PT SURYA ESA PERKASA

FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

AND INDEPENDENT AUDITORS' REPORT

PT. SURYA ESA PERKASA
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Independent Auditors' Report

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The Stockholders, Commissioners and Directors
PT. Surya Esa Perkasa

We have audited the accompanying balance sheets of PT. Surya Esa Perkasa (the "Company") as of December 31, 2010 and 2009, and the related statements of income, changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PT. Surya Esa Perkasa as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in Indonesia.

As described in Note 24, the Company buys all of its raw material (raw feed gas) solely from a single supplier, who has raw feed gas supply contract with a certain State-Owned Enterprise. Currently, there is no other source of raw feed gas within the proximity of the Company's LPG plant. Disruption of supply of raw feed gas could cause a delay in manufacturing of LPG, Condensate and Propane and a possible loss in sales, which would adversely affect operating results. Further, termination of the aforementioned contract could result in cessation of the business of the Company.

OSMAN BING SATRIO & REKAN

Ali Hery
License No. 07.1.1004

April 14, 2011

The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than those in Indonesia. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in Indonesia.

PT SURYA ESA PERKASA
BALANCE SHEETS
DECEMBER 31, 2010 AND 2009

	Notes	2010	2009
		Rp	Rp
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	112,126,849,924	59,908,306,398
Trade accounts receivable	5,24	64,478,530,589	16,737,337,913
Other accounts receivable	6	2,680,800,987	2,388,385,837
Inventories	7	8,646,236,369	3,775,326,547
Prepaid expenses	8	897,829,071	1,627,187,058
Total Current Assets		188,830,246,940	84,436,543,753
NONCURRENT ASSETS			
Property, plant and equipment - net of accumulated depreciation of Rp 80,179,522,170 in 2010 and Rp 55,235,724,061 in 2009	10	121,419,071,400	139,644,099,476
Deferred tax assets	21	614,060,110	389,543,550
Other noncurrent assets		166,360,000	1,259,115,015
Total Noncurrent Assets		122,199,491,510	141,292,758,041
TOTAL ASSETS		311,029,738,450	225,729,301,794
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade accounts payable	11,24	5,936,576,998	4,157,404,630
Other accounts payable	12		
Related party	9,23	-	3,804,706,400
Third parties		1,415,490,504	2,250,246,694
Taxes payable	13	11,116,153,060	12,207,723,041
Accrued expenses	14	39,859,702,182	9,858,266,935
Current maturity of long-term liabilities			
Loans from stockholders	9,23	62,640,576,130	9,576,748,200
Bank loan	15	-	24,440,000,000
Total Current Liabilities		120,968,498,874	66,295,095,900
NONCURRENT LIABILITIES			
Long-term liabilities - net of current maturity			
Loans from stockholders	9,23	-	55,913,343,200
Post-employment benefits obligation	22	2,423,053,166	1,535,995,742
Total Noncurrent Liabilities		2,423,053,166	57,449,338,942
EQUITY			
Capital stock - Rp 100,000 par value per share			
Authorized - 396,000 shares			
Subscribed and paid-up - 99,000 shares	16	9,900,000,000	9,900,000,000
Retained earnings		177,738,186,410	92,084,866,952
Total Equity		187,638,186,410	101,984,866,952
TOTAL LIABILITIES AND EQUITY		311,029,738,450	225,729,301,794

See accompanying notes to financial statements
which are an integral part of the financial statements.

PT SURYA ESA PERKASA
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Notes	2010 Rp	2009 Rp
SALES	17,24	310,021,605,121	206,937,831,644
COST OF GOODS SOLD	18	131,152,033,205	96,154,851,003
GROSS PROFIT		178,869,571,916	110,782,980,641
OPERATING EXPENSES	19,23,24		
Selling		20,518,305,803	1,980,385,127
General and administrative		31,771,540,002	18,043,710,710
OPERATING EXPENSES		52,289,845,805	20,024,095,837
INCOME FROM OPERATIONS		126,579,726,111	90,758,884,804
OTHER INCOME (CHARGES)			
Interest income		362,048,424	305,815,562
Gain (loss) on foreign exchange - net		(59,674,874)	11,671,690,204
Interest expense and financial charges	20	(12,441,973,518)	(19,042,809,035)
Write-off of property and equipment	10	-	(3,240,411,718)
Others - net		65,758,505	987,310,940
Other Charges - Net		(12,073,841,463)	(9,318,404,047)
INCOME BEFORE TAX		114,505,884,648	81,440,480,758
TAX EXPENSE	21	(28,852,565,190)	(23,187,377,097)
NET INCOME		85,653,319,458	58,253,103,661

See accompanying notes to financial statements
which are an integral part of the financial statements.

PT SURYA ESA PERKASA
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Paid-up capital stock	Retained earnings	Total equity
	Rp	Rp	Rp
Balance as of January 1, 2009	9,900,000,000	33,831,763,291	43,731,763,291
Net income for the year	-	58,253,103,661	58,253,103,661
Balance as of December 31, 2009	9,900,000,000	92,084,866,952	101,984,866,952
Net income for the year	-	85,653,319,458	85,653,319,458
Balance as of December 31, 2010	9,900,000,000	177,738,186,410	187,638,186,410

See accompanying notes to financial statements
which are an integral part of the financial statements.

PT. SURYA ESA PERKASA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
	Rp	Rp
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before tax	114,505,884,648	81,440,480,758
Adjustments for:		
Depreciation	24,943,798,109	24,717,676,788
Interest expense and financial charges	12,441,973,518	17,297,951,655
Amortization of LC facility fees	1,042,340,483	1,744,857,379
Provision for post-employment benefits	948,143,167	606,253,508
Write-off of property and equipment	-	3,240,411,718
Unrealized foreign exchange gain	(2,849,515,270)	(10,798,895,860)
Operating cash flows before changes in working capital	151,032,624,655	118,248,735,946
Changes in working capital:		
Trade accounts receivable	(47,741,192,676)	(8,900,595,441)
Other accounts receivable	(292,415,150)	(1,165,739,533)
Inventories	(4,870,909,822)	787,070,155
Prepaid expenses	(143,276,861)	(1,771,738,782)
Trade accounts payable	1,779,172,368	155,490,610
Other accounts payable	(4,639,462,590)	(208,593,458)
Taxes payable	(2,658,651,645)	726,186,512
Accrued expenses	35,304,616,081	(6,374,314,612)
Other noncurrent assets	923,049,380	(728,992,944)
Cash generated from operations	128,693,553,740	100,767,508,453
Payment of post-employment benefits	(61,085,743)	-
Corporate income tax paid	(27,510,000,086)	(32,093,786,410)
Net Cash Provided by Operating Activities	101,122,467,911	68,673,722,043
CASH FLOWS FROM INVESTING ACTIVITY		
Acquisitions of property, plant and equipment	(6,718,770,033)	(1,358,465,133)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest and financial charges paid	(17,745,154,352)	(16,531,396,457)
Repayment of bank loan	(24,440,000,000)	(60,970,000,000)
Net Cash Used in Financing Activities	(42,185,154,352)	(77,501,396,457)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	52,218,543,526	(10,186,139,547)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	59,908,306,398	70,094,445,945
CASH AND CASH EQUIVALENTS AT END OF YEAR	112,126,849,924	59,908,306,398

