PT HEXINDO ADIPERKASA Tbk

Financial Statements

For First Quarter ended June 30, 2011 and 2010.

(In US Dollars)

PT HEXINDO ADIPERKASA Tbk
FINANCIAL STATEMENTS
FOR FIRST QUARTER ENDED JUNE 30, 2011 AND 2010

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PT HEXINDO ADIPERKASA Tbk.
BALANCE SHEETS
June 30, 2011 and 2010
(Expressed in US Dollars, unless Otherwise Stated)

ASSETS

	Notes	2011	2010
		US$	US$
CURRENT ASSETS			
Cash on hand and in banks	3	39,859,206	28,281,760
Receivables			
- Third parties (Net of allowance for doubtful accounts of US$ 146.020 as of June 30, 2011 and US$ 2.725.495 as of June 30, 2010)	2b,4	59,242,621	57,232,538
- Related parties	2c,5a	862,452	5,600,296
- Finance lease receivables - current portion	2i, 6	-	406,564
- Other receivables - third parties	7	148,359	90,465
Inventories	2d,8	124,076,164	93,039,426
Advance payment	10	5,898,317	492,717
Prepaid expenses	2e	561,848	560,870
Prepaid Taxes	9	-	2,738,721
TOTAL CURRENT ASSETS		230,648,967	188,443,356
NON CURRENT ASSETS			
Due from related parties	2c,5b	929,151	314,951
Investment in shares of stock	2f	4,579,765	4,579,765
Finance lease receivables - long term portion	2i, 6	-	-
Estimated claim for tax refund	9	2,579,463	2,558,572
Deferred tax assets - net	2o,16	2,018,475	2,100,279
Fixed Assets			
Acquisition cost	2g, 11	53,643,909	49,652,176
Accumulated Depreciation	2g, 11	(21,906,035)	(20,996,722)
Net - Book Value		**31,737,874**	**28,655,453**
Other assets	2g	296,592	197,471
Total Non-Current Assets		**42,141,321**	**38,406,492**
TOTAL ASSETS		272,790,288	226,849,849

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

PT HEXINDO ADIPERKASA Tbk.
BALANCE SHEETS
June 30, 2011 and 2010
(Expressed in US Dollars, unless Otherwise Stated)

LIABILITIES AND EQUITY

	Notes	2011	2010
CURRENT LIABILITIES		US$	US$
Short-term bank loans	12	-	-
Trade payables			
- Related parties	2c,5c	84,521,952	76,329,587
- Third parties	13	2,657,599	5,522,064
Other payables			
- Related parties	2c,5d	5,872,282	1,262,550
- Third parties	14	12,181,981	9,463,645
Accrued expenses	15	16,175,384	12,493,376
Taxes payables	16	1,987,316	4,586,081
Current maturities of long term liabilities:			
Bank loans	17	1,582,145	3,082,800
Finance lease obligation	18	-	6,221
Other payables	19	-	350,987
Estimated liability for employees' benefits	20	172,829	6,821
Total Current Liabilities		125,151,488	113,104,131
NON CURRENT LIABILITIES			
Derivative instrument payables	2m, 30f	-	12,506
Long-term liabilities-net of current portion:			
Bank loan	17	-	2,415,300
Finance lease obligation	18	-	2,209
Other payables	19	-	-
Estimated liability for employees' benefits	20	4,310,301	2,885,816
Total Non-Current Liabilities		4,310,301	5,315,831
EQUITY			
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	3,117,008	2,617,008
Unappropriated		108,979,729	74,581,116
TOTAL EQUITY		143,328,499	108,429,886
TOTAL LIABILITIES AND EQUITY		272,790,288	226,849,849

Jakarta, July 25, 2011

Kardinal Alamsyah Karim, MM
President Director

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

PT HEXINDO ADIPERKASA Tbk.
STATEMENTS OF INCOME
For First Quarter ended June 30, 2011 and 2010.
(Expressed in US Dollars, unless Otherwise Stated)

	Notes	2011	2010
		US$	US$
NET REVENUES	2c,2k,24, 30b,30c,3 0d	122,142,708	123,539,968
COST OF REVENUES	2c,2k,25	96,652,329	101,695,480
GROSS PROFIT		25,490,379	21,844,489
OPERATING EXPENSES	2k,26		
Selling		5,967,164	5,671,562
General and administrative		4,431,930	3,689,288
Totol operating expenses		10,399,094	9,360,850
OPERATING INCOME		15,091,285	12,483,639
OTHER INCOME (CHARGES)			
Interest income	2i,27	37,705	49,262
Gain(loss) on sales of property & equipment		(1,780)	(94)
Interest expenses	2c,28	(43,317)	(113,636)
Gain(loss) on foreign exchange-net	2n	(191,500)	(71,701)
Provision for doubtful accounts	2b,4	(7,482)	(454,671)
Miscelaneous - net	2g	568,597	453,445
Other income (charges) - net		362,223	(137,394)
INCOME BEFORE INCOME TAX		15,453,508	12,346,245
INCOME TAX BENEFIT (EXPENSES)			
Current	2o,16	(3,962,750)	(3,009,750)
Deferred	2o,16	71,281	(107,288)
Income Tax Expense - Net		(3,891,469)	(3,117,038)
NET INCOME		11,562,039	9,229,207
BASIC EARNINGS PER SHARE (in US Dollar)	2p	0.014	0.011

Jakarta, July 25, 2011

Kardinal Alamsyah Karim, M
President Director

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

PT. HEXINDO ADIPERKASA Tbk.
STATEMENTS OF CHANGES IN EQUITY
For first quarter ended June 30, 2011 and 2010
(Expressed in US Dollars, unless Otherwise Stated)

	Notes	Share Capital - Issued and Fully Paid	Additional Paid-in Capital - Net	Retained Earnings		Total Equity
				Appropriated	Anappropriated	
Balance, April 1, 2010						
Before adjustment		23,232,926	7,998,836	2,617,008	65,351,909	99,200,679
Net adjustment arising from adoption of Statement of Financial Accounting Standards (PSAK) No. 55)Revised 2006), "Financial Instruments: Recognition and Measurement"		-	-	-	1,637,845	1,637,845
After Adjustment		23,232,926	7,998,836	2,617,008	66,989,754	100,838,524
Cash dividends declared	23	-	-	-	(12,180,000)	(12,180,000)
Appropriation for general reserve	23			500,000	(500,000)	-
Net income period April 2010-March 2011		-	-	-	43,107,936	43,107,936
Balance, March 31, 2011		23,232,926	7,998,836	3,117,008	97,417,690	131,766,460
Net income period April - June 2011		-	-	-	11,562,039	11,562,039
Balance, June 30, 2011		23,232,926	7,998,836	3,117,008	108,979,729	143,328,499

