

# **PT HEXINDO ADIPERKASA Tbk**

## **Financial Statements**

**For Third Quarter ended December 31, 2011(un-audited), March 31, 2011 (Audited)  
and Third Quarter ended December 31, 2010 (un-audited).  
( In US Dollars)**



# PT HEXINDO ADIPERKASA Tbk

Kawasan Industri Pulo Gadung  
Jl. Pulo Kambing II Kav I-II No. 33  
Jakarta 13930  
Telp : (021) 4611688 (Hunting)  
Fax : (021) 4611686  
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## SURAT PERNYATAAN DIREKSI/ DIRECTORS' STATEMENT TENTANG/ REGARDING

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

UNTUK KUARTAL KETIGA YANG BERAKHIR PADA TANGGAL 31 DESEMBER 2011  
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2011

PT. HEXINDO ADIPERKASA Tbk

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

- |                                     |   |
|-------------------------------------|---|
| 1. Nama/Name                        | : Kardinal Alamsyah Karim, MM   |
| Alamat Kantor/Office Address        | : Jl. Pulo Kambing II Kav I-II No.33, Jakarta Timur   |
| Alamat Domisili/Residential Address | : Jl. Merpati V No. 12-A Bintaro Jaya, Jakarta Selatan  |
| Jabatan/Title                       | : President Director  |
| 2. Nama/Name                        | : Shinichi Hirota   |
| Alamat Kantor/Office Address        | : Jl. Pulo Kambing II Kav I-II No.33, Jakarta Timur   |
| Alamat Domisili/Residential Address | : Apartment Golf Pondok Indah Suite #2056<br>Jl. Metro Kencana IV Pondok Indah, Jakarta Selatan |
| Nomor Telepon/Telephone             | : 021-4611688   |
| Jabatan/Title                       | : Finance Director  |

Menyatakan bahwa :  
*Declare that :*

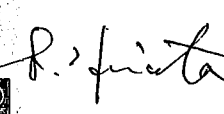
- Bertanggung jawab atas penyusunan dan penyajian laporan keuangan perusahaan;  
*We are responsible for the preparation and the presentation of the financial statements of the company;*
- Laporan keuangan perusahaan telah disusun dan disajikan sesuai dengan prinsip akuntansi yang berlaku umum;  
*The financial statements of the company have been prepared and fairly presented in conformity with accounting principles generally accepted in Indonesia;*
- 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;*
  - 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;*
- 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 25, 2012



  
Kardinal Alamsyah Karim, MM  
President Director

  
Shinichi Hirota  
Finance Director

■ JAKARTA ● MEDAN ● PEKANBARU △ PADANG △ PANGKAL PINANG △ JAMBI △ PERAWANG △ PALEMBANG  
△ BANDAR LAMPUNG ● SURABAYA △ SEMARANG △ PONTIANAK ● BALIKPAPAN ● SENGATA △ SAMARINDA  
△ BANJARMASIN ● MAKASSAR ▲ PALU ▲ MANADO

*Grace Mase R. ...*

**PT HEXINDO ADIPERKASA Tbk**  
**FINANCIAL STATEMENTS**  
FOR THIRD QUARTER ENDED DECEMBER 31, 2011(UN-AUDITED), MARCH 31, 2011 (AUDITED)  
AND DECEMBER 31, 2010 (UN-AUDITED)

**Table of Contents**

Statements of Financial Position.....	1 -2
Statements of Comprehensive Income .....	3
Statements of Changes in Equity .....	4
<i>Statements of Cash Flow</i> .....	5
Notes to the Financial Statements .....	6 - 39

**PT HEXINDO ADIPERKASA Tbk.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2011(Un-audited) and March 31, 2011(Audited)**  
**(Expressed in US Dollars, unless Otherwise Stated)**

**ASSETS**

	<u>Notes</u>	<u>31-Dec-11</u>	<u>31-Mar-11</u>
		US\$	US\$
<b><u>CURRENT ASSETS</u></b>			
Cash on hand and in banks	3	15,915,015	24,885,335
Receivables			
- Third parties ( Net of allowance for doubtful accounts of US\$ 206,096 as of December 31, 2011 and US\$ 138,538 as of March 31, 2011)	2b,4	63,379,780	65,446,694
- Related parties	2c,5a	3,142,972	12,013,953
- Other receivables - third parties	6	26,989	26,768
Inventories	2d,7	202,841,651	104,734,763
Advance payment	10	6,976,588	2,923,723
Prepaid expenses	2e	620,612	429,068
Prepaid Taxes	8	3,089,662	-
<b>TOTAL CURRENT ASSETS</b>		<b>295,993,268</b>	<b>210,460,304</b>
<b><u>NON CURRENT ASSETS</u></b>			
Due from related parties	2c,5b	473,052	2,421,083
Investment in shares of stock	2f	4,579,765	4,579,765
Estimated claim for tax refund	9	4,055,250	2,726,461
Deferred tax assets - net	2l,16	2,521,801	1,947,194
<b>Fixed Assets</b>			
Acquisition cost	2g, 11	55,811,176	51,482,845
Accumulated Depreciation	2g, 11	(23,307,093)	(20,950,301)
<b>Net - Book Value</b>		<b>32,504,083</b>	<b>30,532,544</b>
<b>Other assets</b>	2g	<b>328,304</b>	<b>322,182</b>
<b>Total Non-Current Assets</b>		<b>44,462,255</b>	<b>42,529,229</b>
<b>TOTAL ASSETS</b>		<b>340,455,523</b>	<b>252,989,533</b>

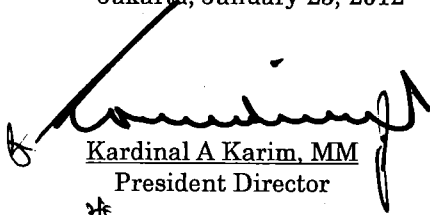
*The accompanying notes form an integral part of these financial statements.*

**PT HEXINDO ADIPERKASA Tbk.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2011(Un-audited) and March 31, 2011(Audited)**  
**(Expressed in US Dollars, unless Otherwise Stated)**

**LIABILITIES AND EQUITY**

	Notes	Dec-11 US\$	Mar-11 US\$
<b><u>CURRENT LIABILITIES</u></b>			
Short-term bank loans	12	-	-
<b><u>Trade payables</u></b>			
- Related parties	2c,5c	131,212,270	82,224,933
- Third parties	13	4,409,691	6,297,515
<b><u>Other payables</u></b>			
- Related parties	2c,5d	84,433	0
- Third parties	14	11,852,007	11,804,983
Accrued expenses	15	21,467,934	12,246,442
Taxes payables	16	3,656,090	1,960,854
Divident payables	22	-	-
<b><u>Current maturities of long term liabilities:</u></b>			
Bank loans	17	290,677	2,518,406
Finance lease obligation	18	-	2,303
Estimated liability for employees' benefits	19	172,829	-
<b>Total Current Liabilities</b>		<b>173,145,932</b>	<b>117,055,436</b>
<b><u>NON CURRENT LIABILITIES</u></b>			
<b><u>Long-term liabilities-net of current portion:</u></b>			
Bank loan	17	-	-
Finance lease obligation	18	-	-
Estimated liability for employees' benefits	19	4,565,601	4,167,637
<b>Total Non-Current Liabilities</b>		<b>4,565,601</b>	<b>4,167,637</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,20	23,232,926	23,232,926
Additional paid-in capital-net	1b,2h, 21	7,998,836	7,998,836
<b>Retained earnings</b>			
Appropriated	22	3,617,008	3,117,008
Unappropriated		127,895,220	97,417,690
<b>TOTAL EQUITY</b>		<b>162,743,990</b>	<b>131,766,460</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>340,455,523</b>	<b>252,989,533</b>