See accompanying notes to financial statements
which are an integral part of the financial statements.

1. GENERAL

PT. Surya Esa Perkasa (the "Company") was established on March 24, 2006 based on the Notarial Deed No. 7 of Hasbullah Abdul Rasyid SH, M.kn. The Deed of Establishment was approved by Ministry of Law and Human Rights of the Republic of Indonesia in its Decision Letter No. C-13339 HT.01.01.Th.2006 dated May 9, 2006. The articles of association have been amended several times, most recently by notarial deed No. 5 dated February 12, 2010 of Ny. Etty Roswitha Moelia, SH, public notary in Jakarta, to change the Company's management composition. The approval of this change by the Minister of Justice and Human Rights of the Republic of Indonesia is still in process.

The Company is domiciled in Jakarta and its registered office address is 16th Floor, Menara Kadin, Jl. HR Rasuna Said, Block X-5, Kav. 2-3, Jakarta Selatan, 12950, Indonesia. The Company's Liquefied Petroleum Gas ("LPG") plant is located in Simpang Y, Palembang, South Sumatera.

In accordance with article 3 of the Company's articles of association, the scope of its activities comprises: manufacturing; trading; exportation; importation, distribution of LPG, condensate and propane; and other related business. The Company started commercial operations in September 2007. As of December 31, 2010 and 2009, the Company had permanent employees of 118 and 93, respectively.

The Company's management at December 31, 2010 consisted of the following:

President Commissioner	:	Mr. Ida Bagus Rahmadi Supancana
Commissioners	:	Mr. Glenn Timothy Sugita
	:	Mr. Deepak Khullar
President Director	:	Mr. Garibaldi Thohir
Directors	:	Mr. Ida Bagus Made Putra Jandhana
	:	Mr. Isenta

2. ADOPTION OF NEW AND REVISED STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS ("PSAK") AND INTERPRETATIONS OF PSAK ("ISAK")

a. Standards effective in the current period

In the current year, the Company adopted the following revised PSAKs which are effective for financial statements beginning on or after January 1, 2010:

- PSAK 26 (revised 2008), Borrowing Costs
- PSAK 50 (revised 2006), Financial Instruments: Presentation and Disclosures
- PSAK 55 (revised 2006), Financial Instruments: Recognition and Measurement

PSAK 26 (revised 2008) requires borrowing costs that are directly attributable to the acquisition, construction, or production of qualifying asset to be capitalized as part of the cost of the asset. Other borrowing costs are recognized as expense. The application of this standard has had no impact on the prior and current year amounts, but may affect the accounting for future borrowing costs.

The application of PSAK 50 (revised 2006) resulted in expanded disclosure on financial instruments, including some qualitative disclosures relating to financial risks and management objectives.

PSAK 55 (revised 2006) provides guidance on the recognition and measurement of financial instruments and some contracts to buy non-financial items. Among other things, the application of this standard requires the use of effective interest rate method when an asset or liability is measured at amortized cost. Additionally, this PSAK also changes the way the company measures the impairment loss of financial assets depending on the classification of the financial instrument. Because this PSAK is applied prospectively, the initial adoption has had no impact on amounts reported for 2009.

b. Standards and Interpretations in issue not yet adopted

i. Effective for periods beginning on or after January 1, 2011

- PSAK1 (revised 2009), Presentation of Financial Statements
- PSAK 2 (revised 2009), Statement of Cash Flows
- PSAK 3 (revised 2010, Interim Financial Reporting
- PSAK 4 (revised 2009), Consolidated and Separate Financial Statements
- PSAK 5 (revised 2009), Operating Segments
- PSAK 7 (revised 2010), Related Party Disclosures
- PSAK 8 (revised 2010), Events after the Reporting Period
- PSAK 12 (revised 2009), Interest in Joint Ventures
- PSAK 15 (revised 2009), Investments in Associates
- PSAK 19 (revised 2010), Intangible Assets
- PSAK 22 (revised 2010), Business Combinations
- PSAK 23 (revised 2010), Revenue
- PSAK 25 (revised 2009), Accounting Policies, Changes in Accounting Estimates and Errors
- PSAK 48 (revised 2009), Impairment of Assets
- PSAK 57 (revised 2009), Provisions, Contingent Liabilities and Contingent Assets
- PSAK 58 (revised 2009), Non-current Assets Held for Sale and Discontinued Operations
- ISAK 7 (revised 2009), Consolidation – Special Purpose Entities
- ISAK 9, Changes in Existing Decommissioning, Restoration and Similar Liabilities
- ISAK 10, Customer Loyalty Programmes
- ISAK 11, Distribution of Non-cash Assets to Owners
- IASK 12, Jointly Controlled Entities - Non-monetary Contributions by Venturers
- ISAK 14, Intangible Assets – Web Site Cost
- ISAK 17, Interim Financial Reporting and Impairment

ii. Effective for periods beginning on or after January 1, 2012

- PSAK 10 (revised 2010), The Effects of Changes in Foreign Exchange Rates
- PSAK 18 Accounting and Reporting by Retirement Benefit Plans
- PSAK 24 (revised 2010), Employee Benefits
- PSAK 34 (revised 2010), Construction Contracts
- PSAK 46 (revised 2010), Income Taxes
- PSAK 50 (Revised 2010), Financial Instruments: Presentation
- PSAK 53 (revised 2010), Share-based Payments
- PSAK 60, Financial Instruments: Disclosures
- PSAK 61, Accounting for Government Grants and Disclosure of Government Assistance
- ISAK 13, Hedges of Net Investments in Foreign Operations
- ISAK 15, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- ISAK 18, Government Assistance – No Specific Relation to Operating Activities
- ISAK 20, Income Taxes – Change in Tax Status of an Entity or its Shareholders

These new/revised standards and interpretations resulted from convergence to International Financial Reporting Standards.