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

PT HEXINDO ADIPERKASA Tbk.
STATEMENTS OF CASH FLOWS
For First Quarter ended June 30, 2011 and 2010.
(Expressed in US Dollars, unless Otherwise Stated)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES	US$	US$
Cash receipts from customers	180,358,492	126,135,343
Cash paid to:		
Suppliers	(130,814,023)	(103,568,970)
Operating activities	(14,862,771)	(9,778,083)
Salaries, wages and benefit of employees	(3,161,780)	(2,338,261)
Net cash provided by operations	31,519,918	10,450,029
Payment of interest expenses	(55,094)	(140,136)
Payments for income taxes	(11,088,490)	(7,048,731)
Payments for value added taxes	(2,751,096)	(2,763,297)
Net cash provided by (used in) operating activities	**17,625,238**	**497,865**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	(1,356,377)	(178,717)
Net cash used in Investing activities	**(1,356,377)**	**(178,717)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of bank loan	(1,292,687)	(1,081,639)
Payment of finance lease obligation	(2,303)	(13,819)
Net cash provided by (used in) Financing Activities	(1,294,990)	(1,095,457)
Net Increase (Decrease) in cash on hand and in banks	**14,973,871**	**(776,309)**
Cash on hand and in bank at beginning of period	24,885,335	29,058,069
CASH ON HAND AND IN BANK AT END OF PERIOD	**39,859,206**	**28,281,760**

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

1 GENERAL

a. Establishment of the Company

PT Hexindo Adiperkasa Tbk (the "Company") was established in Indonesia based on Notarial Deed No. 37 dated November 28, 1988 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. 159 dated July 21, 2008 of Robert Purba, S.H., concerning compliance with Law No. 40 year 2007 and change in fiscal year from January 1 to December 31 to become April 1 to March 31. These amendments were approved by the Ministry of Justice and Human Rights of Republic Indonesia through its Letter No. AHU-55157 AH.01.02 dated August 25, 2008.

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 June 30, 2010, the Company has 18 branches, 5 representative offices and 12 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 par value per share) at an offer price of Rp2,800 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 Supervisory Agency (BAPEPAM). 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 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..

Based on 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 per share to Rp500 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.

(Expressed in US Dollars Unless Otherwise Stated)

1 **GENERAL (Continued)**

Based on 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 per share to Rp100 per share. This amendment was accepted and recorded by the Department of Justice and Human Rights of the Republic of 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 June 30, 2011 are as follows:

<u>Board of Commissioners:</u>		
Harry Danui	-	President Commissioner
Toto Wahyudiyanto	-	Commissioner
Donald Christian Sie	-	Commissioner
<u>Directors:</u>		
Kardinal Alamsyah Karim, MM.	-	President Director
Chikara Hirose	-	Director
Hideo Satake	-	Director
Eiji Fukunishi	-	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 June 30, 2011 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 June 30, 2010 are as follows

<u>Board of Commissioners:</u>		
Kardinal Alamsyah Karim, MM.	-	President Commissioner
Harry Danui	-	Commissioner
Donald Christian Sie	-	Commissioner

(Expressed in US Dollars Unless Otherwise Stated)

1 **GENERAL (Continued)**

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

<u>Directors:</u>

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 June 30, 2010 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$192.481 for June 30, 2011 and US$189.568 for June 30, 2010.

As of June 30, 2011 and June 30, 2010, the Company had 1324 and 1083 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 regulations and the Guidelines for Financial Statements Presentation as circulated by BAPEPAM for trading companies, which offer their shares to the public.

The financial statements, except for the statements of cash flows, are prepared using the accrual basis and based on historical cost concept, except for certain accounts which are measured on the bases described in the related accounting policies for those accounts.

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

b. **Allowance for Impairment of Receivable**

Prior April 1, 2010, allowance for impairment of receivable is determined based on a review of the status of the individual receivable at the end of the year.

Starting April 1, 2010, allowance for impairment of receivable is determined as disclosed in Note 2m vi.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 bussiness, less estimated cost of completion and the estimated cost necessary to make the sale.

Allowance for inventories obsolescence and decline in market value 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. Long-term Investment

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

g. Property and Equipment

1 Direct ownership

The Company uses the cost model for property and equipment measurement.

Property and equipment is stated at cost less accumulated depreciation (except for land that is not depreciated) 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 machineries	5	10% - '20%
Tools for after-sales service	2	50%

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

All 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. These costs are reclassified to related accounts when the asset is completed and ready for its intended use.

h. Impairment of Non-Financial 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

The Company recorded its leasing activities as follows:

The Company as a lessee

1 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..

2 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

1

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Lease (Continue)

2 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 the usage of heavy equipment in accordance with the related agreement.

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

m. Financial Instruments

Starting April 1, 2010, the Company adopted the PSAK No. 50 (Revised 2006), "Financial Instruments: Presentation and Disclosures" (PSAK No. 50R), and the PSAK No. 55 (Revised 2006), "Financial Instruments: Recognition and Measurement" (PSAK No. 55R). The cumulative effect from the prospective adoption of the aboved revised PSAKs amounted to US$1,637,845 has been recorded in retained earnings as of April 1, 2010.

The PSAK No. 50R 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Financial Instruments (Continue)

The PSAK No. 55R establishes the principles for recognizing 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.

i Financial Assets

Initial recognition

Financial assets within the scope of the PSAK No. 55R are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The Company determines the classification of their financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

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 purchases) are recognized on the trade date, i.e., the date that the companies commit to purchase or sell the assets.

The Company's financial assets include cash on hand and in banks, trade receivables, other receivables, due from related parties, long-term investment, and other non-current financial assets.

The Company's financial assets classified as loans and receivables and available-for-sale financial assets

Subsequent measurement

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

a 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 statement 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 receivables, due from related parties and non-current assets - other are included in this category.

b Available-for-sale (AFS) financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, held-to-maturity investments, and loans and receivables. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized in the equity until the investment is derecognized. At that time, the cumulative gain or loss previously recognized in the equity shall be reclassified to profit or loss as a reclassification adjustment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Financial Instruments (Continue)

The investments classified as AFS are as follows:

1 Investments in shares of stock that do not have readily determinable fair value in which the equity interest is less than 20% and other long-term investments are carried at cost.

2 Investments in equity shares that have readily determinable fair value in which the equity interest is less than 20% are recorded at fair value.

Long-term investment and other non-current financial assets are included in this category.

ii Financial Liabilities

Initial recognition

Financial liabilities within the scope of the PSAK No. 55R 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 their financial liabilities at initial recognition.

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

The Company's financial liabilities include trade payables, other payables, due to related parties, accrued expenses, and long-term liabilities.

All of the Company's financial liabilities classified as loans and borrowings.

Subsequent measurement

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.

iii 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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Financial Instruments (Continue)

v Amortized cost of financial instruments

Amortized cost is computed using the effective interest rate 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.

vi Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

a. Financial assets carried at amortized cost

For loans and receivables carried at amortized cost, the Company first assess 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, the asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed 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 has a variable interest rate, the discount rate for measuring impairment loss is the current effective interest rate.
The carrying amount of the financial asset is reduced through the use of an allowance for impairment 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 financial 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 year, 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 for impairment account. If a future write-off is later recovered, the recovery is recognized in profit or loss.

b. AFS financial assets

In the case of 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 shareholders' equity to profit or loss. Impairment losses on equity investments are not reversed through the profit or loss; increases in their fair value after impairment are recognized in shareholders' equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Financial Instruments (Continue)

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 year, 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.

vii 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 contractual rights to receive cash flows from the asset have expired; or (2) the Company has transferred their contractual 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 reward of the asset, but has trasferred 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.

vii Derivative financial instruments

The Company enters into and engages in cross currency swap, interest rate swap and other permitted instruments, if considered necessary, for the purpose of managing its foreign exchange and interest rate exposures emanating from the Company's loans payable in foreign currencies. These derivative financial instruments are not designated in a qualifying hedge relationship and are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives during the period that do not qualify for hedge accounting are taken directly to profit or loss.

