



Annual Report 2009

PT. Matahari Putra Prima Tbk.





of excellence and still  
commits to **deliver the best**

Vision and Mission

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It has always been our **aim**

to continue **growing**

#### VISION

To be Consumers' Most Preferred Retailer.

#### MISSION

To consistently bring value fashion-right products and services that enhance the consumers' quality of lifestyle.



It's not about the destination,  
it's about **the journey**

<b>1958</b>	First store in Pasar Baru, Jakarta
<b>1972</b>	Pioneer of Department Store concept in Indonesia
<b>1980</b>	Opening of first store outside Jakarta - Sinar Matahari Bogor
<b>1992</b>	IPO at Jakarta Stock Exchange and Surabaya Stock Exchange
<b>1995</b>	Core Business Expansion to Supermarket Operation. 1st Rights Issue - Rp 75 B
<b>1996</b>	Issuance of 5-year US\$ 100 Million Bond. 2nd Rights Issue - Rp 226 B
<b>1997</b>	Multipolar became majority shareholder. 3rd Rights Issue - Rp 902 B
<b>2000</b>	Launch of Matahari Club Card (MCC)
<b>2001</b>	Settlement of 5-year US\$ 100 Million Bond
<b>2002</b>	• New Management Team • Core Business Restructuring : Matahari Department Store, Matahari Supermarket & TimeZone • Independent and transparent Business Units. Issuance of 5-year Obligasi I - Rp 450 B
<b>2003</b>	• Consolidation Year • Closure of Non-profitable stores • Re-focus to internal infrastructure, resources & company's foundation
<b>2004</b>	• Launch of Hypermart • Top 500 Asia Pacific Retail Award : #1 - Indonesia. Issuance of 5-year Obligasi II - Rp 300 B & Syariah I Rp 150 B
<b>2005</b>	• Successful Aggressive expansion : 10 Department Stores, 4 Kids2Kids, 13 Hypermarts, 4 Cut Prices, 1 Matahari Supermarket • First Matahari Department Store in China
	• Top 500 Asia Pacific Retail Award : #1- Indonesia
<b>2006</b>	• Continued aggressive expansion : +18 new MDS / Hypermart / Specialty Stores.
	• Top 500 Asia Pacific Retail Award: #1- Indonesia • Issuance of 3-year US\$ 150 M. Unsecured Notes < 10% • Company Ratings : B1 (Moody's) and B+ (S&P's)
<b>2007</b>	• Continued aggressive expansion : +15 new MDS / Hypermart / Specialty Stores & 3rd Distribution Center in Eastern Indonesia • Launch of Parisian new department store concept • Top 500 Asia Pacific Retail Award : Best of the Best
	• Top 500 Asia Pacific Retail Award : #1 - Indonesia • 4th Rights Issue - Rp 1 Trillion • Successful participation in REIT program • Company Ratings : B+ (Standard & Poor's), B1 (Moody's), and A+ (PEFINDO)
<b>2008</b>	• Aggressive expansion : 6 MDS (incl. 3 New Generation Stores), 7 Hypermarts, 2 Foodmarts, 4 Times Bookstores • Achievements : 2008 TOP 500 Asia Pacific Retail Award : Best of The Best, 2008 TOP 500 Asia Pacific Retail Award : #1 - Indonesia, Service Quality Gold Award Excellent 2008, Indonesia Most Admired Company 2008 • Company Ratings : B+ with Stable Outlook (Standard & Poor's), B1 with Stable Outlook (Moody's), and A+ with Stable Outlook (PEFINDO)
<b>2009</b>	• Issuance of 3-year US\$ 200 M; 3-5 year Obligasi III - Rp 302 B; 3-5 year Syariah II - Rp 226 B • <b>Company Ratings</b> : B+ with Stable Outlook (Standard & Poor's), B1 with Stable Outlook (Moody's), and A+ with Stable Outlook (PEFINDO) • <b>Achievement</b> : • ISO 22000:2005 Certification for Food Safety and Management System • 2009 Top 500 Asia Pacific Retail Award : Best of the Best • 2009 Top 500 Asia Pacific Retail Award : #1 - Indonesia • FAPRA Best Modern Retailer Asia Pacific Award • 2009 Top Brand Award by Frontier Group • 2009 Indonesia's Most Admired Companies Award by BusinessWeek and Frontier Group • 2009 Service Quality Award Excellent Award by Marketing Magazine.

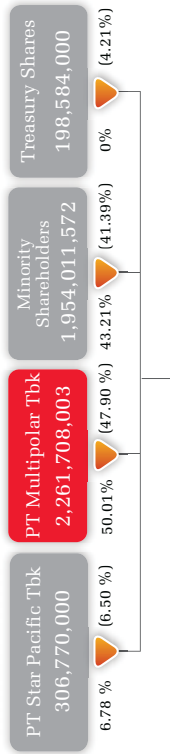


A year full of achievements  
accompanied with **plans ahead**

Description	Listing Date at IDX	Total Shares
Initial Public Offering	18 December 1992	8,700,000
Company Listing	15 December 1992	33,366,320
Conversion of Convertible Bond	19 July 1993	926,457
Conversion of Convertible Bond	6 August 1993	1,727,628
Conversion of Convertible Bond	13 August 1993	824,250
Conversion of Convertible Bond	13 August 1993	3,297
Conversion of Convertible Bond	25 August 1993	1,648,500
Conversion of Convertible Bond	2 September 1993	3,297
Conversion of Convertible Bond	13 September 1993	3,297
Conversion of Convertible Bond	23 September 1993	3,297
Conversion of Convertible Bond	24 November 1993	2,884,875
Conversion of Convertible Bond	23 March 1994	3,297
Conversion of Convertible Bond	30 March 2004	3,297
Conversion of Convertible Bond	16 May 1994	9,891
Bonus Share	15 July 1994	100,215,406
Conversion of Convertible Bond	17 October 1994	9,891
Rights Issue I	30 June 1995	75,166,500
Rights Issue II	10 October 1996	225,499,500
Stock Split	15 September 1997	450,999,000
Rights Issue III	3 November 1997	1,803,996,000
Rights Issue IV	11 January 2007	2,005,928,000
Warrant Exercise	September 2009	3,181,000
Warrant Exercise	December 2009	5,970,375
Warrant Exercise		200
Total Listed Shares		4,721,073,575

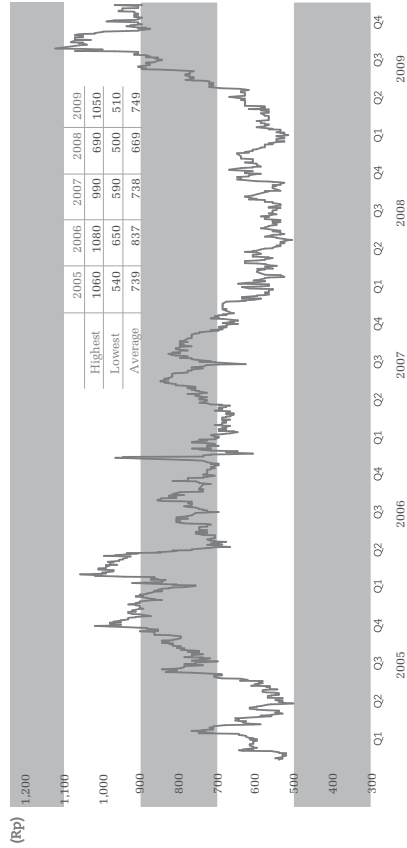
company shareholding structure

(as of 31 December 2009)



Note : Figures in parentheses represents shareholding structure ownership including treasury shares

share price performance



dividend history

(for the last 5 years)

Year	Net Profit (in mio Rp)	Dividend/Share (Rp)	Number of Shares	Total Cash Dividend (in mio Rp)	Dividend Payout Ratio (%)
2003	115,466	13	2,705,994,000	35,178	30.5%
2004	125,338	14	2,705,994,000	37,884	30.2%
2005	222,663	25	2,705,994,000	67,650	30.4%
2006	160,500	10.4	4,711,922,000	49,004	30.5%
2007	180,200	11.5	4,711,922,000	54,187	30.1%

FINANCIAL HIGHLIGHTS

(Billion Rp)	2005 **	2006 **	2007 (As restated)	2008 (As restated)	2009
<b>Consolidated Statements of Income</b>					
Sales from Direct Purchase and Other Trade Revenue	4,351	5,582	6,331	7,788	8,759
Consignment Sales	2,565	2,906	3,437	4,239	5,028
Cost of Consignment Sales	1,808	2,042	2,400	2,950	3,506
Commission from Consignment Sales	757	864	1,037	1,289	1,522
Net Sales	5,108	6,446	7,368	9,027	10,281
Cost of Sales	3,097	4,135	4,789	5,903	6,724
Gross Profit	2,011	2,311	2,579	3,124	3,557
Operating Expenses	1,702	1,909	2,176	2,633	3,052
Operating Income	309	402	403	491	505
EBITDA	677	751	951	1,094	1,451
Other Charges - Net	(60)	(212)	(195)	(540)	(132)
Equity in Net Income (Loss) of Investees	6	6	31	(22)	1
Income Before Income Tax	255	196	239	(71)	374
Income Tax Expense (Benefit) - Net	29	38	37	(74)	77
Net Income	223	160	180	11	300
Number of Share (in million)*	2,915.7 <sup>(1)</sup>	2,915.7 <sup>(1)</sup>	4,380.2 <sup>(1)</sup>	4,513.3	4,515.9
Earning per Shares (Rp)	76 <sup>(1)</sup>	55 <sup>(1)</sup>	41 <sup>(1)</sup>	2	66
<b>Consolidated Balance Sheets</b>					
Cash & Shorts Term Investments	588	1,306	3,142	2,914	3,417
Merchandise Inventories	676	791	906	983	1,172
Current Assets	1,529	2,464	4,429	5,082	5,066
Total Investment in Associated Companies	40	46	115	88	32
Total Assets	4,578	6,048	8,514	9,801	10,560
Accounts Payable - Trade	544	631	967	1,192	1,295
Current Liabilities	1,184	1,517	1,971	4,531	3,145
Total Liabilities	2,511	3,883	5,222	6,650	7,093
Stockholder's Equity - Net	2,067	2,166	3,292	3,151	3,467
Debt	1,203	2,495	2,677	3,282	4,225
Net Cash	(615)	(1,189)	465	(368)	(808)
Working Capital - Net	345	947	2,458	551	1,921
<b>Financial Ratio</b>					
Net Income / Total Assets (%)	4.9	2.6	2.1	0.1	2.8
Net Income / Total Stockholder's Equity - Net (%)	10.8	7.4	5.5	0.4	8.7
Current Ratio (X)	1.3	1.6	2.2	1.1	1.6
Liabilities / Stockholder's Equity - Net (X)	1.2	1.8	1.6	2.1	2.0
Liabilities / Total Assets (X)	0.5	0.6	0.6	0.7	0.7
Net Sales to Total Assets (X)	1.1	1.1	0.9	0.9	1.0
EBITDA to Net Sales (%)	13.3	11.7	12.9	12.1	14.1
Net Cash to Equity (%)	(30)	(55)	14	(12)	(23)
<b>Others</b>					
Number of Employees	18,193	20,400	17,658	18,900	19,400
Gross Space ( sqm )	725,313	808,586	835,452	910,227	964,326
Number of Store Location	84	84	92	98	101

\* Excluding Treasury Shares  
\*\* Excluding the effect of restatements  
(1) Earning Per Share have been restated after calculating the effect of issuance of new shares through fourth limited public offering





left - right  
sitting on the couch

**John Bellis**  
Independent Commissioner

**Jonathan L. Parapak**  
Independent Commissioner

**DR. Cheng Cheng Wen**  
President Commissioner

**Jeffrey Koes Wonsono**  
Commissioner

left - right  
half standing

**Ganesh Chander Grover**  
Independent Commissioner

**Prof. Dr. Adrianus Mooy**  
Independent Commissioner

## Letter from BOARD OF COMMISSIONERS

Dear Shareholders,

2009 was a very challenging year. Our industry had a very slow start in the first half of the year as the global financial crisis has had an impact on every part of our economy. But thanks to the increasingly stable political environment, the smooth General Election and the re-election of President Susilo Bambang Yudhoyono for his second 5-year term, all these contributed to the stabilization and improvement of the Indonesia economy. Retail sector did better in the second half of the year where positive improvements and outlook were seen throughout the industries.

Matahari did well in 2009 despite of the uncertain economical circumstances. Total Gross Sales grew by 15.1% to Rp 13.8 trillion (including consignment sales of Rp 5.0 trillion). EBITDA improved to Rp 1.5 trillion. It has improved its cash flow and maintained a strong cash position in excess of Rp 2.3 trillion at yearend. It is a safety net at this uncertain time and provides the Company the invaluable resources to strengthen its leadership position in the retail sector in Indonesia.

Our two core retail businesses, **Matahari Department Store (MDS)** and **Matahari Food Business (MFB)**, all have done a remarkable job in 2009.

MDS continues to improve its operations while expanding its market presence. It has been introducing more new **Matahari New Generation (NG)** stores. The NG stores are to provide better customer service, improve operating efficiency, bring a bright, modern, comfortable and easy-to-access shopping environment to our customers. The results met our objectives as the NG stores are welcomed by both our customers and mall developers. MDS opened 5 new stores, adding new total store space of 24,694 sqm in 2009 and continued driving merchandising and promotion improvements. As a result, the most important comparable store sales growth figure reached a remarkable 9.9% in 2009. MDS total Gross Sales grew 16.1% reaching Rp 6.9 trillion (including consignment sales of Rp 4.7 trillion) in 2009. Gross margin remained stable from 34.0% in 2008 to 33.9%, while expense ratio dropped from 21.7% to 19.7%. EBIT increased by 36.4% to Rp 851.0 billion, or 12.3% of Gross Sales, which is ranked at the top of the range internationally.

MFB continued its expansion of both “**Hypermart**” and “**Foodmart**” stores.

During the year, MFB added 23,702 sqm of new store space through net additional of 3 Hypermarts and 3 Boston HBCs. Total Gross Sales grew by 14.6% to Rp 6.5 trillion (including consignment sales of Rp 329.1 billion). Comparable store sales growth rate reached 3.5%. EBIT improved 75.9% from 2008. Format innovation and improvement continued to be the cornerstone of MFB’s drive of the Hypermart.

To assure the Good Corporate Governance (GCG) in our company, Audit Committee has reported that all business aspects had been performed prudently and correctly without any major deviations to the prevailing Company’s standards and procedures.

Despite the global tight liquidity, Matahari successfully issued a new IDR 528 billion Bonds and a US\$ 200 million Notes to retire the maturing of respective IDR and USD bonds. Matahari maintains its sound financial ratings, it has received a B1 rating with Stable Outlook from Moody’s, an A+ with Stable Outlook from PEFINDO, Indonesia’s leading rating agency and a B+ with Stable Outlook from Standard & Poor’s.

To further strengthen the Company management team, **Travis Saucer**, former CEO of MDS, was appointed to a new position as CEO of Matahari Retail Group to oversee both MDS & MFB businesses.

**Michael Rensen**, a US senior manager with more than 34 years retail experience, to assume the position of President of MDS. **Carmelito J. Regalado**, former Merchandising & Marketing Director of MFB, has also been appointed as President of MFB.

The separation of the Company’s core business has contributed to its strong growth and performance improvement so far. To continue this journey, the Company has transferred the MDS’ operating assets into another listed company, PT Pacific Utama Tbk (PU), later it becomes a > 90% owned subsidiary of the Company. This separation allows the Company to provide a build more independence and transparency among the two business entities. It will also provide the Company with greater flexibilities to respond to market opportunities.

In 2009, Matahari received the prestigious award **Best of Best, 2009 Retail Asia Pacific Top 500 Awards** for the 3rd consecutive years, the **2009 Retail Asia Top 500 Awards** for the 6th consecutive years from Retail Asia, Euromonitor International and KPMG.

As we go forward, we remain cautiously optimistic in entering the year 2010. Our main priority for Matahari is to maintain its strong cash generation capability, continue its growth phase with new store expansion as well as anticipate new business opportunities arising from rapid changing markets.

