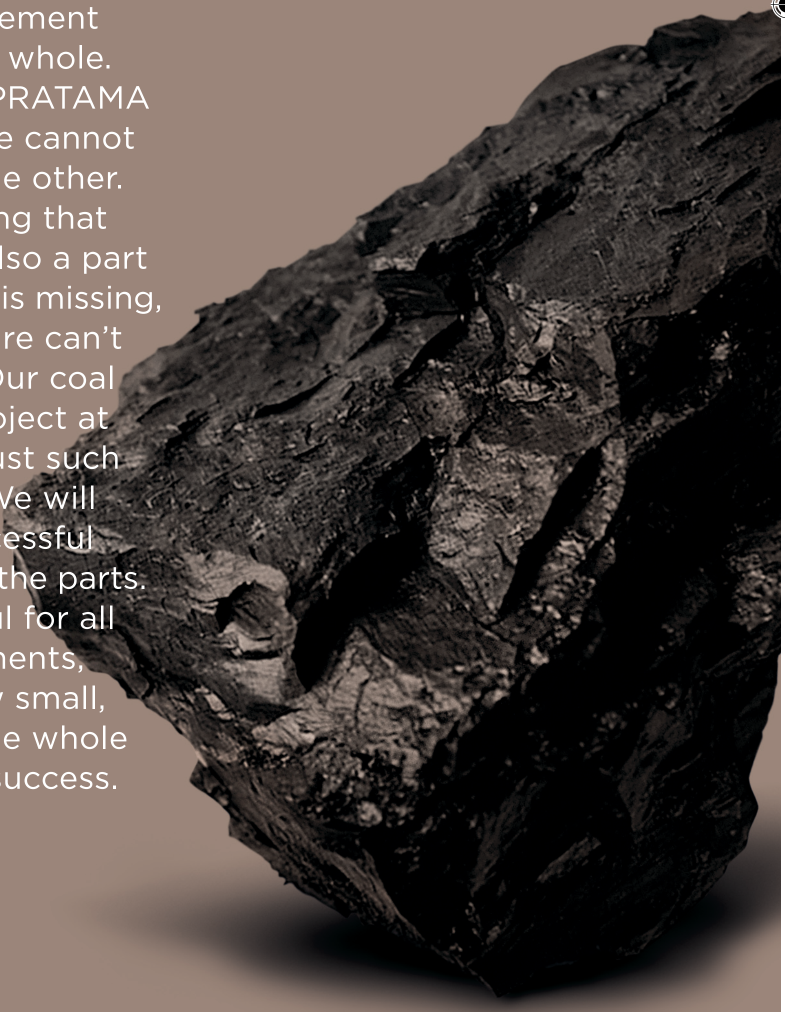

TERIMA KASIH
THANK YOU
2010 ANNUAL REPORT
PT. SINGLURUS PRATAMA

THANK YOU

TERIMA
KASIH

Every small element
is a part of the whole.
PT. SINGLURUS PRATAMA
believes that one cannot
exist without the other.
Every little thing that
surrounds us is also a part
of us. If one piece is missing,
the whole picture can't
be complete. Our coal
production project at
Balikpapan is just such
an example. We will
never be successful
if we lack one of the parts.
We are thankful for all
of these elements,
no matter how small,
that make up the whole
picture of our success.



THANKS TO THE EARTH

For the abundance of natural wealth.

THANKS TO THE TREES AND THE ENVIRONMENT

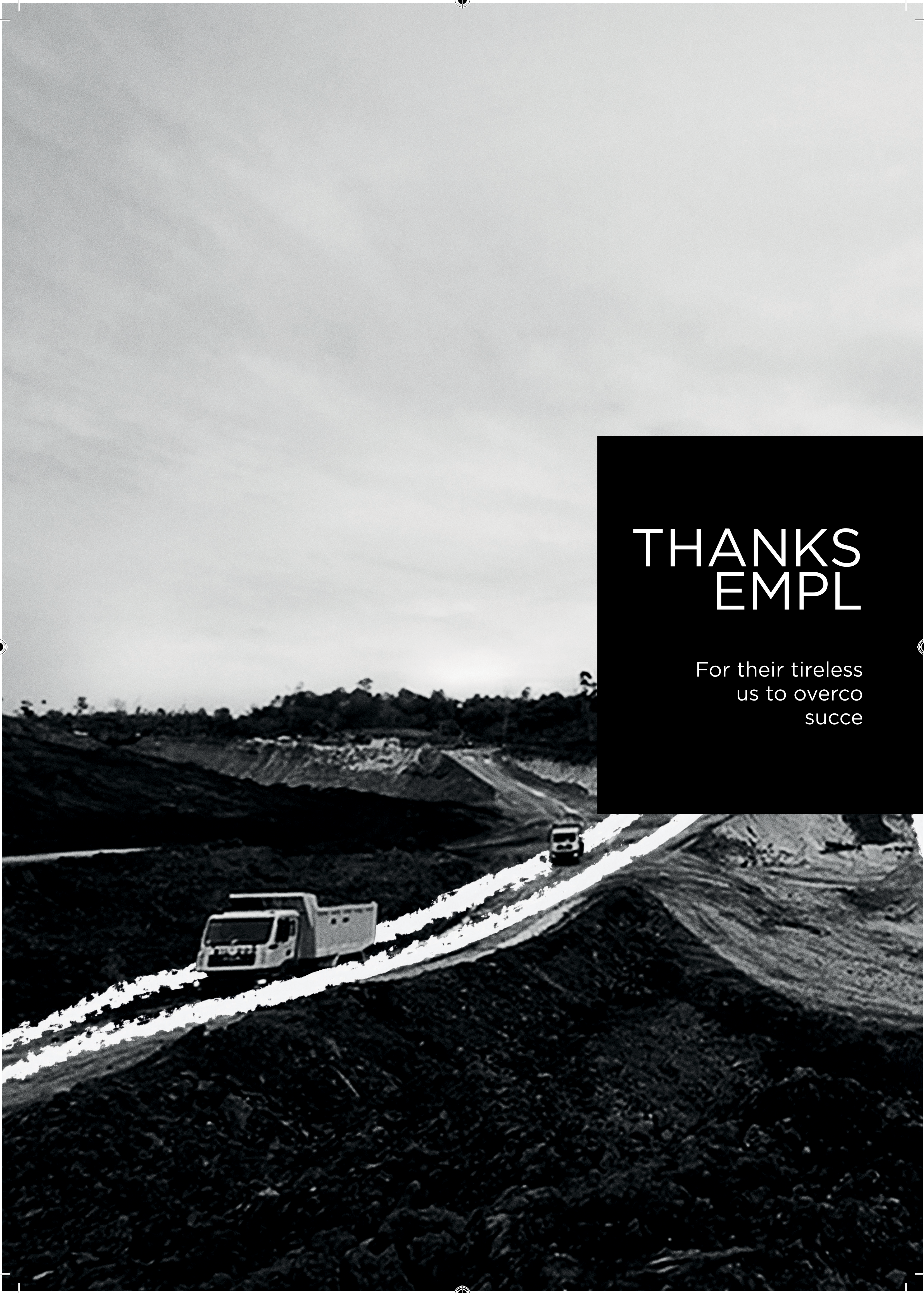
For making complete the natural process
that formed coal.

THANKS TO THE TRUST

For granting
PT. SINGLURUS PRATAMA
the 3rd generation Coal
Contract of Work (CCOW III),
by the government of
Indonesia, allowing us to
carry out our operation.

THANKS TO THE CLIENTS

For believing in the reliability and quality of our coal products.



THANKS EMPL

For their tireless
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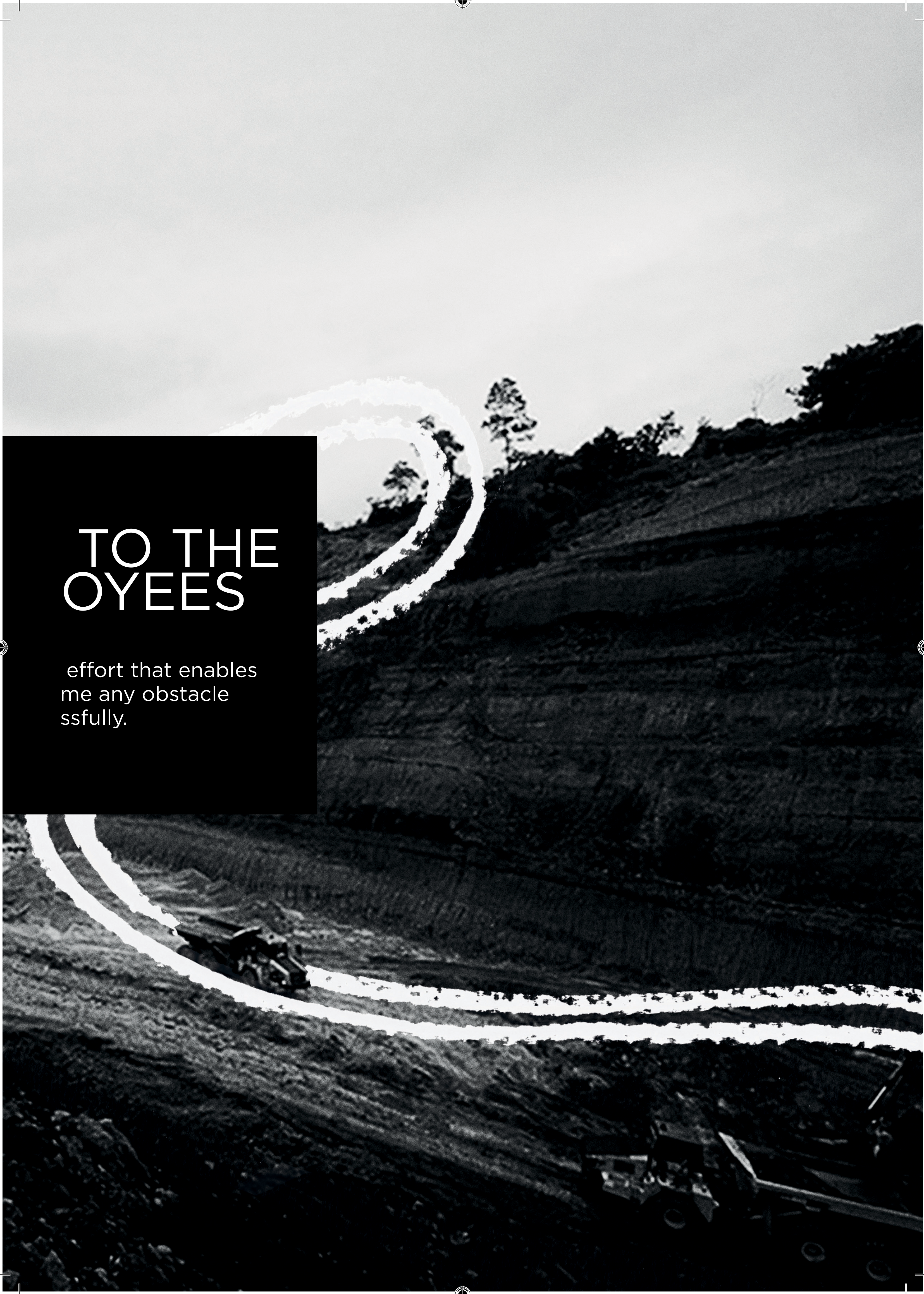

TO THE
OYEES

effort that enables
me any obstacle
ssfully.