Derivative assets and liabilities, if any, are presented under current assets and current liabilities, respectively. Embedded derivative is presented with the host contract in the balance sheet which represents an appropriate presentation of overall future cash flows for the instrument taken as a whole.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 June 30, 2011 and June 30, 2010, the rates of exchange used are, as follows (full amount of US Dollar):

	2011	2010
1 Euro (EUR)	1,43	1,22
10,000 Indonesian Rupiah (IDR)	1,17	1,10
1 Australian Dollar (AUD)	1,07	0,85
1 Singapore Dollar (SGD)	0,81	0,71
1 Japanese Yen (JP¥)	0,01	0,01

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.

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 June 30, 2011 and June 30, 2010 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3 CHANGE IN REPORTING CURRENCY AND REMEASUREMENT OF PRIOR YEAR'S BALANCE

In accordance with the General 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 Company's reporting currency from Indonesian Rupiah to United States Dollar (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/BD.04/2009 dated February 27, 2009.

Effective April 1, 2009, the Company adopted the US Dollar as its reporting and functional currency in accordance with the criteria stated in PSAK No. 52, "Reporting Currency". The Company changed its reporting currency since most of the Company's revenue, purchases and cash flows are transacted in US Dollar currency.

Accordingly, the Company's audited financial position as of March 31, 2009 have been remeasured to US Dollar on the following basis:

1 Monetary assets and liabilities were remeasured using the exchange rate on the balance sheet date.

2 Non-monetary assets and liabilities and capital stock were remeasured using the exchange rate on the date of transaction (historical exchange rate).

3 The remeasurement differences from application of the above procedures are recorded in the retained earnings for the period.

(Expressed in US Dollars, unless Otherwise Stated)

3. CASH ON HAND AND IN BANKS

This account consists of:

	June 2011 US$	June 2010 US$
Cash on hand		
Cash, RP 3,347,614,617 as of June 30, 2011 and RP 489,568,574 as of June 30, 2010	389,328	53,902
Cash in bank		
Ruplah		
PT Bank CIMB Niaga Tbk (previously Bank Lippo Tbk.) (RP 612,062,854.69 as of June 30, 2011 and RP 5.806.441.326 as of June 30, 2010)	71,183	639,289
PT Bank Resona Perdania (RP77,572,227 as of June 30, 2011 and RP78.934.423 as of June 30, 2010)	9,022	8,691
PT Bank International Indonesia Tbk (RP15,462,080,482 as of June 30, 2011 and RP 16.161.191.371 as of June 30, 2010)	1,798,240	1,779,347
PT Bank Rakyat Indonesia (RP35.632.243 as of June 30, 2010)	-	3,923
PT Bank Danamon Tbk. (RP2.581.247.139 as of June 30, 2010)	-	284,195
PT Bank Mandiri (RP13,230,540,757 as of June 30, 2011 and RP1.955.889.918 as of June 30, 2010)	1,538,712	215,343
PT Bank Mega (RP10,054,363,199 as of June 30, 2011 and RP10.559.424.977 as of June 30, 2010)	1,169,322	1,162,593
Citibank N.A., Jakarta (RP206,501,376 as of June 30, 2011 and RP1.029.310.536 as of June 30, 2010)	24,016	113,327
PT Bank Negara Indonesia (Persero) Tbk. (RP15,347,549 as of June 30, 2011 and RP58.250.227 as of June 30, 2010	1,785	6,413
PT. Bank Mizuho Indonesia (RP9,498,194 as of June 30, 2011 and RP9.670.209 as of June 30, 2010	1,105	1,065
The Bank of Tokyo Mitsubishi UFJ, Ltd., Jakarta (RP10,228,720,980 as of June 30, 2011 and RP393.919.346 as of June 30, 2010)	1,189,600	43,371
Bank Sumitomo Mitsui Indonesia (RP9,845,915,74 as of June 30, 2011 and RP9.815.998 as of June 30, 2010)	1,145	1,081
Total Rupiah Accounts	5,804,130	4,258,638
United States Dollars accounts:		
PT Bank Resona Perdania	2,543	2,543
PT Bank International Indonesia Tbk	21,893,819	16,055,558
The Bank of Tokyo-Mitsubishi UFJ, Ltd. Singapore	-	658,549
PT Bank Mega	485,428	215,042
Citibank N.A., Jakarta	2,201,725	853,998
PT. Bank Mizuho Indonesia	249,757	11,051
PT Bank Shinta	74,571	195
The Bank of Tokyo Mitsubishi UFJ, Ltd.	8,729,290	6,139,491
Bank Sumitomo Mitsui Indonesia	5,268	5,284
Total United States Dollar Accounts	33,642,400	23,941,710
Yen Jepang		
The Bank of Tokyo Mitsubishi UFJ, Ltd. Jakarta (JPY 1,315,246 as of June 30, 2011 and JPY 1,855.919,26 as of June 30, 2010)	16,326	20,960
PT Bank International Indonesia Tbk. (JPY 565,756 as of June 30, 2011 and JPY 579.932,93 as of June 30, 2010)	7,023	6,550
Total Yen accounts	23,349	27,510
Total cash in Banks	39,469,878	28,227,858
Total cash on hand and in banks	39,859,206	28,281,760

(Expressed in US Dollars, unless Otherwise Stated)

4. TRADE RECEIVABLES - THIRD PARTIES

This account represents trade receivables - third parties arising from:

	June 2011	June 2010
	US$	US$
Sales and rental of heavy equipment, used in:		
Plantation and logging	12,077,269	10,186,590
Constructions	290,999	245,443
Mining	10,977,723	9,259,176
Total	23,345,991	19,691,209
Repairs and maintenance services	15,651,135	13,121,536
Sales of spare parts	20,391,515	27,145,288
Total	59,388,641	59,958,033
Less allowance for doubtful accounts	(146,020)	(2,725,495)
Net	59,242,621	57,232,538

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

	June 2011	June 2010
	US$	US$
Beginning balance	138,538	2,270,824
Provision during the period	7,482	454,671
Ending balance	146,020	2,725,495

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

	June 2011	June 2010
Sales and rental of heavy equipment	US$	US$
Current and less than 3 months	23,327,810	19,651,524
3 - 6 months	18,181	-
Over 6 months - 1 year	-	25,920
Over 1 year	-	13,765
Total	23,345,991	19,691,209
Repairs and maintenance services		
Current and less than 3 months	15,466,600	10,634,919
3 - 6 months	107,814	2,457,755
Over 6 months - 1 year	29,551	28,862
Over 1 year	47,171	-
Total	15,651,135	13,121,536
Sales of spare parts		
Current and less than 3 months	20,118,221	24,614,029
3 - 6 months	237,731	2,359,213
Over 6 months - 1 year	17,151	157,651
Over 1 year	18,413	14,395
Total	20,391,515	27,145,288

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

	June 2011	June 2010
	US$	US$
United States Dollars	53,864,791	55,603,389
Rupiah	5,523,850	4,354,644
Total	59,388,641	59,958,033

The Company's management believes that the allowance for impairment is adequate to cover possible losses from uncollectible accounts.