As of the issuance date of the financial statements, management is evaluating the effect of these standards and interpretations on the financial statements, and could foresee that among those PSAKs that will take effect in 2011, PSAK 1, *Presentation of Financial Statements*, will bring some significant changes in the financial statement presentation. PSAK 1 requires an entity, among other things:

- To present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income).
- To present a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when an entity applies an accounting policy retrospectively or makes a retrospective restatement in accordance with PSAK 25.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Statement Presentation

The financial statements have been prepared using accounting principles and reporting practices generally accepted in Indonesia, and are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and reporting practices generally accepted in other countries and jurisdictions.

The financial statements, except for the statements of cash flows, are prepared under the accrual basis of accounting. The reporting currency used in the preparation of the financial statements is the Indonesian Rupiah, while the measurement basis used is the historical cost, except for certain accounts which are measured on the bases described in the related accounting policies.

The statements of cash flows are prepared using the indirect method with classifications of cash flows into operating, investing and financing activities.

b. Foreign Currency Transactions and Balances

The books of accounts of the Company are maintained in Indonesian Rupiah. Foreign currency transactions during the year involving foreign currencies are recorded 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 reflect the rates of exchange prevailing at that date. The resulting gains or losses are credited or charged to current operations.

c. Financial Assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract which terms require delivery of the financial assets within the time frame established by the market concerned, and are initially measured at fair value plus transaction costs.

Loans and receivables

Receivables from customers and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as “loans and receivables”. Loans and receivables are measured at amortized cost using the effective interest method less impairment. Interest is recognized by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at each balance sheet date. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been impacted.

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the loans and receivables original effective interest rate.

The carrying amount of the loans and receivables is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in statements of income.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

d. Financial Liabilities and Equity Instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Trade and other payables, bank and other borrowings are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost, using the effective interest rate method, with interest expense recognized on an effective yield basis.

Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

e. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in Indonesia requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could be different from these estimates.

f. Cash and Cash Equivalents

For cash flow presentation purposes, cash and cash equivalents consist of cash on hand and in banks and all unrestricted investments with maturities of three months or less from the date of placement.

g. Inventories

Inventories are stated at cost or net realizable value, whichever is lower. The cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost of spareparts is computed using the average method. Cost of finished goods is computed based on average actual production costs.

Inventory valuation is periodically evaluated primarily based upon the age of the inventory, assumptions of future usage in production, customer demand and market conditions. As a result of the evaluation, the inventory may be written down to its lower of cost or net realizable value.

h. Prepaid Expenses

Prepaid expenses are amortized over their beneficial periods using the straight-line method.

i. Property, Plant and Equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated at cost, less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	Years
Building	10
LPG plant, machinery and equipment	8
Transportation equipment	5
Office furniture, fixtures and equipment	4
Leasehold improvements	3

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Land is stated at cost and is not depreciated.

The cost of maintenance and repairs is charged to operations as incurred. Other costs incurred subsequently to add to, replace part of, or service an item of property, plant and equipment, are recognized as asset if, and only if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. When assets are retired or otherwise disposed of, their carrying values and the related accumulated depreciation and any impairment loss are removed from the accounts and any resulting gain or loss is reflected in the current operations.

j. Impairment of Non-Financial Asset

At balance sheet dates, the Company reviews the carrying amount of non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Estimated recoverable amount is the higher of net selling price or value in use. If the recoverable amount of a non-financial asset (cash generating unit) is less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount and an impairment loss is recognized immediately against earnings.

k. Post-Employment Benefits

The Company established a defined benefit pension plan covering all its local permanent employees. In addition, the Company also provides post-employment benefits as required under Labor Law No. 13/2003 (the “Labor Law”).

The cost of providing post-employment benefits is determined using the Projected Unit Credit Method. The accumulated unrecognized actuarial gains and losses that exceed 10% of the greater of the present value of the Company's defined benefit obligations and the fair value of plan assets are recognized on a straight-line basis over the expected average remaining working lives of the participating employees. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The benefits obligation recognized in the balance sheets represent the present value of the defined benefit obligation, as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of scheme assets.

l. Revenue and Expense Recognition

Sale of goods

Revenue from sale of goods is recognized when all of the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The cost incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

Interest income is accrued on time basis, by reference to the principal outstanding and at the applicable interest rate.

Expenses

Expenses are recognized when incurred.

m. Income Tax

Current tax expense is determined based on the taxable income for the year computed using prevailing tax rates.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences and fiscal loss carryforwards to the extent that it is probable that taxable income will be available in future periods against which the deductible temporary differences and fiscal loss carryforwards can be utilized.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the statement of income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also charged or credited directly to equity.

Deferred tax assets and liabilities are offset in the balance sheet in the same manner the current tax assets and liabilities are presented.

4. CASH AND CASH EQUIVALENTS

	2010	2009
	Rp	Rp
Cash on hand		
Rupiah	30,170,349	49,563,636
U.S. Dollar	12,685,042	105,664,084
Cash in banks		
Rupiah		
PT Bank Mega Indonesia Tbk - Jakarta	913,768,510	577,478,178
PT Bank UOB Indonesia - Jakarta	16,667,063	18,522,578
PT Bank Mandiri (Persero) Tbk - Jakarta	4,465,554	4,918,554
PT Bank Mandiri (Persero) Tbk - Palembang	1,373,874	1,036,082
U.S. Dollar		
PT Bank UOB Indonesia - Jakarta	86,417,371,335	58,966,587,092
PT Bank Mandiri (Persero) Tbk - Jakarta	175,967,446	184,536,194
Time deposits		
U.S. Dollar		
PT Bank UOB Buana - Jakarta	23,554,380,751	-
Rupiah		
PT Bank Mega Tbk - Jakarta	1,000,000,000	-
Total	112,126,849,924	59,908,306,398

In 2009, certain United States (U.S.) Dollar accounts being maintained at PT. Bank UOB Indonesia (“UOB”) are used to secure the bank loan (Note 15). However, there is no restriction as to the utilization of such accounts.