THANKS TO THE VILLAGERS

For their great support.

THANKS T
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THANK

O ALL THE
S, LARGE
ALL, FOR
UCCESS.
YOU ALL.

ENVIRONMENTAL
CERTIFICATION

PRINTED
WITH :

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GREEN
SEAL

MOHAWK
WINDPOWER

CONTENTS

VISION & MISSION

VISION

To be a reliable supplier of high-quality coal products, emphasizing the highest degree of professionalism based on fairness and concerns over social and environmental responsibility.

MISSION

- To optimize the Company's coal resources using state-of-the-art technology and product mix strategy.
- To conduct business in a fair and transparent manners.
- To build sustainable value for all shareholders, employees and local communities while maintaining the highest standard on environmental protection and community development.


02
annual
report

BOARD OF COMMISSIONERS AND BOARD OF DIRECTORS

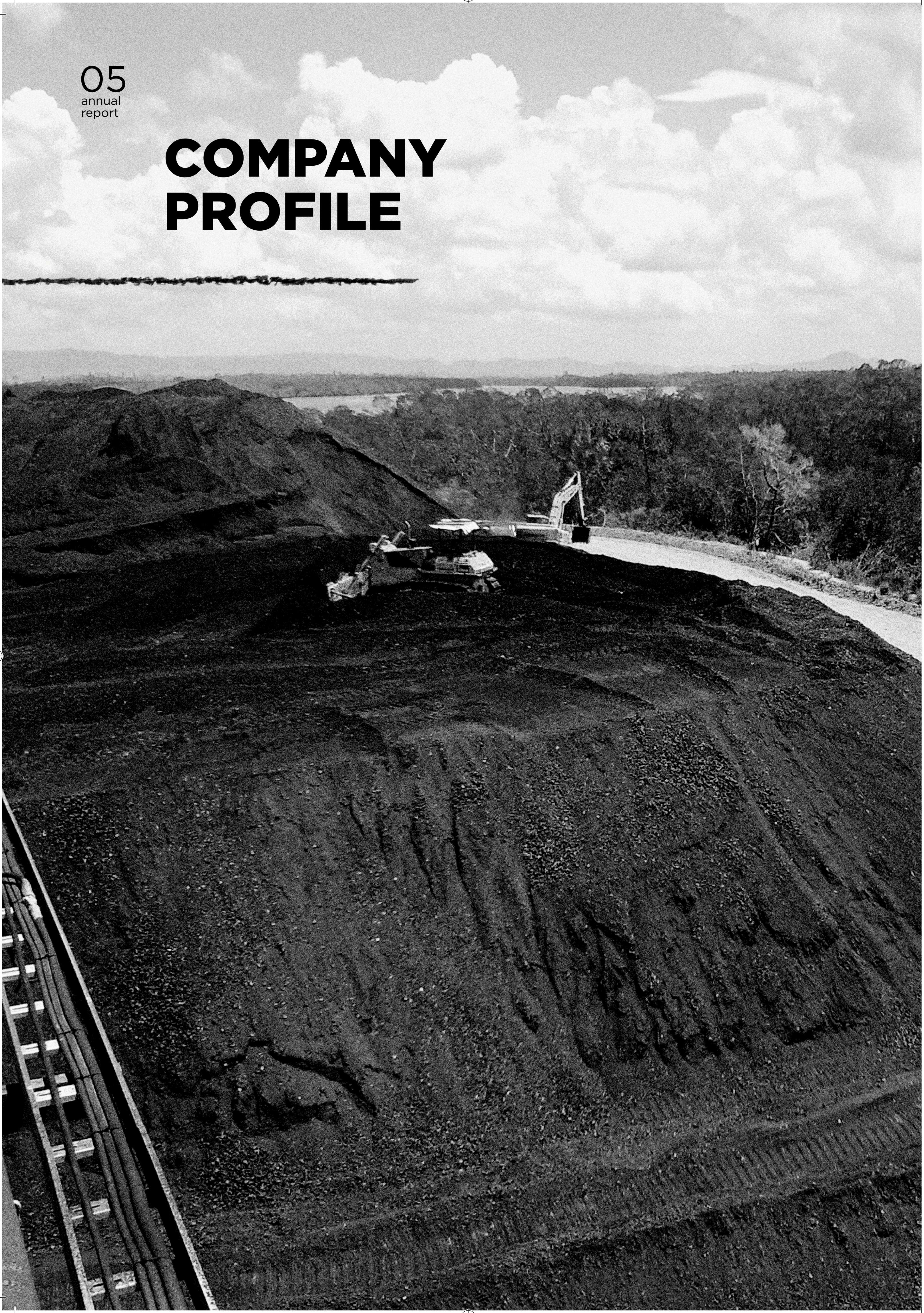
BOARD OF COMMISSIONERS

Mrs. Yocke Kaseger	President Commissioner
Mr. Kraisi Sirirungsi	Commissioner
Mr. Prasert Promdech	Commissioner
Mrs. Petcharat Chayanon	Commissioner
Mr. Saharat Vatanatumrak	Commissioner
Mr. Toto Iman Dewanto	Commissioner

BOARD OF DIRECTORS

Mr. Pilas Puntakosol	President Director
Mr. Anun Louharanoo	Director
Mr. Srihasak Arirachakaran	Director
Mr. Panot Charoensuk	Director / Managing Director
Mr. Ludi Prasetyo	Director
Mr. Sonny Susanto	Director

COMPANY PROFILE



Location :

General Office : Kawasan Bisnis Granadha Veteran Building, 8th Floor, Jl. Jend. Sudirman Kav.50, Jakarta 12930, Indonesia,
Tel. : 62(21) 2553-5036/37, 2553 9876 Fax : 62(21) 2553-9821

Mine Site : Ruko Bhumi Nirwana Indah Blok C.38 Jl. Soekarno Hatta Km. 5.5, Balikpapan 76126, Indonesia
Tel. : 62(542) 720-8416, Fax : 62(542) 720-8388

Type of Business :

The Company's business is in the coal production and distribution, having coal mining operation under the coal concession of the third generation "Coal Contract of Work" (CCOW III), granted by the Indonesian government with concession period of 30 years. The coal concession is located in Balikpapan district, Sub-Province Kutai Kartanegara, Sub- Province Penajam Paser Utara, East Kalimantan.

Production Capacity : 2,000,000 metric tons per annum

Registered Capital : 7,950 ordinary shares at Rp.1,000,000 per share totaling Rp.7,950,000,000

Paid-up Capital : 7,950 ordinary shares at Rp.1,000,000 per share totaling Rp.7,950,000,000

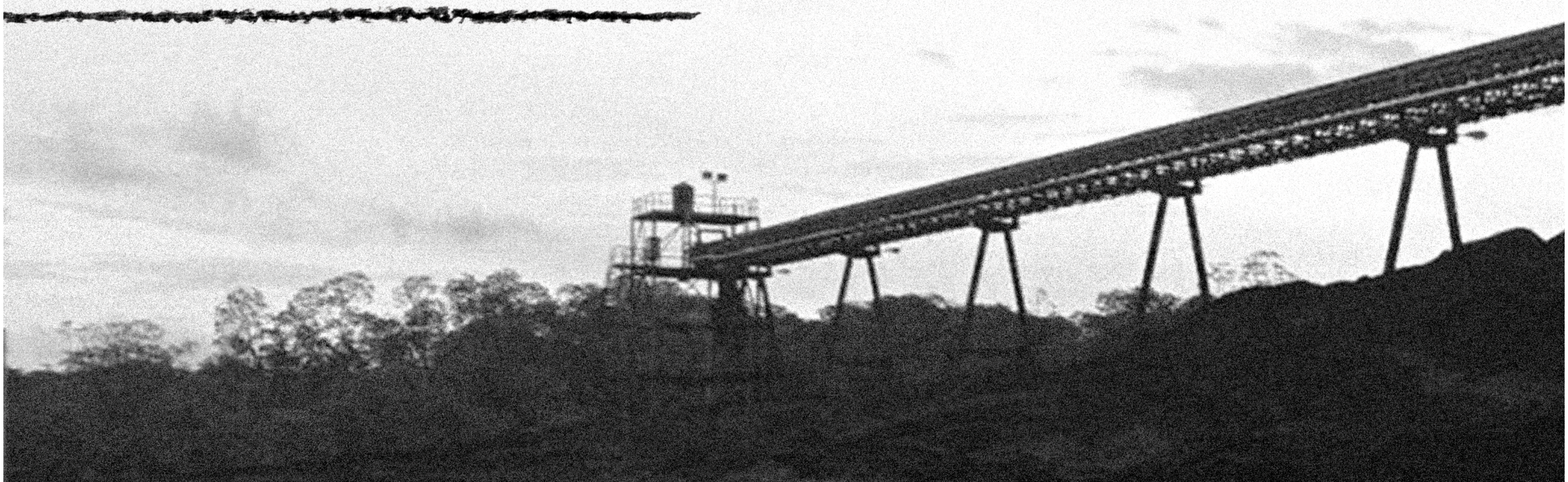
Shareholding Structure :

- Lanna Resources Public Co., Ltd. (registered in Thailand) holding 5,168 shares (65%) of the paid-up capital
- PT. Indocoal Pratama Jaya (registered in Indonesia) holding 1,192 shares (15%) of the paid-up capital
- PT. Harita Jayaraya (registered in Indonesia) holding 954 shares (12%) of the paid-up capital
- PT. Ambharakarya Perdana (Registered in Indonesia), holding 636 shares (8%) of the paid-up capital

Auditor :

Purwantono, Suherman & Surja, a member of Ernst & Young Global, and Indonesia Public Accountant Firm.

REPORT OF THE BOARD OF DIRECTORS



On behalf of the Board of Directors of PT. Singlurus Pratama, I would like to take this opportunity to report to the shareholders with regard to the Company's performance and operating results for the past year 2010. I am pleased to report that, as compared with the previous year 2009, the global coal market situation in 2010 became better with increase in the global demand for coal driving up the seaborne coal price in 2010, due in part to growing energy requirements from the world's two largest coal consumers; namely China and India. This was in spite of global financial and economic crisis occurred during year during 2009 to 2010 with certain impact to the Company and others in the other industries.

Accordingly, the Company was able to achieve excellent operating results, having total revenue of USD 75,157,824 with the net profit of USD 16,627,130 or net earnings per share of USD 2,091.46 per share. In comparison with the previous year 2009, the total revenue increased by USD 12,893,129 or 345.29 percent.