(Expressed in US Dollars, unless Otherwise Stated)

5. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

a. Trade Receivables

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

	June 2011	June 2010	Percentage to total assets 2011	2010
	US$	US$	%	%
Hitachi Construction Machinery Asia and Pasific Pte, Ltd, Singapore	837,606	1,186,598	0.31	0.52
Hitachi Construction Machinery Co, Ltd, Thailand	376	4,887	0.00	0.00
Hitachi Construction Finance Indonesia	-	4,408,811	-	1.94
SHSC Service	24,470	-	0.01	-
Total	862,452	5,600,296	0.32	2.47

Receivables from Hitachi Construction Machinery Asia and Pacific Pte., Ltd., Singapore (HMAP) and Hitachi Construction Machinery Co., Ltd., Japan (HCMJ), represent receivables arising from commissions as sales agent, collection service and technical service on sales of heavy equipment to certain third parties

Receivables from PT Hitachi Construction Machinery Finance Indonesia represents receivables arising from sale on heavy equipment.

The Company's management believes that all trade receivables from related parties can be collected, and thus no allowance for doubtful accounts were provided for

	June 2011	June 2010	Percentage to total assets 2011	2010
b. Other Receivables	US$	US$	%	%
Employees	449,589	255,334	0.16	0.11
Hitachi Construction Machinery Co, Ltd, Jepang	442,836	22,134	0.16	0.01
Telco Construction Equipment Co., Ltd India	31,546	-	0.01	-
Global Mining Center Bribane	-	428	-	0.00
Hitachi Construction Machinery Co, Ltd, Indonesia	-	37,056	-	0.02
HCM Malaysia	5,180	-	0.00	-
Total	929,151	314,951	0.34	0.14
Total of receivables from related parties	1,791,604	5,915,248	0.66	2.61

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

The Company's management believes that Other receivables from related parties can be collected, and thus no allowance for impairment were provided for.

	June 2011		June 2010	Percentage to Total Liabilities 2011	2010
c. Trade Payables	US$		US$	%	%
PT Hitachi Construction Machinery Indonesia	18,648,463		38,440,641	6.84	16.95
Hitachi Construction Machinery Asia & Pasific Pte., Ltd., Singapore	65,780,440		37,876,806	24.11	16.70
Hitachi Construction Machinery Co., Ltd., Japan	45,432		-	0.02	-
Hitachi Construction Truck Manufacturing Ltd., Canada	-		12,140	-	0.01
Hitachi Kenki Logistic Technology., Japan	47,617		-	0.02	-
Total	84,521,952	Rp	76,329,587	30.98	33.65

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 Kenki Logistic Technology., Japan, represent payables on purchases of spare parts inventories

(Expressed In US Dollars, unless Otherwise Stated)

5. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

	June 2011	June 2010	Percentage to Total Liabilities 2011	2010
d. Other Payables	US$	US$	%	%
Hitachi Construction Machinery Co., Ltd, Jepang	121,959	27,548	0.04	0.01
PT Hitachi Construction Machinery Indonesia	1,465,493	-	0.54	-
Hitachi Construction Machinery Asia & Pasific Pte, Ltd,	4,284,830	1,235,002	1.57	0.54
Total	5,872,282	1,262,550	2.15	0.56

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

Name of Related Parties	Relationship
1. Hitachi Construction Machinery Co., Ltd, Jepang	Shareholder
2. Hitachi Construction Machinery Asia Pasific Pte, Ltd., Singapore	Shareholder
3. Itochu Corporation, Jepang	Shareholder
4. Hitachi Construction Truck Manufacturing Ltd., Canada	Affiliated Company
5. PT Hitachi Construction Machinery Indonesia	Affiliated Company
6. Hitachi Construction Machinery (Thailand)Co., Ltd.,	Affiliated Company
7. Hitachi Construction Machinery (Shanghai) Co., Ltd., Cina	Affiliated Company
8. Hitachi Construction Machinery Trading Co., Ltd, Jepang	Affiliated Company
9. PT Hitachi Construction Machinery Finance Indonesia	Affiliated Company
10. Hitachi Sumitomo Heavy Industries Construction, Japan	Affiliated Company
11. Hitachi Construction Machinery Australia Pty., Ltd., Australia	Affiliated Company
12. Telco Construction Equipment Co., Ltd., India	Affiliated Company
13. Hitachi Kenki Logistics Technology Co., Ltd., Japan	Affiliated Company

6. FINANCE LEASE RECEIVABLES

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

	June 2011	June 2010
	US$	US$
Finance lease receivables	-	406,564
Unearned finance lease income	-	-
Total	-	406,564
Less Current portion	-	(406,564)
Long-term portion	-	-

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:

	June 2011	June 2010
	US$	US$
Austin Engineering	-	1,634
Thiess Contractor	5,306	5,306
Madhani Talatah Nusa	-	1,687
Pama Persada	2,310	2,515
Fukoku Industries Indonesia	1,060	-
Skypak	27,545	-
Gracemount Pesut Jaya	21,127	30,230
Bukit Makmur Mandiri	1,237	2,490
Others	89,774	46,604
Total	148,359	90,465

(Expressed In US Dollars, unless Otherwise Stated)

8. INVENTORIES - NET

This account consists of:

	June 2011	June 2010
	US$	US$
Merchandise inventories		
Heavy equipment	60,816,512	36,597,678
Spare parts	67,396,781	59,488,448
Total	128,213,293	96,086,126
Less allowance for inventories obsolescence	(4,137,129)	(3,046,700)
Net	124,076,164	93,039,426

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

	June 2011	June 2010
	US$	US$
Balance at beginning of year	3,914,891	2,700,665
Provision during the period	222,237	346,035
Balance at end of year	4,137,129	3,046,700

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 US$13.997,750 as of June 30, 2011 and US$13.932.962 as of June 30, 2010, which the Company's management believes that the insurance coverage is adequate to cover possible losses arising from such risks.

(Expressed in US Dollars, unless Otherwise Stated)

9. PREPAID TAXES

Prepayment of income taxes:

	June 2011	June 2010
	US$	US$
Article 22	-	1,015,351
Article 23	-	143,201
Article 25	-	1,580,169
Total prepayment of income taxes	-	2,738,721
Value Added Tax	-	-
Total prepaid taxes	-	2,738,721

Estimated claim for tax refund :

	June 2011	June 2010
	US$	US$
Income tax - Period 2007	471,093	450,202
Income tax - Period 2010	49,166	-
Value Added Tax	2,059,204	2,108,370
Total estimated claim for tax refund	2,579,463	2,558,572

On January 15, 2010, the Company received the results of tax assessments for the over payment of VAT for the month of December 2008 based on the Letter of Tax Over Payment (SKPLB).No. 00049/407/08/054/10 which amounted to Rp20,000,112,612 (equivalent to US$2,194,198) out of the Company's total claim of Rp22,976,102,405 (equivalent to US$2,520,691) and the Tax Collection Letter (STP) No. 00003/107/08/05410 amounting to Rp595,197,959 (equivalent to US$65,299). The Company did not agree with the assessment and sent an objection letter No. 006/HAP-TAX/III/10 dated March 25, 2010. On December 27, 2010, the Company received letter No. KEP-1522/WPJ.07/2010 from the Directorate General of Taxation (DGT) regarding its rejection of the Company's objection letter. On March 11, 2011, the Company filed an appeal on the DGT's decision to the Tax Court through its letter No. 003/HAP-TAX/III/2011. Until the completion date of the financial statements, the case is still on going in the Tax Court.