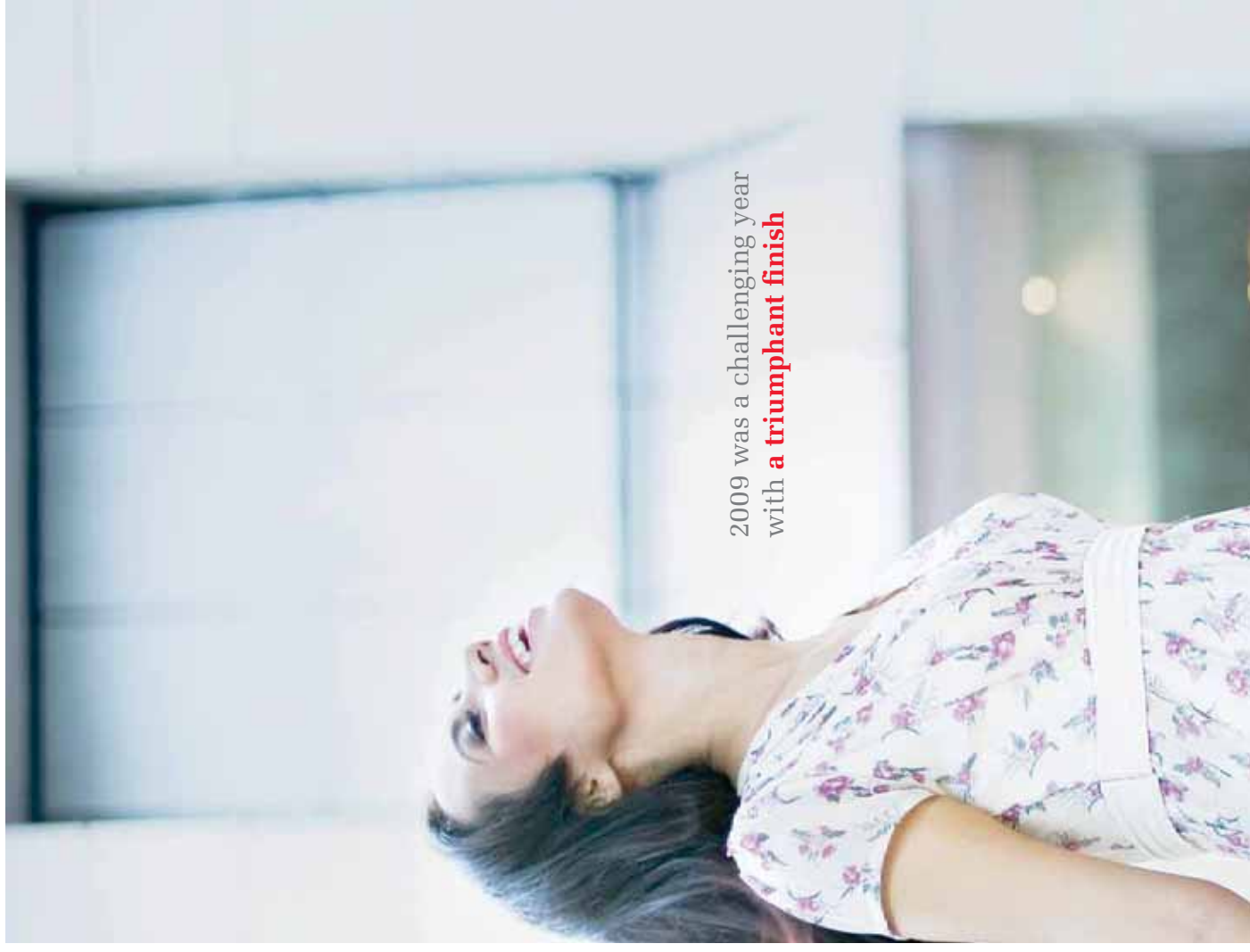
On behalf of the Board of Commissioners, I would like to express our sincere thanks to all our shareholders as well as our vendors, partners and employees who have worked together as a family to achieve the good results in 2009. We treasure your continuing supports in the coming years.

On behalf of Board of Commissioners,



DR. Cheng Cheng Wen  
President Commissioner

2009 was a challenging year  
with **a triumphant finish**







*left - right  
sitting on the couch*

**Soeparmadi**  
Director

**Benjamin I. Mailool**  
President Director

*left - right  
standing*

**Lina Latif**  
Director

**Carmelito J. Regalado**  
Director

**Hendra Sidin**  
Director

## Letter from BOARD OF DIRECTORS

Dear Shareholders,

We are pleased to report that the year 2009 was a very good year for the Company notwithstanding a lot of challenges particularly a new global financial crisis, the anticipation of the Presidential election, fierce competition in the retail industry and natural calamities.

At yearend 2009, the Company continued to record stellar consolidated sales achievements from its two core businesses, Matahari Department Store (MDS) and Matahari Food Business (MFB). The Company has set a new consolidated Gross Sales record of Rp 13.8 trillion (including consignment sales of Rp 5.0 trillion), representing a 15.1% growth over last year, as a result of the increase in MDS' sales from Rp 6 trillion to Rp 6.9 trillion inclusive of consignment sales of Rp 4.7 trillion, which included store-like-store sales growth of 10%, and the increase in MFB's sales from Rp 5.7 trillion to Rp 6.5 trillion (including consignment sales of Rp 329.1 billion), which also included store-like-store sales growth of 4%. As a result, these positive developments led MDS and MFB to achieve CAGR sales growth of 12.8% and 30.6% respectively over the last 6 years.

The Company's consolidated Gross Profit increased from last year's Rp 3.1 trillion to Rp 3.6 trillion, whilst consolidated Gross Margin percentage was at 25.8% and 26.1% of Gross Sales in 2009 and 2008

respectively. However, at business unit level MDS continued to show stable gross margin of 34% and MFB demonstrated an increase in gross margin from 19.1% to 19.7%.

The consolidated Operating Expenses remained under control at 22.0% of Gross Sales for both years. This allowed the Company to register another year of favorable Operating Income/EBIT results of Rp 504.3 billion in 2009 compared to Rp 491.3 billion in 2008, while EBITDA remained strong at Rp 1.5 Trillion.

Despite a modest increase in EBIT, Net Earnings After Tax soared substantially from Rp 10.5 billion last year to Rp 300.5 billion. This is due to a one-time extraordinary changes in 2008 from unrealized marked-to-market losses incurred from the Company's FX Option hedging contracts at that time. Similarly, Earning Before Tax (EBT) also showed a significant improvement to Rp 373.9 billion compared to the loss position of Rp 70.6 billion in 2008.

With these positive developments, the Company and its subsidiaries registered a strong liquidity position with cash and cash equivalents amounting to more than Rp 2.3 trillion at yearend, which will allow the Company to fund future business opportunities, continue to pursue more store expansions, and to meet its financial obligations.

Despite difficult financial market conditions in 2009, Matahari's acknowledged market leadership and strong credit standing were demonstrated by its ability to consistently maintain respectable ratings of B+ with Stable Outlook from **Standard & Poor's**; B1 with Stable Outlook from **Moody's**; and idA+ with Stable Outlook from **PEFINDO** - the Indonesia's leading rating agency.

The Company's two core business units, namely MDS and MFB, are firmly established in the Indonesian domestic market. They are the undisputed leaders in their respective market segments, and each adopts best global practice standards in managing their businesses. Each business is independently and accountably managed by solid, competent management teams with proven track records in their respective fields of expertise.

Indonesia, with its consumer-driven economy and large population base of over 240 million people, still presents huge growth prospects for the modern retail industry. The country's attractiveness as an investment destination is supported by the fairly low penetration of modern retail concepts in relation to total market size and the continuing trend for more modern customer lifestyles.

Recognizing the aforementioned market opportunities and to allow more independence, transparency, and increased operational flexibility, the Company, in late 2009, took a strategic step to separate the operating assets of its department store business (MDS) into another publicly listed company, PT Pacific Utama Tbk (PU), which later became a majority-owned (>90%) subsidiary of the Company. This separation process allowed the Company

to firmly establish MDS as a separate legal entity different from its other core business, Matahari Food Business Division (MFB).

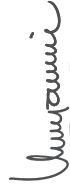
Before yearend 2009, several new appointments were made to further strengthen the Company's management team. Travis Sauter, former CEO of MDS, was appointed as Executive Chairman and CEO of Matahari Retail Group, which oversees both MDS and MFB. Noel Trinder, former CEO of MFB, remains as Senior Advisor to MFB. Michael Rensen, a US retail professional with experience in leading US department stores, was appointed as the new President of MDS; and Carmelito J. Reglado, former Merchandising & Marketing Director of MFB, as President of MFB.

Moving into 2010, we aim to further maximize shareholders value by maintaining Matahari's market leadership through a solid plan of new store expansions and existing store renovations.

The Company will also continue to focus on maintaining a high level of liquidity to capture new growth opportunities as well as to meet all our current financial obligations.

We would like to extend our sincere gratitude to our valued customers and stakeholders for their trust and continuing support. We also wish to express our thanks to the hardwork and dedication of our staff and management teams, without whom the Company's success and achievements would not have been possible. On behalf of the Board of Directors, I thank you all for your continued support and confidence in us.

On behalf of Board of Directors,



**Benjamin J. Mailool**  
President Director

## Milestone achievements with **renewed spirits**





*left - right  
sitting on the couch*

Steven A. Martin  
Head of Retail Strategic Planning

Travis Saucer  
CEO - Retail Group

*left - right  
standing*

Sarwo Santoso  
Director - Corporate IT

Danny Kojongian  
Director - Corporate Communication

Andre Rumanir  
Director - Corporate HRD

## Letter from CEO - RETAIL GROUP

Last year I said that 2008 was the best year I have experienced in more than 25 years in the retailing industry. EBITDA was up by 33.4% in the department store business and by 75.0% in the food business, and we entered into a new business segment with the Times Bookstores. I must admit that entering 2009, I was very concerned about what we could do for an encore, especially given the more difficult economic environment that we faced. However, my concerns were groundless, as we produced results that under the circumstances may have been even more impressive.



EBITDA grew by 34.6% in MDS and by 38.4% in MFB, and in both cases the fourth quarter was especially strong, which bodes well for 2010. We believe the performance of both businesses gave us significant market share gains over our leading competitors. We also added 11 stores at Times Bookstores and registered a solidly profitable year in Timezone. I would like to give special thanks to the management teams of each of these businesses, and to all the wonderful employees of Matahari. They have risen to the challenges of difficult economic times, and because of them the future has never looked brighter.

## MATAHARI DEPARTMENT STORE

Matahari Department Store is the oldest, largest, and the most established department store in Indonesia. We are the preeminent retailer in the apparel and fashion categories, and also offer an edited selection of home merchandise. The business operates an extensive network of 88 stores within Indonesia. MDS was challenged in 2009 to top our record-breaking 2008 performance while operating in an Indonesian economy that was affected by the worldwide financial crisis. Our success under the circumstances surpassed even our expectations,

left - right standing Steven A. Martin CFO	Danny L. Crayton Director Special Project & Cosmetic	Johanes Jany Director Real Estate & Store Planning	Keith Jones Director Logistic
left - right sitting Martin Lathud Director Procurement, System & Procedure	Michael Rensen President	Sunny Setiawan Director Store Operation	Christian Kurnia Director Merchandising & Marketing



The right combination of fashion, value and quality is our key to success

as we recorded a third consecutive year of dramatically improved financial results and customer acceptance.

2009 was also an exciting year in that MDS has successfully become independent from the Company and operates as a freestanding company since November. We believe this will give our shareholders a better view of our performance and will enable investors the opportunity to participate more directly in our future.

2009 was a year in which most retailers around the world produced disappointing results. While MDS entered the year with a cautious approach toward spending, we found our customers still responding to our offering of fashion, value, and quality and our results improved consistently as the year progressed. We integrated into our results the former Parisian store at Mall Taman Anggrek, Jakarta, and managed to generate comparable store growth for the group of just under 10%. Comparable store gains now total almost 49% in the past 3 years. Our total sales increased by almost a trillion Rupiah to Rp 6.9

trillion (including consignment sales of Rp 5.0 trillion). Coupling this sales gain with continued focus on expense control drove our EBITDA upward by 34.6% to Rp 982.8 billion. EBIT grew by 36.4% to Rp 851.0 billion. We believe that our EBITDA margin of 14.2% and EBIT margin of 12.3% of Gross Sales would rank among the best performances by any similar retailer in the world. Our expense ratio excluding depreciation dropped to 19.7% as compared to 22.0% of Gross Sales three years ago.

Because of our minimal investment in assets, this strong profit performance also produces strong operating cash flow and ROA. Adjusting for the split, we generated about Rp 981 billion in cash flow, or approximately the same level as our EBITDA. Our pretax ROA was almost 95%, while we believe that most department stores worldwide operate with pretax ROAs of less than 20%.

2009 was the third year of strong performance and record profitability under the current management team, led by our CEO Travis Saucer. Three years ago we undertook a strategic



analysis that confirmed our feeling that the Matahari brand is extremely strong and its future within the Indonesian retail sector very bright. In fact a recent Frontier Group survey showed that Matahari has over four times the brand strength of any other department store brand in Indonesia.

Our analysis led to the adoption of five key strategic initiatives in the areas of standards and disciplines, aggressive marketing, faster store rollout, focus on key merchandise categories, and new store design, that have served us well in the intervening three years. However, we know that we must continue to evolve in response to the changing apparel and fashion market. Our new store design, for example, has produced very favorable reactions not only from customers but also from our suppliers and mall owners. Nonetheless, we quickly found that we could provide this richer, updated look at a cost that is comparable to our more traditional store designs. Since Matahari is first and foremost about

value to our customers, this change makes our new store design even more successful. Sales at the recent redesign of flagship store in Surabaya, at Tunjungan Plaza, have increased 28% since the new look was installed.

In terms of faster store rollout, 2009 was somewhat of a year of retrenchment due to concern about the worldwide financial crisis. After adding about 75,000 sqm, or about 15%, to our store base in 2008, we added only 5 stores totalling 24,694 sqm in 2009. On a net basis our additions were less than 15,000 sqm, due to planned closings, as well as the forced temporary closing of our Padang store because of the September earthquake. With our continued strong financial performance and expected improvement in the Indonesian economy, we plan to add 8 to 10 new stores in 2010. Looking farther into the future, we are examining every market in Indonesian that is large enough to support one of our stores, and developing ways to expand into newly growing markets faster without sacrificing quality or customer expectations.

We have just finished three exciting years in which we have more than doubled our operating profit, substantially reduced our expense ratio and improved our gross margin. We have developed new formats and new ways of operating that greatly strengthen our ability to compete. We have done this with the best and most motivated management team in our industry. We are poised to reach even greater heights in the future.



left - right standing front

Emi Nuel  
Format Director  
Supermarket

Kasmin Rasilim  
Director  
Human Resources  
& Risk Management

Carmalito J. Regalado  
President

Mesvvara Kunjaya  
Director  
Merchandising  
& Marketing

Irwin Abuthan  
Director  
Store Planning  
& Development

left - right standing back

Richard H. Setiadi  
CFO

Philippe Projont  
Format Director  
Hypemart

Keith Dolling  
Director  
Logistic

Iwan Goenadi  
Director  
Management Information System

## MATAHARI FOOD BUSINESS

The year 2009 proved to be a very challenging year for the food retail industry as the impact of the global financial crisis that had happened in 2008 continued to affect Indonesia in 2009. We saw several planned store openings have to be delayed or pushed back to the following year brought about by the financial difficulties of most property developers. 2009 also reflected as the lowest growth in the food retail industry in the last 6 years.

However, in spite of the challenges faced by the industry, MFB was able to post Gross Sales of Rp 6.5 trillion (including consignments sales of Rp 329.1 billion), 14.6% growth over last year, an impressive 3x over the industry growth and clearly couple of times over its closest competitor. From 2003 to 2009 MFB sales grew at a CAGR of 30.6%.