Jakarta, January 25, 2012

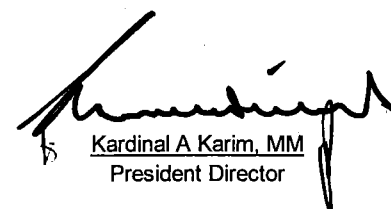
  
**Kardinal A Karim, MM**  
 President Director

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

**PT HEXINDO ADIPERKASA Tbk.**  
**STATEMENT OF COMPREHENSIVE INCOME**  
For Thirds Quarter ended December 31, 2011 (un-audited) and December 31, 2010(un-audited)  
(Expressed in US Dollars, unless Otherwise Stated)

	Notes	December-11 US\$	December-10 US\$
<b>NET REVENUES</b>	2c,2i,23,29b ,29c,29d	458,753,661	359,278,361
<b>COST OF REVENUES</b>	2c,2i,24	361,863,027	294,422,340
<b>GROSS PROFIT</b>		96,890,634	64,856,021
<b>OPERATING EXPENSES</b>	2i,25		
Selling		19,201,333	15,183,049
General and administrative		14,431,555	11,186,243
<b>Total operating expenses</b>		33,632,888	26,369,292
<b>OPERATING INCOME</b>		63,257,746	38,486,729
<b>OTHER INCOME (CHARGES)</b>			
Interest income	2i,26	125,777	145,709
Gain(loss) on sales of property & equipment		102,768	24,282
Interest expenses	2c,27	(95,974)	(323,033)
Loss on foreign exchange-net	2k	(84,635)	(156,694)
Provision (reversal of allowance)for doubtful accounts	2b,4	(74,251)	2,123,234
Miscellaneous - net	2g	1,238,242	27,863
<b>Other income (charges) - net</b>		1,211,927	1,841,361
<b>INCOME BEFORE INCOME TAX</b>		64,469,673	40,328,090
<b>INCOME TAX BENEFIT (EXPENSES)</b>			
Current	2i,16	(16,804,750)	(9,710,750)
Deferred	2i,16	574,607	(466,987)
<b>Income Tax Expense - Net</b>		(16,230,143)	(10,177,737)
<b>NET INCOME</b>		48,239,530	30,150,353
<b>BASIC EARNINGS PER SHARE ( in US Dollar)</b>	2m	0.057	0.036

Jakarta, January 25, 2012

  
**Kardinal A Karim, MM**  
President Director

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

**PT. HEXINDO ADIPERKASA Tbk.**  
**STATEMENT OF CHANGES IN EQUITY**  
**For Thirds Quarter ended December 31, 2011 (un-audited) and March 31, 2011(audited)**  
**(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	22	-	-	-	(12,180,000)	(12,180,000)
Appropriation for general reserve	22	-	-	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
Cash dividends declared	22	-	-	-	(17,262,000)	(17,262,000)
Appropriation for general reserve	22	-	-	500,000	(500,000)	-
Net income period April - December 2011		-	-	-	48,239,530	48,239,530
Balance, December 31, 2011		23,232,926	7,998,836	3,617,008	127,895,220	162,743,990

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

PT HEXINDO ADIPERKASA Tbk.

STATEMENT OF CASH FLOW

For Thirds Quarter ended December 31, 2011 (un-audited) and December 31, 2010(un-audited)  
(Expressed in US Dollars, unless Otherwise Stated)

	31-Dec-11	31-Dec-10
	US\$	US\$
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Cash receipts from customers	513,262,214	401,031,918
Cash paid to:		
Suppliers	(420,275,805)	(315,785,552)
Operating activities	(33,926,009)	(31,683,067)
Salaries, wages and benefit of employees	(14,426,872)	(14,055,974)
Net cash provided by operations	<u>44,633,528</u>	<u>39,507,325</u>
Received from interest income	99,073	111,131
Payment of interest expenses	(81,975)	(322,501)
Payments for income taxes	(25,085,457)	(17,180,658)
Payments for value added taxes	(5,790,449)	(4,938,698)
Net cash provided by (used in) operating activities	<u>13,774,720</u>	<u>17,176,599</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Proceeds from sales of property equipment	109,467	24,282
Acquisitions of property and equipment	(2,373,606)	(1,657,407)
Construction in Progress	(998,558)	(390,573)
Decrease(Increase) of advance payment	(3,382,189)	(1,901,234)
Net cash used in Investing activities	<u>(3,262,697)</u>	<u>(3,924,932)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Proceeds from short-term bank loan	15,000,000	-
Cash Dividen	(17,262,000)	(12,180,000)
Payment of short-term bank loans	(17,220,343)	(2,188,188)
Payment of long-term bank loans	-	(3,283,557)
Payment of finance lease obligation	-	(23,712)
Net cash provided by (used in) Financing Activities	<u>(19,482,343)</u>	<u>(17,675,457)</u>
Net Increase (Decrease) in cash on hand and in banks	<u>(8,970,320)</u>	<u>(4,423,790)</u>
Cash on hand and in bank at beginning of period	24,885,335	29,058,069
<b>CASH ON HAND AND IN BANK AT END OF PERIOD</b>	<u><u>15,915,015</u></u>	<u><u>24,634,279</u></u>

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



**PT HEXINDO ADIPERKASA Tbk**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For Thirds Quarter ended December 31, 2011 (un-audited) and March 31, 2011(audited)**  
(Expressed in US Dollars Unless Otherwise Stated)

**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 December 31, 2011, 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.

**PT HEXINDO ADIPERKASA Tbk**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*For Thirds Quarter ended December 31, 2011 (un-audited) and March 31, 2011(audited)*  
(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 December 31, 2011 are as follows:

Board of Commissioners:

Harry Danui	-	President Commissioner
Toto Wahyudiyanto	-	Commissioner
Donald Christian Sie	-	Commissioner

Directors:

Kardinal Alamsyah Karim, MM.	-	President Director
Chikara Hirose	-	Director
Hideo Satake	-	Director
Eiji Fukunishi	-	Director
Shinichi Hirota	-	Director
Hideo Kumagai	-	Director
Djonggi Gultom	-	Director
Shogo Yokoyama	-	Director
Toshiaki Takase	-	Director

The composition of the Company's audit committee as of December 31, 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 March 31, 2011 are as follows

Board of Commissioners:

Harry Danui	-	President Commissioner
Toto Wahyudiyanto	-	Commissioner
Donald Christian Sie	-	Commissioner

**PT HEXINDO ADIPERKASA Tbk**

**NOTES TO THE FINANCIAL STATEMENTS**

*For Thirds Quarter ended December 31, 2011 (un-audited) and March 31, 2011(audited)*

(Expressed in US Dollars Unless Otherwise Stated)

**1 GENERAL (Continued)**

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

Directors:

Kardinal Alamsyah Karim, MM.	-	President Director
Toshiaki Takase	-	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 March 31, 2011 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\$718,700 for December 31, 2011 and US\$637,083 for December 31, 2010.

As of December 31, 2011 and December 31, 2010, the Company had 1091 and 976 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.