On January 15, 2010, the Company also received the result of tax assessment for its VAT for the months of September - November 2008 based on the Letter of Tax Under Payment (SKPKB) No. 00016/207/08/054/10 amounting to under payment of Rp4,396,479,260 (equivalent to US$482,335) and several STP totaling to Rp527,039,090 (equivalent to US$57,821). The Company did not agree with the assessment and sent an objection letter No. 005/HAP-TAX/III/10 dated March 29, 2010 with an agreed amount of Rp87,391,164 (equivalent to US$9,588) which is recorded as part of "Operating Expenses" account in the 2010 statement of income (Note 22). On December 14, 2010, the Company received letter No. KEP-1451/WPJ.07/2010 from the DGT regarding its rejection of the Company's objection letter. On March 11, 2011, the Company filed an appeal on the DGT's decision to the Tax Court through its letter No. 002/HAP-TAX/III/2011. Until the completion date of the financial statements, the case is still on going in the Tax Court.

On February 18, 2010, the Company received the aboved claim for tax refund of Rp14,481,396,304 (equivalent to US$1,588,743) from the approved amount of Rp20,000,112,612 (equivalent to US$2,194,198) after deducting the above SKPKB and STP.

(Expressed in US Dollars, unless Otherwise Stated)

Estimated claim for tax refund : (continued)

The Company received tax assessment on claim for corporate income tax for 2007 as stated in the SKPLB No. 00099/406/07/054/09 dated March 25, 2009 of Rp5,082,676,387 (equivalent to US$557,617) out of the Company's total claim of Rp12,039,872,425 (equivalent to US$1,320,886). The Company did not fully agree with the assessment and sent an objection letterNo. 006/HAP-TAX/V/09 dated May 7, 2009, with the agreed amount of the correction was Rp2,853,602,537 (equivalent to US$313,067) which was recorded as part of "Operating Expenses" account in the 2009 statement of income. On May 5, 2010, the Company received letter No. KEP-206/PJ/2010 from the DGT regarding its rejection of the Company's objection letter. On August 3, 2010, the Company filed an appeal on the DGT's decision to the Tax Court through its letter No. 013/HAP-TAX/VIII/2010. Until the completion date of the financial statements, the case is still on going in the Tax Court.

The Company also received the result oftax assessment on its VAT for the months of January - November 2007 based on the SKPKB No. 0057/207/07/054/09 dated March 25, 2009 amounting to under payment of Rp10,691,798,396 (equivalent to US$1,172,989) and several STP totaling to Rp257,185,416 (equivalent to US$28,216). The Company did not fully agree with the assessment and sent an objection letter No. 004/HAP-TAX/V/09 dated May 7, 2009 with an agreed amount of Rp138,503,335 (equivalent to US$15,195) which was recorded as part of "Operating Expenses" account in the 2009 statement of income. On April 14, 2009, the Company paid the above under payment including tax penalty and interests amounting to Rp5,866,307,425 (equivalent to US$643,588) and the remaining under payment of Rp5,082,676,387 (equivalent to US$557,617) were compensated with over payment of corporate income tax for 2007. On May 5, 2010, the Company received letter No. KEP-207/PJ/2010 from the DGT regarding its rejection of the Company's objection letter. On August 3, 2010, the Company filed an appeal on the DGT's decision to the Tax Court through its letter No. 012/HAP-TAX/VIII/10. Until the completion date of the financial statements, th

10. ADVANCE PAYMENT

This acount consists of:

	June 2011	June 2010
	US$	US$
Purchasing goods	5,672,102	328,584
Travelling	124,135	55,932
Others	102,080	108,201
Total	5,898,317	492,717

(Expressed in US Dollars, unless Otherwise Stated)

11. PROPERTY AND EQUIPMENT

This account consists of:

Direct ownership

	April- June 2011			
	Beginning Balance	Additions (Reclassifications)	Deduction (Reclassification)	Ending Balance
Cost	US$	US$	US$	US$
Land	9,249,434	371,360		9,620,794
Building	18,499,372	602,966		19,102,338
Vehicles	8,814,095	1,035,491		9,849,586
Office equipment	4,907,637	198,534	22,217	5,083,954
Furniture & fixtures	1,694,127	30,632	1,560	1,723,199
Machineries	3,067,790	47,030	1,181	3,113,639
Tool for after-sales services	4,512,015	92,076	13,511	4,590,580
Heavy equipment - rental	-	-		-
Leased asset				
Vehicles	52,512	-	-	52,512
Construction in progres	685,863	418,091	596,647	507,307
Total cost	51,482,845	2,796,180	635,116	53,643,909
Accumulated Depreciation				
Land	-			
Building	5,982,039	236,118		6,218,157
Vehicles	4,736,729	306,403		5,043,132
Office equipment	3,328,564	154,523	20,695	3,462,392
Furniture & fixtures	1,404,401	27,176	1,547	1,430,030
Machineries	1,697,915	105,410	906	1,802,419
Tool for after-sales services	3,771,771	160,051	13,425	3,918,397
				0
Heavy equipment - rental	-	-	-	0
Leased asset				
Vehicles	28,882	2,626		31,508
Construction in progres				
Total Accumulated Depreciation	20,950,301	992,307	36,573	21,906,035
Book value				
Direct ownership				
Land	9,249,434	371,360	-	9,620,794
Building	12,517,333	366,848	-	12,884,181
Vehicles	4,077,366	729,088	-	4,806,454
Office equipment	1,579,073	44,011	1,522	1,621,562
Furniture & fixtures	289,726	3,456	13	293,169
Machineries	1,369,875	(58,380)	275	1,311,220
Tool for after-sales services	-	-	-	-
Heavy equipment - rental	-	-	-	-
Leased asset				
Vehicles	23,630	(2,626)	-	21,004
Construction in progres	685,863	418,091	596,647	507,307
Net book value	30,532,544	1,803,873	598,543	31,737,874

(Expressed in US Dollars, unless Otherwise Stated)

11. PROPERTY AND EQUIPMENT (continued)

Direct ownership	April- June 2010			
	Beginning Balance	Additions (Reclassifications)	Deduction (Reclassification)	Ending Balance
Cost	US$	US$	US$	US$
Land	9,249,434	-	-	9,249,434
Building	18,175,801	166,667	-	18,342,468
Vehicles	6,607,996	324,379	1,656	6,930,719
Office equipment	4,664,604	205,321	14,039	4,855,886
Furniture & fixtures	1,603,617	19,665	84	1,623,198
Machineries	2,652,986	97,688	-	2,750,674
Tool for after-sales services	3,676,888	147,665	1,003	3,823,550
Heavy equipment - rental	1,492,891	-	-	1,492,891
Leased asset				
Vehicles	466,037	-	255,027	211,010
Construction in progres	452,862	73,791	154,307	372,346
Total cost	49,043,116	1,035,177	426,117	49,652,176
Accumulated Depreciation				
Land	-			
Building	5,055,078	229,176	-	5,284,254
Vehicles	4,685,176	285,657	1,656	4,969,177
Office equipment	3,321,149	128,214	13,981	3,435,382
Furniture & fixtures	1,313,651	32,858	84	1,346,425
Machineries	1,392,220	69,138	-	1,461,358
Tool for after-sales services	3,298,152	96,525	903	3,393,774
Heavy equipment - rental	915,670	75,199	-	990,869
Leased asset				
Vehicles	253,698	14,801	153,016	115,483
Construction in progres	-	-	-	-
Total Accumulated Depreciation	20,234,794	931,568	169,641	20,996,722
Book value				
Direct ownership				
Land	9,249,434	-	-	9,249,434
Building	13,120,724	(62,510)	-	13,058,214
Vehicles	1,922,819	38,723	-	1,961,542
Office equipment	1,343,454	77,108	58	1,420,504
Furniture & fixtures	289,966	(13,193)	-	276,773
Machineries	1,260,766	28,550	-	1,289,316
Tool for after-sales	-	-	-	-
services	378,736	51,140	100	429,775
Heavy equipment - rental	577,222	(75,199)	-	502,023
Leased asset				
Vehicles	212,339	(14,801)	102,011	95,527
Construction in progres	199,164	73,791	154,307	372,346
Net book value	28,808,322	103,608	256,476	28,655,453