MFB profit contribution (EBIT) grew by Rp 72 billion or 75.9% from previous year, driven by improved margin and continuous effective control of SG&A costs. From 2005, the year when MBF was turned around from negative EBIT, to 2009 its business-level EBIT posted a CAGR of 247%.

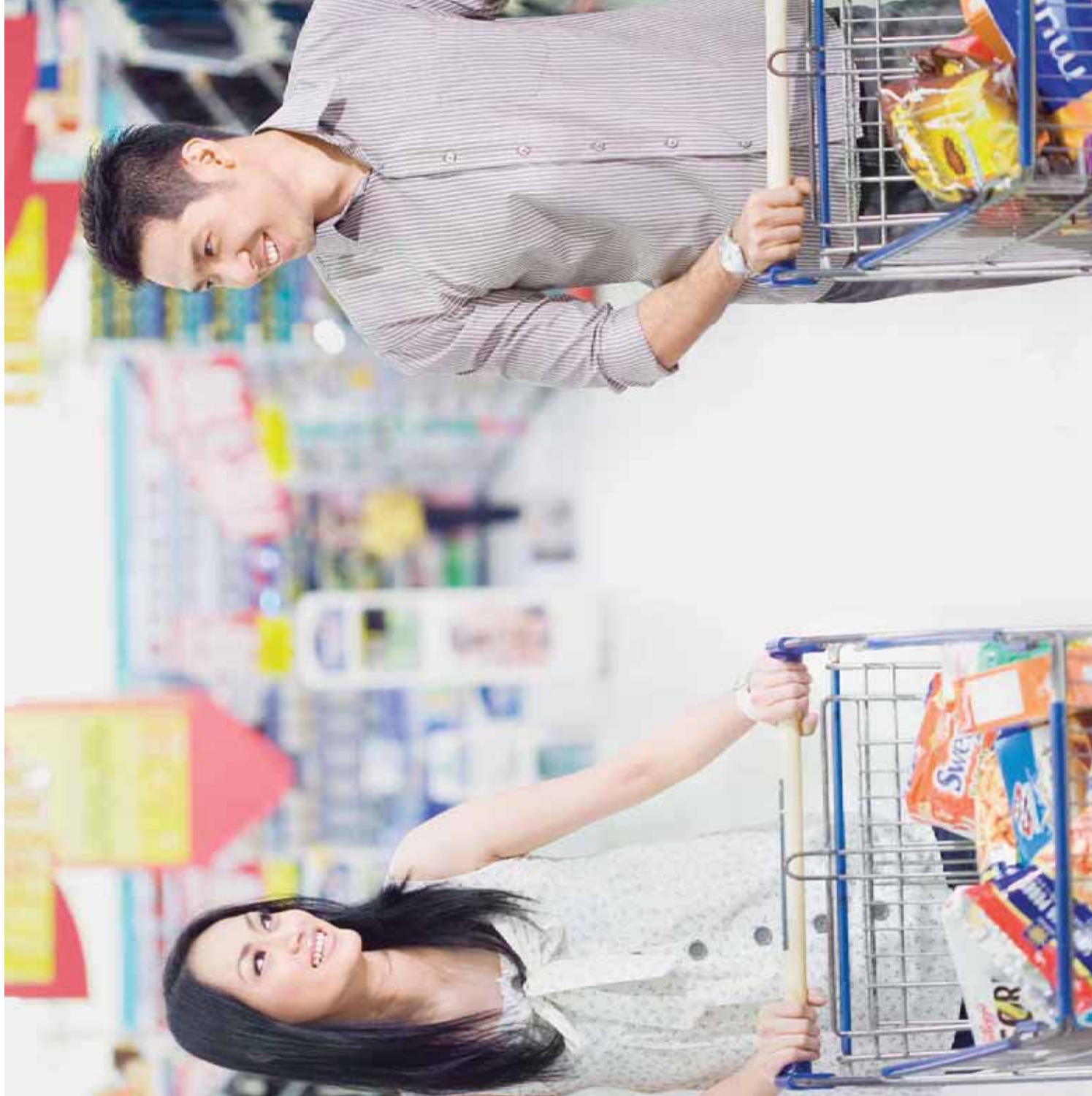


Based on AC Nielsen report, MFB's market share of the modern food retail sector continues to climb reaching 17.4% or 2.7% increase over 2008.

With its success in controlling its SG&A, MFB was able to invest in aggressive promotions and pricing in driving its sales growth thus positioning itself in achieving its long term goal of becoming the No.1 Multi-Format Food retailer in Indonesia.

Hypermart accounts for almost 90% of MFB sales delivering a robust sales growth of 16.8% during the year with an EBIT increase of 33% over previous year. Hypermart stores located outside the island of Java have delivered hefty comparable store growth reaffirming the strategies taken by MFB to penetrate cities in the islands of Sulawesi, Borneo, Sumatera, Bali, and Batam.

**We are committed to  
provide the best products  
and services to ensure  
customers' satisfaction**







During the year, Hypermart was able to secure ISO 22000:2005 certifications on food safety and management system for certain pilot stores. The long-term plan is to have all stores certified as this is part of our continuous commitment to provide the best service to our customers. Hypermart is the first modern retail outlet in Indonesia to secure the ISO 22000:2005 certification.

In addition, the Supermarket operation (Foodmart) also enjoyed continued growth in EBITDA to 8.4% of Gross Sales as a result of its continuous rationalization and tight cost control carried out during the year. Likewise Boston Health and Beauty posted a very healthy EBITDA of 20% of Gross Sales.

In 2009 MFB operates 46 Hypermarkets in 30 cities, 24 Foodmarts in 16 cities and 54 Boston Health and Beauty Care (Boston HBC) in 30 cities.

The Logistics Centers in Balaraja, Cibitung and Surabaya is one of MFB's strategies leading to its competitive advantage especially in operating stores outside of Java at a high in - stock level. Currently, DC throughput accounts to about 60% of total MFB sale. The technology enhancement in the Distribution Centers continues through the implementation of labor management and productivity program, slotting and delivery routing programs which further improved its productivity and efficiency.

In 2009 Hypermart is a recipient of 2 major awards. First is the **Top Brand Award** which recognizes Hypermart as a recommended brand with high recall and the second is **Metro TV Award** on nine most admired Indonesian Companies.

MFB shall be taking a more aggressive stance in 2010 by opening 8 to 12 Hypermarkets, 2-3 Foodmarts and 8 to 12 Boston HBC to boost its sales to reach Rp 7.6 - 8.0 Trillion.

MFB shall continue to capitalize on its core competencies to deliver superior value and service to its customers.



Every step we take is based on  
**Good Corporate Governance**



Transparency, accountability, responsibility, independency as well as fairness and equality, which, in turn, will enable the effective protection for the Company's stakeholders.

## Good Corporate Governance

Matahari, as an abiding corporate citizen whose main businesses within the retail industry in Indonesia, believes that the principles of Good Corporate Governance (GCG) serve as an integrated system to be performed consistently toward every Company's steps in order to achieve the Company's accelerated growths through best practices on the principles of transparency, accountability, responsibility, independency as well as fairness and equality, which, in turn, will enable the effective protection for the Company's stakeholders.

The principles reflected to become the Company's guidance on every measures include the followings:

- The continuing consolidation between Board of Commissioners and Directors to yield added values
- Solid foundation for the Company's supervisory and management function
- Accuracy and integrity of financial statements
- Timely information disclosures
- Ethical and accountable decision makings
- Identifying and managing risks
- Focus toward shareholders' rights
- Proper and accountable remunerations





...and every **achievement** we make...



...is **the result** of our team and management's endeavors.

## STRUCTURE OF THE COMPANY'S GOVERNANCE

### Board Of Commissioners

As regulated within the Article of Association and Decree No. 40 year 2007 regarding Limited Liability Companies, the role of Board of Commissioners in addition to its supervisory and advisory functions to the Directors, have also widened to include jointly responsible for any misconducts in performing their duties. The role and function of Board of Commissioners within the Company serve as important aspect in advising the strategy direction and optimization of the effectiveness and efficiency of Directors' working plan to achieve the Company's target. In performing their duties, the Board of Commissioners is responsible to the General Meeting of Shareholders.

The implementation of Board of Commissioners' role and function have been materialized to create a continuing coordination between each members of Commissioners and the Directors through regular bi-monthly meetings, and incidental meetings at any time deemed necessary by the Chairman or 2 (two) other Commissioners.

Notice of announcement for the regular meeting, which is properly scheduled on the beginning of every year, is conducted by Corporate Secretary who acts on behalf of the Chairman. Notice of announcement for the incidental meeting is called by the Chairman or 2 (two) other Commissioners. The Board Meeting is chaired by the Chairman or by a Commissioner chosen by other

members during the meeting. The Board Meeting is quorum to make any decisions if it is attended by more than 50% (fifty percent) by the members of the Board. In the meeting, each member has one voting right, and is able to represent one additional voting right from other member, if granted. Minutes of meeting is produced and signed by the Commissioner who chairs the meeting and one other member who is also present during the meeting. Within the year 2009, the average of attendance and decisions quorums were more than 80% (eighty percent).

The Board of Commissioners consists of Chairman and 5 (five) members, in which 4 (four) members representing more than 30% (thirty percent) from all members as independent commissioners, as regulated by Circular of Chairman of BAPEPAM No. SE-03/PM/V/2000 dated May 5, 2000 and JSX Regulation No. 1-A dated July 19, 2004.

### The Directors

As directed in the Article of Association, the Directors have the empowerment to represent the Company both within and outside the court of justice with its main function is to lead, manage and deliver the Company reaching its vision and mission.

The implementation of the Directors' role and function have been materialized to create a continuing coordination between each members of Directors through regular weekly meetings to discuss and find

solution for matters, which need immediate attention / solution / coordination within business units.

To discuss the Company's operational performance and other strategic matters, the Directors also conduct monthly meetings chaired by the President Director. Additionally, one or more Directors can call any incidental meetings upon request. The Directors' meeting is quorum to make bound decisions if attended by more than half of the members. Similar to the Board of Commissioners' meeting, the average of attendance and decisions quorums were more than 80% (eighty percent) in 2009.

The Directors' structure consists of 5 (five) members, which is legally and officially appointed by the shareholders through the General Meeting of Shareholders, and is strengthened by senior executives capable in their respective field duties with authorities and empowerments comparable to the Directors.

### Audit Committee

The Audit Committee is one of the committee founded by the Company as regulated by BAPEPAM Regulation No. IX.1.5. The Committee holds an important and strategic role in assisting the Board of Commissioners in performing the following supervisory function:

- Review the Company's Financial Results and other corresponding financial information
- Review the Company's compliance to the Capital Market's existing regulations as well as other binding regulations
- Review the effectiveness of the Company's internal control and activities as well as Internal Audit's findings
- Review the reports of company risks, complaints and general financial performance, and provide subsequent reports to the Board of Commissioners.

Within 2009, the Committee Audit has conducted 4 (four) meetings with more than 75% attendance rate by its members. The Committee consists of an independent commissioner and 2 (two) independent members, performs its function in accordance to the Charter approved by the Board of Commissioners dated January 30, 2008, which have subsequently been updated on November 23, 2009. The Company has also reported the Audit Committee's latest structure through its letter No. 043/V/2009-CSEXT dated May 1, 2009 to BAPEPAM with copies sent to Indonesia Stock Exchange (IDX) and PT. Bank Mega Tbk, with members as follows:

Chairman	:	Jonathan Limbong Parapak (Independent Commissioner)
Member	:	Lie Kwang Tak
Member	:	R. Hikmat Kartadjoemena



In 2009, the Audit Committee has performed the following functions:

- Review the Financial Results and management's quarterly reports.
- Actively define and empower the Internal Audit's job function / audit coverage.
- Review audit findings and execution of audit recommendations.
- Conduct regular meetings to communicate with external auditor to discuss any important audit findings as well as financial results audited by RSM Aryanoto, Amir Jusuf, Mawar & Sapto to as the Company's External Auditor.
- Review the nomination of external auditor recommended by the Directors.
- Review the Company's compliance toward the capital market's rules and regulations.
- Actively review the implementation of GCG within the Company's operational activities.

#### Corporate Secretary

Corporate Secretary is the Company's liaison officer in performing its duties as intermediary with Capital Market authorities, investors and public. The existence of Corporate Secretary is "conditio sine qua non" for the Company in implementing its transparency function and responsible for the following important functions:

- To keep abreast of developments in the capital market, in particular its statutory laws and regulations.
- To provide public with relevant information regarding the condition of the Company.
- To advise the Directors regarding compliance to existing law and regulations.
- To act as the contact party between the Company and BAPEPAM and the public.

#### Internal Audit Unit

In order to increase the Company's effectiveness on risk management and performing its GCG practices, the Company has made necessary adjustments toward the foundation of Internal Audit Unit in compliance to the Chairman of Bapepam Regulation No. Kep-496/BL/2008 dated November

28, 2008 regarding the Foundation and Guidance of Internal Audit Unit Charter; and Regulation No. IX.I.7.

To serve as the Internal Audit Charter's objectives, the Company has updated its Company Audit Charter, which was proposed by the Company's Directors and approved by Board of Commissioners on December 21, 2009. The enforcement of Internal Audit Unit is expected to increase the Company's values as well as improvements in operational disciplinarily.

#### IMPLEMENTATION OF GCG IN MATAHARI:

##### Transparency

Company highly prioritizes the principle of transparency in conveying relevant information to its stakeholders. Vital information is continually dispersed through press releases, public exposes and meetings with investors, related institutions, the press as well as the general public. We will continue to maximize our corporate transparency relying on the principles of relevancy, materiality and compliance with regulations stipulated by the authorities.

As part of the GCG implementation, the Company, through its Corporate Communication Division, has taken advantage of key media to distribute material information to its investors, shareholders and general public. The information dissemination is carried out through press releases, correspondences to BAPEPAM, IDX, quarterly & annual financial reports, press conferences, analyst meetings, public exposes and road show programs, using various technology medium such as fax, email and the Company's website [www.matahari.co.id](http://www.matahari.co.id). Every year, the Company publishes its annual report in Bahasa Indonesia and English versions, which can be obtained from the Company's Corporate Communication Division.

effectiveness of Internal Audit function by enhancing its role as monitoring party directly reporting to the Audit Committee and Board of Commissioner.

#### Responsibility

The Company continues to conduct its Corporate Social Responsibility (CSR), which serves as the Company's commitment in fulfilling and enhancing public welfare through a series of social activities such as providing relief aids to victims of natural disasters and contributing to educational facilities and infrastructure and other related support to local communities and general public.

As part of the responsible corporate citizen, the Company always performs its duties and commitments, whereas in 2009 it has taken active participation in several social events such as:

##### • Health:

- Coordinated with Yayasan Obor Berkat Indonesia in giving free medical and dental checkup to 1,000 people at Kampung Sewan, Tangerang.
- Participated in Safari Ramadhan donation program with Badan Narkotika Nasional (BNN) in performing Anti Drugs campaigns in South Jakarta.
- Blood donation with Asosiasi Matahari's Suppliers Club (AMSC).
- Hypermart coordinated with Red Cross Indonesia in launching the Donasi Kemanusiaan program.

#### Fairness

In addition to transparency the Company puts fairness as a primary component in the implementation of GCG. Each employee and management is required to exhibit a high level of professionalism and integrity in performing their duties. A requisite Code of Conduct has been established since 2002 to serve this very purpose. Each member of Commissioners, Directors and Matahari's staffs is required to obey to all requirements within the Code of Conduct and sign a form of Code of Conduct every year. With this Code of Conduct, the Company expects that all Matahari personnel can perform their duties inline with their professional responsibilities. Additionally, the principle of fairness is also reflected in the Company's decision-making process, which adopts a systematically hierarchical structure from the Directors to the Board of Commissioners.

#### Accountability

The Company emphasizes the principles of firmness and clarity relating to the privileges, obligations, authority and responsibility of Directors, Commissioners and stakeholders. Intensive meetings to address and decide on strategic initiatives and measurements are held intensively on a regular basis through weekly Directors' meetings and monthly Directors and Board of Commissioners meetings. Furthermore, the Company continues to strengthen the



• **Education:**

- Support of 20 computer units to Lentera Harapan Kindergarten and Elementary School at Curug, Tangerang.
- Donation of education scholarship to children of Situ Gintung, coordinating with Unilever.
- Coordinated with Pelita Harapan University and BNN in launching STAY AWAY campaign, which is part of the government program for prevention of drugs abuse at schools and universities.