**PT HEXINDO ADIPERKASA Tbk**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*For Thirds Quarter ended December 31, 2011 (un-audited) and March 31, 2011(audited)*  
(Expressed in US Dollars Unless Otherwise Stated)

**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%

**PT HEXINDO ADIPERKASA Tbk**

**NOTES TO THE FINANCIAL STATEMENTS**

**For Thirds Quarter ended December 31, 2011 (un-audited) and March 31, 2011(audited)**

(Expressed in US Dollars Unless Otherwise Stated)

**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. 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.

**i. 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).

**j. 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

**PT HEXINDO ADIPERKASA Tbk**  
**NOTES TO THE FINANCIAL STATEMENTS**

**For Thirds Quarter ended December 31, 2011 (un-audited) and March 31, 2011(audited)**

(Expressed in US Dollars Unless Otherwise Stated)

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

**I. 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.

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

**PT HEXINDO ADIPERKASA Tbk**  
**NOTES TO THE FINANCIAL STATEMENTS**

**For Thirds Quarter ended December 31, 2011 (un-audited) and March 31, 2011(audited)**

(Expressed in US Dollars Unless Otherwise Stated)

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

**I. Financial Instruments (Continue)**

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.

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.

**PT HEXINDO ADIPERKASA Tbk**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For Thirds Quarter ended December 31, 2011 (un-audited) and March 31, 2011(audited)**  
(Expressed in US Dollars Unless Otherwise Stated)

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

**I. Financial Instruments (Continue)**

**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.

**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.



**PT HEXINDO ADIPERKASA Tbk**

**NOTES TO THE FINANCIAL STATEMENTS**

**For Thirds Quarter ended December 31, 2011 (un-audited) and March 31, 2011(audited)**

(Expressed in US Dollars Unless Otherwise Stated)

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

**I. Financial Instruments (Continue)**

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.

**PT HEXINDO ADIPERKASA Tbk**

**NOTES TO THE FINANCIAL STATEMENTS**

**For Thirds Quarter ended December 31, 2011 (un-audited) and March 31, 2011(audited)**

(Expressed in US Dollars Unless Otherwise Stated)

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

**I. 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 transferred control of the asset.

Financial liabilities

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

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

**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.

**PT HEXINDO ADIPERKASA Tbk**

**NOTES TO THE FINANCIAL STATEMENTS**

**For Thirds Quarter ended December 31, 2011 (un-audited) and March 31, 2011(audited)**

(Expressed in US Dollars Unless Otherwise Stated)

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

**k. 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, 2011 and December 31, 2010, the rates of exchange used are, as follows (full amount of US Dollar):

	<u>2011</u>	<u>2010</u>
1 Euro (EUR)	1,29	1,33
10,000 Indonesian Rupiah (IDR)	1,10	1,11
1 Australian Dollar (AUD)	1,01	1,01
1 Singapore Dollar (SGD)	0,77	0,78
1 Japanese Yen (JP¥)	0,01	0,01

**l. 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.

**m. 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, 2011 and December 31, 2010 is 840,000,000 shares.

**n. 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.

**PT HEXINDO ADIPERKASA Tbk**

**NOTES TO THE FINANCIAL STATEMENTS**

**For Thirds Quarter ended December 31, 2011 (un-audited) and March 31, 2011(audited)**

(Expressed in US Dollars Unless Otherwise Stated)

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

**o. 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.

**PT HEXINDO ADIPERKASA Tbk**  
**NOTES TO FINANCIAL STATEMENTS**  
For Thirds Quarter ended December 31, 2011 (un-audited) and March 31, 2011 (audited)  
(Expressed in US Dollars, unless Otherwise Stated)

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

This account consists of:

	Dec-11	Mar-11
	US\$	US\$
<b>Cash on hand</b>		
Cash, RP 975,974,705 as of December 31, 2011 and RP 487,528,833 as of March 31, 2011	107,650	55,968
<b>Cash in bank</b>		
<b>Rupiah</b>		
PT Bank CIMB Niaga Tbk ( previously Bank Lippo Tbk.) (RP 996,105,802 as of December 31, 2011 and RP 6,419,345,645 as of March 31, 2011 )	109,870	736,941
PT Bank Resona Perdania (RP 61,039,075 as of December 31, 2011 and RP 78,220,383 as of March 31, 2011)	6,733	8,980
PT Bank Internasional Indonesia Tbk (RP 6,146,351,315 as of December 31, 2011 and RP 17,431,981,882 as of March 31, 2011)	677,943	2,001,192
PT Bank Mandiri (RP 10,228,396,283 as of December 31, 2011 and RP 1,184,940,070 as of March 31, 2011)	1,128,192	136,031
PT Bank Mega (RP 7,567,336,718 as of December 31, 2011 and RP 15,798,574,739 as of March 31, 2011)	834,677	1,813,676
Citibank N.A., Jakarta (RP 220,577,879 as of December 31, 2011 and RP 199,777,787 as of March 31, 2011)	24,330	22,934
PT Bank Negara Indonesia (Persero) Tbk. (RP 128,350,499 as of December 31, 2011 and RP 78,956,446 as of March 31, 2011)	14,157	9,064
PT. Bank Mizuho Indonesia (RP 9,462,194 as of December 31, 2011 and RP 9,616,202 as of March 31, 2011)	1,044	1,104
The Bank of Tokyo Mitsubishi UFJ, Ltd., Jakarta (RP 6,146,351,315 as of December 31, 2011 and RP 1,145,023,432 as of March 31, 2011)	58,316	131,449
Bank Sumitomo Mitsui Indonesia (RP 9,821,940 as of December 31, 2011 and RP 9,887,892 as of March 31, 2011)	1,083	1,135
<b>Total Rupiah Accounts</b>	<b>2,856,345</b>	<b>4,862,506</b>
<b>United States Dollars accounts:</b>		
PT Bank Resona Perdania	2,540	2,543
PT Bank Internasional Indonesia Tbk	7,809,194	14,986,593
PT Bank Mega	224,988	358,668
Citibank N.A., Jakarta	237,694	839,200
PT. Bank Mizuho Indonesia	9,769	249,734
PT Bank Shinta	195	74,495
The Bank of Tokyo Mitsubishi UFJ, Ltd., Jakarta	4,632,605	3,388,299
Bank Sumitomo Mitsui Indonesia	5,266	5,268
<b>Total United States Dollar Accounts</b>	<b>12,922,251</b>	<b>19,904,800</b>
<b>Yen Jepang</b>		
The Bank of Tokyo Mitsubishi UFJ, Ltd. Jakarta (JPY 1,671,207 as of December 31, 2011 and JPY 4,566,475 as of March 31, 2011)	21,527	55,127
PT Bank Internasional Indonesia Tbk. (JPY 562,236 as of December 31, 2011 and JPY 574,308 as of March 31, 2011)	7,242	6,933
<b>Total Yen accounts</b>	<b>28,769</b>	<b>62,061</b>
<b>Total cash in Banks</b>	<b>15,807,365</b>	<b>24,829,366</b>
<b>Total cash on hand and in banks</b>	<b>15,915,015</b>	<b>24,885,335</b>

**PT HEXINDO ADIPERKASA Tbk**  
**NOTES TO FINANCIAL STATEMENTS**  
For Thirds Quarter ended December 31, 2011 (un-audited) and March 31, 2011(audited)  
(Expressed in US Dollars, unless Otherwise Stated)

**4. TRADE RECEIVABLES - THIRD PARTIES**

This account represents trade receivables - third parties arising from:

	Dec-11	Mar-11
	US\$	US\$
Sales and rental of heavy equipment, used in:		
Plantation and logging	11,129,118	14,391,467
Constructions	1,369,336	1,770,738
Mining	11,132,032	14,395,235
Total	23,630,486	30,557,440
Repairs and maintenance services	17,414,987	13,303,388
Sales of spare parts	22,540,403	21,724,404
Total	63,585,876	65,585,232
Less allowance for doubtful accounts	206,096	138,538
Net	63,379,780	65,446,694

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

	Dec-11	Mar-11
	US\$	US\$
Beginning balance	138,538	2,270,824
Effect of applying PSAK No. 55 (Revised 2006)	-	(2,183,793)
Provision during the period	74,251	66,168
Write-off of accounts during the period	(6,693)	(14,661)
Ending balance	206,096	138,538

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

	Dec-11	Mar-11
	US\$	US\$
Sales and rental of heavy equipment		
Current and less than 3 months	23,508,446	29,439,829
3 - 6 months	88,278	1,117,611
Over 6 months - 1 year	33,762	-
Over 1 year	-	-
Total	23,630,486	30,557,440
Repairs and maintenance services		
Current and less than 3 months	16,905,229	12,824,679
3 - 6 months	387,925	34,591
Over 6 months - 1 year	63,291	400,796
Over 1 year	58,542	43,322
Total	17,414,987	13,303,388
Sales of spare parts		
Current and less than 3 months	21,589,197	21,275,112
3 - 6 months	126,181	357,412
Over 6 months - 1 year	805,634	24,287
Over 1 year	19,391	67,593
Total	22,540,403	21,724,404

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

	Dec-11	Mar-11
	US\$	US\$
United States Dollars	58,151,834	60,368,429
Rupiah	5,434,042	5,216,803
Total	63,585,876	65,585,232

**PT HEXINDO ADIPERKASA Tbk**  
**NOTES TO FINANCIAL STATEMENTS**  
For Thirds Quarter ended December 31, 2011 (un-audited) and March 31, 2011 (audited)  
(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:

	Dec-11		Mar-11		Percentage to total assets	
	US\$		US\$		%	%
Hitachi Construction Machinery Asia and Pasific Pte, Ltd, Singapore	3,103,414		3,680,315		0.91	1.45
Hitachi Construction Finance Indonesia PT	-		8,299,805		-	3.28
Telco Construction Equipment Co., Ltd., India	28,178		28,653		0.01	0.01
SHSC SERVICE	6,200		-		0.00	-
Others	5,180		5,180		0.00	0.00
<b>Total</b>	<b>3,142,972</b>		<b>12,013,953</b>		<b>0.92</b>	<b>4.75</b>

Receivables from Hitachi Construction Machinery Asia and Pacific Pte., Ltd., Singapore (HMAP) and Hitachi Construction Machinery Co., Ltd., Japan 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

b. Other Receivables	Dec-11		Mar-11		Percentage to total assets	
	US\$		US\$		%	%
Employees	379,489		503,877		0.11	0.20
PT Hitachi Construction Machinery Indonesia			75,302		-	0.03
Hitachi Construction Machinery Co, Ltd., Japan	6,954		1,299,649		0.00	0.51
Hitachi Construction Machinery Asia and Pasific Pte, Ltd, Singapore	25,000		-		0.01	-
Hitachi Construction Truck Manufacturing Ltd., Canada	-		534,302		-	0.21
Itochu Corporation, Japan	-		3,464		-	0.00
PT Hitachi Construction Machinery Finance Indonesia	-		492		-	0.00
Others	61,609		3,997		0.03	0.00
<b>Total</b>	<b>473,052</b>		<b>2,421,083</b>		<b>0.15</b>	<b>0.96</b>
<b>Total of receivables from related parties</b>	<b>3,616,023</b>		<b>14,435,036</b>		<b>1.06</b>	<b>5.71</b>

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

c. Trade Payables	Dec-11		Mar-11		Percentage to Total Liabilities	
	US\$		US\$		%	%
PT Hitachi Construction Machinery Indonesia	40,749,976		22,467,524		11.97	8.88
Hitachi Construction Machinery Asia & Pasific Pte., Ltd., Singapore	90,429,609		59,657,743		26.56	23.58
Hitachi Construction Machinery Co., Ltd., Japan	32,684		79,759		0.01	0.03
Hitachi Construction Machinery Trading Co., Ltd.,	-		543		-	0.00
Hitachi Kenki Logistic Technology.,	-		19,364		-	0.01
<b>Total</b>	<b>131,212,270</b>		<b>82,224,933</b>		<b>38.54</b>	<b>32.50</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.

**PT HEXINDO ADIPERKASA Tbk**  
**NOTES TO FINANCIAL STATEMENTS**  
For Thirds Quarter ended December 31, 2011 (un-audited) and March 31, 2011(audited)  
(Expressed in US Dollars, unless Otherwise Stated)

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

	Dec-11	Mar-11	Percentage to Total Liabilities	
	US\$	US\$	Dec-11 %	Mar-11 %
d. <u>Other Payables</u>				
Hitachi Construction Machinery Co., Ltd., Japan	83,323	-	0.02	-
Hitachi Construction Machinery Asia & Pasific Pte, Ltd,	1,110	-	0.00	-
Total	84,433	-	0.02	-

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 (Thailand)Co., Ltd.,	Affiliated Company
7. Hitachi Construction Machinery (Shanghai) Co., Ltd., Cina	Affiliated Company
8. Hitachi Construction Machinery Trading Co., Ltd, Japan	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. OTHERS RECEIVABLES - THIRD PARTIES**

This account consists of:

	Dec-11	Mar-11
	US\$	US\$
Austin Engineering	-	393
Business Associated	435	-
Fukoku Industries Indonesia	1,585	952
Skypak	-	19
Gracemount Pesut Jaya	-	21,127
Others	24,969	4,277
Total	26,989	26,768



PT HEXINDO ADIPERKASA Tbk  
**NOTES TO FINANCIAL STATEMENTS**  
For Thirds Quarter ended December 31, 2011 (un-audited) and March 31, 2011(audited)  
(Expressed in US Dollars, unless Otherwise Stated)

**7. INVENTORIES - NET**

This account consists of:

	<u>Dec-11</u>	<u>Mar-11</u>
	US\$	US\$
Merchandise inventories		
Heavy equipment	122,805,319	46,553,999
Spare parts	83,684,314	62,095,655
Total	<u>206,489,633</u>	<u>108,649,654</u>
Less allowance for inventories obsolescence	<u>(3,647,982)</u>	<u>(3,914,891)</u>
Net	<u>202,841,651</u>	<u>104,734,763</u>

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

	<u>Dec-11</u>	<u>Mar-11</u>
	US\$	US\$
Balance at beginning of year	3,914,891	2,731,634
Provision during the period	592,633	1,636,934
Reversal of allowance during the year	(859,542)	-
Write-off during the period	-	(453,677)
Balance at end of year	<u>3,647,982</u>	<u>3,914,891</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 US\$42,440,383 as of December 31, 2011 and US\$13,997,750 as of March 31, 2011, which the Company's management believes that the insurance coverage is adequate to cover possible losses arising from such risks.