In 2010, the Company's coal sales volume increased considerably from 430,070 tons in 2009 to 1,217,764 tons in 2010 or an increase of 80.28 percent, as the Company had just started its coal production and distribution from the middle of year 2009. The sales revenue before deduction of royalty fee increased from USD 29,673,661.67 in 2009 to USD 82,620,983.43 in 2010. Based on these sales revenues, in comparison with previous year 2009, the average coal selling price in 2010 retreated from USD 69.00 per ton to USD 67.85 per ton, or a decrease of 1.67 percent, due to lower coal index reference price in 2010. Despite the decrease in average coal sales price, the Company's EBITDA margin in 2010 was 50.59 percent, representing an increase of 4.70 percent from 2009. The Company's pretax profit and net profit in 2010 were USD 23,815,758 and USD 16,627,122, respectively, or net earnings per share of USD 2,091.46 per share.

It is anticipated that coal consumption and pricing in 2011 will remain buoyant with strong demand from China and India. The price of coal should increase in the same direction as the oil price due to increasing global energy demand in accordance with continuing recovery of global economic condition.

The Company's Board of Directors is committed and shall manage the Company with prudence by adhering to the principles of good corporate governance to overcome any obstacles and achieve good operating results, and shall foster the Company's business to achieve sustainable business growth and development in long term.

Mr. Pilas Puntakosol
President Director

FINANCIAL INFORMATION

FINANCIAL SUMMARY

(Unit : USD)

FYE December	2009	2010
Total Revenue	25,192,215	72,157,824
Sales Revenue	25,135,567	72,178,275
EBITDA	11,560,591	36,503,161
EBITDA margins (%)	45.89%	50.59%
Pretax profit (Loss)	4,430,607	23,815,758
Net Profit (Loss)	3,734,001	16,627,122
Earnings per share (USD/Share)	469.69	2,091.46
Earnings per share growth (%)	-	345.29%

The Company has not appropriated its earnings for dividend payment as the Company just started to gain revenue from coal sales from middle of 2009 and still had outstanding loan.

FINANCIAL TABLES

Profit & Loss

(Unit : USD)

FYE December	2009	2010
Sales Revenue (net)	25,135,567	72,178,275
Cost of Goods Sold	(13,574,976)	(35,675,114)
Gross Profit	11,560,591	36,503,161
Operating Expenses	(5,953,412)	(11,618,889)
Income from Operations	5,607,179	24,884,272
Other Income (Gain and Loss of forex, Interest Income)	56,648	(20,451)
Interest Expenses and Other Expenses	(1,233,220)	(1,048,063)
Income before Provision For Income Tax	4,430,607	23,815,758
Provision for Income Tax	(708,278)	(7,094,445)
Deferred Tax	11,672	(94,183)
Net Profit (Loss Profit)	**3,734,001**	**16,627,130**

FINANCIAL INFORMATION (CONTINUED)

BALANCE SHEET

(Unit : USD)

FYE December	2009	2010
Current Assets		
Cash on hand and at banks	5,305,155	6,021,031
Trade Receivables	944,444	8,470,800
Inventories	2,734,290	947,062
Prepaid Taxes	2,317,200	6,459,999
Other Current Assets	74,156	417,252
Total Current Assets	**11,375,245**	**22,316,144**
Non Current Assets		
Deferred Exploration and Development costs (Net)	10,170,602	11,435,817
Property, Plant and Equipment (Net)	3,971,936	4,808,337
Deferred Tax Assets	11,672	-
Other Non Current Assets	10,827	467,723
Total Assets	**25,540,282**	**39,028,021**
Liabilities and Shareholders' Equity		
Current Liabilities	24,496,264	13,957,617
Non Current Liabilities	-	-
Long – Term Liabilities	-	7,399,257
Total Liabilities	**24,496,264**	**21,356,874**
Shareholders' Equity		
Share Capital – Rp. 1,000,000 par value – 7,950 shares	1,172,880	1,172,880
Retained Earnings	(128,862)	16,498,267
Total Shareholders' Equity	**1,044,018**	**17,671,147**
Total Liabilities and Shareholders' Equity	**25,540,282**	**39,028,021**

KEY DRIVERS

FYE December	2009	2010
Average Coal Sales prices (USD/Metric Ton)	69	67.85
Production Output (Metric Tons)	494,847	1,084,814
Sales Volume (Metric Tons)	430,070	1,217,764
Stripping Ratio (Times)	7.79	8.96

BUSINESS ACTIVITIES

Company's Coal Business

PT. Singlurus Pratama was established as a single-purpose company to carry out coal mining operation and distribution activities as stipulated under the 3rd generation Coal Contract of Work (CCOW III) regulations, granted by the Government of Indonesia. Therefore, the only activity permitted by law is for the Company to develop the coal concession for a period of 30 years without having to divest its shareholding structure. The Company's coal mining operation is in Balikpapan District, East Kalimantan, having current coal production capacity of 2,000,000 tons per year. The mineable reserves have been estimated at 20 to 25 million tons.

Coal Production

Coal is formed in several stages from plant remains that have been compacted, hardened, chemically altered and metamorphosed by heat and pressure over millions of years. Therefore, in order to develop a coalmine, coal exploration works are required for the collection and interpretation of geological data in order to learn about the thickness of coal seams, boundary areas of the coal resource, chemical content and quality, and economic reserve estimation. The development of coal deposit is generally based on the information and data obtained from these exploration programs. Accordingly, the production of coal consists of following 3 major steps:

(1) Coal Exploration : The exploration program begins with the preliminary collection and analysis of the land surface and geological data at the target areas. Subsequently, fieldwork includes scout drilling to study the formation and type of soil and rock, and geological structure of the target areas to ascertain that there exists the coal deposit. After coal deposits have been identified, survey and drilling activities are performed to assess coal quality and reserve estimation for economic analysis to facilitate a decision for further development of the coalmine.

(2) Coal Mining : Before proceeding with coal mining operation, more detail drilling activities are required to collect and interpret necessary information and data of the mining areas; such as, coal reserves and quality for each of the coal seam formations including soil layers. The collected data and information will be used to determine the mine master plan which includes the analysis of mining costs and mining methods, as well as the quantity and areas for overburden removal and coal winning logistics, and also selection of suitable mining equipment and machinery.

(3) Coal Dressing : In order to attain the quality as required by the users or customers, coal extracted from the coal mining operation need to go through coal dressing process which includes crushing, sizing, sorting or washing to remove any contaminations, etc.

BUSINESS ACTIVITIES (CONTINUED)

Coal Distribution

After the coal has been extracted from the coal mining area, the run-off-mine coal (ROM) is transported by trucks through hauling road for further processing and distribution at the Company's port and jetty facilities located within the concession area along Sekambing River. Due to the width and depth of the river, the maximum barging capacity is limited to 9,500 tons per trip, equivalent to a 330-foot barge. After coal loading into the barge has been completed, it is transported down the river for further loading into the vessel, which will transport the coal overseas to the end-users. The majority of the Company's coal products are sold and exported to several Asian countries; namely, China, Hong Kong, India, Korea, Taiwan and Thailand.

Coal Pricing

Coal pricing is mainly determined by the coal quality and specifications, such as the calorific value, total moisture, ash, total sulfur content, etc. Coal sale price for each customer varies depending on certain factors such as order volume, coal specifications such as calorific value, credit term and other conditions specified by the customer. Nonetheless, the Indonesian Government by the Ministry of Energy and Mineral Resources has established and issued regulations concerning the Indonesian Coal Price Reference (HBA) to be used as a reference or benchmark price and calculation for the floor price of coal. HBA is the monthly average of four international coal indices including ICI, Platts, Newcastle Export Index (NEX) and Newcastle Global Coal Index (GC).

Market Strategy

The Company focuses mainly on the service and quality control of the coal products as its marketing strategy to achieve optimum price level. In addition, the Company has continually developed ways to optimize its coal quality by bringing in modern technology for continuing improvement of coal production and operation.

Industrial Trend

Coal price at end of 2010 significantly increased by over 30 percent from the beginning of the year, due mainly to strong global demand for coal and this trend should continue for the following years due to increasing energy consumption in the Asia region, especially China and India. These are the two largest consumers of coal which continue to have growing demand for energy. Even though both China and India have massive coal reserves and their own production, they have become big importers of coal due to rapid increase in their energy consumption. The increase in the number of coal-fired power plants for these countries will certainly keep up the high demand for coal. In addition, the rising trend of oil price should also drive up the demand of coal as a less expensive source of alternate energy. Though, the increase in coal price in 2011 may not be as high as the rise in 2010 as major coal-exporting countries increase their supply of coal to the global coal market. However, the disruptions in coal supply from Australia due to flooding in coal producing Queensland in late 2010 through early 2011 quickly drove up the price of coal in the first quarter of 2011.

RISK FACTORS

The Company conducts coal mining business which possesses the following risk factors that must be taken into consideration.

(1) Coal Mining Operation Risk : The Company routinely performs proper exploration and assessment activities of the coal deposits, including pit design and mine master plan conforming to the international principles and standards prior to investment and commencement of coal mining activities. Hence, risks associated with coal mining operation are mainly due to natural occurrences, such as heavy rain which normally happens every year for coal mines in Indonesia, hampering and delaying coal production and delivery. In order to mitigate such risks, the Company keeps adequate inventory of the finished coals for distribution at the quantity of no less than one month of the projected sales volume for each year.

(2) Coal Price Fluctuation Risk : Coal prices fluctuate similar to other commodities such as the oil prices, subject to market demand and supply. Therefore, the Company has established policy to sell coal in advance, entering into coal sales contracts for certain portion of the coal volume produced each year. Coal sales are normally offered during the time when coal price is on the rise by observing coal pricing trend and movement in the past. The Company closely monitors coal pricing trend, including consideration of risk protection or guarantee instruments or other methods, depending on the appropriateness and anticipated future coal market situation.

(3) Accounts Payable Risk : For the majority of the Company's coal sales, credit terms are normally extended to quality customers. For coal sales and purchase transactions, letter of credit is normally required from customers to minimize risk. The Company has never incurred bad debt from the customers.

(4) Fuel Product Substitutes Risk : Although coal prices during 2009 have fluctuated quite considerably; however, when comparing the price per heat unit to other substituted fuels, such as fuel oil, diesel oil and natural gas, the price per unit heat of coal is still significantly lower. Therefore, the risk from the fuel product substitutes is still considered minor.

(5) Coal Reserves Variation Risk : The Company has continually allocated budget for exploration activities within the concession areas in order to ascertain the amount of remaining mineable coal reserve.

(6) Risk from Mining Contractors' Operation : The Company has hired the mining contractor for coal winning and therefore, if the mining contractor could not perform its operation as agreed with the Company due to problems such as delay in procurement of machinery and equipment, sub-standard maintenance works, etc., which would certainly have adverse impact to the Company's coal production and distribution. Therefore, in order to manage such risk, the Company would only hire the mining contractors that are reliable, experienced and have good work performance history, by entering into a mining contract of at least 3 years term in order to guarantee sufficient work for the financing purpose of the mining contractor.