(Expressed in US Dollars, unless Otherwise Stated)

11. PROPERTY AND EQUIPMENT (continued)

Depreciation charged to operations are as follows:

	June 2011	June 2010
	US$	US$
Selling	203,273	337,056
General and administrative	313,075	264,829
Cost of rental heavy equipment	-	-
Total	516,348	601,885

The Company's land are under "Hak Guna Bangunan (HGB)" (non-ownership with limited duration) and "Hak Milik". As of June 30, 2011, the related landrights under HGB will expire between 2017 to 2041 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 US$39.289.120 as of June 30, 2011 and US$31.437.804 as of June 30, 2010, which the Company's management believes that the insurance is adequate to cover possible losses arising from such risks.

As of June 30, 2011 and June 30, 2010, 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.

(Expressed in US Dollars, unless Otherwise Stated)

12. SHORT-TERM BANK LOANS

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

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. This loan is guaranteed by Hitachi Construction Machinery Co., Ltd., Japan, a shareholder.

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 fasility. The loan bears interest at 0.25% above LIBOR 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, 2012. 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 April 21, 2012. 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:

	June 2011	June 2010
	US$	US$
Heavy equipment	1,381,817	3,474,755
Spare parts	603,954	1,779,912
Repairs and maintenance	671,828	267,397
Total	2,657,599	5,522,064

As of June 30, 2011 and June 30, 2010, the aging of all trade payables - third parties was current and less than 3 months.

14. OTHER PAYABLES - THIRD PARTIES

This account consists of:

	June 2011	June 2010
	US$	US$
Heavy equipment	7,638,436	7,618,521
Spare parts	83,787	79,321
Others	4,459,758	1,765,803
Total	12,181,981	9,463,645

(Expressed in US Dollars, unless Otherwise Stated)

15 ACCRUED EXPENSES

This account consists of:

	June 2011	June 2010
	US$	US$
Salaries and employee's benefits	1,504,982	1,365,590
Interest	0	6,102
Marketing expenses	10,129,176	9,725,193
Others	4,541,227	1,396,491
Total	16,175,384	12,493,376

16. TAXES PAYABLES

Taxes payable represents income taxes payables on:

	June 2011	June 2010
	US$	US$
Estimated tax payable in current period	1,271,041	3,009,750
The other taxes payables		
Article 21/26	419,972	362,007
Article 23/26	58,769	31,360
Article 25/29	94,741	1,162,510
Value Added Tax	142,793	20,454
Total	1,987,316	4,586,081

Income Tax Expense – Current

The reconciliation between income before income tax, as shown in the statements of income and taxable income for three months ended June 30, 2011 and for the year ended June 30, 2010, are as follows:

	June 2011	June 2010
	US$	US$
Income before income tax expense per statements of income	15,453,508	12,346,245
Add (deduct) temporary differences:		
Provision for inventories obsolescence	222,237	346,035
Depreciation of property and equipment	(202,311)	(145,558)
Depreciation of leased assets	-	14,801
Provision for doubtful accounts	7,483	454,671
Taxes and licenses	10,773	14,207
Entertainment	15,192	12,270
Salaries and wages	258,515	(1,048,011)
Donation	5,372	5,607
Others expenses	117,416	81,152
Add (deduct) permanent differences:		
Interest income already subject to final tax	(36,318)	(36,812)
Payment of finance lease obligation	(799)	(13,451)
Rental revenue	-	8,341
Taxable Income	15,851,068	12,039,497

(Expressed in US Dollars, unless Otherwise Stated)

16. TAXES PAYABLES (continued)

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 25% for three months ended June 30, 2011 and the year ended June 30, 2010, respectively, are as follows:

	June 2011	June 2010
	US$	US$
Depreciation of property and equipment	(50,578)	(40,756)
Depreciation of leased assets	-	4,144
Gain on sale of property and equipment	-	-
Rental revenue	-	2,335
Provision for employee - benefit net	64,629	(293,443)
Provision for doubtful accounts	1,871	127,308
Provision for inventories obsolescence	55,559	96,890
Payment of finance lease obligation	(200)	(3,766)
Deferred income tax benefit - net	71,281	(107,288)
Taxable Income	15,851,000	12,039,497
Estimated Income tax expenses	3,962,750	3,009,750

The deferred tax assets and liabilities as of June 30, 2011 and June 30, 2010, are as follows:

	June 2011	June 2010
Deferred tax assets	US$	US$
Allowance for doubtful accounts	49,401	704,245
Allowance for inventories obsolescence	1,034,282	779,798
Estimated liability for employees' benefits	1,106,539	393,329
Rental revenue	-	352,061
Total deferred tax assets	2,190,222	2,229,433
Deferred tax liabilities		
Depreciation of property and equipment	(166,215)	(121,799)
Depreciation of leased assets	-	67,569
Finance lease receivable	-	-
Payment of finance lease obligation	(5,532)	(74,924)
Interest Income	-	-
Gain foreign exchange	-	-
Gain on sale of property and equipment	-	-
Total deferred tax liabilities	(171,747)	(129,154)
Deferred tax assets - net	2,018,475	2,100,279

The computations of income tax expense and tax payable as of June 30, 2011 and June 30, 2010, are as follows:

	June 2011	June 2010
	US$	US$
Taxable income (rounded-off)	15,851,000	12,039,239
Income tax expense - current	3,962,750	3,009,750

	June 2011	June 2010
Prepayment of income taxes:	US$	US$
Article 22	1,123,385	1,015,351
Article 23	173,189	143,201
Article 25	1,395,135	1,580,169
Total prepayment of income tax	2,691,709	2,738,721
Estimated tax (receivable) payable	1,271,041	271,029

17. LONG-TERM BANK LOAN

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

	June 2011	June 2010
	US$	US$
The Bank of Tokyo Mitsubishi UFJ., Ltd., Indonesia (Rp 13.604.000.000 as of June 30, 2011 and Rp 49.937.333.333 as of June 30, 2010)	1,582,145	5,498,100
Current maturities	(1,582,145)	(3,082,800)
Long-term portion	-	2,415,300

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 shareholder, changes in the composition of Directors and Commissioners and changes in composition of shareholders in 2010 and 2011, the Company had obtained the Consent Letter from BTMU Jakarta on July 10, 2010, August 16, 2010, January 26, 2011 and May 13, 2011.

In relation with payment of dividend to the shareholders, changes in the composition of Directors and Commissioners, and additional investment in PT Hitachi Construction Machinery Finance Indonesia in 2009, the Company had obtained theConsent Letter from BTMU Jakarta on April 16, 2010.