• **Public Welfare:**

- Hypermart coordinated with Dompot Dhuafta Republika in launching the Infaq program of "Saling Berbagi".
- Bazaar participation at 2009 International Children Cancer Day at Dharmais Cancer Hospital, Jakarta.
- Mobilization of aid & relief for victims of earthquake in Tasikmalaya, Pengalengan, West Java; and Padang, West Sumatera.
- Coordinating with APRINDO, Jakarta City Government and Ministry of Trade in performing bazaar at Rawa Badak, Jakarta.
- Hypermart coordinated with Unilever in launching the UKM TRASHION program to produce fashions bags and accessories from recycled plastics of Unilever products.
- Hypermart with APRINDO and Ministry of Trade commenced UKM Corner.
- Matahari with BNN executed seminars about drugs abuse prevention to the Company's employees.

**COMPLIANCE TO BOND'S COVENANTS AND CAPITAL MARKET REGULATIONS**

**Compliance to Bond and US\$ Notes' Covenants**

In 2009, the Company issued Obligasi Matahari Putra Prima III consisting of Serie A for 3 years and Serie B for 5 years; Sukuk Ijarah Matahari Putra Prima II consisting of Serie A for 3 years and Serie B for 5 years. In addition, the Company also issued US\$ 200 million Notes through Matahari International BV, a wholly owned subsidiary of Company. In the regards of the above liabilities, the Company comply to the Bond, Sukuk Ijarah and US\$ Notes' covenants and other related regulations.

Payment for interest coupons of Bond, Sukuk Ijarah and US\$ Notes was executed as scheduled and the Company always ensures that all financial ratios are complied to the conditions set within the Trustee Contract.

**Conflict of Interests and Material Transactions**

The Company always conducts evaluations and intensive reviews for any possible conflicting interests and material transactions as set forth to the existing laws and regulations.

One of the Company's transaction/action related to the above was on October 30, 2009 where the Company executed its asset restructuring within its Matahari Department Store (MDS) unit through a mechanism of sale and asset transfer to PT Pacific Utama Tbk (PU), which have recently changed its name to PT Matahari Department Store Tbk; and subsequently participated in PU's 2nd Rights Issue process.

This transaction is classified as Conflict of Interest transaction under Bapepam Regulation No. IX.E.1; and Material transaction under Bapepam Regulation No. IX.E.2.

To comply with the above Bapepam regulations, the Company has disclosed its restructuring plan to the shareholders through official information disclosures at Investor Daily newspaper dated September 30, 2009 and has received approval from shareholders in its Independent Shareholders Meeting dated October 30, 2009.



**Shareholders List and Special Shareholders List**

Since 1992, Matahari has maintained its Shareholders List and Special Shareholders List which support the Company to identify any potential insider trading activities as well as transaction that could cause a possible conflicting interest. The Shareholders List is kept and prepared by Share Registrar, while the Special Shareholders List is kept by the Company's Corporate Secretary.

**INTERNAL CONTROL SYSTEM**

Matahari continuously implements and develops an integrated control system, especially for critical areas which might impact to the Company's asset maintenance, increase of sales and expense control.

**RISK MANAGEMENT**

The Management always put extra efforts to anticipate any probable risks relating to job safety, environmental impact, political and the continuance of Company's business operations. Management proactively identify existing problems, anticipate and accommodate any potential risks as well as prepare appropriate steps to be taken which will mitigate any existing risks.



## COMPANY'S CURRENT LITIGATION ISSUES

There are several current litigation issues and / or charges by third parties, which the Company currently has to encounter. As far as the Company's best knowledge, those litigation and / or charges issue are immaterial and do not have any potential to halt the Company's overall business operation, several of which are follows:

- Lawsuit No. 99/Pdt.G/2005/PN. Jkt.Pst dated 30 March 2005 jo No. 175/Pdt/2006/PT. DKI dated 1 June 2006 jo No. 1778K/Pdt/2007 dated 27 March 2009 at The District Court of Central Jakarta, The Company as the Plaintiff / The Respondent of Appeal at The High Court / The Respondent of the Appeal at The Supreme Court. This case has reached the final and binding verdict (Inkracht Van Gewijsde), case closed.
- Lawsuit No. 95/Pdt.G/2004/PN.Bgr dated 3 December 2004 jo No. 287/Pdt/2005/PT.Bdg dated 9 August 2005, jo No. 1516K/Pdt/2007 dated 14 March 2007 at The District Court of Bogor. The Company as the Plaintiff / The Respondent of Appeal at the High Court / The Applicant of the Appeal at the Supreme Court. Based on the results of Appeal, PT. Bogor Internusa Plasa has submitted a memory for judicial review at The Supreme Court. The current situation, the Company is preparing a contra memory for judicial review at The Supreme Court.
- Lawsuit No. 56/G/2008/PHI Srg dated 20 November 2008 jo No. 308K/Pdt Sus/2009 dated 6 August 2009 at Labor Court in the District Court of Serang, The Company as the Plaintiff / The Respondent of Appeal at the Supreme Court. This case has reached the final and binding verdict (Inkracht Van Gewijsde), case closed.





## AUDIT COMMITTEE REPORT

In compliance with the regulation as stipulated in the Chairman of Bapepam's No. Kep-29/PM/2004 regarding Audit Committee and the Jakarta Stock Exchange Regulation No. Kep-305/BEJ/07-2004 regarding the General Rules on the Registration of the Equity – like Securities on the Stock Exchange, the Audit Committee has performed the following:

1. Review of the Company's Financial Statements, Financial Projections and other Financial information for one (1) year period ending at December 31, 2009.
2. Review of the independency and objectivity of the External Auditor.
3. Review of the adequacy of the examination conducted by the External Auditor to ensure that all the Company's critical risks have been covered and adequately addressed, to include:
  - a. Areas where the internal control system is critical
  - b. Potential areas where to increase profitability and cost efficiency
  - c. Areas where the risk of authority of abuse high prevailing
  - d. Areas sensitive to misconduct
  - e. Operational, financial, and information technology aspects
4. Review of audit findings and the implementation of the auditors' recommendation
5. Evaluation of the appointment of the External Auditor recommended by the Board of Directors.
6. Review of the effectiveness of the Company's internal control.
7. Review of the Company's compliance with the capital market and other laws relevant to its activities.
8. Examination of the possibility of errors in the decisions of the Board of Directors' meetings, or deviation in the implementation of the decisions of the Board of Directors' meetings.

In the performance of the above-mentioned reviews, besides examinations of the Company's financial report, the Internal Auditors' findings and the minutes of the Board of Directors meetings, the Audit Committee has examined the Company's accounting policies and procedures, tested the effectiveness of the integrated built-in control in its operational activities, and conducted intensive discussions with the Management, the Internal as well as the External Auditors.

In the fulfillment of its responsibility to disclose its examination results to the Company's Annual Report, the Audit Committee herewith reports that:

- a. The Company's business activities have been conducted under effective internal control, whose quality has been continually improved in accordance with the policies set by the Board of Directors and under the supervision of the Board of Commissioners.
- b. The Financial Statements have been properly prepared and presented in accordance with the generally accepted accounting principles in Indonesia.
- c. The Company has always complied with the capital market and other regulation relevant to its activities.
- d. The appointment of the External Auditor has been recommended by the Board of Directors on the basis of their competence and independency, and approved by the Board of Commissioners mandated by the shareholders at the General Shareholders' Meeting held on April 24, 2009.
- e. No potential of the abuse of authority or misconduct have been identified which need the attention and the consideration of the Company's Board of Commissioners.

*Audit Committee of PT. Matahari Putra Prima Tbk.*



Jonathan L. Parapak  
Chairman



Lie Kwang Tak  
Member



R. Hikmat Kartadjoemona  
Member





In line with the previous years, in 2009 the Company continued to enhance its human resources and to implement Good Corporate Governance, a certainty to support the Company's sustainable growth.

The principles of Good Corporate Governance and its implementation are achieved through competence based human resources management, from recruitment, training and development until performance appraisal. With this system in hand, all relevant aspects of employee's performance will be assessed according to the weight of each of these performing aspects. The expected result of this system will be comprehensive assessment of the employee's performance as a whole. This will be helpful in the selection and setting the employee's training and development programs as required by the Company.

Advanced training & development programs are also established as they are critical to create Company's prospective leaders. In addition, the programs are intended to transform corporate vision to every employee so that mutual commitment between the Company and employees is achieved.

JOB PROFILE	TOTAL	%
Advisor	2	0.02
Director	18	0.22
General Manager	85	1.05
Manager	1,347	16.64
Supervisor	1,587	19.61
Staff	5,054	62.45
<b>TOTAL</b>	<b>8,093</b>	<b>100.00</b>
EDUCATION	TOTAL	%
Post Graduate	30	0.37
Bachelor	667	8.24
Diploma	781	9.65
Senior High School	3,680	45.47
Junior High School	2,685	33.18
Others	250	3.09
<b>TOTAL</b>	<b>8,093</b>	<b>100.00</b>
AGE	TOTAL	%
<= 25	3,802	46.98
26 - 30	1,945	24.03
31 - 35	947	11.70
36 - 40	802	9.91
41 - 45	421	5.20
=> 46	176	2.17
<b>TOTAL</b>	<b>8,093</b>	<b>100.00</b>

Note : Employees of PT Matahari Putra Prima Tbk, excluding employees from PT Matahari Department Store Tbk

One of Good Corporate Governance principles in HR Management is accountable HR budget and worthiness of employee's competence. To meet these, Company has applied HR Information Technology which is very useful in making strategic decisions especially in preparing HR budget and employee competency mapping.

At the operational level, the Company has been and will be continuously improve the quality of development programs & trainings, among others, Basic Supervisory Refreshment Training & Development Program, Career Development & Management Training Program, Certified Professional Program, General Manager Training, and Training for Trainers.

Another substantial aspect is the maintenance of good relations between employees, or between employees and management of the Company through IKM – Management Communication Forum.

Established in 2003, IKM is now available in every store, distribution center, and head office. IKM Chairman is elected periodically by employees of the business unit in which IKM operates. It focuses on

4 (four) main aspects: social, religiousness, sports, and communication. Its activities are expected to strengthen good relationship, promote productivity, and enforce work regulations and disciplines.

IKM is expected to be able to manage its activities for the welfare of employees. Under Bipartite Cooperation (LKS), IKM involves actively as mediator of industrial dispute or to make follow up action, coordination, and consultation the relevant issues with Management on step-by-step basis. The Company gives full support to IKM's activities by providing facilities and financial assistance.

In establishing and maintaining bidirectional relationship, the Company's Management makes periodic visit to stores, face to face and direct dialogue with employees' representative (IKM, LKS Bipartit, and Cooperative administrator). This is one form of the Company's management focus especially in developing and maintaining harmonious, integrated and dignified industrial relationship.



**Our great achievements**  
are just a beginning of  
something even bigger



## GREATER | JAKARTA

**MATAHARI DEPT. STORE**  
MDS KRAMAT JATI INDAH  
MDS KRAMAT JATI INDAH BARU  
MDS KTC KELAPA GADING  
MDS GRAND MALL BEKASI  
MDS ANDON PLAZA I  
MDS METROPOLITAN MALL BEKASI  
MDS LIPPO MALL CIKARANG  
MDS LIPPO MALL CIKARANG  
MDS KLEBER  
MDS METROPOLIS TOWN SQUARE  
MDS WTC MALL SERPONG  
MDS SUPERMALL KARAWACI  
MDS CLANDAK TOWN SQUARE  
MDS GALERIA BLOK M  
MDS DAAN MOGOT MALL  
MDS PONDOK GEDE  
MDS CIBUBUR JUNCTION  
MDS CIBUBUR TOWN SQUARE  
MDS BAY WISMA  
MDS EKALOKSI BOGOR  
MDS GED CILEDUG  
MDS PEJATEN VILLAGE  
MDS GAJAH MADA PLAZA  
MDS KRAMAT JATI INDAH MALL  
MDS KTC PLITVI  
MDS TAMAN PALEN MALL

## HYPERMART

HY WTC MALL SERPONG  
HY CIBUBUR KARAWACI  
HY METROPOLIS TOWN SQUARE  
HY GAJAH MADA PLAZA  
HY JACC PLAZA  
HY DAAN MOGOT PLAZA  
HY CIBUBUR JUNCTION  
HY CIBUBUR TOWN SQUARE  
HY KTC KELAPA GADING  
HY GRAND MALL BEKASI  
HY LIPPO MALL CIKARANG  
HY MEGA GLODOK KEMAYORAN  
HY PONDOK GEDE PLAZA  
HY PRUDENTIAL  
HY PEJATEN VILLAGE PLAZA

## FOODMART

FM CLANDAK TOWN SQUARE  
FM ATRIUM PLAZA  
FM CIBUBUR JUNCTION  
FM CONVENIENCE GALERIA PASAR BARU  
FM CONVENIENCE MINARA MATAHARI  
FE REST AREA KM 13.5  
FM EKALOKSI BOGOR  
FM CONVENIENCE SM BOGOR  
FM GUNARAT SUPERMALL KARAWACI  
FM SAN DIEGO HILLS

## BOSTON

BHB SUPERMALL KARAWACI  
BHB CLANDAK TOWN SQUARE  
BHB CLANDAK TOWN SQUARE  
BHB BELLANOVA BUKIT SENTUL  
BHB DAAN MOGOT MALL  
BHB LIPPO MALL CIKARANG  
BHB PEJATEN VILLAGE  
BHB ATRIUM PLAZA  
BHB MEGA GLODOK KEMAYORAN  
BHB WTC MALL SERPONG  
BHB SILOAM KARAWACI  
BHB DEPOK TOWN SQUARE  
BHB SILOAM KEBUN JERUK  
BHB METROPOLIS TOWN SQUARE  
BHB GAJAH MADA PLAZA  
BHB JACC PLAZA

## TIMES BOOKSTORES

TB CIBUBUR JUNCTION  
TB CLANDAK TOWN SQUARE  
TB KEMANG VILLAGE  
TB PACIFIC PLACE  
TB PEJATEN VILLAGE  
TB PRUDENTIAL KARAWACI  
TB PLITVI VILLAGE  
TB SILOAM KEBUN JERUK  
TB ST. MORITZ  
TB SILOAM KARAWACI  
TB SUPERMALL KARAWACI  
TB UPH

## WEST JAVA

**MATAHARI DEPT. STORE**  
MDS KING PLAZA BANDUNG  
MDS MAYOFIELD MALL  
MDS KRAMAT JATI INDAH  
MDS KRAMAT JATI INDAH BARU  
MDS GRADE MALL CIREBON  
MDS MAYOFIELD MALL CILEGON  
MDS MAYOFIELD MALL  
MDS ISTANA PLAZA BANDUNG

## HYPERMART

HY MAYOFIELD BUKIT SENTUL  
HY METRO TRADE CENTRE  
HY MAYOFIELD MALL CIANJUR  
HY HIP PLAZA BANDUNG  
HY MAYOFIELD MALL CILEGON  
FM MAYOFIELD MALL KARAWANG  
FM GRADE MALL CIREBON

## BOSTON

BHB METRO TRADE CENTRE  
BHB GRADE MALL CIREBON  
BHB GRADE MALL CIREBON  
BHB MAYOFIELD MALL CILEGON  
BHB MAYOFIELD MALL KARAWANG  
TB BANDING INDAH PLAZA  
TB ISTANA PLAZA

## CENTRAL JAVA

**MATAHARI DEPT. STORE**  
MDS SOLO SQUARE  
MDS SINGOSAREN  
MDS JAYA SUPERMALL  
MDS MAGELANG  
MDS SIMPANG LIMA SEMARANG  
MDS MALIBORHO I  
MDS KUDUS  
MDS GRAND MALL SOLO  
MDS KUDUS  
MDS KUDUS  
MDS GALERIA JOGJA  
MDS PEKALONGAN  
MDS PUWOKERTO

