Foreign			
Hitachi Construction Machinery Co., Ltd., Japan	408,180,000	48.59%	11,289,543
Itochu Corporation, Japan	189,400,000	22.55%	5,238,472
Hitachi Construction Machinery Asia and Pacific Pte., Ltd., Singapore	42,620,000	5.07%	1,178,794
Public (below 5% ownership each)	<u>28,111,000</u>	<u>3.35%</u>	<u>777,501</u>
Balance as of December 31, 2008	<u>840,000,000</u>	<u>100.00%</u>	<u>23,232,926</u>
<b>22. ADDITIONAL paid-in CAPITAL – NET</b>			
This account consists of:		Amount	
		US\$	
Additional paid-in capital		8,557,001	
Stock issuance costs		(558,165)	
<b>Net</b>		<u>7,998,836</u>	



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**23. CASH DIVIDENDS AND GENERAL RESERVE**

In accordance with the minutes of the Annual Shareholders' Meeting of the Company held on June 29, 2009, the minutes of which were notarized by Notarial Deed No. 163 and 164 on the same date of Robert Purba, S.H., the shareholders resolved to declare cash dividends totaling Rp91.560.000.000 (equivalent US\$8,954,524) and Rp 19.320.000.000 (equivalent US\$1,889,486) for the 840,000,000 shares or Rp109 and Rp 23 (full amount) per share, and to appropriate for general reserve from retained earnings amounting to Rp5,000,000,000 (equivalent US\$489,000). The cash dividends were fully paid to the shareholders on August 7, 2009 and in September 2009.

**24. NET REVENUES**

Details of net revenues are as follows:

	December 2009 US\$	December 2008 US\$
Sales and rental of heavy equipment		
Third parties	119,555,678	126,522,123
Related parties	17,484,635	5,142,637
Sales of spare parts		
Third parties	54,484,965	39,761,653
Repairs and maintenance services		
Third parties	33,882,182	31,481,851
Related parties	4,167,555	-
<b>Total Revenue</b>	<b>229,575,015</b>	<b>202,908,264</b>

**25. COST OF REVENUES**

Details of cost of revenues are as follows:

	December 2009 US\$	December 2008 US\$
Sales and rental heavy equipment		
Beginning balance of inventories	36,560,529	14,319,712
Purchasing	112,459,820	141,997,953
Available Inventories for sales	149,020,349	156,317,665
Allowance for inventories obsolescence	-	-
Ending Inventories	(31,787,735)	(49,907,672)
Cost of sales and rental heavy equipment	117,232,614	106,409,993
Spare-parts:		
Beginning balance of inventories	53,960,265	41,806,937
Purchasing	40,281,198	32,273,482
Available parts inventories	94,241,463	74,080,419
Allowance for inventories obsolescence	1,378,553	787,706
Ending balance of part inventories	(61,714,834)	(51,422,971)
Cost of spare-parts sales	33,905,182	23,445,154
Repairs and maintenance services cost	27,485,180	23,572,162
<b>Total cost of revenue</b>	<b>178,622,976</b>	<b>153,427,309</b>

**26. OPERATING EXPENSES**

Details of operating expenses are as follows:

	December 2009 US\$	December 2008 US\$
a Selling Expenses:		
Salaries, wages and employee benefits	4,453,777.06	5,018,840
Travelling	1,522,940.73	1,374,777
Depreciation	778,644.14	612,980
Communication	458,114.28	380,493
Warehousing and shipping	446,113.62	598,135
Transportation	2,255,661.55	2,247,096
Repairs and maintenance	187,275.15	151,191
Entertainment	20,776.68	127,952
Rental	208,947.55	148,817
After sales services	813,178.77	566,035
Training and education	178,916.01	274,716
Professional fees	449,283.32	429,362
Sales and promotion	124,392.78	166,118
<b>Total selling expenses</b>	<b>11,898,022</b>	<b>12,096,512</b>

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**26. OPERATING EXPENSES (Continued)**

b General and Administrative Expenses:		
Salaries, wages and employee benefits	4,122,558.84	4,041,930
Stationery and office supplies	2,567,084.96	2,387,700
Depreciation	611,791.83	481,627
Repairs and maintenance	421,054.86	420,975
Communication	390,245.50	324,124
Bank charges	66,857.10	71,720
Asuransi	397,506.08	347,803
Water, gas and electricity	402,227.82	341,056
Taxes	87,473.08	197,132
Donation	20,776.68	24,060
Membership	21,498.21	23,406
Others	287,864	54,388
Total General and administrative expenses	<u>9,396,939</u>	<u>8,715,921</u>
Total Operating expenses	<u>21,294,960</u>	<u>20,812,433</u>

**27 INTEREST INCOME**

This account represents interest income from:

	December 2009	December 2008
	US\$	US\$
Time Deposit	-	-
Current accounts	72,184	59,972
Financing leases	313,958	1,368,038
Trade receivables	9,801	19,672
Total	<u>395,942</u>	<u>1,447,682</u>

**28. INTEREST EXPENSES**

This account represents interest expense on:

	December 2009	December 2008
	US\$	US\$
Bank loans	859,452	463,192
Finance leases	6,399	14,768
Long-term other payables	342,435	835,662
Total	<u>1,208,285</u>	<u>1,313,622</u>

**29. MONETARY ASSETS AND LIABILITIES IN FOREIGN CURRENCIES**

As of December 31, 2009, the Company has monetary assets and liabilities denominated in foreign currencies as follows:

	Foreign Currencies	Equivalent in US\$
<b>Assets</b>		
Cash on hand and in banks		
Rupiah	IDR 31,490,838,668	3,350,625
Japan Yen	JPY 1,988,818.19	21,518
Trade receivables		
Rupiah	IDR 36,286,316,308	3,860,864
Non-Trade receivables		
Rupiah	IDR 232,549,625	24,743
<b>Total Assets</b>		<u>7,257,751</u>
<b>Liabilities</b>		
<u>Trade payables</u>		
Rupiah	IDR 23,508,484,020	2,501,303
AUD	AUD 3,961.51	3,553
EURO	€ 153.58	221
Japan Yen	JPY 835,692	9,042
SGD	SGD 21,945.58	15,639
<u>Other payables</u>		
Rupiah	IDR 6,127,125,847	651,926
SGD	SGD 55,830.00	39,785
EURO	€ 568.32	831
YEN	JPY 30,261,148	327,414
<u>Bank loan - Short term</u>		
Rupiah	IDR 5,800,328,947	617,155
<u>Bank loan - Long portion</u>		
Rupiah	IDR 63,803,665,414	6,788,710
Total Liabilities		<u>10,955,578</u>
Net monetary liabilities		<u>3,697,827</u>

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**30. SIGNIFICANT AGREEMENTS AND COMMITMENTS**

**a. Royalty Agreement**

In May 1999, the Company entered into a royalty agreement with Hitachi Construction Machinery Co., Ltd., Japan (HCMJ), a shareholder. Based on this agreement, HCMJ agreed to furnish the Company with license, technical information and training in order to remanufacture heavy equipment components. As compensation, the Company shall pay HCMJ royalty fee for the license at 1% of certain product sales and technical assistance services related to heavy equipment component remanufacturing. This agreement expired on December 31, 2009.

**b. Distributorship Agreements**

The Company has several distributorship agreements in relation to the sale of certain heavy equipment and its spare parts with several licensed companies, among others, HCMJ, Hitachi Construction Machinery Asia and Pacific Pte., Ltd., Singapore (HMAP), a shareholder, PT Hitachi Construction Machinery Indonesia, a related party.

The above agreements generally cover a period of 1 year to 3 years and can be extended from time to time as agreed with the above companies. The agreements require the Company to achieve certain sales targets and provide after sales service on the heavy equipment sold.

**c. Three Parties Sales and Purchase Agreement**

The Company entered into a three parties sales and purchase agreements with HMAP and a certain customer, whereby the Company was appointed as a sales agent on sales of heavy equipment from HMAP to certain customer in Indonesia. Based on these agreements, the Company is responsible to provide service warranty that can be claimed back to HMAP and maintenance support for the heavy equipments sold and administer and fully responsible for collection of any payment incurred from the transaction

As compensation, the Company received commission fee and administration revenue from HMAP for collection of receivable based on the certain percentage of the sales price of heavy equipment and collected receivables which is recorded as part of the "Net Revenues" account in the statements of income.

**d. Commission Agreement**

The Company entered into a commission agreement with HCMJ, whereby based on the agreement, the Company receives commission fee from HCMJ based on the certain percentage of the sales price of heavy equipments sales to certain third parties. As compensation, the Company is responsible to provide the technical assistance of assembling system, perform periodic inspection during the warranty time and provide the training to certain third parties. The commission revenue received by the Company is recorded as part of "Net Revenues" account in the statements of income.

**e. Unused Credit Facility**

As of December 31, 2009, the Company has unused credit facility obtained from PT Bank Resona Perdania, under promissory note loan facility with a maximum credit facility of US\$2,000,000 that has been extended until May 16, 2010.

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**30. SIGNIFICANT AGREEMENTS AND COMMITMENTS (Continued)**

**f. Derivative Instrument - Cross Currency Swap**

On September 1, 2008, the Company entered into cross currency swap contracts with Citibank N.A., Jakarta, whereby the Company shall receive an annual interest income of 1% above the Certificate of Bank Indonesia from the nominal values of Rp28,490 and Rp14,000 at the beginning and will be reduced by Rp1,314 every month and pay annual interests of 5.75% and 5.60% from the nominal values of US\$3,111,961 and US\$1,529,219, respectively, at the beginning and will be reduced by US\$143,528 every month. The interests will be received and paid on monthly basis, starting from September 2008 and each will be matured on July 11, 2011 and December 24, 2010, respectively. Every month, the Company will receive Rp1,314 and pay US\$143,528 to Citibank N.A., Jakarta.