**PT HEXINDO ADIPERKASA Tbk**

**NOTES TO FINANCIAL STATEMENTS**

For Thirds Quarter ended December 31, 2011 (un-audited) and March 31, 2011(audited)

(Expressed in US Dollars, unless Otherwise Stated)

**8. PREPAID TAXES**

Prepayment of taxes:

	Dec-11 US\$	Mar-11 US\$
Value Added Tax	3,089,662	-
Total prepaid taxes	3,089,662	-

**9. ESTIMATED CLAIM FOR TAX REFUND :**

This accounts consists of:

	Dec-11 US\$	Mar-11 US\$
Income tax - Period 2007	471,093	471,093
Income tax - Period 2010	49,166	49,166
Value Added Tax - Period 2004, 2007 & 2008	3,534,991	2,206,202
Total estimated claim for tax refund	4,055,250	2,726,461

On June 24, 2011, the Company received the results of tax assessments for the shortage payment of VAT for the period Januari up to December 2004 based on the Letter of Tax shortage Payment (SKPKB PPN) No. 00098/207/04/054/11, which amounted to Rp11,609,428,388 (equivalent to US\$1,350,405). The Company did not agree with the assessment and sent an objection letter No. 008/HAP-TAX/VIII/11 dated on August 24, 2011 to Directorate General of Taxation. The tax shortage payment had pay on July 21, 2011. Until the completion date of the financial statements not yet receive answer from the Directorate General of Taxation.

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.

**PT HEXINDO ADIPERKASA Tbk**  
**NOTES TO FINANCIAL STATEMENTS**  
For Thirds Quarter ended December 31, 2011 (un-audited) and March 31, 2011(audited)  
(Expressed in US Dollars, unless Otherwise Stated)

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**9. Estimated claim for tax refund : (continued)**

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.

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 letter No. 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 of tax 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 account consists of:

	Dec-11	Mar-11
	US\$	US\$
Purchasing goods	5,879,185	2,865,921
Travelling	224,938	3,711
Others	872,465	54,091
<b>Total</b>	<b>6,976,588</b>	<b>2,923,723</b>

**PT HEXINDO ADIPERKASA Tbk**  
**NOTES TO FINANCIAL STATEMENTS**  
For Thirds Quarter ended December 31, 2011 (un-audited) and March 31, 2011(audited)  
(Expressed in US Dollars, unless Otherwise Stated)

**11. PROPERTY AND EQUIPMENT**

This account consists of:

**Direct ownership**

	April-December 2011			
	Beginning Balance	Additions	Deduction	Ending Balance
	US\$	(Reclassifications) US\$	(Reclassification) US\$	US\$
<b>Cost</b>				
Land	9,249,434	371,360	-	9,620,794
Building	18,499,373	1,442,330	-	19,941,703
Vehicles	8,814,093	1,621,565	630,520	9,805,138
Office equipment	4,907,637	1,009,049	110,966	5,805,720
Furniture & fixtures	1,694,127	367,152	14,008	2,047,271
Machineries	3,067,790	279,992	1,182	3,346,600
Tool for after-sales services	4,512,015	429,876	20,292	4,921,599
<b><u>Leased asset</u></b>				
Vehicles	52,512	-	-	52,512
<b><u>Construction in progres</u></b>	685,863	998,558	1,414,582	269,839
<b>Total cost</b>	<b>51,482,844</b>	<b>6,519,882</b>	<b>2,191,550</b>	<b>55,811,176</b>

**Accumulated Depreciation**

Building	5,982,039	727,457	-	6,709,496
Vehicles	4,736,729	984,736	626,412	5,095,053
Office equipment	3,328,564	484,548	104,058	3,709,054
Furniture & fixtures	1,404,401	96,844	13,685	1,487,560
Machineries	1,697,915	326,759	906	2,023,768
Tool for after-sales services	3,771,771	491,654	20,207	4,243,218
<b><u>Leased asset</u></b>				
Vehicles	28,882	10,062	-	38,944
<b>Total Accumulated Depreciation</b>	<b>20,950,301</b>	<b>3,122,060</b>	<b>765,268</b>	<b>23,307,093</b>

**Book value**

**Direct ownership**

Land	9,249,434	371,360	-	9,620,794
Building	12,517,334	714,873	-	13,232,207
Vehicles	4,077,364	636,829	4,108	4,710,085
Office equipment	1,579,073	524,501	6,908	2,096,666
Furniture & fixtures	289,726	270,308	323	559,711
Machineries	1,369,875	(46,767)	276	1,322,832
Tool for after-sales services	740,244	(61,778)	85	678,381
<b><u>Leased asset</u></b>				
Vehicles	23,630	(10,062)	-	13,568
<b><u>Construction in progres</u></b>	685,863	998,558	1,414,582	269,839
<b>Net book value</b>	<b>30,532,543</b>	<b>3,397,822</b>	<b>1,426,282</b>	<b>32,504,083</b>

**PT HEXINDO ADIPERKASA Tbk**  
**NOTES TO FINANCIAL STATEMENTS**  
For Thirds Quarter ended December 31, 2011 (un-audited) and March 31, 2011(audited)  
(Expressed in US Dollars, unless Otherwise Stated)

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

<u>Direct ownership</u>	April 2010-March 2011			Ending Balance
	Beginning Balance	Additions	Deduction	
	(US\$)	(Reclassifications) (US\$)	(Reclassification) (US\$)	(US\$)
<u>Cost</u>				
Land	9,249,434	-	-	9,249,434
Building	18,175,796	323,576	-	18,499,372
Vehicles	6,607,996	3,114,560	908,461	8,814,095
Office equipment	4,664,604	801,100	558,067	4,907,637
Furniture & fixtures	1,603,617	111,862	21,352	1,694,127
Machineries	2,652,986	414,804	-	3,067,790
Tool for after-sales Services	3,676,888	847,485	12,358	4,512,015
Heavy equipment - rental	1,492,892	-	1,492,892	-
<u>Leased asset</u>				
Vehicles	466,037	-	413,525	52,512
<u>Construction in progres</u>	452,867	734,536	501,539	685,864
<b>Total cost</b>	<b>49,043,116</b>	<b>6,347,923</b>	<b>3,908,194</b>	<b>51,482,845</b>
<u>Accumulated Depreciation</u>				
Land	-	-	-	-
Building	5,055,078	926,961	-	5,982,039
Vehicles	4,685,176	960,014	908,461	4,736,729
Office equipment	3,321,149	554,468	547,053	3,328,564
Furniture & fixtures	1,313,651	111,454	20,704	1,404,401
Machineries	1,392,220	305,695	-	1,697,915
Tool for after-sales services	3,298,152	485,439	11,820	3,771,771
Heavy equipment - rental	915,670	122,036	1,037,706	-
<u>Leased asset</u>				
Vehicles	253,698	43,811	268,627.00	28,882
<u>Construction in progres</u>	-	-	-	-
<b>Total Accumulated Depreciation</b>	<b>20,234,794</b>	<b>3,509,878</b>	<b>2,794,371</b>	<b>20,950,301</b>
<b>Book value</b>				
<u>Direct ownership</u>				
Land	9,115,696	-	-	9,249,434
Building	4,697,500	8,571,876	-	12,517,333
Vehicles	759,549	478,175	-	4,077,365
Office equipment	1,153,888	130,654	1,951	1,579,072
Furniture & fixtures	243,630	130,654	37	289,726
Machineries	477,985	8,183	-	1,369,875
Tool for after-sales services	318,079	53,469	34	740,244
Heavy equipment - rental	1,091,638	(257,306)	56,022	-
<u>Leased asset</u>				
Vehicles	304,926	(46,604)	144,898	23,630
<u>Construction in progres</u>	452,867	734,536	501,539	685,864
<b>Net book value</b>	<b>28,808,322</b>	<b>2,838,045</b>	<b>1,113,823</b>	<b>30,532,544</b>

**PT HEXINDO ADIPERKASA Tbk**  
**NOTES TO FINANCIAL STATEMENTS**  
For Thirds Quarter ended December 31, 2011 (un-audited) and March 31, 2011(audited)  
(Expressed in US Dollars, unless Otherwise Stated)

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

*Depreciation charged to operations are as follows:*

	Dec-11	Mar-11
	US\$	US\$
Cost of rental of heavy equipment and maintenance service	994,590	822,926
Selling	1,191,383	1,504,693
General and administrative	936,087	1,182,259
<b>Total</b>	<b>3,122,060</b>	<b>3,509,878</b>

The Company's land are under "Hak Guna Bangunan (HGB)" (non-ownership with limited duration) and "Hak Milik". As of December 31, 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\$40,308,415 as of December 31, 2011 and US\$39,289,120 of March 31, 2011, which the Company's management believes that the insurance is adequate to cover possible losses arising from such risks.