MANAGEMENT DISCUSSION AND ANALYSIS

(For the Financial Statements of Year 2010)

(1) REVENUES

	Year 2010		Year 2009		Increase/(Decrease)	
Description	**USD**	**%**	**USD**	**%**	**USD**	**%**
• Revenue from Coal	72,178,275	100.03	25,135,567	99.78	47,042,708	187.16
• Other Revenue	(20,451)	(0.03)	56,648	0.22	(77,099)	(376.99)
Total Revenues	**72,157,824**	**100.00**	**25,192,215**	**100.00**	**46,965,609**	**186.43**

In year 2010, the Company's total revenues were USD 72,157,824, or an increase from previous year by USD 46,965,609 or an increase of 186.43 percent, due to the increase in coal sales from 430,069.22 tons in 2009 to 1,217,763 tons in 2010.

The Company's other revenue was USD (20,451) or (0.03) percent of the total revenues which decreased from the previous year by USD 77,099 or 376.99 percent, due to loss incurred from foreign exchange rate in 2010 of USD 30,635.

(2) EXPENSES

	Year 2010		Year 2009		Increase/(Decrease)	
Description	**USD**	**% of sales**	**USD**	**% of sales**	**USD**	**%**
• Cost of sales	35,675,114	49.42	13,574,976	54.01	22,100,138	162.80
• Selling and administrative expenses	11,618,889	16.10	5,953,412	23.69	5,665,477	95.16
• Interest Expenses	591,069	0.82	1,233,220	4.91	(642,151)	(52.07)
• Corporate income tax	7,188,636	9.96	696,606	2.77	6,492,030	931.95

(1) Cost of sales in year 2010 increased from the previous year by USD 22,100,138 or an increase of 162.80 percent, in line with the increase in coal sales volume.

(2) Selling and administrative expenses in year 2010 increased from the previous year by USD 5,665,477 or an increase of 95.16 percent, in line with the increase in coal sales volume.

(3) Interest Expenses in year 2010 decreased from the previous year by USD 642,151 or a decrease of 52.07 percent due to a lower amount of loan.

(4) Corporate income tax in year 2010 increase from the previous year by USD 6,429,030.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(3) PROFIT

	Year 2010		Year 2009		Increase/(Decrease)	
Gross Profit	**USD**	**%**	**USD**	**%**	**USD**	**%**
Sale Revenues	72,178,275	100.00	25,135,567	100.00	47,042,708	187.16
Less Cost of sales	35,675,114	49.43	13,574,976	54.01	22,100,138	162.80
Gross Profit	**36,503,161**	**50.57**	**11,560,591**	**45.99**	**24,942,570**	**215.76**

In year 2010, the Company's gross profit was USD 36,503,161 or 50.57 percent of the sale revenue. High profit margin was achieved because the Company was able to sell coal at higher price than the index price.

	Year 2010	Year 2009	Increase/(Decrease)	
Net Profit	**USD**	**USD**	**USD**	**%**
Net (Loss) Profit	16,627,130	3,734,001	12,893,129	345.29
Net Profit per Share - USD per share (Registered par value of USD 147.53 per share)	2,091.46	469.69	1,621.77	345.29

In year 2010, the Company's net profit was USD 16,627,130 or USD 2,091.46 per share. In comparison with the net profit of USD 3,734,001 or USD 469.69 per share in year 2009, the net profit in 2010 increased by USD 12,893,129 or an increase of USD 1,621.77 per share.

(4) FINANCIAL STATUS

	As at December		Increase/(Decrease)	
Description (Unit : USD)	**31st, 2010**	**31st, 2009**	**USD**	**%**
Total Asset	39,028,021	25,540,282	13,487,739	52.81
Total Liabilities	21,356,874	24,496,264	(3,139,390)	(12.82)
Total Shareholders' Equity	17,671,147	1,044,018	16,627,129	1,592.61
Book Value-USD per Share (Registered par value of USD 147.53 per share)	2,222.79	131.32	2,091.46	1,592.64

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(A) Assets

The Company's total assets at the end of year 2010 increased from the end of year 2009 by USD 13,487,739 or an increase of 52.81 percent, consisting of:

(1) Current assets increased by USD 10,940,899 from the previous year or an increase of 96.18 percent, due to the following reasons.

(1.1) Cash on hand and at the bank increased by USD 715,876 from the previous year or an increase of 13.49 percent, due to the increase in coal sales revenues.

(1.2) Trade receivables increased by USD 7,526,356 from the previous year or an increase of 796.91 percent, due to the increase in coal sales revenue from the previous year of USD 47,042,708 or increase of 187.16 percent.

(1.3) Inventories decreased by USD 1,787,228 from the previous year or a decrease of 63.36 percent, due to the significant increase in the coal sales as compared with the previous year. The Company generally produces coal as it sells; however, certain amount of coal inventory is kept sufficiently for delivery to customers with the sale and purchase contracts.

(1.4) Prepaid tax increased by USD 4,142,799 from the previous year, or an increase of 178.78 percent, due to the Company having an increase amount of value added tax (VAT) which is under the process of request for refund from the Revenue Office.

(1.5) Other current assets such as prepaid expenses, operational advances and advances others increased by USD 343,096 from the previous year, or an increase of 462.67 percent, as the Company made advance payment of fee for land use in the Argosari block of USD 283,845.

(2) Non-current assets increased by USD 2,546,840 from the previous year or an increase of 17.98 percent, due to the following reasons.

(2.1) Property, plant, land and equipment increased by USD 836,401 from the previous year or an increase of 21.06 percent due to additional purchase of machinery and compensation for land used for mining activities.

(2.2) Deferred cost and other non-current assets such as exploration and development costs, deferred tax assets, etc. increased by USD 1,710,493 from the previous year or an increase of 16.78 percent, due to advance payment for overburden removal and payment for exploration of Argosari block development project.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(B) Liabilities

The Company's total liabilities as at end of year 2010 decreased from the end of year 2009 by USD 3,139,390 or a decrease of 12.82 percent, consisting of:

(1) Current Liabilities increased by USD 1,438,358 from the previous year, or an increase of 11.48 percent, due to the following reasons.

(1.1) Trade accounts payable decreased by USD 381,723 from the previous year or a decrease of 47.78 percent due to the Company having no outstanding debt between the related parties.

(1.2) Taxes payable increased by USD 6,094,711 from previous year or an increase of 516.39 percent due to the Company having an increase amount of value added tax (VAT) which is under the process of request for refund from the Revenue Office.

(1.3) Sales advance received from Siam City Cement Public Company Ltd., decreased by USD 4,000,000 form previous year or a decrease of 100 percent, due to the Company's repayment of such advance to Siam City Cement Public Company Ltd., in year 2010.

(1.4) Other current liabilities such as accrued expenses decreased by USD 274,630 from the previous year or a decrease of 4.20 percent due to a decrease in outstanding accounts payable on overburden removal by USD 1,199,794 or a decrease 28.09 percent, but there were increases of royalty fee and retribution by USD 753,762 or an increase of 84.72 percent, due to increase in the sales volume and decrease in interest by USD 433,149 from the previous year or a decrease of 100 percent.

(2) Non-current liabilities slightly decreased by USD 4,577,748 from previous year or a decrease 38.22 present due to repayment for part of the loan.

(C) Total Shareholders' Equity

The total shareholders' equity of the Company at December 31, 2010 increased from the end of year 2009 by USD 16,627,129 or an increase of 1,592.61 percent, resulting in the increase of share's book value from USD 2,091.46 per share to USD 2,222.79 per share.

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG

Purwantono, Suherman & Surja
Indonesia Stock Exchange Building
Tower 2, 7th Floor
Jl, Jend, Sudirman Kav. 52-53
Jakarta 12190, Indonesia
Tel : +62 21 5289 5000
Fax: +62 21 5289 4100
www.ey.com/id

Report No. RPC-915/PSS/2011

The Boards of Commissioners and Directors
PT Singlurus Pratama

We have audited the accompanying balance sheet of PT Singlurus Pratama (the "Company") as of December 31, 2010 and the related statements of income, changes in shareholders' equity and cash flows for the year 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 audit 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.

As disclosed in Note 2a, effective January 1, 2010 the Company adopted the United Stated Dollar functional currency as its reporting and recording currency and has elected not to present the comparative financial statements as of December 31, 2009 and for the year then ended. Generally accepted accounting principles in Indonesia require the comparative presentation of financial statements for the prior year.

In our opinion, except for not presenting the comparative financial statements for the prior year as explained in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of PT Singlurus Pratama as of December 31, 2010, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles in Indonesia.

Purwantono, Suherman & Surja

Drs. Hari Purwantono
Public Accountant License No. 98.1.0065

February 24, 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 Indonesia. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in Indonesia.

BALANCE SHEET

PT SINGLURUS PRATAMA

December 31, 2010
(Expressed in United States Dollar, unless otherwise stated)

	Notes	2010
ASSETS		
CURRENT ASSETS		
Cash	4	6,021,031
Trade receivables	5	8,470,800
Inventories	6	947,062
Prepaid tax	10a	6,459,999
Other current assets	7	417,252
TOTAL CURRENT ASSETS		**22,316,144**
NON-CURRENT ASSETS		
Property, plant and equipment, net of accumulated depreciation of US$699,660	8	4,808,337
Deferred exploration costs	9	11,435,817
Other non-current assets	11	467,723
TOTAL NON-CURRENT ASSETS		16,711,877
TOTAL ASSETS		**39,028,021**
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Trade payables	12	417,203
Taxes payable	10b	7,274,971
Other current liabilities	13	6,265,443
TOTAL CURRENT LIABILITIES		**13,957,617**

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

PT SINGLURUS PRATAMA

December 31, 2010
(Expressed in United States Dollar, unless otherwise stated)

	Notes	2010
LONG-TERM LIABILITIES		
Due to related parties	14	6,869,974
Deferred tax liability, net	10f	82,511
Provision for employees service entitlements	21a	446,772
TOTAL LONG-TERM LIABILITIES		**7,399,257**
TOTAL LIABILITIES		**21,356,874**
SHAREHOLDERS' EQUITY		
Share capital		
Authorized, issued and fully paid - 7,950 shares		
at par value of Rp 1,000,000	15	1,172,880
Retained earnings		16,498,267
TOTAL SHAREHOLDERS' EQUITY		**17,671,147**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**39,028,021**

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

STATEMENT OF INCOME

PT SINGLURUS PRATAMA

Year ended December 31, 2010
(Expressed in United States Dollar, unless otherwise stated)

	Notes	2010
NET SALES	16	72,178,275
COST OF GOODS SOLD	17	(35,675,114)
GROSS PROFIT		**36,503,161**
OPERATING EXPENSES		
Selling expenses	18	(8,929,619)
General and administrative expenses	19	(2,689,270)
Total operating expenses		**(11,618,889)**
OPERATING INCOME		**24,884,272**
OTHER INCOME/(EXPENSES)		
Interest expense	20	(591,069)
Interest income		10,184
Currency exchange loss, net		(30,635)
Others, net		(456,994)
Other expenses, net		**(1,068,514)**
INCOME BEFORE CORPORATE INCOME TAX		**23,815,758**
CORPORATE INCOME TAX EXPENSES		
Current tax	10c, 10d	(7,094,445)
Deferred tax benefit	10c, 10e	(94,183)
Corporate income tax expenses		**(7,188,628)**
NET INCOME		**16,627,130**