5. TRADE ACCOUNTS RECEIVABLE

	2010	2009
	Rp	Rp
PT Pertamina (Persero) ["Pertamina"]	55,209,073,212	16,695,229,644
PT Surya Mandala Sakti	8,122,496,283	-
CV Bumi Putera	1,146,961,094	32,289,753
PT Harindo Putra Jaya	-	9,818,516
Total	64,478,530,589	16,737,337,913

Trade accounts receivable from Pertamina represents proceeds from sale of LPG. LPG is sold solely to Pertamina based on LPG Sales and Purchase Agreement entered into on August 14, 2007 (Note 24).

In 2009, trade accounts receivable are used as collateral to secure the bank loan (Note 15).

No allowance for doubtful accounts was provided on trade accounts receivables, as management believes that all such receivables are fully collectible.

6. OTHER ACCOUNTS RECEIVABLE

	2010	2009
	Rp	Rp
Advances to suppliers	1,130,987,571	1,902,214,199
Guarantee deposits	923,049,380	-
Others	626,764,036	486,171,638
Total	2,680,800,987	2,388,385,837

Other advances represent business advances which are normally settled within a period of one (1) month.

7. INVENTORIES

	2010	2009
	Rp	Rp
Finished goods		
Condensate	1,277,041,679	332,100,914
LPG	877,145,385	456,204,483
Propane	70,328,317	31,336,134
Spareparts and factory supplies	6,421,720,988	2,955,685,016
Total	8,646,236,369	3,775,326,547

Management believes that no allowance for inventory obsolescence is necessary.

At December 31, 2010 and 2009, inventories were insured with PT Tridharma Proteksi against all risks for US$ 1 million, respectively. Management believes that the insurance coverage is adequate to cover possible losses to the Company.

8. PREPAID EXPENSES

	2010	2009
	Rp	Rp
Insurance	599,020,039	347,068,309
Current portion of Bank UOB facility fees	168,643,272	1,041,278,120
Rental	99,321,886	208,600,629
Others	30,843,874	30,240,000
Total	897,829,071	1,627,187,058

LC facility fees represent amounts paid to UOB in relation to the availment of bank facilities (Note 15). These facility fees are being amortized over the term of the availability of the loan facilities.

9. RELATED PARTY ACCOUNTS

Other accounts payable to a related party

This represents accounts payable to Northbrooks Universal Ltd. (NUL), the Company's stockholder, arising from technical support services (Note 23). This payable is unsecured and noninterest bearing.

Loans from stockholders

This account consists of loans from the following related parties:

	2010	2009
	Rp	Rp
Indonesia Infrastructure Pte. Ltd. ("IIPL")	38,285,215,870	40,026,807,400
NUL	24,355,360,260	25,463,284,000
Total	62,640,576,130	65,490,091,400
Current maturity	(62,640,576,130)	(9,576,748,200)
Long-term loans from stockholders - net	-	55,913,343,200

Loans from IIPL

- On June 1, 2006, the Company entered into a loan agreement with IIPL, whereby the latter agreed to grant the Company a loan with a maximum amount of US$ 3,327,991. According to the loan agreement, if such loan is repaid on or before January 15, 2008, it will not bear an interest, but if otherwise, an interest rate of 15% per annum (net of withholding tax at a maximum rate of 10%) will be charged from the actual drawdown date. The loan shall mature on December 31, 2012 and an increase in interest rate from 15% to 18% per annum shall be charged if the Company failed to pay in full on such maturity date.

- On October 16, 2006, the Company entered into a loan agreement with IIPL whereby, the latter agreed to grant loans to the Company for US$ 259,034 for Tranche A and US$ 430,000 for Tranche B. According to the loan agreement, if such loans are repaid on or before January 15, 2008, they will not bear an interest, but if otherwise, an interest rate of 17% per annum (net of withholding tax at a maximum rate of 10%) will be charged from the actual drawdown date. The loan has matured on March 31, 2010 and there was an increase in interest rate from 17% to 20% per annum since the Company failed to pay in full on such maturity date.

- On September 3, 2007, the Company entered into a loan agreement with IIPL, whereby the latter agreed to grant the Company a loan with a maximum amount of US$ 241,145. According to the loan agreement, the loan shall bear an interest rate of 15% per annum (net of withholding tax at a maximum rate of 10%). The loan shall mature on December 31, 2012 and an increase in interest rate from 15% to 18% per annum shall be charged if the Company failed to pay in full on such maturity date.

Loans from NUL

- On June 1, 2006, the Company entered into a loan agreement with NUL, whereby the latter agreed to grant the Company a loan with a maximum amount of US$ 109,769. According to the loan agreement, if such loan is repaid on or before January 15, 2008, it will not bear an interest, but if otherwise, an interest rate of 17% per annum (net of withholding tax at a maximum rate of 10%) will be charged from the actual drawdown date. The loan has matured on March 31, 2010 and there was an increase in interest rate from 17% to 20% per annum since the Company failed to pay in full on such maturity date.

- On January 15, 2007, the Company entered into a loan agreement with NUL, whereby the latter agreed to grant the Company a loan with a maximum amount of US$ 220,000. According to the loan agreement, if such loan is repaid on or before January 15, 2008, it will not bear an interest, but if otherwise, an interest rate of 17% per annum (net of withholding tax at a maximum rate of 10%) will be charged from the actual drawdown date. The loan has matured on March 31, 2010 and there was an increase in interest rate from 17% to 20% per annum since the Company failed to pay in full on such maturity date.

- On December 31, 2007, the Company entered into a loan agreement with NUL whereby the latter agreed to grant the Company a loan with a maximum amount of US$ 2,379,091. According to the loan agreement, the loan shall bear an interest rate of 15% per annum (net of withholding tax at a maximum rate of 10%). The loan shall mature on December 31, 2012 and an increase of interest rate from 15% to 18% per annum shall be charged if the Company failed to pay in full on such maturity date.