As of December 31, 2011 and March 31, 2011, 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.

PT HEXINDO ADIPERKASA Tbk  
 NOTES TO FINANCIAL STATEMENTS  
 For Thirds Quarter ended December 31, 2011 (un-audited) and March 31, 2011(audited)  
 (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 facility. 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**

This account consists of:

	Dec-11	Mar-11
	US\$	US\$
Purchases of goods and services others	4,409,691	6,297,515
Total	4,409,691	6,297,515

As of December 31, 2011 and March 31, 2011, the aging of all trade payables - third parties was current and less than 3 months.

**14. OTHER PAYABLES - THIRD PARTIES**

This account consists of:

	Dec-11	Mar-11
	US\$	US\$
Heavy equipment	6,326,826	7,364,975
Spare parts	293,912	128,555
Service and Maintenance	1,926	-
Others	5,229,344	4,311,453
Total	11,852,007	11,804,983

PT HEXINDO ADIPERKASA Tbk  
NOTES TO FINANCIAL STATEMENTS  
For Thirds Quarter ended December 31, 2011 (un-audited) and March 31, 2011(audited)  
(Expressed in US Dollars, unless Otherwise Stated)

**15. ACCRUED EXPENSES**

This account consists of:

	Dec-11	Mar-11
	US\$	US\$
Salaries and employee's benefits	4,495,175	3,686,057
Interest	-	8,995
Marketing expenses	14,062,088	8,284,386
Others	2,910,671	267,004
<b>Total</b>	<b>21,467,934</b>	<b>12,246,442</b>

**16. TAXES PAYABLES**

Taxes payable represents income taxes payables on:

	Dec-11	Mar-11
	US\$	US\$
Estimated tax payable in current period	3,201,310	-
<u>The other taxes payables</u>		
Article 21/26	363,114	243,435
Article 23/26	91,666	42,999
Article 4(2)	-	5,120
Article 25/29	-	704,295
Value Added Tax	-	965,005
<b>Total</b>	<b>3,656,090</b>	<b>1,960,854</b>

Income Tax Expense – Current

The reconciliation between income before income tax, as shown in the statements of income and taxable income for six months ended December 31, 2011 and March 2011, are as follows:

	Dec-11	Mar-11
	US\$	US\$
Income before income tax expense per statements of income	64,469,673	58,103,274
<u>Add (deduct) temporary differences:</u>		
Provision for inventories obsolescence	592,633	1,636,934
Provision for employee benefit	-	1,633,950
Depreciation of property and equipment	1,001,471	(145,458)
Depreciation of leased assets	-	43,811
Loss (gain) on sale of property and equipment	-	29,698
Impairment loss on receivables value	-	66,168
Provision for doubtful accounts	74,251	-
Taxes and licenses	54,239	1,058,175
Entertainment	97,577	252,247
Salaries and wages	630,871	(213,402)
Promotion	-	109,948
Donation	27,917	74,718
Inventories written off	-	(453,677)
Others expenses	397,311	488,150
<u>Add (deduct) permanent differences:</u>		
Interest income already subject to final tax	(125,777)	(143,000)
Payment of finance lease obligation	(799)	(18,980)
Rental revenue	-	(1,398,905)
<b>Taxable Income</b>	<b>67,219,367</b>	<b>61,123,651</b>



PT HEXINDO ADIPERKASA Tbk  
NOTES TO FINANCIAL STATEMENTS  
For Thirds Quarter ended December 31, 2011 (un-audited) and March 31, 2011(audited)  
(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% ended December 31, 2011 and the year ended March 31, 2011, respectively, are as follows:

	Dec-11 US\$	Mar-11 US\$
Depreciation of property and equipment	250,368	(28,940)
Depreciation of leased assets	-	-
Rental revenue	-	(349,726)
Provision for employee - benefit net	157,718	355,137
Provision for doubtful accounts	18,563	16,542
Provision for inventories obsolescence	148,158	409,234
Inventories written of	-	(113,420)
Payment of finance lease obligation	(200)	6,208
Adjustment on deferred tax asset	-	(9,460)
<b>Deferred income tax benefit - net</b>	<b>574,607</b>	<b>285,575</b>
<b>Taxable Income</b>	<b>67,219,367</b>	<b>61,123,651</b>
<b>Estimated Income tax expenses</b>	<b>16,804,750</b>	<b>15,280,913</b>

The deferred tax assets and liabilities as of December 31, 2011 and March 31, 2011, are as follows:

	Dec-11 US\$	Mar-11 US\$
<b>Deferred tax assets</b>		
Allowance for doubtful accounts	66,093	-
Allowance for inventories obsolescence and decline in market value	1,126,881	978,723
Allowance for impairment	-	47,530
Estimated liability for employees' benefits	1,199,628	1,041,910
Rental revenue	-	-
<b>Total deferred tax assets</b>	<b>2,392,602</b>	<b>2,068,163</b>
<b>Deferred tax liabilities</b>		
Depreciation of property and equipment	134,731	(115,637)
Depreciation of leased assets	-	-
Depreciation on rental assets	-	-
Finance lease receivable	-	-
Payment of finance lease obligation	(5,532)	(5,332)
Interest Income	-	-
Gain foreign exchange	-	-
Gain on sale of property and equipment	-	-
<b>Total deferred tax liabilities</b>	<b>129,199</b>	<b>(120,969)</b>
<b>Deferred tax assets - net</b>	<b>2,521,801</b>	<b>1,947,194</b>

The computations of income tax expense and tax payable as of December 31, 2011 and March 31, 2011, are as follows:

	Dec-11 US\$	Mar-11 US\$
<b>Taxable income (rounded-off)</b>	<b>67,219,000</b>	<b>61,123,393</b>
<b>Income tax expense - current</b>	<b>16,804,750</b>	<b>15,280,913</b>
<b>Prepayment of income taxes:</b>		
Article 22	5,608,806	4,971,558
Article 23	1,112,849	1,393,102
Article 25	6,881,785	8,965,419
<b>Total prepayment of income tax</b>	<b>13,603,440</b>	<b>15,330,079</b>
<b>Estimated tax (receivable) payable</b>	<b>3,201,310</b>	<b>(49,166)</b>

PT HEXINDO ADIPERKASA Tbk  
 NOTES TO FINANCIAL STATEMENTS  
 For Thirds Quarter ended December 31, 2011 (un-audited) and March 31, 2011(audited)  
 (Expressed in US Dollars, unless Otherwise Stated)