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

PT SINGLURUS PRATAMA

Year ended December 31, 2010
(Expressed in United States Dollar, unless otherwise stated)

	Share capital	Retained earnings/ (Accumulated deficit)	Total
Balance as of December 31, 2009	**1,172,880**	**(128,863)**	**1,044,017**
Net income in 2010	-	16,627,130	16,627,130
Balance as of December 31, 2010	**1,172,880**	**16,498,267**	**17,671,147**

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

STATEMENT OF CASH FLOWS

PT SINGLURUS PRATAMA

Year ended December 31, 2010
(Expressed in United States Dollar, unless otherwise stated)

	Notes	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before corporate income tax		23,815,758
Adjustments to reconcile income before corporate income tax to net cash provided by operating activities:		
Depreciation of property, plant and equipment	8	415,244
Provision for employees service entitlements	21b	349,580
Amortization of deferred exploration costs	9	2,014,977
Interest income		(10,184)
Interest expense		591,069
Cash flows from operating activities before changes in operating assets and liabilities		27,176,444
Changes in operating assets and liabilities:		
Trade receivables		(7,526,356)
Inventories		1,787,228
Prepaid tax		(2,889,665)
Other current assets		(343,096)
Other non-current assets		(456,897)
Trade payables		(244,557)
Taxes payable		(999,734)
Sales advance		(4,000,000)
Other current liabilities		(448,588)
Accrued expenses		173,960
Due to related parties		730,412

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

PT SINGLURUS PRATAMA

Year ended December 31, 2010
(Expressed in United States Dollar, unless otherwise stated)

	Notes	2010
Cash generated from operations		**12,959,151**
Payment of corporate income tax		(1,253,134)
Net cash provided by operating activities		**11,706,017**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	8	(1,251,647)
Addition in deferred exploration costs	9	(3,280,192)
Interest received		10,184
Net cash used in investing activities		**(4,521,655)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of loan to related parties		(5,877,416)
Interest paid		(591,069)
Net cash used in financing activities		**(6,468,485)**
NET INCREASE IN CASH		**715,877**
CASH AT BEGINNING OF YEAR		**5,305,154**
CASH AT END OF YEAR		**6,021,031**

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

NOTES TO THE FINANCIAL STATEMENTS

PT SINGLURUS PRATAMA

Year ended December 31, 2010
(Expressed in United States Dollar, unless otherwise stated)

1. GENERAL

PT Singlurus Pratama (the "Company") was established based on Notarial Deed No. 15 of Public Notary Soeleman Ardjasasmita, S.H., dated February 21, 1992. The Deed of Establishment was approved by the Minister of Justice of the Republic of Indonesia in Decision Letter No. C2-14330.HT.01.01-Th.93 dated December 24, 1993 and was published in State Gazette of the Republic of Indonesia No. 70, Supplement No. 6303 dated September 2, 1994.

The Company's Articles of Association have been amended several times and most recently by Notarial Deed No. 161 of Public Notary Sutjipto, S.H., dated April 24, 2008 concerning transfer of shares of PT Indocoal Pratama Jaya to Lanna Singapore (Pte) Ltd., change in the Company's status to Foreign Capital Investment (PMA) and changes in the Company's Articles of Association to comply with Law No. 40 year 2007 regarding "Limited Liability Company". The amendments of Articles of Association were approved by the Minister of Law and Human Rights of the Republic of Indonesia in Letter No. AHU-33373.AH.01.02.Year 2008 dated June 16, 2008. The change in the Company's status to foreign capital investment was approved by the Capital Investment Coordinating Board in Letter No. 3251A.612006 dated October 20, 2006.

Based on the Company's Articles of Association, the purpose and objectives of the Company are mining activities comprising exploration, exploitation and managing mining products and trading such products for local and export markets.

The Company signed a Coal Contract of Work ("CCOW" or "the contract") with the Indonesian Government on November 20, 1997. The contract provides rights and obligations of the Company to explore and exploit the area of Kutai, East Kalimantan, for coal, with the total exploration area of 87,410 hectares ("ha"). The operating period shall continue for 30 years beginning at the commencement of the first mining operation.

Based on Decision Letter No. 414/30/DBM/2007 dated February 28, 2007, the Directorate General of Mineral, Coal and Geothermal approved the Company's application to decrease the total exploration area to 31,400 ha.

Based on Decision Letter No. 61.K/30.00/DJB/2008 dated April 7, 2008, the Minister of Energy and Mineral Resources approved the Company's application to increase the construction activity phase to area of 24,760 ha.

1. GENERAL (CONTINUED)

Based on Decision Letter No. SK.380/Menhut-11/2008 dated October 29, 2008, the Minister of Forestry approved the Company's application for the Lend and Use right on the forest area of 1,265 ha for exploitation of coal at the area of Kutai, East Kalimantan.

On March 30, 2009, the Company received Decision Letter No. 276.k/30/DJB/2009 from the Ministry of Energy and Mineral Resources regarding the commencement of production operation in the contract area. Since July 2009, the Company has started its commercial activities.

The composition of the Boards of Commissioners and Directors of the Company as of December 31, 2010 is as follows:

Board of Commissioners:

President Commissioner	:	Mrs. Yocke Kaseger
Commissioners	:	Mr. Kraisi Sirirungsi
		Mr. Prasert Promdech
		Mrs. Petcharat Chayanon
		Mr. Saharat Vatanatumrak
		Mr. Toto Iman Dewanto

Board of Directors:

President Director	:	Mr. Pilas Puntakosol
Directors	:	Mr. Anun Louharanoo
		Mr. Srihasak Arirachakaran
		Mr. Panot Charoensuk
		Mr. Ludi Prasetyo Hartono
		Mr. Sonny Susanto

As of December 31, 2010, the Company has 235 permanent employees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies adopted by the Company are prepared in conformity with generally accepted accounting principles in Indonesia. The significant accounting principles applied consistently in the preparation of the financial statements for the year ended December 31, 2010 are as follows:

a. Basis of preparation of the financial statements

The financial statements have been prepared on the accrual basis. The historical cost basis is used in the preparation of the financial statements, except as otherwise disclosed in the notes to the financial statements. The statement of cash flows is prepared using the indirect method and classifies cash flows into operating, investing and financing activities.

The financial statements are presented in United States Dollar ("US"), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Effective January 1, 2010, the Company maintains its accounting records in US Dollars, the Company's functional currency, since the majority of the Company's transactions are denominated in US Dollar. The Company obtained an approval from the Directorate General of Tax through its letter No. S-285/WPJ.04/KP.0307/2009 dated July 27, 2009, to maintain its accounting records in the English language and in US Dollar starting January 1, 2010. The Company has elected not to present the comparative financial statements as of December 31, 2009 and for the year then ended.

b. Cash

Cash consists of cash on hand and in bank and are free from any restriction on its use.

c. Trade receivables

Trade receivables are recognized and carried at original invoice amount less allowance for impairment of receivables.

Prior to 2010, allowance for impairment of receivables is determined based upon a review of the status of the receivable at the balance sheet date. Effective January 1, 2010, the Company adopted the Statement of Financial Accounting Standards ("PSAK") No. 50 (Revised 2006) and PSAK No. 55 (Revised 2006) and the allowance is determined in accordance with such revised PSAKs.

d. Inventories

Inventories are carried at the lower of cost and net realizable value.

Cost is determined based on the average method and comprises all costs of purchase, costs of conversion and appropriate overheads incurred in bringing the inventory to its present location and condition.

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

e. Transactions and balances in non functional currencies

Transactions involving currencies other than US Dollar are recorded at the rates of exchange prevailing on the transaction dates. At the balance sheet date, all monetary assets and liabilities denominated in currencies other than US Dollar are translated at the middle exchange rates quoted by Bank

Indonesia at that date.
The exchange rate used as of December 31, 2010 was US$1 to Rp8,991 (full amount).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment loss, if any. Except for land, the property, plant and equipment are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Plant and machinery	4 - 16 years
Building and structures	10 years
Office equipment	4 years
Furniture and fixtures	4 years
Exploration tools	4 years

The cost of maintenance and repairs is charged to operations as incurred. Significant renewals or betterments are capitalized. When assets are retired or otherwise disposed of, their carrying value and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the current year's statements of income.

Construction in progress represents the accumulated costs of materials, equipment and other costs related directly to the construction of the Company's property, plant and equipment. These costs are presented under construction in progress and transferred to the property, plant and equipment account when the work is completed and the assets are substantially ready for use.

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

g. Deferred exploration and development costs

Deferred exploration and development costs are stated at cost less accumulated amortization.

Exploration and development costs incurred in an area of interest are accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permit a reasonable assessment of the existence of economically recoverable reserves. When production in an area of interest commences, the accumulated costs for the relevant area of interest are amortized over the life of economically recoverable reserves based on the unit of production method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The carrying amount of deferred exploration and development cost is reviewed annually to determine whether there is any indication of impairment. Any impairment loss is charged to income currently.

h. Transactions with related parties

In the ordinary course of business, the Company has transactions with certain parties which they have related party relationship as defined under the Statement of Financial Accounting Standards ("PSAK") No. 7, "Related Party Disclosures". All significant transactions with related parties either with normal price or with mutually agreed contract prices are disclosed in the financial statements.

i. Revenue and expense recognition

Revenue from sales of coal is recognized when significant risks and ownership of the goods are transferred to the buyer, and there is no significant uncertainty of the revenue inflow or cost from sales of the coal, and the possibility of sales return. Expenses are recorded as incurred (accrual basis).

j. Corporate income tax

Current tax expense is provided based on estimated taxable income for the year. Deferred tax assets and liabilities are recognized for temporary differences between the financial and the tax bases of assets and liabilities at each reporting date. Future tax benefits, such as the carry-forward of unused tax losses, are also recognized to the extent that realization of such benefits is probable. The tax effect for the current year is charged to the current statement of income, except for tax effect of transactions which are directly charged or credited to shareholder's equity.

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 balance sheets dates. Changes in the carrying amount of deferred tax assets and liabilities attributable to a change in tax rates are recognized in the current year's statement of income, except to the extent that they relate to items previously charged or credited to equity.

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.

k. Provision for employees service entitlements

The Company recognizes its unfunded employee benefits liability in accordance with Labor Law No. 13/2003 dated March 25, 2003 ("the Law").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cost of providing employee benefits under the Law is determined 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 for each individual plan exceed of 10% of the defined benefits obligation at the end of the previous reporting year. These gains or losses in excess of the 10% threshold are recognized on a straight-line basis over the expected average remaining working lives of the employees. Further, past-service costs arising from the introduction of a defined benefit plan or changes in the benefits payable of an existing plan are required to be amortized over the period until the benefits concerned become vested.

l. Financial instruments

Effective January 1, 2010, the Company adopted PSAK No. 50 (Revised 2006), "Financial Instruments: Presentation and Disclosures" and PSAK No. 55 (Revised 2006), "Financial Instruments: Recognition and Measurement" which superseedes PSAK No. 50, "Accounting for Investments in Certain Securities" and PSAK No. 55 (Revised 1999), "Accounting for Derivative Instruments and Hedging Activities".