  Based on the loan agreements, if the Company's loan to UOB has been fully paid and all security interests thereunder have been released by UOB, the Company shall encumber or pledge to and for the interest of the stockholders all of its assets currently encumbered or pledged to UOB, to secure the punctual repayment of the loans and the fulfillment of all obligations of the Company under the loan agreements. The above loans are subordinated over the long-term bank loan (Note 15).

The Company plans to settle the loans from stockholders in 2011 (Note 27). As such, all loans from stockholders were presented as current liabilities.

10. PROPERTY, PLANT AND EQUIPMENT

	January 1, 2010	Additions	Deductions	December 31, 2010
	Rp	Rp	Rp	Rp
At cost:				
Land	515,895,575	2,149,125,000	-	2,665,020,575
Building	783,566,618	428,135,000	-	1,211,701,618
Leasehold improvements	140,000,000	-	-	140,000,000
LPG plant, machinery and equipment	190,286,956,753	3,470,295,769	-	193,757,252,522
Office furniture, fixtures and equipment	2,507,209,137	334,603,537	-	2,841,812,674
Transportation equipment	646,195,454	336,610,727	-	982,806,181
Total	194,879,823,537	6,718,770,033	-	201,598,593,570
Accumulated depreciation:				
Building	199,241,336	87,430,555	-	286,671,891
Leasehold improvements	71,166,671	35,000,000	-	106,166,671
LPG plant, machinery and equipment	53,373,303,585	24,039,250,365	-	77,412,553,950
Office furniture, fixtures and equipment	1,224,295,109	641,657,741	-	1,865,952,850
Transportation equipment	367,717,360	140,459,448	-	508,176,808
Total	55,235,724,061	24,943,798,109	-	80,179,522,170
Net Book Value	139,644,099,476			121,419,071,400

	January 1, 2009	Additions	Deductions	December 31, 2009
	Rp	Rp	Rp	Rp
At cost:				
Land	515,895,575	-	-	515,895,575
Building	760,192,418	23,374,200	-	783,566,618
Leasehold improvements	140,000,000	-	-	140,000,000
LPG plant, machinery and equipment	193,268,082,897	1,112,025,474	4,093,151,618	190,286,956,753
Office furniture, fixtures and equipment	2,284,143,678	223,065,459	-	2,507,209,137
Transportation equipment	646,195,454	-	-	646,195,454
Total	197,614,510,022	1,358,465,133	4,093,151,618	194,879,823,537
Accumulated depreciation:				
Building	122,228,000	77,013,336	-	199,241,336
Leasehold improvements	36,166,671	35,000,000	-	71,166,671
LPG plant, machinery and equipment	30,357,510,965	23,868,532,520	852,739,900	53,373,303,585
Office furniture, fixtures and equipment	616,403,269	607,891,840	-	1,224,295,109
Transportation equipment	238,478,268	129,239,092	-	367,717,360
Total	31,370,787,173	24,717,676,788	852,739,900	55,235,724,061
Net Book Value	166,243,722,849			139,644,099,476

Depreciation expense was allocated to the following:

	2010	2009
	Rp	Rp
Cost of goods sold (Note 18)	24,547,573,919	24,336,653,392
Operating expenses (Note 19)	396,224,190	381,023,396
Total	24,943,798,109	24,717,676,788

The Company owns several pieces of land located in Palembang, South Sumatera with Building Use Rights (*Hak Guna Bangunan* or HGBs) for periods of 13 to 20 years expiring in 2017 to 2024. Management believes that there will be no difficulty in the extension of the HGBs since the properties were acquired legally and supported by sufficient evidence of ownership.

Certain items of property, plant and equipment are used as collateral for bank loan (Note 15).

At December 31, 2010, property, plant and equipment, except for land, are covered by insurance with total sum insured of Rp 7.52 billion and US$ 25.5 million whereas in 2009 the insurance coverage were Rp 6.57 billion and US$ 25.5 million.

11. TRADE ACCOUNTS PAYABLE

This account mainly represents payable to PT Ogspiras Basya Pratama (OBP) in relation with the purchases of raw feed gas. OBP has an existing raw feed gas supply contract with Pertamina, a State-Owned Enterprise, which is effective for 15 years from the first flow of raw gas supply after the test run completion or until the delivery of the total contract quantity.

12. OTHER ACCOUNTS PAYABLE

	2010	2009
	Rp	Rp
Related party (Note 9)		
NUL	-	3,804,706,400
Third parties		
PT Harindo Putra Jaya	502,364,385	598,568,461
PT Ogspiras Basya Pratama	266,000,000	266,000,000
PT Mulya Adhi Paramita	125,987,771	13,855,600
CV Afzarki Permata Abadi	64,384,530	-
RS R.K. Charitas Palembang	53,425,600	-
PT Bumimerak Terminalindo	-	129,306,250
CV Permata	-	68,628,600
PT Mitra Asmoco Utama	-	56,870,000
Others	403,328,218	1,117,017,783
Total third parties	1,415,490,504	2,250,246,694
Total	1,415,490,504	6,054,953,094

13. TAXES PAYABLE

	2010	2009
	Rp	Rp
Corporate income tax (Note 21)	8,440,622,889	6,700,239,639
Income taxes		
Article 21	4,114,262	22,616,610
Article 23	52,850,944	14,123,846
Article 25	1,672,740,949	1,846,042,535
Article 26	445,615,833	907,239,475
Value Added Tax (VAT) - net	500,208,183	2,717,460,936
Total	11,116,153,060	12,207,723,041

14. ACCRUED EXPENSES

	2010	2009
	Rp	Rp
Research and development	17,982,000,000	-
Marketing fees	14,160,825,000	-
Interest	2,491,549,770	7,794,730,604
Bonus	1,121,073,000	-
Management fee	1,762,835,863	-
Professional fees	309,587,948	949,407,558
Others	2,031,830,601	1,114,128,773
Total	39,859,702,182	9,858,266,935

15. BANK LOAN

On October 5, 2006, the Company and OBP (the "Borrowers") entered into Loan Agreement and Acknowledgement of Indebtedness Deed No. 29 with UOB, whereby the Borrowers were granted loan facility with a maximum amount of US$ 16 million intended to finance the Company's LPG plant project and working capital requirements.

As of December 31, 2009, the bank loan consists of:

	2009
	Rp
Long-term bank loan, US$ 2,600,000	24,440,000,000
Current maturity	(24,440,000,000)
Long-term bank loan - net of current maturity	-

The bank loan bears an interest rate per annum of 3.5% above three-month Singapore Interbank Offered Rate or SIBOR. The bank loan is payable in 10 equal quarterly installments of US$ 1,300,000 starting on March 25, 2008 until April 30, 2010.