## HYPERMART

HY GRAND MALL SOLO  
HY JAYA SUPERMALL  
HY SOLO SQUARE

## FOODMART

FM KUDUS  
FM PURWOKERTO  
FM CONVENIENCE GALERIA JOGJA

## BOSTON

BHB GALERIA JOGJA  
BHB SOLO SQUARE  
BHB GRAND MALL SOLO  
BHB JAYA SUPERMALL

## EAST JAVA

**MATAHARI DEPT. STORE**  
MDS MALANG TOWN SQUARE  
MDS PASAR BESAR MALANG  
MDS ROYAL PLAZA SURABAYA  
MDS SUPERMALL PAKUWON SURABAYA  
MDS TUNJUNGAN PLAZA  
MDS SIDOARJO  
MDS JOHAR PLAZA JEMBER  
MDS GALERIA DELTA SURABAYA  
MDS CITY OF TOMORROW SURABAYA

## HYPERMART

HY MALANG TOWN SQUARE  
HY SUPERMALL PAKUWON SURABAYA  
HY ROYAL PLAZA SURABAYA  
HY CITY OF TOMORROW SURABAYA  
HY MADJUN

## FOODMART

FM SURABAYA TOWN SQUARE  
FM JEMBER

## BOSTON

BHB SILOAM SURABAYA  
BHB ROYAL PLAZA SURABAYA  
BHB CITY OF TOMORROW SURABAYA  
BHB SILOAM TOWN SQUARE  
BHB NEW PAKUWON  
BHB MALANG TOWN SQUARE  
BHB NEW MADJUN

## SUMATERA

**MATAHARI DEPT. STORE**  
MDS MEDAN FAIR  
MDS CIPUTRA SERAYA PEKAN BARU  
MDS SKA PEKAN BARU  
MDS GRAND MALL BATAM  
MDS NAGOYA HILL BATAM  
MDS INTERNATIONAL PLAZA  
PALEMBANG  
MDS PALMIRAN  
MDS MEDAN CITRA PEKAN BARU  
MDS MEDAN MALL  
MDS ANGSO DUA JAMBI  
MDS BENVIN  
MDS CENTRAL PLAZA LAMPUNG

## HYPERMART

HY MALL GRAND PALLADIUM  
HY BINAI SUPERMALL  
HY MALL SKA PEKAN BARU  
HY PALEMBANG INDAH MALL  
HY MALL KEMALA JAYA CENTRE  
HY NAGOYA HILL BATAM  
HY WTC JAMBI  
HY CENTRAL PLAZA LAMPUNG  
HY BENCKULU

## FOODMART

FM PEKANBARU

## BOSTON

BHB SKA PEKAN BARU  
BHB MEGA MALL BATAM CENTRE  
BHB NAGOYA HILL BATAM  
BHB CENTRAL PLAZA LAMPUNG  
BHB JAMBI  
BHB MEDAN PALLADIUM  
BHB BENCKULU  
BHB SILOAM MEDAN  
BHB PALEMBANG  
BHB CIPUTRA SERAYA

## SULAWESI

**MATAHARI DEPT. STORE**  
MDS PANAUKANG MAKASAR  
MDS GTC TANJUNG BUNGA MAKASAR  
MDS MAKASAR MALL  
MDS MANADO  
MDS BOUTLEVARD CENTER MANADO  
MDS MALL RATU INDAH PLAZA  
MDS KENDARI

## HYPERMART

HY GTC TANJUNG BUNGA MAKASAR  
HY PANAUKANG  
HY MANADO TOWN SQUARE

## BOSTON

BHB MANADO TOWN SQUARE  
BHB GTC TANJUNG BUNGA MAKASAR  
BHB HYPER PANAUKANG

## BORNEO

**MATAHARI DEPT. STORE**  
MDS MULIA PLAZA SAMARINDA  
MDS BALIKPAPAN  
MDS BANJARMASIN  
MDS SAMARINDA  
MDS PONTIANAK  
MDS A YANI MEGAMALL PONTIANAK

## HYPERMART

HY A YANI MEGAMALL PONTIANAK  
HY DUTA MALL BANJARMASIN  
HY BALIKPAPAN TRADE CENTRE  
HY SAMARINDA

## FOODMART

FM SAMARINDA  
FM E-WALK SUPERBLOCK BALIKPAPAN

## BOSTON

BHB BALIKPAPAN  
BHB BANJARMASIN  
BHB A YANI MEGAMALL PONTIANAK  
BHB SAMARINDA

## BALI

**MATAHARI DEPT. STORE**  
MDS GALERIA SIMPANG SIUR  
MDS DUTA PLAZA I  
MDS KUTA SQUARE

## HYPERMART

HY MAL BALI GALERIA

## FOODMART

FM CONVENIENCE KUTA SQUARE BALI

## BOSTON

BHB GALERIA BALI  
BHB KUTA SQUARE BALI

## TIMES BOOKSTORES

TB KUTA SQUARE

## EAST INDONESIA

**MATAHARI DEPT. STORE**  
MDS AMBON

## FOODMART

FM AMBON







As one momentum within the 2009 Ramadhan month, Matahari through its business unit, Hypermart, supported “Pasar Rakyat Murah” which was held by Indonesian Retail Merchants Association (APRINDO) in cooperation with the Government of DKI Jakarta. Carmelito Rogelado (President of Matahari Food business) received an award from the Governor of DKI Jakarta, Fauzi Bowo.



At 30 September 2009, the devastating earthquake measuring 7.6 Richter scale occurred in Padang, West Sumatera and caused many losses and damages which also forced Matahari to close its two outlets (Matahari Department Store and Foodmart) in central city of Padang. Matahari in cooperation with Yayasan Obor Borkat Indonesia have helped those in needs by donating food and distributing medical examinations and supplies in Padang city center, Agam and Pariaman district.



Hypermart and Dompot Dhuafa Republika launched “Sharing Heart Program” during 2009 Ramadhan month. This program enabled customers to donate directly through all cashiers throughout Indonesia. The program successfully raised Rp 1.037.928.509.-



PT. Times Bookstore Indonesia (TPI), a subsidiary of Matahari, opened its sixteenth outlet in Cilandak Town Square. With the mission of “Inspiring Nation Building”, Times Bookstore strides its steps to roll out more new stores. The opening celebration was attended by Jo Lee (CEO Times Indonesia), Danny Kojongian (Matahari Corporate Communication Director), Emi Nuel (Format Director of Matahari Food Business) and Roy Mandey (VP Matahari Corporate Communication).



Taking place at Pejaten Village, Jakarta, Hypermart launched its donation program in cooperation with Red Cross Indonesia (PMI). This program enabled customers to donate directly to PMI through their purchases to cashiers. The program would last for three months from December 2009 until February 2010.



Matahari participated through a joint cooperation with the Ministry of Trade Republic of Indonesia and Indonesian Retail Merchants Association (APRINDO) in “Demo Corner SMEs”. The launch of this program was conducted in Hypermart Puri Indah and was marked with pestle beatings by the Minister of Trade, Mari Elka Pangestu, witnessed by the Chairman of APRINDO and President Director of PT Matahari Putra Prima Tbk, Benjamin Mallool.



Hypermart received **Top Brand Awards 2009** for Hypermart category from Marketing Magazine and Frontier Consulting Group. This award represents the customer's trust to the quality of products and services provided by Hypermart.



Matahari donated food, medical examination and supplies for earthquake victims in Pengalengan and Tasikmalaya, West Java. The donation was symbolically handed over by Matahari's representatives and received by Mayor of Pengalengan, Harris Taufik.



In October 2009, Matahari received **Best of the Best Retailer Asia Pacific 2009 Award** and **Top Retailer Asia Pacific 2009 Award** from Retail Asia and Euro Monitor International. It also received **Top Retailer Asia Pacific Award** by Federation of Asia Pacific Retailers Associations (FAPRA). The ceremony was commenced in Seoul, South Korea.



Matahari Department Store received **Top Brand Awards 2009** by Marketing Magazine and Frontier Consulting Group for Department Store category. This award represents the customer's trust to the quality of products and services provided by Matahari Department Store.



## MANAGEMENT PROFILE

### BOARD OF COMMISSIONERS

#### **DR. Cheng Cheng Wen**

*President Commissioner*

Joined the Company in 2001 and is one of the respected business executive in Hong Kong. He started his career path at Bell Telephone Manufacturing (Belgium) and Bell Laboratories (USA) and had 31 years expertise of international R&D and Management in high tech industries. Prior to joining Across Asia Multimedia Ltd, he held several key positions as COO and Executive Vice President of Philips Electronics Group in China/Hong Kong and Taiwan as well as the founding CEO of Provisional Hong Kong Science Park Corporation.

#### **Jonathan L. Parapak**

*Independent Commissioner*

Joined the Company in 2000 and is a highly respected executive business leader in telecommunication industry. His professional experience included several important positions as Secretary General of Department of Tourism, Posts and Telecommunication (1991-1998); Secretary General of the Department of Tourism, Arts and Culture (1998-1999); and President Director & President Commissioner of PT. Indosat Tbk (1980-2000). Currently he takes responsibility as a Rector of Pelita Harapan University and President Commissioner of PT Matahari Department Store Tbk (MDS).

#### **John Bellis**

*Independent Commissioner*

Joined the Company in 2001. Prior assuming his current position, he was the Senior Advisor and CEO of Matahari Department Store. His career started as management trainee at John Lewis Partnership Stores, UK (1965-1970), General Manager Booker Group Zambia (1965-1970) and Edgars Stores Ltd, South Africa (1970-1999) with latest position as Managing Director. He is a NRDC graduate of St Martins College London.

#### **Ganesh Chander Grover**

*Independent Commissioner*

Prior to assume his current position in the Company, he was also a member of Commissioner (2002-2007) and member of Audit Committee (2007). His professional career included several important positions as Chief Financial Officer of Bist Industrial Corp. India and Financial Analyst of USAID in India and Indonesia during 1964-1975, as well as Chief Financial Controller of Group Usaha Trisakti, Indonesia (1975-1990). Currently, he also serves as Commissioner of PT Matahari Department Store Tbk (MDS).

#### **Jeffrey Koes Wonsono**

*Commissioner*

Joined the Company in 1997 and is presently the President Director of PT Multipolar Corporation Tbk and Commissioner of PT Matahari Department Store Tbk (MDS). His professional career started in 1980 as Senior Marketing at PT Mitsubishi Corporation. During 1981-2001, he assumed several top management positions in several banks with latest position as Chairman of Bank Mayapada International & Sona Topas. He started joining Lippo Group in 1992 until now and previously took director positions at Lippo Securities and Lippo Investments. He is an MBA graduate of Golden Gate University, San Francisco, USA.

#### **Prof. Dr. Adrianus Mooy**

*Independent Commissioner*

Joined the Company in 2007. He started his professional career mostly in educational field from Assistant Teacher in Economics Department of University Gajah Mada (1958-1959); Teaching Professor in Economics Department of University of Indonesia (1987); Governor of Bank Indonesia (1988-1993); Under-Secretary-General of United Nations ESCAP, Bangkok (1995-2000); Chief Consultant SEACEN Center, KL (2000-2001); Senior Advisor on Foreign Aid Management UNSFIR (2004-2005) and Institutional Advisor of ADB Bank (2006-2007). Currently he also serves as Senior Mentor of Business School, Pelita Harapan University, Jakarta; Chair Professor of ABFI Institute and Commissioner of PT Matahari Department Store Tbk (MDS). He holds several graduate degrees of Master of Science in Economics (1960) and PhD in Economics from University of Wisconsin, USA (1966).



## AUDIT COMMITTEE

### Jonathan L. Parapak

*Chairman*

Joined the Company in 2000 and is a highly respected executive business leader in telecommunication industry. His professional experience included several important positions as Secretary General of Department of Tourism, Posts and Telecommunication (1991-1998); Secretary General of the Department of Tourism, Arts and Culture (1998-1999); and President Director & President Commissioner of PT. Indosat Tbk (1980-2000). Currently he takes responsibility as a Rector of Pelita Harapan University and President Commissioner of PT. Matahari Department Store Tbk (MDS).

### Lie Kwang Tak

*Member*

Joined the Company in 2008 as the member of the Audit Committee. He is a professional executive with key qualification on management consultancy and feasibility studies. He started his professional career in 1980 at several consultancy firms and has progressed to assume several key management positions as Director of Trisula Corporation (1991-present); Executive Director of PT Southern Cross Textile Industries (2003-present); and Partner in PT Bina Analindo Semesta (1985- present). He is a graduate from University of Indonesia majoring in Economics (1982).

### R. Hikmat Kartadjoemena

*Member*

Joined the Company in 2008 as the member of Audit Committee. He is a well-known professional executive with more than 40 years experience in various industries in USA and Indonesia. His professional career was started as Personal Assistant to Indonesian Ambassadors to United Nations (1966-1971); various managerial positions at Bank Exim Indonesia, Multicor, Chemical Bank New York during the period of 1971-1980 and later assumed Director and Commissioner positions at Chemical Bank New York, Unibank, Bank Pacific, Inti Indorayon Utama, Advanced Interconnect Technology, Newbridge Capital Pte Ltd, Saratoga Capital and Imprimis Pte Ltd for the period of 1987-present. He is a graduate of City University, New York, USA.

## BOARD OF DIRECTORS

### Benjamin I. Maillool

*President Director*

Prior to joining the Company in January 2002, he assumed his position as CEO of PT Bukit Sentul Tbk (1997-2001). He started his professional career in Citibank NA, Jakarta (1989-1997) with his last position as Vice President – Risk Management Treasury Head. He is an MBA graduate from Oklahoma, USA. Currently, he also serves as President Director of PT Matahari Department Store Tbk (MDS).

### Lina Latif

*Director*

Joined the Company in 2001. Her career started as Senior Auditor at Prasetyo Utomo & Co (1979-1984) and joined Lippo Group in 1985. She assumed several key positions in Lippo Group such as Assistant Vice President Lippo Group (1985-1986); Director PT Lippo Pacific Finance and PT Lippo Merchants Finance (1989-1993) as well as PT Lippo Karawaci Tbk (1993-1998). Her last position was President Director of PT Lippo Securities Tbk (1998-1999). She is a graduate of Trisakti University, Jakarta. Currently, she is also Director PT Matahari Department Store Tbk (MDS).

### Hendra Sidin

*Director*

Joined the Company in January 2002. His professional career started as Audit Manager in Prasetyo, Utomo & Co accounting firm (1989-1997) before he joined Lippo Group with several positions such as Finance Director PT Lippo Karawaci Tbk (1997-2001) and PT Lippoland Development Tbk (1999-2001). He is a graduate of University Indonesia majoring in Accounting & Economics. Currently, he is also a Director of PT Matahari Department Store Tbk (MDS).

### Carmelito J. Regalado

*Director*

Joined the Company in March 2002 and has also served as Director of Merchandising & Marketing of Matahari Food Business Division (2002-2009). His professional career started as Auditor at SGV & Co Public Accountant Office in Philippines and continued to assume several positions in finance areas at hotel industry during 1977-1986. He also assumed several key positions in several business groups in Indonesia prior to joining the Company. He is a graduate from University of Santo Thomas,

## CORPORATE DIRECTORS

### Travis Saucer

*CEO - Retail Group*

Joined the Company in 2006 as CEO of Matahari Department Store Division. He is a respectable executive on the USA's department store business field with his main expertise & focus in merchandising and marketing aspects. Started his career by joining JC Penney in 1973, he has been a prominent figure within department store division of Saks, Inc. by taking several key positions such as CEO of MacRae's (1998-1999) and Parisian (1999-2001). Within 2001-2006, he also provides independent business consultancy to local entrepreneurial venture. In late 2009, he was appointed as the Company's CEO of Retail Group, overseeing all retail businesses. He is a graduate from Troy State University, Alabama, USA.

### Andre Rumanitir

*Corporate HRD Director*

Joined the Company in May 2005. His professional career includes 27 years experience in holding key positions in multinational companies such as PT International Nickel Indonesia Tbk and PT Goodyear Indonesia Tbk with expertise in process plant, manufacturing and human resource management. He is an MBA graduate from Greenwich University, Hawaii, USA.