PSAK No. 50 (Revised 2006) prescribes the requirements for the presentation of financial instruments and information that should be disclosed in the financial statements, whereas PSAK No. 55 (Revised 2006) prescribes 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.

Financial assets

Initial recognition

Financial assets within the scope of PSAK No. 55 (Revised 2006) are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge.

The Company determined the classification of their financial assets at initial recognition and, where allowed and appropriate, re-evaluates the classification of those assets at each financial period end.

Financial assets are recognized initially at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Company's financial assets include cash, trade receivables and other non-current asset are included in this category.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent measurement

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

- Financial assets at fair value through profit or loss

  Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Derivative assets are classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the balance sheets at fair value with gains or losses recognized in the statements of income.

  The Company did not have any financial assets at fair value through profit or loss as of December 31, 2010.

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are carried at amortized cost using the effective interest rate method, and gains and losses are recognized in the statements of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

  The Company's cash, trade receivables and other non-current assets are included in this category.

- Available-For-Sale ("AFS") financial assets

  AFS financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the two preceding categories. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized in the shareholder's equity until the investment is derecognized. At that time, the cumulative gain or loss previously recognized in the shareholder's equity shall be reclassified to profit or loss as a reclassification adjustment.

  The Company did not have any AFS financial assets as of December 31, 2010.

- Held-to-maturity (HTM) investments

  Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Company has the positive intention and ability to hold them to maturity. After initial measurement, HTM investments are measured at amortized cost using the effective interest rate method. This method uses an effective interest rate that

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Gains and losses are recognized in the statement of profit and loss when the investments are derecognized or impaired, as well as through the amortization process.

The Company did not have any held-to-maturity investments as of December 31, 2010.

Derecognition of financial assets

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when: (1) the rights to receive cash flows from the asset have expired; or (2) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

At each balance sheet date, the Company assess whether there is any objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

- Financial assets carried at amortized cost

  For loans and receivable carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determine 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 them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment of impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and receivable has a variable interest rate, the discount rate for measuring impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in statements of income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company.

If in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced (reversed) by adjusting the allowance for impairment account. The recovery should not lead to the carrying amount of the asset exceeds its amortized cost that would have been determined had no impairment loss been recognized for the asset at the reversal date. The amount of reversal is recognized in the statements of income. If a future write-off is later recovered, the recovery is recognized in the statements of income.

- Financial assets carried at cost

If there is objective evidence that an impairment has occurred over equity instruments that do not have the quotation and is not carried at fair value because fair value can not be measured reliably, then the amount of any impairment loss is measured as the difference between the carrying value of financial assets and the present value of estimated future cash flows discounted at the prevailing rate of return on the market for a similar financial asset. Impairment losses are not recoverable in the next period.

Financial liabilities

<u>Initial recognition</u>

Financial liabilities within the scope of PSAK No. 55 (Revised 2006) are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company's financial liabilities include trade payables, other current liabilities and due to related parties.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

- Financial liabilities at fair value through profit or loss

  Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivative liabilities are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statements of income.

  The Company did not have financial liabilities at fair value through profit or loss as of December 31, 2010.

- Loans and borrowings

  After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. At balance sheet date, the accrued interest is recorded separately from the respective principal loans as part of current liabilities. Gains and losses are recognized in the statements of income when the liabilities are derecognized as well as through the amortization process using the effective interest rate method.

  The Company's trade payables, other current liabilities and due to related parties are included in this category.

Derecognition of 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 de recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheets 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.

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 permitted by PSAK No. 55 (Revised 2006), such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis; or other valuation models.

m. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported therein. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based on amounts that differ from those estimates.

3. CHANGE IN REPORTING CURRENCY

As disclosed in note 2a, effective January 1, 2010, the Company adopted the United States Dollar as its reporting and recording currency in accordance with the criteria stated in PSAK No. 52, "Reporting Currency". The Company's functional currency is the United States Dollar, since that is the currency in which a majority of the Company's transactions in terms of value are denominated. Majority of the Company's revenues are billed and collectable in US Dollar, while coal selling price, cash flows activities and expenses are denominated in US Dollar. The Company believes that its financial statements more appropriately reflect its performance if presented in United States Dollars and accordingly, the Company changed its reporting currency from the Rupiah to the United States Dollar in 2010. The Company received the Directorate General of Tax approval No. S-285/WPJ.04/KP.0307/2009 dated July 27, 2009, to maintain its accounting records in United States Dollars, effective from January 1, 2010.

3. CHANGE IN REPORTING CURRENCY (CONTINUED)

Accordingly for the purpose of remeasuring the Company's transactions retroactively to the year when the United States Dollars functional currency became effective, the Company's balance sheet as of December 31, 2009 and the related statement of income and changes in shareholder's equity for the year then ended, expressed in Indonesian Rupiah have been remeasured to United Stated Dollars on the following basis:

i) all monetary assets and liabilities are remeasured into United States Dollars using the exchange rate at the balance sheet date.

ii) share capital including advance for share capital and non-monetary assets and liabilities are remeasured into United States Dollars using the historical rates or the exchange rates at transaction date of acquisition of assets, liabilities incurred or payments of shareholders.

iii) income and expenses are remeasured into United States Dollars using the weighted average exchange rate during the comparative period, except for depreciation of fixed assets and amortization of non-monetary assets which were remeasured using the historical exchange rate of such assets, and

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

The United Stated Dollars had been the Company's functional currency since the years prior to 2009. However, the effect of the remeasurement to United Stated Dollars of the transaction prior to 2009 is not material.

The Company's pro forma major balance sheet and income statement accounts for the years ended December 31, 2010, as stated in thousands of Rupiah, the reporting currency prior to the change into the US Dollars are as follows:

Balance sheet	
Total current assets	200,644,450
Non-current assets	151,965,267
Total assets	352,609,717
Total current liabilities	125,492,934
Total non-current liabilities	66,461,502
Total liabilities	191,954,436
Total shareholders' equity	160,655,281
Income statement	
Net sales	655,956,163
Net income	151,107,357

The above pro forma financial statements stated in thousands of Rupiah were derived by translating the US Dollars financial statements into Rupiah the above remeasurement procedures.

4. CASH

	2010
Cash on hand	2,002
Cash in bank	6,019,029
	6,021,031

5. TRADE RECEIVABLES

	2010
Related party:	
Lanna Resources Public Company	558,602
Third parties:	
Glencore International AG	4,047,698
Weihai Jinhou Export and Import Trading	3,864,500
	8,470,800

Management believes that the balance of allowance for impairment on trade receivables is adequate to cover possible losses from uncollectable accounts.

6. INVENTORIES

	2010
Finished coal	920,249
ROM coal	26,813
	947,062

Management believes that all outstanding inventories as of December 31, 2010 are saleable and usable, and accordingly, a provision for impairment on inventory is considered not necessary.

7. OTHER CURRENT ASSETS

	2010
Prepaid expenses	31,542
Operational advances	20,521
Advances others	365,189
	417,252

8. PROPERTY, PLANT AND EQUIPMENT

	Balance December 31, 2009	Additions	Deductions	Reclassifica-tions	Balance December 31, 2010
2010 Movements					
Cost					
Land	31,417	321,231	-	-	352,648
Plant and machinery	3,071,543	668,499	-	82,659	3,822,701
Buildings and structures	126,278	114,865	-	-	241,143
Office equipment	100,421	55,495	(3,904)	77,500	229,512
Furniture and fixtures	41,012	11,444	(674)	-	51,782
Exploration tools	206,289	72,607	-	-	278,896
Transportation and equipment	8,389	7,506	-	33,145	49,040
	3,585,349	1,251,647	(4,578)	193,304	5,025,722
Construction in-progress	675,579	-	-	(193,304)	482,275
	4,260,928	**1,251,647**	**(4,578)**	**-**	**5,507,997**
Accumulated depreciation					
Plant and machinery	164,332	277,214	-	-	441,546
Buildings and structures	8,190	12,585	-	-	20,775
Office equipment	42,198	41,207	(3,904)	-	79,501
Furniture and fixtures	16,198	9,699	(674)	-	25,223
Exploration tools	56,743	66,036	-	-	122,779
Transportation and equipment	1,333	8,503	-	-	9,836
	288,994	415,244	(4,578)	-	699,660
Net book value	**3,971,934**				**4,808,337**

Depreciation expense for the year ended December 31, 2010 was charged to:

	2010
Production cost (Note 17)	391,347
General and administrative expenses (Note 19)	23,897
	415,244

9. DEFERRED EXPLORATION COST

	2010
Beginning balance	10,170,602
Additions during the year	3,280,192
	13,450,794
Amortization during the year	(2,014,977)
	11,435,817

This account represents expenditures related to the exploration activities which have future economic benefits.

10. TAXATION

a. Prepaid tax

	2010
Overpayment of value added tax	6,459,999

b. Taxes payable

	2010
Corporate income tax	6,543,279
Value added tax	470,387
Income tax article 21	108,762
Income tax article 23	77,370
Income tax article 25	60,800
Income tax article 15	10,197
Income tax article 26	4,070
Income tax article 4 (2)	106
	7,274,971

c. Corporate income tax expense

	2010
Current	7,094,445
Deferred	94,183
	7,188,628

10. TAXATION (CONTINUED)

d. A reconciliation between income before corporate income tax as shown in statement of income and the Company's taxable income, and the computation of current corporate income tax expense and the current corporate income tax payable are as follows:

	2010
Income before corporate income tax	23,815,758
Add/(deduct):	
Permanent differences:	
Interest income subject to final tax	(10,185)
Non-deductible expenses	162,969
Temporary differences:	
Provision for employees service entitlement	349,580
Amortization of deferred exploration costs	(663,524)
Estimated taxable income	23,654,598
Corporate income tax expense at applicable tax rate	7,094,445
Less prepaid income tax - article 25	(551,166)
Corporate income tax payable	6,543,279

Based on CCoW, the Company is subject to corporate income tax at progressive tax rates up to a maximum of 30% as stipulated in Tax Law No. 10/1994 instead of fixed tax rate of 28% in 2009 and 25% in 2010 onwards as stipulated in Tax Law No. 36/2008. The Company submits tax returns on the basis of self-assessment. The tax authority may assess or amend taxes within 10 years from the date when the tax was payable.

e. Deferred tax benefit

	2010
Temporary difference at marginal tax rate of 30%	
Provision for employees service entitlement	104,874
Amortization of deferred exploration costs	(199,057)
Deferred tax benefit, net	**(94,183)**

f. Deferred tax asset/(liability)

	2010
Provision for employee service entitlements	134,032
Deferred exploration costs	(216,543)
Deferred tax liability, net	**(82,511)**

11. OTHER NON-CURRENT ASSETS

	2010
Guarantee of reclamation	448,998
Deposit guarantee	18,725
	467,723

12. TRADE PAYABLES

	2010
Third parties:	
PT Mitra Indah Lestari	150,594
Euro Asia Trade Link Ltd.	51,796
PT Wijaya Mandiri Perkasa	38,234
PT Garuda Hohan Asia	20,299
PT Geoservices	16,643
PT Dayacipta Dianrancana	13,458
Others	126,179
	417,203