The bank loan is secured by the following items owned by the Borrowers, both existing and future:

(i) Land and all its accessions and accessories;
(ii) LPG plant, machinery and equipment;
(iii) Trade accounts receivable;
(iv) Certain US Dollar accounts being maintained with UOB;
(v) Insurance claims on building and LPG plant, machinery and equipment;
(vi) All of the Company's shares of stock; and
(vii) Rights of off-take contract.

Further, the bank loan is also secured by corporate guarantees given by PT. Surya Kencana Prima (SKP), IIPL and NUL.

During the term of the bank loan, the Borrowers shall not, without prior and written consent from UOB, perform the following:

(i) Dissolve or undertake or permit any merger, consolidation or reorganization which substantially change the form of shareholders or the shareholdings;
(ii) Dispose of all or any of the existing and future assets; Undertake actions leading to other indebtedness;
(iii) Extend loan except those provided in the ordinary course of business and to employees;
(iv) Make certain investments;
(v) Declare, pay or distribute dividends;
(vi) Enter into any leasing transaction;
(vii) Repay debts other than those debts to UOB and those arising in the normal and ordinary course of business; and
(viii) Pledge as security or collateral all the securities given to UOB.

Canopus Petroleum Limited (BVI), the beneficial owner of IIPL, is required to maintain a minimum of 60% shareholding in the Company and the Borrowers shall maintain a maximum debt to equity ratio of 2.5 times.

In 2010, the outstanding balance of bank loan was fully repaid.

16. CAPITAL STOCK

	2010 and 2009		
Name of Stockholders	Number of Shares	Percentage of Ownership	Total Paid-up Capital Stock
		%	Rp
Indonesia Infrastructure Pte. Ltd. (IIPL)	59,400	60	5,940,000,000
Northbrooks Universal Ltd. (NUL)	39,600	40	3,960,000,000
Total	99,000	100	9,900,000,000

All of the above shares of stock are used to secure the Company's bank loan (Note 15).

17. SALES

	2010	2009
	Rp	Rp
Local Sales		
LPG (Note 24)	232,149,837,340	151,110,430,930
Condensate (Note 24)	50,696,930,999	39,401,078,197
Propane	50,477,724	137,259,849
Export Sales		
Condensate	27,124,359,058	16,289,062,668
Total	310,021,605,121	206,937,831,644

18. COST OF GOODS SOLD

	2010	2009
	Rp	Rp
Raw materials used (Note 24)	57,177,940,108	48,696,854,318
Direct labor	4,803,719,801	3,945,030,543
Factory overhead	70,575,247,146	41,678,476,382
Total Manufacturing Costs	132,556,907,055	94,320,361,243
Finished goods		
At beginning of year	819,641,531	2,654,131,291
At end of year	(2,224,515,381)	(819,641,531)
Cost of Goods Sold	131,152,033,205	96,154,851,003

Details of factory overhead are as follows:

	2010	2009
	Rp	Rp
Depreciation (Note 10)	24,547,573,919	24,336,653,392
Research and development	22,917,968,430	363,118,951
Factory consumables, spareparts and supplies	8,915,938,035	5,503,259,313
Transportation and accommodation	4,405,515,016	3,063,435,997
Indirect labor	2,628,160,636	2,898,963,406
Equipment rental	1,732,092,468	2,082,627,540
Repairs and maintenance	1,651,487,862	1,541,662,885
Office expenses	1,111,294,353	738,605,851
Insurance	581,487,237	531,557,668
Others	2,083,729,190	618,591,379
Total	70,575,247,146	41,678,476,382

19. OPERATING EXPENSES

	2010	2009
	Rp	Rp
Selling		
Marketing and advertising	20,518,305,803	1,980,385,127
General and Administrative		
Professional fees	13,446,460,151	2,412,251,182
Management fees (Note 24)	10,696,787,163	8,356,459,515
Salaries and employee benefits	3,788,490,745	2,444,640,278
Transportation and accommodation	722,828,731	698,557,449
Rental	697,169,470	629,720,000
Donations and contributions	565,483,350	812,819,608
Legal fees and licences	522,448,158	335,315,606
Office expenses	417,106,853	352,639,835
Depreciation (Note 10)	396,224,190	381,023,396
Representation and entertainment	259,697,903	1,430,451,442
Utilities, repairs and maintenance	215,828,094	185,387,896
Others	43,015,194	4,444,503
Total General and Administrative	31,771,540,002	18,043,710,710
Operating Expenses	52,289,845,805	20,024,095,837

20. INTEREST EXPENSE AND FINANCIAL CHARGES

	2010	2009
	Rp	Rp
Interest on loans:		
Loans from stockholders	10,533,236,484	12,239,788,410
Bank loan	578,188,830	4,669,934,583
LC facility fees amortization	633,896,652	1,744,857,379
LC expenses	606,897,301	298,379,069
Bank charges	89,754,251	89,849,594
Total	12,441,973,518	19,042,809,035

21. INCOME TAXES

	2010	2009
	Rp	Rp
Current	29,077,081,750	23,340,964,640
Deferred	(224,516,560)	(153,587,543)
Net	28,852,565,190	23,187,377,097

Current Tax

A reconciliation between income before tax per statements of income and taxable income is as follows:

	2010	2009
	Rp	Rp
Income before tax per statements of income	114,505,884,648	81,440,480,758
Temporary differences:		
Post-employment benefits	887,057,424	606,253,508
Difference between commercial and fiscal depreciation	11,008,817	8,096,881
Net	898,066,241	614,350,389
Permanent differences:		
Benefits-in-kind	874,714,346	159,910,497
Donations and contributions	540,483,350	812,819,608
Representation and entertainment	124,129,736	316,947,115
Interest income already subjected to final tax	(362,048,424)	(305,815,562)
Others	(272,902,850)	321,895,973
Net	904,376,158	1,305,757,631
Taxable income	116,308,327,047	83,360,588,778

The computation of current tax expense and payable are as follows:

	2010	2009
	Rp	Rp
Current tax expense at enacted rates:		
25% x Rp 116,308,327,000 in 2010	29,077,081,750	-
28% x Rp 83,360,588,000 in 2009	-	23,340,964,640
Total	29,077,081,750	23,340,964,640
Less prepaid income taxes:		
Article 22	43,662,715	26,342,186
Article 25	20,592,796,146	16,614,382,815
Total prepaid income taxes	20,636,458,861	16,640,725,001
Corporate Income Tax Payable	8,440,622,889	6,700,239,639

Deferred Tax

The details of the Company's deferred tax assets are as follows:

	January 1, 2009	Credited to income for the year	December 31, 2009	Credited to income for the year	December 31, 2010
	Rp	Rp	Rp	Rp	Rp
Post-employment benefits obligation	232,435,559	151,563,377	383,998,936	221,764,356	605,763,292
Difference between commercial and fiscal net book value of property, plant and equipment	3,520,448	2,024,167	5,544,615	2,752,204	8,296,819
Total	235,956,007	153,587,543	389,543,550	224,516,560	614,060,110

Based on the Tax Law No. 36/2008 on income taxes, the new corporate tax rate is set at flat rate of 28% effective January 1, 2009 and 25% effective from January 1, 2010.

A reconciliation between the tax expense and the amounts computed by applying the effective tax rate to income before tax per statements of income is as follows:

	2010	2009
	Rp	Rp
Income before tax per statements of income	114,505,884,648	81,440,480,758
Tax expense at effective tax rates	28,626,471,150	22,803,334,448
Tax effects of permanent differences	226,094,040	365,612,137
Deferred tax adjustments due to the change in the tax rates	-	18,430,512
Tax Expense	28,852,565,190	23,187,377,097

22. POST-EMPLOYMENT BENEFITS

The Company provides post-employment benefits for its qualifying employees in accordance with Labor Law No. 13/2003. The number of employees entitled to the benefits was 93 in 2010 and 76 in 2009.

Amounts recognized in the statements of income in respect to these post-employment benefits are as follows:

	2010	2009
	Rp	Rp
Current service costs	927,269,242	539,327,072
Interest costs	157,822,300	77,846,521
Actuarial gains recognized	(136,948,375)	(10,920,085)
Total	948,143,167	606,253,508

The amounts included in the balance sheets arising from the Company's obligation in respect to post-employment benefits are as follows:

	2010	2009
	Rp	Rp
Present value of unfunded obligation	3,397,745,363	1,583,608,945
Unamortized actuarial losses	(974,692,197)	(47,613,203)
Total	2,423,053,166	1,535,995,742

Movements in the post-employment benefits obligation are as follows:

	2010	2009
	Rp	Rp
Beginning of the year	1,535,995,742	929,742,234
Expense recognized in current year	948,143,167	606,253,508
Payment of benefits	(61,085,743)	-
End of the year	2,423,053,166	1,535,995,742

The cost of providing post-employment benefits was calculated by an independent actuary using the following key assumptions:

	2010	2009
• Discount rate	: 8.75% per annum	10.50% per annum
• Salary incremental rate	: 15.00% per annum	15.00% per annum
• Mortality rate	: 100% TMI2	100% TMI2
• Morbidity rate	: 5% TMI2	5% TMI2
• Resignation rate	: 5% per annum up to age 30, then gradually decreases to 0% at age 55 and thereafter	5% per annum up to age 30, then gradually decreases to 0% at age 55 and thereafter
• Proportion of normal retirement	: 100%	100%
• Normal retirement age	: 55	55

23. NATURE OF RELATIONSHIP AND TRANSACTIONS WITH RELATED PARTIES

Nature of Relationship

a. IIPL and NUL are the stockholders of the Company.

b. Northstar Pacific Capital (NPC) has the same management as the Company.

c. Canopus Petroleum Limited (BVI) is the beneficial owner of IIPL.

Transactions with Related Parties

The Company entered into certain transactions with related parties, including the following:

a. On November 27, 2007, the Company entered into an Agreement for Rendering Management Services and Additional Services with NPC, whereby NPC shall provide certain services to the Company as stated in such agreement. As compensation, the Company shall pay NPC a management fee representing 1% of the annual sales with a minimum amount of US$ 225,000 per annum. The agreement is valid until the expiration of the LPG Sales Agreement with Pertamina (Note 24a) or on certain dates as specified in the agreement.

Expenses related to the abovementioned agreement were presented as part of operating expenses (Note 19).

b. The Company entered into nontrade transactions with certain related parties as described in Note 9.

c. IIPL and NUL are the corporate guarantors of the Company for the loan obtained from UOB (Note 15).

d. BVI is required by the loan agreement with UOB to maintain a minimum of 60% shareholding in the Company (Note 15).

24. COMMITMENTS

a. On October 11, 2006, the Company entered into a Joint Operation Agreement ("JOA") with OBP. OBP owns the necessary licenses to operate a mini LPG refinery plan for production of LPG, condensate, and propane, and OBP is awarded a raw feed gas supply contract by Pertamina over the next 15 years or until the delivery of the total contract quantity is fulfilled. The Company has all the required resources and funding to construct, own and run the LPG refinery plant. The Company and OBP shall jointly operate and run the LPG business. Both parties agreed that the raw gas purchased from Pertamina by OBP shall be processed in the LPG plant of the Company. The JOA has been amended on September 20, 2007 and December 28, 2008.

   The Company purchases all its raw materials from OBP.

b. On August 14, 2007, the Company entered into LPG Sales Agreement with Pertamina wherein the former shall sell LPG to the latter at certain agreed price. Based on this agreement, the Company is required to supply a daily contract quantity of 110 MT or an annual contract quantity of 36,300 MT; total contract quantity is 108,900 MT. This agreement shall be valid over a three (3) year period starting from the effective date or until the full contract quantity has been fulfilled. Further, this agreement can be extended by written request by the Company within six (6) months prior to the expiration of this agreement. On August 14, 2010, this agreement has been extended for 3 years.

c. On December 12, 2007, the Company also entered into Condensate Sales Agreement with PT Harindo Putra Jaya whereby the former shall supply condensate from its LPG plant to the latter at a price in US Dollar per barrel of ICP SLC determined monthly. The price charged per month shall be the price during the month prior to the supply of condensate. Based on this agreement, the Company is required to supply a daily contract quantity of 150 barrels ("bbls") or an annual contract quantity of 49,500 bbls, the total contract quantity is 148,500 bbls. This agreement shall be valid over a three (3) year period starting from the effective date or until the full contract quantity has been fulfilled. On December 13, 2010, this agreement has been extended for 3 years based on agreement No. 124/SEP-CT-HO/XII/10.