**17. LONG-TERM BANK LOAN**

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

	Dec-11	Mar-11
	US\$	US\$
The Bank of Tokyo Mitsubishi UFJ., Ltd., Indonesia (Rp 2,635,333,333 as of December 31, 2011 and Rp 21,937,333,333 as of March 31, 2011)	290,677	2,518,406
Current maturities	(290,677)	(2,518,406)
Long-term portion	-	-

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 the Consent 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:

<u>Years</u>	Dec-11	Mar-11
	US\$	US\$
2011	-	2,357
Total	-	2,357
Less amount applicable to interest	-	(54)
Present value of minimum finance lease payment	-	2,303
Current maturities	-	(2,303)
Long-term portion	-	-

PT HEXINDO ADIPERKASA Tbk  
 NOTES TO FINANCIAL STATEMENTS  
 For Thirds Quarter ended December 31, 2011 (un-audited) and March 31, 2011(audited)  
 (Expressed in US Dollars, unless Otherwise Stated)

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

This account consists of:

	Dec-11 US\$	Mar-11 US\$
Employees' benefits liability	4,738,430	4,167,637
Current maturities	(172,829)	-
Long term portion	4,565,601	4,167,637

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

	Dec-11 US\$	Mar-11 US\$
Beginning balance	4,167,637	2,747,089
Benefit costs during the period	1,067,898	1,512,784
Payment during the period	(497,419)	(213,402)
Loss (gain) on foreign exchange	315	121,166
Ending balance	4,738,430	4,167,637

**20. SHARE CAPITAL**

The share ownership as of December 31, 2011 and March 31, 2011 based on the report from PT Sirca Datapros Perdana, the shares administrator bureau, are as follows:

Shareholders	Number of Shares Issued and fully Paid Rp 100	December-11	
		Percentage of Ownership	Amount US\$
<b>Local</b>			
Commissioner			
- Donald Christian Sie	64,500 ✓	0.008%	1,784
Public (below 5% ownership each)	105,562,430	12.567%	2,919,672
<b>Foreign</b>			
Hitachi Construction Machinery Co., Ltd., Japan	408,180,000 ✓	48.593%	11,289,543
Itochu Corporation, Japan	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)	73,173,070	8.711%	2,023,839
Balance as of December 31, 2011	840,000,000	100.00%	23,232,926
		March-11	
Shareholders	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
Public (below 5% ownership each)	104,637,500	12.457%	2,894,090
<b>Foreign</b>			
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, Japan	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)	72,468,000	8.627%	2,004,338
Balance as of March 31, 2011	840,000,000	100.00%	23,232,926

PT HEXINDO ADIPERKASA Tbk  
 NOTES TO FINANCIAL STATEMENTS  
 For Thirds Quarter ended December 31, 2011 (un-audited) and March 31, 2011(audited)  
 (Expressed in US Dollars, unless Otherwise Stated)

**21. ADDITIONAL paid-in CAPITAL – NET**

This account consists of:

	Dec-11	Mar-11
	US\$	US\$
Additional paid-in capital	8,115,419	8,115,419
Stock issuance costs	(116,583)	(116,583)
<b>Net</b>	<b>7,998,836</b>	<b>7,998,836</b>

**22. 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 Humbert 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\$0.0145 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.

In accordance with the minutes of the Annual Shareholders' Meeting of the Company held on September 8, 2011, the minutes of which were notarized by Notarial Deed No. 1 on the same date of Humbert Lie, SH, SE, MKn Notaris , the shareholders resolved to declare cash dividends totaling US\$17,262.000) for the 840,000,000 shares or US\$0.0205 per share, and to appropriate for US\$500,000. The cash dividends were fully paid to the shareholders on October 17, 2011.

**3. NET REVENUES**

Details of net revenues are as follows:

	Dec-11	Dec-10
	US\$	US\$
Sales and rental of heavy equipment		
Third parties	313,158,622	221,963,289
Related parties	5,632,007	25,242,053
Sales of spare parts		
Third parties	83,294,911	69,077,751
Repairs and maintenance services		
Third parties	51,542,687	38,483,424
Related parties	5,125,434	4,511,844
<b>Total Revenue</b>	<b>458,753,661</b>	<b>359,278,361</b>

**24. COST OF REVENUES**

Details of cost of revenues are as follows:

	Dec-11	Dec-10
	US\$	US\$
Sales and rental heavy equipment		
Beginning balance of inventories	46,553,999	39,540,457
Purchasing	346,797,485	220,608,719
Available Inventories for sales	393,351,484	260,149,176
Allowance for inventories obsolescence		
Ending Inventories	(122,805,319)	(40,210,687)
<b>Cost of sales and rental heavy equipment</b>	<b>270,546,165</b>	<b>219,938,489</b>
Spare-parts:		
Beginning balance of inventories	62,095,655	57,137,992
Purchasing	73,316,911	48,554,212
Available parts inventories	135,412,566	105,692,204
Allowance for inventories obsolescence	592,633	1,038,105
Ending balance of part inventories	(83,684,314)	(62,162,967)
<b>Cost of spare-parts sales</b>	<b>52,320,885</b>	<b>44,567,342</b>
Repairs and maintenance services cost	<b>38,995,977</b>	<b>29,916,509</b>
<b>Total cost of revenue</b>	<b>361,863,027</b>	<b>294,422,340</b>

PT HEXINDO ADIPERKASA Tbk  
NOTES TO FINANCIAL STATEMENTS  
For Thirds Quarter ended December 31, 2011 (un-audited) and March 31, 2011(audited)  
(Expressed in US Dollars, unless Otherwise Stated)

**25. OPERATING EXPENSES**

Details of operating expenses are as follows:

	Dec-11 US\$	Dec-10 US\$
<b>a Selling Expenses:</b>		
Salaries, wages and employee benefits	7,635,639	6,567,305
Travelling	3,076,949	2,325,547
Depreciation	1,191,383	1,077,752
Communication	669,694	501,790
Warehousing and shipping	713,399	439,713
Transportation	3,691,902	2,657,976
Repairs and maintenance	318,484	197,629
Entertainment	325,256	269,163
Rental	368,145	351,611
After sales services	115,372	38,494
Training and education	227,244	240,062
Professional fees	579,909	357,133
Sales and promotion	287,957	158,874
<b>Total selling expenses</b>	<b>19,201,333</b>	<b>15,183,049</b>
<b>b General and Administrative Expenses:</b>		
Salaries, wages and employee benefits	6,791,234	5,058,692
Stationery and office supplies	4,135,872	2,739,710
Depreciation	936,087	846,806
Repairs and maintenance	507,787	509,031
Communication	570,480	427,450
Bank charges	69,387	60,624
Asuransi	585,058	497,524
Water, gas and electricity	542,380	482,273
Taxes	180,796	169,603
Donation	27,917	59,599
Membership	44,235	32,196
Others	40,322	302,735
<b>Total General and administrative expenses</b>	<b>14,431,555</b>	<b>11,186,243</b>
<b>Total Operating expenses</b>	<b>33,632,888</b>	<b>26,369,292</b>

**26. INTEREST INCOME**

This account represents interest income from:

	Dec-11 US\$	Dec-10 US\$
Current accounts	124,395	111,131
Financing leases	-	12,155
Trade receivables	1,382	22,423
<b>Total</b>	<b>125,777</b>	<b>145,709</b>

**27. INTEREST EXPENSES**

This account represents interest expense on:

	Dec-11 US\$	Dec-10 US\$
Bank loans	78,182	305,169
Finance leases	85	1,059
Long-term other payables	17,707	16,805
<b>Total</b>	<b>95,974</b>	<b>323,033</b>

PT HEXINDO ADIPERKASA Tbk  
 NOTES TO FINANCIAL STATEMENTS  
 For Thirds Quarter ended December 31, 2011 (un-audited) and March 31, 2011(audited)  
 (Expressed in US Dollars, unless Otherwise Stated)

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

As of December 31, 2011, the Company has monetary assets and liabilities denominated in foreign currencies as follows:

	<u>Foreign Currencies</u>	<u>Equivalent in US\$</u>
<u>Assets</u>		
Cash on hand and in banks		
Rupiah	IDR 27,167,691,017	2,996,596
Japan Yen	JPY 2,241,063.00	28,867
Trade receivables		
Rupiah	IDR 49,266,019,679	5,434,042
Non-Trade receivables		
Rupiah	IDR 0	-
<u>Total Assets</u>		<u>8,459,505</u>
<u>Liabilities</u>		
<u>Trade payables</u>		
Rupiah	IDR 12,698,902,898	1,400,689
AUD	AUD 1,754,431.22	1,780,488
EURO	€ 4,468.32	5,784
Japan Yen	JPY 14,982,205	192,983
SGD	SGD 919.10	707
<u>Other payables</u>		
Rupiah	IDR 28,348,421,778	3,126,831
<u>Bank loan - Long portion</u>		
Rupiah	IDR 2,635,333,333	290,677
<u>Total Liabilities</u>		<u>6,798,159</u>
<u>Net monetary liabilities</u>		<u>(1,661,346)</u>

**PT HEXINDO ADIPERKASA Tbk**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For Thirds Quarter ended December 31, 2011 (un-audited) and December 31, 2010(un-audited)**  
(Expressed in US Dollars, unless Otherwise Stated)

**29. 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 annually

**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 December 31, 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, 2012
- 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, 2012
- 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

**PT HEXINDO ADIPERKASA Tbk**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For Thirds Quarter ended December 31, 2011 (un-audited) and December 31, 2010(un-audited)**  
**(Expressed in US Dollars, unless Otherwise Stated)**

**29. 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, respectively. This loan facility is available until November 10, 2013.  
  
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, 2013.  
  
This loan is guaranteed by Hitachi Construction Machinery Co., Ltd., Japan, a shareholder
- Citibank N.A under unsecured uncommitted 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.



**PT HEXINDO ADIPERKASA Tbk**  
**NOTES TO FINANCIAL STATEMENTS**

For Thirds Quarter ended December 31, 2011 (un-audited) and December 31, 2010(un-audited)  
 (Expressed in US Dollars, unless Otherwise Stated)

**31. INFORMASI SEGMENT**

The following tables present certain information regarding the business and geographical segments as of December 31, 2011 and December 31, 2010 as follows:

December-11	Sales, rental of Heavy Equip and commission income	Sales of spare parts	Repair and Maintenance service	Unallocated	Total
<b>Business Segment Information (Primary)</b>					
Segment Revenues	318,790,629	83,294,911	56,668,121		458,753,661
Segment Gross Profit	48,244,464	30,974,026	17,672,144		96,890,634
Segment Operating Income	<u>52,150,091</u>	<u>13,626,048</u>	<u>9,272,224</u>	<u>(11,790,617)</u>	<u>63,257,746</u>
Segment Assets	<u>122,196,996</u>	<u>95,397,285</u>	<u>18,196,945</u>	<u>104,664,297</u>	<u>340,455,523</u>
Segment Liabilities	<u>87,319,463</u>	<u>20,931,078</u>	<u>683,742</u>	<u>68,777,250</u>	<u>177,711,533</u>
<b>Geographical Segment Information (Secondary)</b>					
Segment Revenues					
Java island	30,233,600	1,727,781	425,180	/-	32,386,561
Outside Java island	288,557,029	81,567,130	56,242,941		426,367,100
<b>Total Segment Revenue</b>	<u>318,790,629</u>	<u>83,294,911</u>	<u>56,668,121</u>	<u>-</u>	<u>458,753,661</u>
Segment Gross Profit					
Java island	4,733,066	759,083	107,078	-	5,599,227
Outside Java island	43,511,398	30,214,943	17,565,066	-	91,291,407
<b>Segment Gross Profit</b>	<u>48,244,464</u>	<u>30,974,026</u>	<u>17,672,144</u>	<u>-</u>	<u>96,890,634</u>
Operating Income					
Java island	2,590,085	676,748	460,413	(184,788)	3,542,458
Outside Java island	49,560,006	12,949,300	8,811,811	(11,605,829)	59,715,288
<b>Segment Operating Income</b>	<u>52,150,091</u>	<u>13,626,048</u>	<u>9,272,224</u>	<u>(11,790,617)</u>	<u>63,257,746</u>
<b>December-10</b>					
	Sales, rental of Heavy Equip and commission income	Sales of spare parts	Repair and Maintenance service	Unallocated	Total
<b>Business Segment Information (Primary)</b>					
Segment Revenues	247,205,342	69,077,751	42,995,268	-	359,278,361
Segment Gross Profit	27,266,853	24,510,409	13,078,759	-	64,856,021
Segment Operating Income	<u>22,859,240</u>	<u>24,757,101</u>	<u>4,830,127</u>	<u>(13,959,739)</u>	<u>38,486,729</u>
Segment Assets	<u>80,929,535</u>	<u>75,690,861</u>	<u>12,694,370</u>	<u>61,190,956</u>	<u>230,505,722</u>
Segment Liabilities	<u>73,270,261</u>	<u>15,369,484</u>	<u>678,428</u>	<u>24,016,516</u>	<u>113,334,689</u>
<b>Geographical Segment Information (Secondary)</b>					
Segment Revenues					
Java island	22,659,428	1,419,620	340,501	-	24,419,549
Outside Java island	224,545,914	67,658,131	42,654,767	-	334,858,812
<b>Total Segment Revenue</b>	<u>247,205,342</u>	<u>69,077,751</u>	<u>42,995,268</u>	<u>-</u>	<u>359,278,361</u>

**PT HEXINDO ADIPERKASA Tbk**  
**NOTES TO FINANCIAL STATEMENTS**  
For Thirds Quarter ended December 31, 2011 (un-audited) and December 31, 2010(un-audited)  
(Expressed in US Dollars, unless Otherwise Stated)

**31. INFORMASI SEGMENT (CONTINUED)**

Segment Gross Profit					
Java island	2,336,789	628,990	127,511	-	3,093,290
Outside Java island	<u>24,930,064</u>	<u>23,881,419</u>	<u>12,951,248</u>	-	<u>61,762,731</u>
<b>Segment Gross Profit</b>	<b><u>27,266,853</u></b>	<b><u>24,510,409</u></b>	<b><u>13,078,759</u></b>	<b>-</b>	<b><u>64,856,021</u></b>
Operating Income					
Java island	1,689,062	535,628	16,958	(36,019)	2,205,629
Outside Java island	<u>21,170,178</u>	<u>24,221,473</u>	<u>4,813,169</u>	<u>(13,923,720)</u>	<u>36,281,100</u>
<b>Segment Operating Income</b>	<b><u>22,859,240</u></b>	<b><u>24,757,101</u></b>	<b><u>4,830,127</u></b>	<b><u>(13,959,739)</u></b>	<b><u>38,486,729</u></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.04/2009.