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:

Years	June 2011	June 2010
	US$	US$
2010	-	6,782
2011	-	2,261
Total	-	9,043
Less amount applicable to interest	-	(613)
Present value of minimum finance lease payment	-	8,430
Current maturities	-	(6,221)
Long-term portion	-	2,209

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 6). 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:

	June 2011	June 2010
	US$	US$
2010	-	361,289
Total	-	**361,289**
Less amount applicable to interest	-	(10,302)
Net	-	**350,987**
Current maturities	-	(350,987)
Long-term portion	-	-

(Expressed in US Dollars, unless Otherwise Stated)

20. ESTIMATED LIABILITY FOR EMPLOYEES' BENEFITS

This account consists of:

	June 2011	June 2010
	US$	US$
Employees' benefits liability	4,483,130	2,892,637
Current maturities	(172,829)	(6,821)
Long term portion	4,310,301	2,885,816

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

	June 2011	June 2010
	US$	US$
Beginning balance	4,167,637	2,747,089
Benefit costs during the period	431,750	209,883
Payment during the period	(116,257)	(64,335)
Ending balance	4,483,130	2,892,637

21. SHARE CAPITAL

The share ownership as of June 30, 2011 and June 30, 2010 based on the report from PT Sirca Datapro Perdana, the shares administrator bureau, are as follows:

June 2011

Shareholders	Number of Shares Issued and fully Paid Rp 100	Percentage of Ownership	Amount US$
Local			
Commissioner			
- Donald Christian Sie	64,500	0.008%	1,784
Director			
- Tony Endroyoso	50,000	0.006%	1,383
Public (below 5% ownership each)	107,253,782	12.768%	2,966,451
Foreign			
Director			
- Toru Sakai	1,580,000	0.188%	43,700
Hitachi Construction Machinery Co.., Ltd,. Japan	408,180,000	48.593%	11,289,543
Itochu Corporation, Jepang	210,400,000	25.048%	5,819,295
Hitachi Construction Machinery Asia and Pacific Pte., Ltd., Singapore	42,620,000	5.074%	1,178,794
Public (below 5% ownership each)	69,851,718	8.316%	1,931,976
Balance as of June, 30 2011	840,000,000	100.00%	23,232,926

June 2010

Shareholders	Number of Shares Issued and fully Paid Rp 100	Percentage of Ownership	Amount US$
Local			
Commissioner			
- Donald Christian Sie	64,500	0.008%	1,784
Director			
- Tony Endroyoso	50,000	0.01%	1,383
Public (below 5% ownership each)	146,637,500	17.46%	4,055,736
Foreign			
Director			
- Toru Sakai	1,580,000	0.188%	43,700
Hitachi Construction Machinery Co.., Ltd,. Japan	408,180,000	48.59%	11,289,543
Itochu Corporation, Jepang	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)	51,468,000	6.13%	1,423,515
Balance as of June 30, 2010	840,000,000	100.00%	23,232,926

(Expressed in US Dollars, unless Otherwise Stated)

22. ADDITIONAL paid-in CAPITAL – NET

This account consists of:

	June 2011	June 2010
	US$	US$
Additional paid-in capital	8,115,419	8,115,419
Stock issuance costs	(116,583)	(116,583)
Net	7,998,836	7,998,836

23. CASH DIVIDENDS AND GENERAL RESERVE

In accordance with the minutes of the Annual Shareholders' Meeting of the Company held on July 29, 2010, the minutes of which were notarized by Notarial Deed No. 207 on the same date of Humberg Lie, S.H., S.E., MKn., the shareholders resolved to declare cash dividends totaling US$12.180.000 from the net income for the the year 2009 for the outstanding and issued shares of 840,000,000 or US$0.01 per share and to appropriate for general reserve from retained earnings amounting to US$500,000). The cash dividends were fully paid to the shareholders in September 2010.

24. NET REVENUES

Details of net revenues are as follows:

	June 2011	June 2010
	US$	US$
Sales and rental of heavy equipment		
Third parties	78,427,343	62,347,226
Related parties	786,424	19,966,861
Sales of spare parts		
Third parties	25,382,651	25,562,838
Repairs and maintenance services		
Third parties	16,056,823	12,866,154
Related parties	1,489,467	2,796,890
Total Revenue	122,142,708	123,539,968

25. COST OF REVENUES

Details of cost of revenues are as follows:

	June 2011	June 2010
Sales and rental heavy equipment	US$	US$
Beginning balance of inventories	44,123,460	39,540,457
Purchasing	85,654,907	70,474,087
Available Inventories for sales	129,778,367	110,014,544
Ending Inventories	(60,816,512)	(36,597,678)
Cost of sales and rental heavy equipment	**68,961,855**	**73,416,866**
Spare-parts:		
Beginning balance of inventories	60,611,303	57,137,992
Purchasing	22,009,425	19,154,114
Available parts inventories	82,620,728	76,292,106
Allowance for inventories obsolescence	222,237	346,035
Ending balance of part inventories	(67,396,781)	(59,488,448)
Cost of spare-parts sales	**15,446,184**	**17,149,693**
Repairs and maintenance services cost	**12,244,290**	**11,128,921**
Total cost of revenue	96,652,329	101,695,480

(Expressed in US Dollars, unless Otherwise Stated)

26. OPERATING EXPENSES

Details of operating expenses are as follows:

	June 2011	June 2010
	US$	US$
a Selling Expenses:		
Salaries, wages and employee benefits	2,611,354	2,594,556
Travelling	815,527	649,376
Depreciation	398,458	337,056
Communication	203,273	132,669
Warehousing and shipping	159,701	153,344
Transportation	1,068,396	778,590
Repairs and maintenance	142,047	64,359
Entertainment	50,640	40,899
Rental	108,302	134,775
After sales services	132,693	578,493
Training and education	62,586	70,580
Professional fees	177,229	94,923
Sales and promotion	36,957	41,944
Total selling expenses	**5,967,164**	**5,671,562**
b General and Administrative Expenses:		
Salaries, wages and employee benefits	2,256,644	1,649,107
Stationery and office supplies	998,545	896,897
Depreciation	313,075	264,829
Repairs and maintenance	142,047	162,420
Communication	173,159	113,015
Bank charges	19,479	20,531
Asuransi	180,293	169,533
Water, gas and electricity	182,530	175,181
Taxes	35,911	47,356
Donation	5,372	5,607
Membership	13,365	6,882
Others	111,511	177,930
Total General and administrative expenses	**4,431,930**	**3,689,288**
Total Operating expenses	10,399,094	9,360,850

27 INTEREST INCOME

This account represents interest income from:

	June 2011	June 2010
	US$	US$
Current accounts	36,324	36,812
Financing leases	-	7,192
Trade receivables	1,381	5,258
Total	37,705	49,262

28. INTEREST EXPENSES

This account represents interest expense on:

	June 2011	June 2010
	US$	US$
Bank loans	43,232	100,725
Finance leases	85	598
Long-term other payables	-	12,312
Total	43,317	113,636

(Expressed in US Dollars, unless Otherwise Stated)

29. MONETARY ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

As of June 30, 2011, the Company has monetary assets and liabilities denominated in foreign currencies as follows:

	Foreign Currencies	Equivalent in US$
Assets		
Cash on hand and in banks		
Rupiah	IDR 53,254,148,151	6,193,457
Japan Yen	JPY 1,881,002.24	23,349
Trade receivables		
Rupiah	IDR 47,496,558,555	5,523,850
Non-Trade receivables		
Rupiah	IDR 9,100,000	1,058
Total Assets		11,741,715
Liabilities		
Trade payables		
Rupiah	IDR 6,875,149,679	799,580
AUD	AUD 213,448.89	181,656
Japan Yen	JPY 9,938,000	112,237
SGD	SGD 3,465.00	2,472
Other payables		
Rupiah	IDR 24,696,707,685	2,872,227
EURO	€ -	-
Japan Yen	JPY 9,825,000	110,961
SGD	SGD 31,920.00	22,776
Bank loan - Short term		
Rupiah	IDR 13,604,000,000	1,582,145
Bank loan - Long portion		
Rupiah	IDR 0	-
Total Liabilities		5,684,054
Net monetary liabilities		**6,057,660**

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 will expire on December 31, 2009. Based on extension agreement dated January 1, 2010, this royalty agreement has been extended for a period of one year and shall be automatically extended annualy

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 in accordance with assembling of the product and to collect the payment of the product bought by customers.