d. On October 1, 2007, the Company entered into Agreement for Rendering Marketing Support Services with Yayasan Indonesia Cerdas Bersatu, whereby the latter shall provide certain marketing support services as stated in such agreement until August 14, 2010. As compensation, the latter shall be entitled to a fixed marketing support service fee as stated in the agreement. As of the issuance date of these financial statements, the agreement is still in process of extension.

e. On November 27, 2007, the Company entered into Agreement for Rendering Management Services and Additional Service with PT Akraya International ("Akraya"), whereby Akraya shall provide certain services to the Company as stated in such agreement. As compensation, the Company shall pay Akraya a certain management fee. This agreement is valid until the expiration of the LPG Sales Agreement with Pertamina (Note 25a) or on certain dates as specified in this agreement.

In relation to the Agreement stated above, the Company entered into another agreement with Akraya on December 5, 2008, whereby the latter shall provide certain services to strengthen the marketing of condensate, enhance the operation of and initiate new projects for the Company. As compensation, the Company shall pay Akraya a certain management fee. The agreement has a period of one year commencing on January 1, 2009. This agreement has been extended up to December 31, 2011.

Expenses related to the abovementioned agreements were presented as part of operating expenses (Note 20).

f. On July 21, 2008, the Company entered Condensate Sales Agreement with PT Bumi Putra Maju whereby the former shall supply condensate from its LPG plant to the latter at a price in U.S. Dollar per barrel of ICP SLC determined monthly. The price charged per month shall be the price during the month prior to the supply of condensate. Based on this agreement, the Company is required to supply a daily contract quantity of 100 barrels ("bbls") or an annual contract quantity of 33,000 bbls. The total contract quantity is 148,500 bbls. This agreement shall be valid over a three (3) year period starting from the effective date or until the full contract quantity has been fulfilled. Further this agreement can be extended by written request by the Company within six (6) months prior to the expiration of this agreements.

g. On May 21, 2007, the Company entered into a three-year lease agreement for an office space with PT Kalindo Deka Griya. The agreement is extended for another three (3) years until March 31, 2013.

25. CONCENTRATION OF RISK

As described in Note 24a, the Company buys all of its raw materials (raw feed gas) solely from OBP, which has raw feed gas supply contract with Pertamina, a State-Owned Enterprise. Currently, there is no other source of raw feed gas within the proximity of the Company's LPG plant location. Disruption of supply of raw feed gas could cause a delay in manufacturing of LPG, Propane and Condensate and a possible loss in sales, which would adversely affect operating results. Further, termination of the aforementioned contract with Pertamina could result in cessation of the business of the Company.

26. FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

a. Financial risk management objectives and policies

The Company's overall financial risk management and policies seek to ensure that adequate financial resources are available for operation and development of its business, while managing its exposure to foreign exchange risk, credit and liquidity risks.

i. Foreign currency risk management

The Company is exposed to the effect of foreign currency exchange rate fluctuation mainly because of foreign currency denominated transactions such as sales, purchases of inventories and borrowings denominated in foreign currency.

The Company manages the foreign currency exposure by matching, as far as possible, receipts and payments in each individual currency. The Company's net open foreign currency exposure as of balance sheet date is disclosed in Note 28.

ii. Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in a loss to the Company.

The Company's credit risk is primarily attributed to its cash in banks, time deposits and trade accounts receivable. The Company places its bank balances and time deposits with credit worthy financial institutions. Trade accounts receivable are entered with respected and credit worthy third parties.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses represents the Company's exposure to credit risk.

iii. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and matching the maturity profiles of financial assets and liabilities.

The Company maintains sufficient funds to finance its ongoing working capital requirements.

b. Fair value of financial instruments

Management considers that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the financial statements approximate their fair values because of their short-term maturities.

27. SUBSEQUENT EVENT

Based on the Company's Shareholders' Resolutions dated April 5, 2011 in lieu of an Extraordinary General Meeting of Shareholders the Company's stockholders approved the Company's board of directors to execute the following "Proposed Transactions":

- To sign and execute the Conditional Share Sale and Purchase Agreement (Perjanjian Jual Beli Saham Bersyarat) between the Company and "Targeted Company" whereby the Company will purchase 60% shares of the Targeted Company for US$ 30,000,000;
- To distribute cash dividends amounting to US$ 13,000,000;
- To settle the loans from stockholders amounting to US$ 6,967,031; and
- To obtain loan from Bank UOB Indonesia (the "Bank") amounting to US$ 43,000,000 to execute the proposed transactions above and to pledge some of the Company's assets as collateral for the said bank loan.

On April 14, 2011, the Bank agreed to grant the Company the bank investment and working capital credit facilities with a maximum amount of US$ 43,000,000. As of the issuance date of these financial statements, the Proposed Transactions, other than the credit facilities obtained, had not been executed yet.

28. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY

At December 31, 2010, the Company had monetary assets and liabilities denominated in the United States (U.S.) Dollar currency, as follows:

	2010	
	Amount in U.S. Dollars	Rupiah Equivalent
Assets		
Cash and cash equivalents	12,252,297	110,160,404,574
Trade accounts receivable	7,171,453	64,478,533,923
Total Assets	19,423,750	174,638,938,497

(Forward)

	2010	
	Amount in U.S. Dollars	Rupiah Equivalent
Liabilities		
Trade accounts payable	660,280	5,936,576,998
Accrued expenses	4,155,663	37,363,566,853
Loans from stockholders	6,967,031	62,640,576,130
Interest payable	277,116	2,491,549,770
Total Liabilities	12,060,090	108,432,269,751
Net Assets	7,363,660	66,206,668,746

The conversion rates of U.S. Dollars to Indonesian Rupiah used by the Company on December 31, 2010 and prevailing rates on April 13, 2011 are Rp 8,991 and Rp 8,672, respectively.

29. RECLASSIFICATION OF ACCOUNTS

Some accounts in the 2009 financial statements have been reclassified to conform with presentation in the 2010 financial statements.

30. APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 2 to 28 were approved and authorized for issue by the Director on April 14, 2011.

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