### Steven A. Martin

*Head of Retail Strategic Planning*

Joined the Company as the MDS' CFO in 2007. In late 2009, he was also appointed as the Company's Head of Retail Strategic Planning. Prior to joining Matahari, he has spent numerous professional experiences in financial fields in USA with starting career as Project Planning Manager of American Management Systems Inc. (1974-1981); Director - Budgets & Analysis of Batus Inc. (1981-1990); Director - Information Systems of Humana Inc. (1990-1992); VP - Strategy and Business of Sears, Roebuck and Co. (1993-1996); Executive VP/CFO - Sun Television and Appliances Inc. (1996-1997); Strategic Consulting (1997-1999); Senior VP/CFO - Oshman's Sporting Goods Inc. (1999-2001); Strategic Consultant/New Business Creation (2001-present) and Partner - BFD Northwest Inc (2001-present). He is a graduate with Bachelor in Economics (High Honors) from Princeton University, NJ and MBA in Finance and Statistics from Wharton School of Business, PA.

### Danny Kojongian

*Corporate Communication Director*

Joined the Company in 1996. His career in the Company has grown from Senior Manager to the present Director position and has been assuming the investor relations & public relations roles since 1996. He started his professional career in PT Duta Pertiwi as Treasury Senior Staff (1994-1996). He is an MBA graduate majoring in Finance & Portfolio Management from National University, San Diego, USA.

### Sarwo Santoso

*Corporate IT Director*

Joined the Company in 2009. His professional career has been in various information technology industry, where he joined IBM Indonesia for the period 1983-2000 with expertise in Application Systems, Systems Engineering and Project Advisory. From 2000-2002, he was Head of IT for PT Bank Danamon Tbk. His last position was Deputy CTO of PT Bank Commonwealth (2003-2009). He is a graduate from Institute of Technology Bandung.



## MANAGEMENT OF MATAHARI DEPARTMENT STORE

**Michael Remson***President*

Joined the Company in 2009 as President of Matahari Department Store Division. His professional career has been focused in US retail industries for the last 34

years, which included Assistant Manager & Divisional Merchandise Manager of

Allied Stores Corp Group (1975-1987); VP Planning at Macy's (1987-1991);

Executive VP Merchandising of Stein

Mart (1992-2000); VP Merchandising of JC Penney (2001-2006) and Executive

VP & Chief Merchandising Officer of

Gordman's Inc (2006-2009). He is an

MA graduate from University of South

Florida, Tampa, USA.

present). He is a graduate with Bachelor in Economics (High Honors) from

Princeton University, NJ and MBA in

Finance and Statistics from Wharton

School of Business, PA.

Lippo Motor Indonesia and PT Walsin

Lippo Industries. He is a graduate from

Technical University, Berlin, Germany.

## MANAGEMENT OF MATAHARI FOOD BUSINESS

**Carmelito J. Regalado***President*

Joined the Company in March 2002 and has also served as Director of

Merchandising & Marketing of Matahari

Food Business Division (2002-2009). His

professional career started as Auditor at

SGV & Co Public Accountant Office in

Philippines and continued to assume

several positions in finance areas at hotel

industry during 1977-1986. He also

assumed several key positions in several

business groups in Indonesia prior to

joining the Company. He is a graduate

from University of Santo Thomas,

Philippines. In late 2009, he was elected

at President of Matahari Food Business

Division (MFB).

late 2009, he returned to the Company as

Format Director of Foodmart. He started

his professional career in Astra Group

in 1990. Within 1996-1999, he was

Marketing Planning Manager of DHL;

and subsequently joined Carrefour as

Store GM (1999-2003). He is a graduate

of IPB Bogor.

Bank Ltd as Corporate Finance Manager

(1997-1999) and Indonesian Banking

Restructuring Agency (1999-2002) as

Vice President in Asset Management

Investment Division. He is a graduate

of Curtin University of Technology,

Australia with a degree in Banking and

Finance.

**Iwan Goenadi***Management Information System Director*

Joined the Company as Head of

Management System (MS) in 1998. He



The 2009 Annual Report, including the accompanying financial statement and related information, is the responsibility of the management of PT. Matahari Putra Prima Tbk. and has been duly approved by member of the Board of Commissioners and Board of Directors.

Jakarta, February 2010

## PT. MATAHARI PUTRA PRIMA TBK

Menara Matahari 20th Floor  
Jl. Boulevard Palem Raya No. 7  
Lippo Karawaci 1200  
Tangerang 15811  
Indonesia

Phone : (62-21) 546 9333  
Fax : (62-21) 547 5673  
www.matahari.co.id

### Investor Relation

Email : investor.relation@mataharigroup.com

## SUPPORTING INSTITUTIONS

### INDEPENDENT AUDITOR

**RSM Aryanto, Amir Jusuf, Mawar & Saptoto**  
Plaza ABDA 10th & 11th Floor,  
Jl. Jend. Sudirman Kav. 59  
Jakarta - 12190  
Phone : (021) 5140 1340  
Fax : (021) 5140 1350  
www.aaj.co.id

### SHARE REGISTRAR

**PT. Sharestar Indonesia**  
Citra Graha Building 2nd Floor,  
Jl. Jend. Gatot Subroto Kav. 35 - 36  
Jakarta - 12950  
Phone : (021) 527 7966  
Fax : (021) 527 7967  
www.sharestar.co.id

## LEGAL CONSULTANTS

### Kantor Advokat dan Konsultan Hukum

**YAN APUL & REKAN**  
Menara Thamrin 21st Floor,  
Suite 2102  
Jl. M. H. Thamrin Kav. 3  
Jakarta - 10250  
Phone : (021) 314 2331 (Hunting)  
Fax : (021) 3193 5208  
E-mail : yanapul@contrin.net.id  
www.yanapul.com

### Hadiputranto, Hadinoto & Partners

The Jakarta Stock Exchange Building  
Tower II, 21st Floor  
Sudirman Central Business District  
Jl. Jend. Sudirman Kav. 52 - 53  
Jakarta - 12190  
Phone : (021) 515 5090, 515 5091,  
515 5092, 515 5093  
Fax : (021) 515 4840, 515 4845,  
515 4850, 515 4855  
www.hhp.co.id

### Makes & Partners Law Firm

Menara Batavia, 7th Floor  
Jl. KH. Mas Mansyur Kav. 126  
Jakarta 10220, Indonesia  
Phone : (62 21) 574 7181  
Fax : (62 21) 574 7180  
E-mail : makes@makeslaw.com  
www.makeslaw.com

## BOARD OF COMMISSIONERS



DR. Cheng Cheng Wen  
PRESIDENT  
COMMISSIONER



Jonathan L. Parapak  
INDEPENDENT  
COMMISSIONER



John Bellis  
INDEPENDENT  
COMMISSIONER



Ganesh Chander Grover  
INDEPENDENT  
COMMISSIONER




Prof. Dr. Adrianus Mooy  
INDEPENDENT  
COMMISSIONER



Jeffrey Koes Wonsono  
COMMISSIONER

## BOARD OF DIRECTORS



Benjamin J. Mailool  
PRESIDENT DIRECTOR



Lina Latif  
DIRECTOR



Hendra Sidin  
DIRECTOR



Carmelito J. Regalado  
DIRECTOR



Soeparmadi  
DIRECTOR



**DIRECTOR'S DECLARATION OF RESPONSIBILITY  
FOR ANNUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2009 AND 2008  
PT MATAHARI PUTRA PRIMA Tbk**

We the undersigned:

1. Name  
Office Address

Residential Address / as per  
ID Card or other identity card  
Phone  
Title

**BENYAMIN J. MAILOOL**  
Menara Matahari 20th floor  
Jl. Bulevar Pallem Raya No. 7  
Lippo Karawaci 1200, Tangerang 15811  
Gading Griya Lestari C1/7 RT. 012 / RW. 005  
Kec. Sukapura, Jakarta Utara  
5475333, 5469333  
President Director

2. Name  
Office Address

Residential Address / as per  
ID Card or other identity card  
Phone  
Title

**HENDRA SIDIN**  
Menara Matahari 20th floor  
Jl. Bulevar Pallem Raya No. 7  
Lippo Karawaci 1200, Tangerang 15811  
Perum Citra 3-D-10/14 RT. 015 / RW. 013  
Kel. Pegadungan, Kec. Kali Deres  
Jakarta Barat  
5475333, 5469333  
Director

Herewith endorsed the followings :

1. Responsible for the preparation and presentation of the Company's financial statement;
2. The Company's Financial Statements has been prepared and presented in accordance with generally accepted accounting principles;
3. a. All information has been fully and correctly disclosed in the Company's Financial Statements;  
b. The Company's Financial Statements does not contain any material incorrect information or facts, nor do they omit material information or facts;
4. Responsible for the Company's internal control system.

Therefore, this statement has been made truthfully.

Tangerang, 26 March 2010

Sincerely,

**PT MATAHARI PUTRA PRIMA Tbk.**

  
**BENYAMIN J. MAILOOL**  
President Director

  
**HENDRA SIDIN**  
Director

**ANNUAL REPORT 2009**  
**MATAHARI**

**PT. MATAHARI PUTRA PRIMA TBK and SUBSIDIARIES**  
Consolidated Financial Statements  
With Independent Auditors' Report  
Years Ended December 31, 2009 and 2008  
(Indonesian Currency)

*These consolidated financial statements are originally issued in Indonesian Language*

**PT. Matahari Putra Prima, Tbk**

Gajah Mada Plaza Lt. 5G, Jl. Gajah Mada No. 19-20 Petrop Ulas, Gambir, Jakarta Pusat 10130, Indonesia. www.matahari.co.id  
Kantor Pusat Operasional :  
Menara Matahari, Jl. Bulevar Pallem Raya No. 7 Lippo Karawaci 1200-Tangerang 15811, Indonesia. Telp. 62 21 5469333 (Puring) Fax. 62 21 5475229



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**PT MATAHARI PUTRA PRIMA Tbk  
AND SUBSIDIARIES**

**Independent Auditor's Report  
and  
Consolidated Financial Statements  
For the Years Ended  
December 31, 2009 and 2008**



# RSM! Aryanto, Amir Jusuf, Mawar & Saptoto

*This report is originally issued in Indonesian language*

**Nomor : R/092.AGA-E/9.1/03/10**

RSM Aryanto, Amir Jusuf, Mawar & Saptoto  
Registered Public Accountants  
Plaza ABDA, Floor 10 & 11  
Jl. Jend. Sudirman Kav. 59 Jakarta 12190, Indonesia  
Phone : (62) (21) 5140 1340  
Fax : (62) (21) 5140 1350  
www.rsm.aajassociates.com

## Independent Auditors' Report

The Stockholders, Commissioners and Directors  
**PT Matahari Putra Prima Tbk**

We have audited the consolidated balance sheet of PT Matahari Putra Prima Tbk and subsidiaries as of December 31, 2009, and the related consolidated statements of income, changes in stockholders' 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 audit. The consolidated financial statements of PT Matahari Putra Prima Tbk and subsidiaries for the year ended December 31, 2008, before the restatement in connection with restructuring transaction among entities under common control as described in the last paragraph below, were audited by other independent auditor whose report dated March 27, 2009 with note regarding reclassification dated June 1, 2009 expressing unqualified opinion on the financial statements.

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 audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PT Matahari Putra Prima Tbk and subsidiaries as of December 31, 2009, and the results of their operations, changes in their stockholders' equity, and their cash flows for the year then ended, in conformity with accounting principles generally accepted in Indonesia.

RSM Aryanto, Amir Jusuf, Mawar & Saptoto is an independent member firm of RSM International, an affiliation of independent accounting and consulting firms

Licence numbers:  
Minister of Finance : 1048/XM.1/2009  
Capital Market Supervisory Board  
(BAPEPAM) : 405  
Bank Indonesia : 063

Branch Office :  
Jl. Mayjen Sungkono  
Komplek Darmo Park I Blok III B 17-19  
Surabaya 60256 - Indonesia

*This report is originally issued in Indonesian language*

As disclosed in Notes 1c, 2b and 3 to the consolidated financial statements, on November 25, 2009, the Company invested in shares of stock in PT Matahari Department Store Tbk (formerly PT Pacific Utama Tbk). The investment constitutes a restructuring transaction among entities under common control, and therefore accounted for in a manner similar to a pooling-of-interest method, in accordance with Statements of Financial Accounting Standards No. 38 (Revised 2004), "Accounting for Restructuring Transactions among Entities under Common Control". Accordingly, the consolidated financial statement for the year ended December 31, 2008 have been restated to reflect the retroactive effects of the investment in shares as if it occurred on January 1, 2008. In regard with the matter, we have audited the combination of consolidated balance sheet as of December 31, 2008 and the related consolidated statements of income, changes in stockholders' equity and cash flows for the year then ended, after the restatement to reflect retroactive effects of the transaction as previously mentioned; and in our opinion, such consolidated financial statements have been properly combined on the basis as described in Note 2b to consolidated financial statements. However, we were not engaged to audit, review or apply any procedures on the consolidated financial statements of PT Matahari Putra Prima Tbk and subsidiaries for the year ended December 31, 2008 which audited by other independent auditor as described on first paragraph, other than with respect to the above-mentioned combination and accordingly, we do not express an opinion or any other form of assurance on consolidated financial statements for the year ended December 31, 2008 taken as a whole.



**Didik Wahyudiyanto**

Public Accountant License Number: 01.1.0774

Jakarta, March 26, 2010

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



These consolidated financial statements are originally issued in Indonesian language.

**PT MATAHARI PUTRA PRIMA Tbk AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**December 31, 2009**  
**With Comparative Figures for December 31, 2008**  
**(Expressed in millions of Indonesian rupiah, except share data)**

	Notes	2009	2008 (As Restated, Note 3)
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	2c,2r,4,33	2,252,173	1,742,666
Short-term investments	2d,2r,5,33		
- Third parties		94,368	359,826
- Related party	2x,8	1,070,000	812,000
Accounts receivable	2e,6		
Trade		30,993	45,478
Others - net	7,11		
- Third parties		135,967	643,757
- Related parties	2x,8	968	2,133
Merchandise inventories	2f,6,7	1,171,805	983,008
Prepaid taxes	17	111,782	18,262
Prepaid expenses	2g,2h		
- Third parties		133,175	130,180
- Related parties	2x,8	15,135	15,302
Option/forward contract assets	2r,2s,22,33	-	286,550
Other current assets		49,873	42,348
Total Current Assets		5,066,239	5,081,510
<b>NON-CURRENT ASSETS</b>			
Due from related parties - net	2e,2x,8	9,447	9,283
Deferred tax assets - net	2t,17	50,423	110,166
Investments in associated companies	2d,2x,8,9	31,500	87,593
Other long-term investments	2d,2r,10	174,709	123,187
Property and equipment	2i,2k,2l,2x,6, 8,11,21,35		
Carrying value		4,000,233	3,585,871
Accumulated depreciation		(1,821,740)	(1,657,104)
Allowance for possible loss from disposal of property and equipment		-	(24,897)
Net		2,178,493	1,903,870
Rental advances	12,35		
- Third parties		1,377,785	847,212
- Related parties	2x,8	610,693	286,433
Prepaid long-term rent - net	2h,13		
- Third parties		564,206	615,973
- Related parties	2x,8	150,248	162,971
Advances for purchase of property and equipment	14		
- Third parties		59,747	159,119
- Related parties	2x,8	-	118,013
Other non-current assets - net	2i,2j,2l,2m, 2x,8,35	286,654	295,399
Total Non-current Assets		5,493,905	4,719,219
<b>TOTAL ASSETS</b>		<b>10,560,144</b>	<b>9,800,729</b>

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

These consolidated financial statements are originally issued in Indonesian language.