13. OTHER CURRENT LIABILITIES

	2010
Overburden removal and coal delivery	3,070,760
Royalty and retribution (Note 24a)	1,643,496
Coal transhipment	660,427
Transportion	579,813
Drilling	133,975
Reclamation	48,670
Rental	44,478
Other	83,824
	6,265,443

14. RELATED PARTY TRANSACTIONS AND BALANCES

	2010
Trade receivables: (Note 5)	
Lanna Resources Public Company	558,602
Due to related parties:	
PT Lanna Mining Services - loan (Note: 14b)	5,765,824
Lanna Resources Public Co. Ltd. - Commision payable (Note 14a)	703,962
PT Indocoal Pratama Jaya:	
- Loan (Note 14c)	263,022
- Commission payable (Note 14a)	137,166
	6,869,974

The Company, in the ordinary course of business, has various transactions with related parties, shareholders of the Company and companies under common control. Such transactions are conducted at terms consistent with transactions with third parties. Significant transactions with related parties were as follows:

a. The amounts due to Lanna Resources Public Co. Ltd. and PT Indocoal Pratama Jaya represent sales commission payable to both companies as of December 31, 2010 based on the marketing and technical services agreement amounting to US$703,962 and US$137,166, respectively. On May 20, 2009, the Company entered into marketing and technical service agreement with those companies in which those companies shall provide the Company with marketing and technical assistance and the Company shall pay sales commission and technical fees to both Lanna Resources Public Co. Ltd. and PT Indocoal Pratama Jaya amounting to US$2.25/MT and US$0.75, respectively. During 2010 fees charged by Lanna Resources Public Co. Ltd. and PT Indocoal Pratama Jaya amounted to US$2,739,968 and US$913,322, respectively, which were recorded as "sales commission and technical fees" as part of selling expense in the statement of income.

b. The amounts due to PT Lanna Mining Services ("LMS") of US$5,765,824 represent the outstanding loan as of December 31, 2010 of US$5,765,824 obtained from LMS for the Company's operational expenses. The loan has no repayment schedule and bears interest at USD LIBOR Rate per annum. The total interest charged to the Company amounted to US$328,644 in 2010 (Note 19).

c. The amounts due to PT Indocoal Pratama Jaya ("IPJ") of US$263,022 as of December 31, 2010 represent outstanding payable regarding licenses and legal expenditure paid in advance by IPJ during the Company's initial operations. The payable bears no interest and has no fixed term of repayment and maximum limit.

14. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

d. The Company entered into management and financial agreement with LMS, whereby LMS agreed to provide management and financial services for the Company and the Company shall compensate LMS with management fees amounting to US$5,000 per month. This agreement commenced on January 1, 2010 and expires on December 31, 2010. In January 2010, the Company paid management fee to PT Lanna Mining Services for 2010 amounting to US$60,000 and recorded it as “professional fees” as part of general and administrative expense in the statement of income.

15. SHARE CAPITAL

Based on Notarial Deed No. 01 of Public Notary Mastuti Betta, S.H. dated March 3, 2010, the Company’s shareholders approved the transfer of 159 shares which previously owned by Mr. Ir. Hittler Singawinata, Mr. Ir. Lukman Kartanegara, Mr. Rusdi Harmayn and 795 shares owned by PT Indocoal Pratama Jaya to PT Harita Jayaraya. Such change has been approved by the Minister of Law and Human Right of Republic of Indonesia through its letter No. AHU-AH.01.10-07560 dated March 29, 2010. The details of the new Company’s shareholders as of December 31, 2010 are as follows:

Shareholders	Number of shares issued and fully paid	Percentage of ownership	Amount
Lanna Resources Public Company Ltd.	5,168	65	762,446
PT Indocoal Pratama Jaya	1,192	15	175,858
PT Ambhara Karya Perdana	636	8	93,830
PT Harita Jayaraya	954	12	140,746
	7,950	**100**	**1,172,880**

16. NET SALES

	2010
Sales of coal	82,620,984
Less royalty (Note 24a)	(10,442,709)
Net	**72,178,275**

17. COST OF GOODS SOLD

	2010
Production costs:	
Overburden and removal expenses	19,552,329
Coals hauling	3,822,926
Amortization	2,014,978
Salary and wages	1,701,386
Rent	1,613,798
Per diem and traveling expenses	725,693
Water and electricity	537,845
Government tax, licences and fees	455,769
Depreciation (Note 8)	391,347
Repairs and maintenance	363,948
Employees welfare	328,390
Others (below US$100,000)	2,379,477
	33,887,886
ROM coals:	
Beginning balance	324,739
Ending balance	(26,813)
	34,185,812
Finished coals:	
Beginning balance	2,409,551
Ending balance	(920,249)
	35,675,114

18. SELLING EXPENSES

	2010
Coal trans-shipment	5,156,300
Sales commission and technical fees (Notes 14a and 24h)	3,773,319
	8,929,619

19. GENERAL AND ADMINISTRATIVE EXPENSES

	2010
Salaries and wages	943,677
Professional fees	467,980
Perdiem and traveling expenses	376,723
Director remuneration	282,600
Water and electricity	96,219
Rent	86,524
Employees welfare	68,700
Communications	60,026
Government taxes, licenses and fee	56,342
Depreciation (Note 8)	23,897
Other	226,582
	2,689,270

20. INTEREST EXPENSES

	2010
Interest on borrowing from LMS (Note 14b)	328,644
Interest charged from Siam City Cement Public Co., Ltd. (Note 24i)	262,425
	591,069

21. PROVISION FOR EMPLOYEES SERVICE ENTITLEMENT

The provision for employee service entitlements as at December 31, 2010 was determined based on the valuation report of an independent actuary, Biro Pusat Aktuaria, dated February 8, 2011. The significant assumptions used in the calculation of provision for employee service entitlements by the independent actuary are as follows:

	2010
Discount rate	9% per annum
Salary increase	10% per annum
Normal retirement age	55 years of age

21. PROVISION FOR EMPLOYEES SERVICE ENTITLEMENT (CONTINUED)

The following tables summarize the component of net employee service benefit expense recognized in the Company's statement of income and the amounts were recognized in the Company's balance sheet for the employee service entitlement:

a. Employee service benefits liability

	2010
Present value of employee benefit obligation	524,825
Unrecognized actuarial losses	(62,663)
Unrecognized past service costs - non-vested	(15,390)
Net employee service benefits liability	**446,772**

b. Net employee service benefits expense

	2010
Current service cost	214,113
Interest cost	13,778
Actuarial losses	120,854
Amortization of unrecognized past service cost	835
Employee service benefits expense	**349,580**

c. Movements of employee service benefits liability

The movements of the liability on employee service benefits during the year ended December 31, 2010 are as follows:

	2010
Beginning balance	97,192
Net employee service benefits expense	349,580
Ending balance	**446,772**

22. FINANCIAL INSTRUMENTS

The following table sets forth the financial assets and financial liabilities of the Company and as of December 31, 2010:

	Carrying Amount	Fair Value
Financial assets		
Loans and receivables:		
Cash	6,021,031	6,021,031
Trade receivables	8,470,800	8,470,800
Other non-current assets	467,723	467,723
Total	**14,959,554**	**14,959,554**
Financial liabilities		
Liabilities at amortized cost:		
Trade payables	417,203	417,203
Other current liabilities	6,265,443	6,265,443
Due to related parties	6,869,974	6,869,974
Total	**13,552,620**	**13,552,620**

The fair values of the financial assets and liabilities are presented as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's-length transactions, other than in a forced or liquidation sale.

Financial instruments presented in balance sheet are carried at the fair value, otherwise, they are presented at carrying values as either these are reasonable approximation of fair values or their fair values cannot be reliably measured.

The fair values of cash, trade receivables, trade payables, accrued expenses and other current liabilities aproximate their carrying amounts due to their short-term nature.

The fair values of non-current financial asset and liability (other non-current asset and due to related parties) cannot be reliably measured because these have no fixed repayment terms.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The principal financial liabilities of the Company consist of trade payables, other current liabilities and due to related parties. The main purpose of these financial liabilities is to raise funds for the operations of the Company. The Company also has various financial assets such as cash, trade receivables, and other non-current assets, which arise directly from their operations.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The main risks arising from the Company's financial instruments are currency exchange rate risk, interest rate risk, credit risk and liquidity risk. The importance of managing these risks has significantly increased in light of the considerable change and volatility in both Indonesian and international financial markets. The Company's Directors review and approve the policies for managing these risks which are summarized below.

a. Interest rate risk

Fair value and cash flow interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily from the loan obtained from a related party. However, the Company has not entered into any specific hedging transaction relating to its interest rate risk.

b. Currency exchange rate risk

Currency exchange rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in currency exchange rates. The Company's exposure to exchange rate fluctuations results primarily from trade receivables from sales in currencies other than US Dollar and trade payables from purchases in currencies other than US Dollar.

c. Credit risk

Credit risk is the risk that one party of financial instruments will fail to discharge its obligation and will incur a financial loss to other party. The Company is exposed to credit risk arising from the credit granted to its customers. The Company trade only with recognized and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to reduce the exposure to bad debts.

d. Liquidity risk

The liquidity risk is defined as a risk when the cash flow position of the Company indicates that it will not be able to settle all liabilities when they fall due.

The Company manages its liquidity profile to be able to finance its capital expenditure and service its maturing debts by maintaining sufficient cash and the availability of funding from shareholders.