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**31. INFORMASI SEGMENT**

The following tables present certain information regarding the business and geographical segments as of December 31, 2009 and December 31, 2008 as follows:

<u>December-09</u>	<u>Sales, rental of Heavy Equip and commission income</u>	<u>Sales of spare parts</u>	<u>Repair and Maintenance service</u>	<u>Unallocated</u>	<u>Total</u>
<b>Business Segment Information (Primary)</b>					
Segment Revenues	137,040,313	54,484,965	38,049,737		229,575,015
Segment Gross Profit	19,807,699	21,271,976	9,872,364		50,952,039
Segment Operating Income	<u>16,235,315</u>	<u>20,746,720</u>	<u>3,255,613</u>	<u>(10,580,569)</u>	<u>29,657,079</u>
Segment Assets	<u>43,570,726</u>	<u>71,609,198</u>	<u>9,258,327</u>	<u>91,090,432</u>	<u>215,528,683</u>
<i>Segment Liabilities</i>	<u>53,040,167</u>	<u>12,846,891</u>	<u>698,683</u>	<u>62,567,420</u>	<u>129,153,161</u>
<b>Geographical Segment Information (Secondary)</b>					
Segment Revenues					
Java island	9,552,449	1,104,784	367,696	-	11,024,929
<i>Outside Java island</i>	127,487,864	53,380,181	37,682,041	-	218,550,086
<b>Total Segment Revenue</b>	<u>137,040,313</u>	<u>54,484,965</u>	<u>38,049,737</u>	<u>-</u>	<u>229,575,015</u>
Segment Gross Profit					
Java island	5,932,731	762,240	210,393	-	6,905,364
<i>Outside Java island</i>	13,874,968	20,509,736	9,661,971	-	44,046,675
<b>Segment Gross Profit</b>	<u>19,807,699</u>	<u>21,271,976</u>	<u>9,872,364</u>	<u>-</u>	<u>50,952,039</u>
Operating Income					
Java island	5,613,324	705,336	109,415	(207,004)	6,221,071
<i>Outside Java island</i>	10,621,991	20,041,384	3,146,198	(10,373,565)	23,436,008
<b>Segment Operating Income</b>	<u>16,235,315</u>	<u>20,746,720</u>	<u>3,255,613</u>	<u>(10,580,569)</u>	<u>29,657,079</u>
<u>December-08</u>	<u>Sales, rental of Heavy Equip and commission income</u>	<u>Sales of spare parts</u>	<u>Repair and Maintenance service</u>	<u>Unallocated</u>	<u>Total</u>
<b>Business Segment Information (Primary)</b>					
Segment Revenues	131,664,761	39,761,653	31,481,850	-	202,908,264
Segment Gross Profit	24,467,061	16,420,842	8,593,052	-	49,480,955
Segment Operating Income	<u>19,895,994</u>	<u>15,844,527</u>	<u>3,531,860</u>	<u>(10,603,859)</u>	<u>28,668,522</u>
Segment Assets	<u>74,920,028</u>	<u>50,837,206</u>	<u>7,747,834</u>	<u>53,747,000</u>	<u>187,252,068</u>
<i>Segment Liabilities</i>	<u>53,340,498</u>	<u>13,535,660</u>	<u>1,460,728</u>	<u>42,618,020</u>	<u>110,954,906</u>
<b>Geographical Segment Information (Secondary)</b>					
Segment Revenues					
Java island	13,442,871	1,110,605	263,369	-	14,816,845
<i>Outside Java island</i>	118,221,890	38,651,048	31,218,481	-	188,091,419
<b>Total Segment Revenue</b>	<u>131,664,761</u>	<u>39,761,653</u>	<u>31,481,850</u>	<u>-</u>	<u>202,908,264</u>

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**31. INFORMASI SEGMENT (CONTINUED)**

Segment Gross Profit					
Java island	2,217,231	460,283	84,944	-	2,762,458
<i>Outside Java island</i>	22,249,830	15,960,559	8,508,108	-	46,718,497
<b>Segment Gross Profit</b>	<b>24,467,061</b>	<b>16,420,842</b>	<b>8,593,052</b>	<b>-</b>	<b>49,480,955</b>
Operating Income					
Java island	2,116,498	399,765	(110,556)	(215,378)	2,190,329
<i>Outside Java island</i>	17,779,496	15,444,762	3,642,416	(10,388,481)	26,478,193
<b>Segment Operating Income</b>	<b>19,895,994</b>	<b>15,844,527</b>	<b>3,531,860</b>	<b>(10,603,859)</b>	<b>28,668,522</b>

**32 CHANGES ON THE REPORTING CURRENCY**

In accordance with the minutes of the Extraordinary Shareholders' Meeting of the Company held on June 25, 2008, as covered by Notarial Deed No. 123 on the same date of Robert Purba, S.H., the shareholders resolved to change the reporting currency from Rupiah to US Dollar that will be effective for 2009 fiscal year. The change was approved by the Department of Finance of Republic Indonesia in its decision letter No. KEP-159/WPJ.07/ WPJ.07/BD.04/2008.