**PT MATAHARI PUTRA PRIMA Tbk AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS (continued)**  
**December 31, 2009**  
**With Comparative Figures for December 31, 2008**  
**(Expressed in millions of Indonesian rupiah, except share data)**

	Notes	2009	2008 (As Restated, Note 3)
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable			
Trade	15	1,294,678	1,191,752
Others	2q,2r,5, 16,33	184,852	459,305
Taxes payable	17	43,616	45,295
Accrued expenses	2u,18,32	566,481	472,353
Notes payable - net	2n,2o,2r, 19,33	-	1,303,092
Current maturities of long-term debts:			
Bank loans	20,35,38	1,011,667	74,800
Bonds payable - net	1b,2n,2o, 11,21	-	441,640
Others	2h,2r,33	2,269	9,625
Swap contract liabilities	2r,2s,22,33	-	495,230
Current portion of deferred gain on asset sale and lease transactions	2k,11	41,431	38,362
Total Current Liabilities		3,144,994	4,531,454
<b>NON-CURRENT LIABILITIES</b>			
Due to related parties - net	2x,8	5,520	3,143
Deferred tax liabilities - net	2t,17	-	8,888
Notes payable - net	2n,2o,2r, 19,33	1,788,211	-
Long-term debts - net of current maturities:			
Bank loans	20,35	903,333	1,462,850
Bonds payable - net	1b,2n,2o,21	521,807	-
Others	2h,2r,33	4,460	4,699
Deferred gain on asset sale and lease transactions - net of current portion	2k,11	307,996	349,427
Other non-current liabilities	2r,2u,32,33	322,796	233,435
Total Non-current Liabilities		3,854,123	2,062,442
<b>MINORITY INTEREST</b>	2b	93,929	55,631
Total Liabilities		7,093,046	6,649,527

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



*These consolidated financial statements are originally issued in Indonesian language.*

**PT MATAHARI PUTRA PRIMA Tbk AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS (continued)**  
**December 31, 2009**  
**With Comparative Figures for December 31, 2008**  
**(Expressed in millions of Indonesian rupiah, except share data)**

	Notes	2009	2008 (As Restated, Note 3)
<b>STOCKHOLDERS' EQUITY</b>			
Capital stock - Rp500 par value			
Authorized - 10,800,000,000 shares			
Issued and fully paid - 4,721,073,575 shares			
in 2009 and 4,711,922,000 shares			
in 2008	1b,23	2,360,537	2,355,961
Additional paid-in capital - net	2p,24	(17,537)	(21,198)
Difference in changes in equity transactions			
of Subsidiaries - net	1c,2b,10	(85,743)	(136,968)
Pro forma capital arising from Restructuring			
Transaction of Entities under Common Control	3	-	43,601
Retained earnings			
Appropriated	34	20,000	18,000
Unappropriated		1,313,077	1,015,042
Treasury stock	2p,23	(123,236)	(123,236)
Stockholders' Equity - Net		3,467,098	3,151,202
<b>TOTAL LIABILITIES AND</b>			
<b>STOCKHOLDERS' EQUITY</b>		<b>10,560,144</b>	<b>9,800,729</b>

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

These consolidated financial statements are originally issued in Indonesian language.

**PT MATAHARI PUTRA PRIMA Tbk AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**Year ended December 31, 2009**  
**With Comparative Figures for the Year ended December 31, 2008**  
**(Expressed in millions of Indonesian rupiah, except for net income per share)**

	Notes	2009	2008 (As Restated, Note 3)
<b>SALES FROM DIRECT PURCHASE AND OTHER TRADE REVENUE</b>	2q,25	8,758,719	7,738,485
<b>CONSIGNMENT SALES</b>	2q,26	5,027,934	4,238,885
<b>COST OF CONSIGNMENT SALES</b>	2q,27	<u>3,506,196</u>	<u>2,949,752</u>
<b>COMMISSIONS FROM CONSIGNMENT SALES</b>		1,521,738	1,289,133
<b>NET SALES</b>		10,280,457	9,027,618
<b>COST OF SALES</b>	2f,2i,2q, 11,28	6,724,380	5,903,463
<b>GROSS PROFIT</b>		<u>3,556,077</u>	<u>3,124,155</u>
<b>OPERATING EXPENSES</b>			
Selling	2h,2q,2x, 8,29,35	1,109,296	937,709
General and administrative	2i,2m,2q, 2u,2x,8, 11,19,20, 21,30,32	1,942,508	1,695,147
Total Operating Expenses		<u>3,051,804</u>	<u>2,632,856</u>
<b>OPERATING INCOME</b>		<u>504,273</u>	<u>491,299</u>
<b>OTHER CHARGES (INCOME)</b>			
Interest expense and other financing cost - net	2x,4,5,8,18, 19,20,21,31	263,868	175,095
Others - net	2b,2d,2i,2j, 2r,2s,2x,5, 8,9,11,19, 21,22	<u>(132,234)</u>	<u>364,586</u>
Other Charges - Net		<u>131,634</u>	<u>539,681</u>
<b>EQUITY IN NET INCOME (LOSS) OF INVESTEEs - Net</b>	2d,9	1,295	(22,188)
<b>INCOME (LOSS) BEFORE INCOME TAX</b>		<u>373,934</u>	<u>(70,570)</u>
<b>INCOME TAX EXPENSE (BENEFIT) - Net</b>	2t,17		
Current		26,557	35,571
Deferred		<u>50,855</u>	<u>(109,704)</u>
Net		<u>77,412</u>	<u>(74,133)</u>
<b>INCOME BEFORE MINORITY INTEREST AND EFFECT OF PRO FORMA ADJUSTMENTS</b>		296,522	3,563
<b>MINORITY INTEREST IN NET LOSS OF SUBSIDIARIES</b>	2b	2,364	3,230
<b>EFFECT OF PRO FORMA ADJUSTMENTS</b>	3	1,149	3,704
<b>NET INCOME</b>		<u><u>300,035</u></u>	<u><u>10,497</u></u>
<b>NET INCOME PER SHARE</b>	2w	<u><u>66</u></u>	<u><u>2</u></u>

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



**PT MATAHARI PUTRA PRIMA Tbk AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
Year ended December 31, 2009  
With Comparative Figures for the Year ended December 31, 2008  
(Expressed in millions of Indonesian rupiah)

Notes	Capital Stock	Additional Paid-In Capital - Net	Difference In Changes In Equity Transaction of Subsidiaries - Net	Revaluation Increment In Property and Equipment	Pro forma capital arising from Restructuring Transaction of Entities under Common Control	Retained Earnings		Treasury Stock	Stockholders' Equity - Net
						Appropriated	Unappropriated		
Balance, January 1, 2008 (as previously reported)	2,355,961	(21,198)	(40,808)	120	-	16,000	1,058,328	(123,236)	3,245,167
Adjustments arising from Restructuring Transaction of Entities under Common Control	-	-	-	-	47,305	-	-	-	47,305
Balance, January 1, 2008 (as restated)	2,355,961	(21,198)	(40,808)	120	47,305	16,000	1,058,328	(123,236)	3,292,472
Resolution during the Annual General Meeting of the Stockholders on March 19, 2008 : Declaration of cash dividend - net of treasury stock Appropriation of retained earnings	-	-	-	-	-	-	(51,903) (2,000)	-	(51,903)
Reclassification arising from adoption of PSAK 16 (Revised 2007)	-	-	-	(120)	-	-	120	-	-
Difference in changes in equity transactions of Subsidiaries - net	-	-	(96,160)	-	-	-	-	-	(96,160)
Effect of pro forma adjustment arising from Restructuring Transaction of Entities under Common Control	-	-	-	-	(3,704 )	-	-	-	(3,704)
Net Income	-	-	-	-	-	-	10,497	-	10,497
Balance, December 31, 2008 (as restated)	2,355,961	(21,198)	(136,968)	-	43,601	18,000	1,015,042	(123,236)	3,151,202
Resolution during the Annual General Meeting of the Stockholders on April 24, 2009: Appropriation of retained earnings	-	-	-	-	-	2,000	(2,000)	-	-
Exercise of warrant to capital stock	4,576	3,661	-	-	-	-	-	-	8,237
Difference in changes in equity transactions of Subsidiaries - net	-	-	51,225	-	-	-	-	-	51,225
Effect of pro forma adjustment arising from Restructuring Transaction of Entities under Common Control	-	-	-	-	(1,149 )	-	-	-	(1,149)
Reversal of pro forma capital from Restructuring Transaction of Entities under Common Control	-	-	-	-	(42,452 )	-	-	-	(42,452)
Net Income	-	-	-	-	-	-	300,035	-	300,035
Balance, December 31, 2009	2,360,537	(17,537)	(85,743)	-	-	20,000	1,313,077	(123,236)	3,467,098

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

**PT MATAHARI PUTRA PRIMA Tbk AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Year ended December 31, 2009**  
**With Comparative Figures for the Year ended December 31, 2008**  
**(Expressed in millions of Indonesian rupiah)**

	Notes	2009	2008 (As Restated, Note 3)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Collection from sales		13,815,095	12,028,146
Cash received from rental income		60,916	68,139
Cash paid for:			
Purchase of merchandise inventories including payment for cost of consignment		(10,774,226)	(8,711,361)
Rentals		(884,046)	(607,721)
Salaries and wages		(829,057)	(783,272)
Other selling expenses		(341,740)	(212,293)
Cash received from operations		1,046,942	1,781,638
Decrease (increase) in other receivables		558,443	(514,206)
Corporate Income Tax		(18,159)	(31,581)
Other income		346,759	366,183
Other expenses		(704,039)	(848,960)
<b>Net Cash Provided by Operating Activities</b>		<b>1,229,946</b>	<b>753,074</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of short-term investments		1,825,920	90,452
Proceeds from sale of assets from Restructuring Transaction of Entities under Common Control		210,834	-
Proceeds from sale of investments in associated companies - net		52,001	-
Decrease (increase) in other non-current assets		25,621	(18,835)
Decrease (increase) in other current assets		10,175	(4,980)
Proceeds from sale of property and equipment	11	7,140	8,234
Proceeds from sale of other long term investments		100	-
Increase in short-term investments		(1,840,203)	(827,780)
Increase in rental advances		(891,600)	(669,256)
Decrease in other payables from the refund of escrow fund		(306,033)	-
Increase in advances for purchase of property and equipment		(277,995)	(339,684)
Acquisitions of property and equipment	11	(247,196)	(193,258)
Cash dividend received from associated company		-	5,000
<b>Net Cash Used in Investing Activities</b>		<b>(1,431,236)</b>	<b>(1,950,107)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in bank loans		2,070,043	1,265,670
Proceeds from issuance of notes		1,091,975	-
Proceeds from issuance of bonds		528,000	-
Interest income		351,173	233,763
Proceeds from warrant conversion into capital stock		8,237	-
Increase (decrease) in amount due to related parties		2,377	(1,784)
Proceeds from Limited Public Offerings		709	-
Payment of bank loans		(1,692,693)	(593,370)
Interest expense and other financing cost		(609,232)	(392,850)
Payments and buy-back of notes and the settlement of related option/swap		(553,820)	(277,235)
Payments and buy-back of bonds		(443,000)	(7,000)

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

These consolidated financial statements are originally issued in Indonesian language.

**PT MATAHARI PUTRA PRIMA Tbk AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (continues)**  
**Year ended December 31, 2009**  
**With Comparative Figures for the Year ended December 31, 2008**  
**(Expressed in millions of Indonesian rupiah)**

	Notes	2009	2008 (As Restated, Note 3)
Payments relating to Limited Public Offerings		(18,918)	-
Payment of notes issuance cost		(13,672)	-
Payment of bonds issuance cost		(7,882)	-
Cash dividend paid by Subsidiary to minority stockholders		(2,500)	-
Cash dividend paid by the Company	34	-	(51,903)
<b>Net Cash Provided by Financing Activities</b>		<b>710,797</b>	<b>175,291</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>509,507</b>	<b>(1,021,742)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	4	1,742,666	2,764,408
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	4	<b>2,252,173</b>	<b>1,742,666</b>

**Supplemental cash flows information:**

Transactions not affecting cash flows:

Reclassification of advance for purchase of property and equipment to property and equipment	516,043	366,549
Reclassification of rental advances to prepaid rent	34,463	300,977

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



**PT MATAHARI PUTRA PRIMA Tbk AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended December 31, 2009**  
**With Comparative Figures for the Year ended December 31, 2008**  
**(Expressed in millions of Indonesian rupiah and thousands of foreign currencies,**  
**except share data/unit)**

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**1. GENERAL**

**a. Company's Establishment**

PT Matahari Putra Prima Tbk ("the Company") was established in the Republic of Indonesia on March 11, 1986 based on notarial deed No. 30 dated March 11, 1986 of Budiarti Karnadi, S.H. The deed of the Company's establishment was published in Supplement No. 2954 of State Gazette No. 73 dated September 10, 1991. The Company's articles of association has been amended several times, the latest amendment of which is based on notarial deed No. 39 dated August 8, 2008 of Ny. Poerbaningsih Adi Warsito, S.H. concerning the amendment and restatement of articles of association in accordance to Corporate Law No. 40 year 2007. This amendment has been approved by the Ministry of Justice and Human Right of the Republic of Indonesia in its decision letter No. AHU-88903.AH.01.02.TH2008 dated November 21, 2008.

The Company and Subsidiaries operate (i) a chain of stores which sell such items as clothes, accessories, bags, shoes, cosmetics, electrical equipment, toys, stationery, books, drugs and daily needs, and (ii) family entertainment centers known as Time Zone. The Company started commercial operations in 1986.

The Company's head office is located in Menara Matahari 20<sup>th</sup> Floor, No. 7 Boulevard Palem Raya, Lippo Karawaci - Tangerang, West Java.

As of December 31, 2009, the Company, PT Matahari Super Ekonomi and PT Matahari Department Store Tbk operate stores in 101 locations, while PT Matahari Graha Fantasi operates 72 permanent family entertainment centers and 41 non-permanent family entertainment centers, PT Times Prima Indonesia operates 16 stores, PT Prima Gerbang Persada operates 1 mall and PT Prima Cipta Lestari operates 9 restaurants and outlets. All of these stores, family entertainment centers, mall and restaurants are located in Jakarta and other cities in Indonesia.

**b. Company's Public Offerings**

On November 29, 1992, the Company's Registration Statement to offer its Initial Public Offering of shares was declared effective. In December 1992, the Company listed all of its shares on the Jakarta Stock Exchange and the Surabaya Stock Exchange, which are now merged as the Indonesia Stock Exchange.

On June 9, 1995, September 11, 1996 and October 13, 1997, the Company's Registration Statements to offer its First, Second and Third Limited Public Offerings, respectively, with pre-emptive rights to stockholders, totalling 75,166,500 (at Rp1,400 per share), 225,499,500 (at Rp1,000 per share) and 1,803,996,000 (at Rp500 per share) new shares, respectively, were declared effective. The Company listed all such new shares on the Jakarta Stock Exchange and the Surabaya Stock Exchange.

Based on the letter No. S-1068/PM/2004 dated April 28, 2004 of the Capital Market and Financial Institution Supervisory Agency ("BAPEPAM-LK"), the Company's Registration Statement to offer its Second Matahari Bonds and First Matahari Syariah Ijarah Bonds totalling Rp300,000 and Rp150,000, respectively, to the public on the Surabaya Stock Exchange (Note 21) was declared effective.

On December 27, 2006, the Company's Registration Statement to offer its Fourth Limited Public Offering with pre-emptive rights to stockholders totalling 2,005,928,000 (at Rp500 per share) new shares and a maximum of 877,593,500 Series I warrants, was declared effective. The Company listed all such new shares on the Jakarta Stock Exchange and the Surabaya Stock Exchange (Note 23).

**PT MATAHARI PUTRA PRIMA Tbk AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended December 31, 2009**  
**With Comparative Figures for the Year ended December 31, 2008**  
**(Expressed in millions of Indonesian rupiah and thousands of foreign currencies,**  
**except share data/unit)**

**1. GENERAL (continued)**

**b. Company's Public Offerings (continued)**

Based on the letter No. S-2469/BL/2009 dated March 31, 2009 of BAPEPAM-LK, the Company's Registration Statement to offer its Third Matahari Bonds and Second Matahari Sukuk Ijarah with a total maximum amount of Rp350,000 and Rp250,000, respectively, to the public on the Indonesia Stock Exchange (Note 21) was declared effective.