The Company regularly evaluates its projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

	Below 1 year	1-2 years	2-4 years	Over 4 years	Total
Trade payables	417,203	-	-	-	417,203
Other current liabilities	6,265,443	-	-	-	6,265,443
Due to related parties	-	-	-	6,869,974	6,869,974
	6,682,646	-	-	6,869,974	13,552,620

24. COMMITMENTS AND CONTINGENCIES

a. Based on Coal Contract of Work ("CCoW) entered into by the Company and the Government, the Company will share to the Government the results of the production of clean coal in the agreement area with percentage of 86.5% for the Company and 13.5% for the Government of Indonesia. This arrangement shall continue for 30 years beginning at the commencement of the first mining operation. As of December 31, 2010, the Company has paid the royalty from sales of coal for January to November 2010 amounting to US$8,799,213, and accrued for December 2010 royalty government amounting to US$1,643,496.

b. Based on CCoW term, the Company has an obligation to pay a dead rent and land rent in advance. The amount liable should be measured by the Company's contract area. The dead rent calculated on January 1st and July 1st of each year. As of December 31, 2010, the Company has fully paid the 2010 dead rent and land rent amounting to US$109,609.

c. The Company entered into consultation agreement for evaluation of coal reserve at Sungai Merdeka with Mr. Santichai Jitapunkul. The Company shall provide Mr. Santichai Jitapunkul a consultation fee in the amount of US$7,750 per month. The agreement ended on December 31, 2009. According to management, they will extend the agreement for 2010, the contract is currently being prepared by the management. During 2010, the Company paid the consultation fee amounting to US$93,000 and recorded as "professional fees" as part of general and administrative expense in the statement of income.

d. The Company entered into a contract agreement with PT Indotex Pratama Jaya on January 1, 2010 to December 31, 2010. PT Indotex Pratama Jaya shall provide arrangements and services of lobbying central and local or regional government for various permits, legalities and local issues of CCoW for PT Singlurus Pratama, and also to develop and maintain such CCoW of the Company in good order and updated. PT Singlurus is subject to consultant fee of IDR90 million per month. As of 2010, the Company paid the

24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

consultation fee amounting to US$119,060 and recorded as "professional fees" as part of general and administrative expense in the statement of income.

e. On November 30, 2009, the Company and Lanna Resources PCL entered into a coal supply agreement. The Company is obligated to supply and deliver coal of 120,000 metric ton (MT). The shipment period is started from December 1, 2009 to November 30, 2010, and amended up to December 2010. In 2010, the Company has delivered 139,054 MT coal.

f. On June 27, 2008, the Company entered into a coal supply agreement with SCT Company Limited. The Company obligated to supply and deliver coal for 1,500,000 MT. The shipment period is from November 2008 to December 2010. As of the date of this report, the shipment has not been delivered. The Company has made a deal with SCT to extend the deliveries in 2010. There are no penalties or interests following this agreement.

g. In 2009, the Company entered into legal services agreement with Attorney and Legal Consultant from Heru Wibowo and Partners. Heru Wibowo and Partners provides legal advice, legal aid, and also administrative law to create concepts, contract, rules, and regulations between the Company and others. The Company is subject to advisory or legal consultant fees of Rp15 million per month. In 2010, the Company paid the consultation fee amounting to US$19,710 and recorded as "professional fees" as part of general and administrative expense in the statement of income.

h. In 2010, the Company entered into coal handling service agreement with Euro Asia Trade Link Ltd. Euro Asia Trade Link Ltd., will be remunerated at a rate US$1/MT of the coal sold to Weihai Jinhou Export and Import Trading. During 2010, fees charged amounted to US$120,029 and recorded as "sales commission and technical fees" as part of selling expense in the statement of income.

i. In September 2008, the Company and Siam City Cement Public Company Limited (SCCC) entered into a coal supply agreement. The Company obligated to supply and deliver coal for 70,000 tons. The shipment period is started from October 2008 to June 2009. Based on agreement, SCCC has to pay in advance amounting to US$4,000,000 to the Company. The Company has received the advance in 2008. The shipment has only delivered the coals on November 2009 amounting to 35,401 MT and the Company is not able to fulfill the requirement of the agreement. In September 27, 2010, the Company and SCCC agreed to terminate this agreement. Based on the agreement, if termination occurs, the Company should return the whole amount of the advance payment with interest calculated at SIBOR rate (per annum). Late payment is subject to additional charge of 5% (per annum). On September 30, 2010, the Company has paid the sales advance amounting to US$4,000,000 to SCCC. The Company has also received invoices from SCCC in relation to the interest and penalty amounting to US$695,574 and US$448,000, respectively. The Company has settled such invoices in November 29, 2010. The Company has interest expense in the 2010 and 2009

24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

statements of income amounting to US$262,425 and US$433,149 (Note 20), respectively, and the penalties of US$448,000 was recorded as other expense in the statement of income.

25. ACCOUNTING STANDARD ISSUED BUT NOT YET EFFECTIVE

Effective for financial statements beginning on or after January 1, 2011:

- PSAK No. 1 (Revised 2009), "Presentation of Financial Statements"
  Prescribes the basis for presentation of general purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities.

- PSAK No. 2 (Revised 2009), "Statement of Cash Flows"
  Requires the provision of information about the historical changes in cash and cash equivalents by means of a statement of cash flows which classifies cash flows during the period from operating, investing and financing activities.

- PSAK No. 3 (Revised 2010), "Interim Financial Reporting"
  Prescribes the minimum contents of an interim financial report and the principles for recognition and measurement in complete or condensed financial statements for an interim period.

- PSAK No. 4 (Revised 2009), "Consolidated and Separate Financial Statements"
  Shall be applied in the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent and in accounting for investments in subsidiaries, jointly controlled entities and associates when separate financial statements are presented as additional information.

- PSAK No. 5 (Revised 2009), "Operating Segments"
  Requires that's segment information be disclosed to enable users of financial statements to evaluate the nature and financial effects of the business activities in which the entity engages and the economic environments in which it operates.

- PSAK No. 8 (Revised 2010), "Events after the Reporting Period"
  Prescribes when an entity should adjust its financial statements for events after the reporting period, and disclosures about the date when financial statements are authorized for issue and events after the reporting period. Requires an entity not to prepare financial statements on a going concern basis if events after the reporting period indicate that the going concern assumption is not appropriate.

- PSAK No. 12 (Revised 2009), "Interests in Joint Ventures"
  Shall be applied in accounting for interests in joint ventures and the reporting of joint venture assets, liabilities, income and expenses in the financial statements of venturers and investors, regardless of the structures or forms under which the joint venture activities take place.

25. ACCOUNTING STANDARD ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

- PSAK No. 19 (Revised 2010), “Intangible Assets”
  Prescribes the accounting treatment for intangible assets that are not dealt with specifically in another PSAK. Requires the recognition of an intangible asset if, and only if, the specified criteria are met, and also specifies how to measure the carrying amount of intangible assets and related disclosures.

- PSAK No. 22 (Revised 2010), “Business Combinations”
  Applies to a transaction or other event that meets the definition of a business combination to improve the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects.

- No. 23 (Revised 2010), “Revenue”
  Identifies the circumstances in which the criteria on revenue recognition will be met and, therefore, revenue will be recognized. Prescribes the accounting treatment of revenue arising from certain types of transactions and events. Provides practical guidance on the application of the criteria on revenue recognition.

- PSAK No. 25 (Revised 2009), “Accounting Policies, Changes in Accounting Estimates and Errors”
  Prescribes the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and correction of errors.

- PSAK No. 48 (Revised 2009), “Impairment of Assets”
  Prescribes the procedures applied to ensure that assets are carried at no more than their recoverable amount and if the assets are impaired, an impairment loss should be recognized.

- PSAK No. 57 (Revised 2009), “Provisions, Contingent Liabilities and Contingent Assets”
  Aims to provide that appropriate recognition criteria and measurement bases are applied to provisions, contingent liabilities and contingent assets and to ensure that sufficient information is disclosed in the notes to enable users to understand the nature, timing and amount related to the information.

- PSAK No. 58 (Revised 2009), “Non-Current Assets Held for Sale and Discontinued Operations”
  Aims to specify the accounting for assets held for sale, and the presentation and disclosure of discontinued operations.

- ISAK No. 7 (Revised 2009), “Consolidation-Special Purpose Entities (SPE)”
  Provides for the consolidation of SPEs when the substance of the relationship between an entity and the SPE indicates that the SPE is controlled by that entity.

25. ACCOUNTING STANDARD ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

- ISAK No. 9, "Changes in Existing Decommissioning, Restoration and Similar Liabilities"
  Applies to changes in the measurement of any existing decommissioning, restoration or similar liability recognized as part of the cost of an item of property, plant and equipment in accordance with PSAK No. 16 and as a liability in accordance with PSAK NO. 57.

- ISAK No. 10, "Customer Loyalty Programmers"
  Applies to customer loyalty award credits granted to customers as part of a sales transaction, and subject to meeting any further qualifying conditions, the customers can redeem in the future for free goods or services or at discounted prices.

- ISAK No. 11, "Distributions of Non-cash Assets to Owners"
  Applies to types of non-reciprocal distributions of assets by an entity to its owners acting in their capacity as owners, i.e., distributions of non-cash assets and distributions that give owners a choice of receiving either non-cash assets or a cash alternative.

- ISAK No. 12, "Jointly Controlled Entities (JCE): Non-Monetary Contributions by Venturers"
  Deals with the venturer's accounting for non-monetary contributions to a JCE in exchange for an equity interest in the JCE accounted for using either the equity method or proportionate consolidation.

- ISAK No. 17, "Interim Financial Reporting and Impairment"
  Requires that en entity shall not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

Effective for financial statements beginning on or after January 1, 2012:

- PSAK No. 10 (Revised 2010), "The Effects of Changes in Foreign Exchange Rates", prescribes how to include foreign currency transactions and foreign operations in the financial statements of an entity and translate financial statements into a presentation currency.

- PSAK No. 18 (Revised 2010), "Accounting and Reporting by Retirement Benefit Plans"
  Establishes the accounting and reporting by the plans to all participants as a group. This Standard complements PSAK No. 24 (Revised 2010), "Employee Benefits".

- PSAK No. 24 (Revised 2010), "Employee Benefits"
  Established the accounting and disclosures for employee benefits.

- PSAK No. 34 (Revised 2010), "Accounting for Construction Contracts"
  Prescribes the accounting treatment of revenue and costs associated with construction contracts.

25. ACCOUNTING STANDARD ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

- PSAK No. 46 (Revised 2010), "Accounting for Income Taxes"
  Prescribes the accounting treatment for income taxes to account for the current and future tax consequences of the future recovery (settlement) of the carrying amount of assets (liabilities) that are recognized in the balance sheet; and transactions and other events of the current period that are recognized in the financial statements.

- PSAK No. 50 (Revised 2010), "Financial Instruments: Presentation"
  Establishes the principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities.

- PSAK No. 53 (Revised 2010), "Share-based Payment"
  Specifies the financial reporting by an entity when it undertakes a share-based payment transaction.

- PSAK No. 60, "Financial Instruments: Disclosures"
  Requires disclosures in financial statements that enable users to evaluate the significance of financial instruments for financial position and performance; and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.

- PSAK No. 61, "Accounting for Government Grants and Disclosures of Government Assistance"
  Applies in the accounting for, and in the disclosures of, government grants and in the disclosures of other forms of government assistance.

- ISAK No. 13, "Hedges of Net Investment in a Foreign Operation"
  Applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with PSAK 55 (Revised 2006). Refers to the parent entity and to the financial statements in which the net assets of foreign operations are included as consolidated financial statements.

- ISAK No. 15, "PSAK No. 24 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"
  Provides guidance on how to assess the limit on the amount of surplus in a defined scheme that can be recognized as an asset under PSAK No. 24 (Revised 2010), "Employee Benefits".

- ISAK No. 18, "Government Assistance - No Specific Relation to Operating Activities"
  Prescribes government grants to entities that meet the definition of government grants in PSAK No. 61, "Accounting for Government Grants and Disclosures of Government Assistance", even if there are no conditions specifically relating to the operating activities of the entity other than the requirement to operate in certain regions or industry sectors.

25. ACCOUNTING STANDARD ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

- ISAK No. 20, "Income Taxes-Changes in the Tax Status of an Entity or its Shareholders" Prescribes how an entity should account for the current and deferred tax consequences of a change in tax status or that of its shareholders.

The Company is presently evaluating and has not determined the effects of these PSAKs and ISAKs on its financial statements.

26. COMPLETION OF THE FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation of these financial statements, which were completed on February 24, 2011.

THANK
YOU

TERIMA KASIH