As compensation, the Company received commission income, services income and administration income 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 sold to certain third parties in Indonesia. As compensation, the Company is responsible to provide the technical assistance of assembling of the product, 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 June 30, 2011 the Company has unused credit facility obtained from :

- PT Bank Resona Perdania, under promissory note loan facility of US$ 2,000,000 that has been extended November 13, 2011
- The Sumitomo Trust and Banking Company, Ltd Singapore under uncommitted revolving credit facility with a maximum credit facility of US$ 10,000,000. This loan facility is available until March 30, 2012
- PT Bank Sumitomo Mitsui Indonesia under uncommitted revolving credit facility for working capital in multi currency with a maximum credit facility of US$ 15,000,000. This loan is available until September 30, 2011
- The Bank of Tokyo-Mitsubishi UFJ, Ltd., Jakarta under unsecured uncommitted credit facility for working capital in multi currency with a maximum credit facility of US$ 10,000,000. This loan facility is available until March 31, 2012

30. SIGNIFICANT AGREEMENTS AND COMMITMENTS (continue)

- The Bank of Tokyo - Mitsubishi UFJ, Ltd (BTMU)

  a. BTMU - Jakarta Branch

  The Company and PT Hitachi Construction Machinery Indonesia obtained a multi-currency loan facility with maximum credit facility of US$25,000,000 and US$40,000,000, repectively. This loan facility is avalaible unill November 10, 2011

  This loan is guaranteed by Hitachi Construction Machinery Co., Ltd., Japan, a shareholder

  b. BTMU - Singapore Branch

  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 (Malaysia) Sdn., Bhd., Malaysia and Cableprice (NZ) Ltd.) obtained a multi-currency loan facility with a maximum credit facility amounting to US$30,000,000. This loan facility is available until November 10, 2011

  This loan is guaranteed by Hitachi Construction Machinery Co., Ltd., Japan, a shareholder

- Citibank N.A under unsecured uncommited revolving credit facility for working capital with a maximum credit facility of US$15,000,000. This loan facility is available until June 5, 2012.

- PT Bank Mizuho Indonesia under unsecured short-term working capital facility with a maximum credit facility of US$10,000,000. This loan is available until April 21, 2012.

30. CONTINGENCY

On March 17, 2009, the Company obtained a summon letter from the Balikpapan District Court regarding a legal suit filed by certain third parties against the Company's piece of land located at Manggar, Batakan, Balikpapan which they claim as theirs. The legal suit was rejected by the Balikpapan District Court in a Decision Letter No. 32/Pdt.G/ 2009/PN.BPP dated October 22, 2009. Subsequently, these third parties filed an appeal in the Samarinda High Court. On October 21, 2010, the Company have filed the counter of memorandum of appeal on third parties' memorandum of appeal. Until the completion date of the financial statements, the case is still on going in the Samarinda High Court. The Company's management believes that based on the opinion of the legal counsel, this case will not incur any potential loss to the Company since the Company already bought and obtained the land in accordance with the prevailing laws and regulations in Indonesia.

(Expressed in US Dollars, unless Otherwise Stated)

31. INFORMASI SEGMEN

The following tables present certain information regarding the business and geographical segments as of June 30, 2011 and June 30, 2010 as follows:

Jun 11	Sales, rental of Heavy Equip and commission income	Sales of spare parts	Repair and Maintenance service	Unallocated	Total
Business Segment Information (Primary)					
Segment Revenues	79,213,767	25,382,651	17,546,290		122,142,708
Segment Gross Profit	10,474,149	9,934,271	5,081,959		25,490,379
Segment Operating Income	7,967,346	8,402,719	3,555,787	(4,834,567)	15,091,285
Segment Assets	82,594,415	84,431,722	17,301,533	88,462,618	272,790,288
Segment Liabilities	83,148,214	14,976,171	8,444,233	22,893,171	129,461,789
Geographical Segment Information (Secondary)					
Segment Revenues					
Java island	8,560,100	575,590	135,674	-	9,271,364
Outside Java island	70,653,667	24,807,061	17,410,616	-	112,871,344
Total Segment Revenue	**79,213,767**	**25,382,651**	**17,546,290**	-	**122,142,708**
Segment Gross Profit					
Java island	1,216,845	280,395	54,596	-	1,551,836
Outside Java island	9,257,304	9,653,876	5,027,363	-	23,938,543
Segment Gross Profit	**10,474,149**	**9,934,271**	**5,081,959**	-	**25,490,379**
Operating Income					
Java island	395,463	194,865	3,405	(92,394)	501,339
Outside Java island	7,571,883	8,207,854	3,552,382	(4,742,173)	14,589,946
Segment Operating Income	**7,967,346**	**8,402,719**	**3,555,787**	**(4,834,567)**	**15,091,285**

Jun 10	Sales, rental of Heavy Equip and commission income	Sales of spare parts	Repair and Maintenance service	Unallocated	Total
Business Segment Information (Primary)					
Segment Revenues	82,314,087	25,562,838	15,663,044		123,539,968
Segment Gross Profit	8,834,771	8,773,494	4,236,224		21,844,489
Segment Operating Income	7,260,080	8,582,530	805,089	(4,164,060)	12,483,639
Segment Assets	103,465,779	80,986,218	13,121,536	29,276,316	226,849,849
Segment Liabilities	90,286,945	16,566,866	863,891	10,702,260	118,419,962
Geographical Segment Information (Secondary)					
Segment Revenues					
Java island	9,165,728	1,612,957	125,578	-	10,904,263
Outside Java island	73,148,359	23,949,881	15,537,466	-	112,635,706
Total Segment Revenue	**82,314,087**	**25,562,838**	**15,663,044**	-	**123,539,968**

(Expressed in US Dollars, unless Otherwise Stated)

31. INFORMASI SEGMEN (CONTINUED)

Segment Gross Profit					
Java island	854,711	204,117	43,871	-	1,102,699
Outside Java island	7,980,060	8,569,377	4,192,353	-	20,741,790
Segment Gross Profit	8,834,771	8,773,494	4,236,224	-	21,844,489
Operating Income					
Java island	673,298	183,778	12,340	(90,775)	778,641
Outside Java island	6,586,782	8,398,752	792,749	(4,073,285)	11,704,998
Segment Operating Income	7,260,080	8,582,530	805,089	(4,164,060)	12,483,639

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.