**c. Structure of the Company and Subsidiaries**

As of December 31, 2009 and 2008, the structure of the Company and the Subsidiaries (collectively referred to as "the Companies") is as follows:

Subsidiaries	Location of Operations	Nature of Business	Start of Commercial Operations	Percentages of Ownership *		Total Assets	
				2009	2008	2009	2008
<u>Direct ownership</u>							
PT Matahari Department Store Tbk ("PT MDS") (formerly PT Pacific Utama Tbk)	Tangerang, West Java	Retail business	1982	90.76	-	1,516,268	59,360
PT Matahari Super Ekonomi ("PT MSE")	Tangerang, West Java	Retail business	1994	100.00	100.00	5,678	15,545
Matahari International Finance Company B.V. ("MIFCO")	Rotterdam, Netherlands	Financing business	1996	100.00	100.00	6,020	7,163
PT Nadya Putra Investama ("PT NPI")	Tangerang, West Java	General trading	1998	100.00	100.00	603,246	826,388
PT Taraprima Reksabuana ("PT TPRB")	Jakarta	Sale and marketing of mineral water	1998	100.00	100.00	17,890	14,590
PT Matahari Kafe Nusantara ("PT MKN")	Tangerang, West Java	Restaurant	2001	100.00	100.00	226	226
Matahari Finance B.V. ("MF")	Amsterdam, Netherlands	Financing business	2006	100.00	100.00	37,662	2,177,864
PT Times Prima Indonesia ("PT TPI")	Tangerang, West Java	Services and general trading	2008	100.00	100.00	58,568	24,210
PT Prima Cipta Lestari ("PT Prima")	Tangerang, West Java	Restaurant	2009	100.00	100.00	65,318	9,735
Matahari International B.V. ("MIBV")	Amsterdam, Netherlands	Financing business	2009	100.00	-	1,981,275	-
PT Matahari Mega Swalayan ("PT MMS")	Tangerang, West Java	General trading	-	100.00	100.00	5,192	5,010
PT Matahari Mega Toserba ("PT MMT")	Tangerang, West Java	Retail business	-	100.00	100.00	2,254	2,255
PT Matahari Boston Drugstore ("PT MBD")	Tangerang, West Java	Drugstore	-	100.00	100.00	2,362	2,360
Prime Connection Limited ("PCL")	British Virgin Islands	Investment company	-	100.00	100.00	5	5
Brighter Limited ("BL")	British Virgin Islands	Investment company	-	100.00	100.00	3,193	8,238
PT Matahari Pacific ("PT MP")	Tangerang, West Java	Trading and services	-	100.00	100.00	25,039	25,069
PT Matahari Graha Fantasi ("PT MGF")	Jakarta	Family entertainment	1995	50.01	50.01	170,479	165,563
<u>Indirect Ownership</u>							
PT Asri Agungpermai ("PT AAP", through PT MDS)	Jakarta	General trading	1991	99.96	-	1	-
Matahari Department Store (Shenzhen) Limited ("MDS", through BL)	China	Retail business	2005	100.00	100.00	2,348	7,245
Tristar Capital Limited ("Tristar", through PT NPI)	Labuan, Malaysia	Investment company	2007	100.00	100.00	330,898	615,879
PT Prima Gerbang Persada ("PT PGP", through PT NPI and PT MSE)	Jakarta	Services, general trade and agribusiness	2009	100.00	100.00	179,686	170,642
Bright Regent Corporation ("BRC", through BL)	Hong Kong	Investment company	-	100.00	100.00	2,755	7,720
Merrill Investment Limited ("MI", through PT NPI)**	Labuan, Malaysia	Investment company	-	100.00	100.00	4,271	4,931
Matahari Trading (Shenzhen) Limited ("MTL", through BL)**	China	General trading	-	100.00	100.00	-	-

**PT MATAHARI PUTRA PRIMA Tbk AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended December 31, 2009**  
**With Comparative Figures for the Year ended December 31, 2008**  
**(Expressed in millions of Indonesian rupiah and thousands of foreign currencies,**  
**except share data/unit)**

**1. GENERAL (continued)**

**c. Structure of the Company and Subsidiaries (continued)**

Subsidiaries	Location of Operations	Nature of Business	Start of Commercial Operations	Percentages of Ownership *		Total Assets	
				2009	2008	2009	2008
Grandbright Corporation Limited ("GCL", through BL)	Hong Kong	Investment company	-	100.00	100.00	0.001	0.001
PT Matahari Dana Prima ("PT MDP", through PT NPI)	Jakarta	Consumer financing business	-	99.99	99.99	1,927	1,927

\* including indirect ownership

\*\* At the time this consolidated report is released, this company had been struck off from its registration in Labuan, Malaysia.

\*\*\* As of October 7, 2008, this subsidiary is no longer registered in the National Organization Institution Code Management Center in China.

On February 1, 2008, the Company and PT NPI acquired 99% and 1% ownership interests, respectively, in PT TPI. PT TPI operates in the bookstore business.

On May 2, 2008, the Company and PT NPI acquired 99% and 1% ownership interests, respectively, in PT Prima.

On August 22, 2008, the Company and PT NPI acquired 99% and 1% ownership interests, respectively, in PT MP.

On June 30, 2009, the Company acquired 100% ownership interests in MIBV (formerly Barthelo Shipyard Support B.V.).

On November 25, 2009, the Company invested in PT MDS (formerly PT Pacific Utama Tbk) representing ownership interests of 90.76% (Note 35). This transaction fell under restructuring transactions between entities under common control, and recorded in accordance with Statement of Financial Accounting Standards 38 (Revised 2004).

As of December 31, 2009, PT MMS, PT MMT, PT MBD, PCL, BL, PT MP, BRC, MI, MTL, GCL and PT MDP have not started commercial operations.

**d. Employees, the Board of Commissioners and Directors and Audit Committee**

As of December 31, 2009, the members of the Board of Commissioners and the Board of Directors based on a resolution at the Company's Stockholders' Annual General Meeting held on April 24, 2009 which was notarized under deed No. 49 dated May 22, 2009 of Ny. Poerbaningsih Adi Warsito, S.H., are as follows:

President Commissioner	:	DR. Cheng Cheng Wen
Commissioners	:	Jonathan L. Parapak (independent commissioner)
		John Bellis (independent commissioner)
		DR. Adrianus Mooy (independent commissioner)
		Ganesh Chander Grover (independent commissioner)
		Jeffrey Koes Wonsono
President Director	:	Benyamin Jonathan Mailool
Directors	:	Lina Haryanti Latif
		Hendra Sidin
		Carmelito J. Regalado
		R. Soeparmadi



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**1. GENERAL (continued)**

**d. Employees, the Board of Commissioners and Directors and Audit Committee (continued)**

As of December 31, 2009, the members of the Audit Committee are as follows:

Chairman	:	Jonathan L. Parapak
Members	:	Lie Kwang Tak R. Hikmat Kartadjoemena

As of December 31, 2008, the members of the Board of Commissioners and the Board of Directors based on a resolution at the Company's Stockholders' Annual General Meeting held on March 19, 2008 which was notarized under deed No. 36 dated March 19, 2008 of Ny. Poerbaningsih Adi Warsito, S.H., are as follows:

President Commissioner	:	DR. Cheng Cheng Wen
Commissioners	:	Jonathan L. Parapak (independent commissioner) Jusuf Arbiyanto Tjondrolukito (independent commissioner) John Bellis (independent commissioner) Mardi Henko Sutanto (independent commissioner) DR. Adrianus Mooy (independent commissioner) GN Hiang Lin, PhD. (independent commissioner) Jeffrey Koes Wonsono
President Director	:	Benyamin Jonathan Mailool
Directors	:	Lina Haryanti Latif Hendra Sidin Carmelito J. Regalado R. Soeparmadi

As of December 31, 2008, the members of the Audit Committee are as follows:

Chairman	:	Jonathan L. Parapak
Members	:	Lie Kwang Tak R. Hikmat Kartadjoemena

As of December 31, 2009 and 2008, the establishment of the Audit Committee is in accordance with BAPEPAM-LK Regulation No. IX.I.5.

As of December 31, 2009 and 2008, the Company's corporate secretary is Lina Haryanti Latif.

The Companies have approximately 19,400 and 18,900 employees (unaudited) as of December 31, 2009 and 2008, respectively.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Basis of Consolidated Financial Statements**

The consolidated financial statements are presented in accordance with the generally accepted accounting principles in Indonesia (Statements of Financial Accounting Standards or "PSAK") and BAPEPAM-LK regulations No. VIII.G.7, "Guidelines on Financial Statements Presentation" and SE-02/PM/2002, "Guidelines on Financial Statements Presentation and Disclosures of Listed or Public Companies in the Retail Industries".

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**a. Basis of Consolidated Financial Statements (continued)**

The consolidated financial statements are prepared under the historical cost basis of accounting, except for merchandise inventory which is stated at the lower of cost or net realizable value, contracts for swaps, options and forwards which are stated at fair value, and certain investments which are stated at fair value or at net assets value, or accounted for under the equity method for associated companies representing equity interest of at least 20% but not more than 50%.

The consolidated statements of cash flows present cash receipts and payments classified into operating, investing and financing activities. The cash flows from operating activities are presented under the direct method.

The reporting currency used in the consolidated financial statements is the Indonesian rupiah.

**b. Principles of Consolidation**

The consolidated financial statements include the accounts of the Company and its Subsidiaries. All significant intercompany accounts and transactions are eliminated.

The carrying value of the Company's investment in a Subsidiary is correspondingly adjusted for the net change in its investment in the Subsidiary's equity by crediting or debiting "Difference in Changes in Equity Transactions of Subsidiaries - Net".

The accounts of foreign subsidiaries were translated into rupiah amounts at the middle rates of exchange prevailing at balance sheet date for balance sheet accounts and the average rate during the year for profit and loss accounts. The resulting differences arising from the translations of the financial statements of Subsidiaries which are an integral part of the Company are debited/credited to "Other charges (income)" in the consolidated statements of income, while for the Subsidiaries which are not an integral part of the Company, these are debited/credited to and presented as "Difference in Foreign Currency Translation", which is presented under stockholders' equity as part of "Difference in Changes in Equity Transactions of Subsidiaries - Net".

Acquisitions of subsidiaries that qualify as a restructuring transaction of entities under common control are accounted for in accordance with PSAK 38 (Revised 2004), "Accounting for Restructuring Transactions of Business under Common Control". Based on this standard, acquisition of a subsidiary is accounted based on the pooling of interest, wherein assets and liabilities of a subsidiary are recorded at their book values. The difference between the transfer price and the Company's interest in the subsidiary's book values, if any, is recorded as "Difference in Value from Restructuring Transactions of Entities under Common Control" and presented as a separate component in the Company's Stockholders' Equity.

Accordingly, the financial statement items of the combining entities for the period in which the combination occurs and for any comparative periods disclosed should be included in the financial statements of the combined entities as if they had been combined from the beginning of the earliest period presented. The balance of "Difference in Value from Restructuring Transactions of Entities under Common Control" can be realized to gain or loss from the time the common control no longer exists between the entities that entered into the transaction.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**c. Cash Equivalents**

Cash equivalents include all highly liquid investments purchased with original maturities of three months or less and which are not pledged as collateral to loans.

**d. Investments**

Investments consist of:

**1. Marketable securities in the form of debt and equity securities**

In accordance with PSAK 50, "Accounting for Investments in Certain Securities", marketable securities are classified into the following three categories:

- **Trading**

Included in this classification are investments which are purchased for immediate resale, and are normally characterized by the high frequency of purchase-and-sale transactions. These investments are made to earn immediate gain from the improvement in the short-term prices of the securities. Investments that meet this classification are recorded at fair value. The unrealized gain/loss at balance sheet date is credited/charged to current operations.

- **Held-to-maturity**

Investments in debt securities which are held up to maturity date are recorded at cost, adjusted for amortization of premium or accretion of discount to maturity.

- **Available-for-sale**

Investments which do not meet the classification of trading and held-to-maturity categories are recorded at fair value. The difference between the acquisition cost and fair value of the investment is recorded as unrealized loss (gain) at balance sheet date which is presented as part of stockholders' equity (Note 2b).

The cost of marketable securities sold is determined by the average method.

**2. Mutual funds**

Mutual funds are stated at their net assets value at balance sheet date. Unrealized gains or losses from the changes in the net assets value of the funds at balance sheet date are credited or charged to current operations.

**3. Time deposits which are either used as collateral or with maturity of greater than three months but not more than one year from the time of placement are recorded as "Short-term Investments".**

The time deposits under this classification are recorded at nominal value.

**4. Long-term investments in shares of stock without available fair values**

Investments in shares of stock wherein the Companies have ownership interest of at least 20% but not exceeding 50% are accounted for under the equity method. Under this method, the investments are initially stated at cost, and then adjusted for the Companies' share in the earnings or losses of the associated companies in proportion to the ownership percentage of the Companies (equity method) and reduced by dividends received. Investments wherein the Companies have an ownership interest of less than 20% are stated at cost.



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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**e. Accounts Receivable**

Allowance for doubtful accounts is provided on the basis of the evaluation of the collectibility of the accounts at the end of the year.

**f. Merchandise Inventories**

Merchandise inventories are stated at the lower of cost, determined by the conventional retail method, or net realizable value.

Merchandise inventories do not include consignment goods.

Adoption of PSAK 14 (Revised 2008), Inventories

Effective January 1, 2009, the Companies have adopted PSAK 14 (Revised 2008), "Inventories", which supersedes PSAK 14 (1994), "Inventories".

The adoption of this revised PSAK did not result in significant effect to the Companies' consolidated financial statements.

**g. Prepaid Expenses**

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

**h. Lease**

The Companies have adopted PSAK 30 (Revised 2007), "Leases", which supersedes PSAK 30 (1990), "Accounting for Leases". Under this revised PSAK, the classification of a lease is determined based on whether the lessor or lessee controls substantially all the risks and rewards incidental to ownership.

Leases which do not transfer substantially all the risks and rewards incidental to ownership are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Lease income from operating leases is amortized on a straight-line basis over the lease term.

In the adoption of this revised PSAK, the Companies have chosen to apply it prospectively. The Companies have determined that the outstanding balances related to the financing leases that had existed prior to January 1, 2008 are appropriate. All arrangements containing a lease that existed at the beginning of the earliest year presented, were evaluated by the Companies to determine their classification in accordance with this revised PSAK.

The gain or loss on sale-and-leaseback transaction that results in an operating lease, where it is clear that the transaction is established at fair value, shall be recognized immediately. If the sale price is below fair value, any profit or loss shall be recognized immediately except that, if the loss is compensated for by future lease payments at below market price, it shall be deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value shall be deferred and amortized over the period for which the asset is expected to be used.

The gain or loss on a sale-and-leaseback transaction that results in a finance lease, is deferred and amortized over the lease term.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**h. Lease (continued)**

Long-term lease with contract value payable in installments over a period shorter than the lease period is recorded when the lease agreement is effective by debiting "Prepaid Long-term Rent" at the contract value and crediting the unpaid portion to "Long-term Debts - Others".

Prepaid long-term rent, generally on store space, is being amortized on the straight-line method starting from the opening of the leased store/renewal of the lease over the lease period. The portion of the rent chargeable to operations within one year is reclassified and presented under current assets as part of "Prepaid Expenses".

**i. Property and Equipment**

The Companies have adopted PSAK 16 (Revised 2007), "Fixed Assets", which supersedes PSAK 16 (1994), "Fixed Assets and Other Assets", and PSAK 17 (1994), "Accounting for Depreciation" and have chosen the cost model, therefore, the revaluation increment in property and equipment that was presented under the stockholders' equity section of the consolidated balance sheets has been reclassified to retained earnings in 2008.

Property and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized. When assets are retired or otherwise disposed of, their carrying values and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the year.

Depreciation is computed as follows:

	Methods	Years	Rates
Buildings	Straight-line	20	-
Building renovation	Straight-line	2 - 5	-
Equipment and installations	Double-declining balance	-	15% and 25%
Motor vehicles	Double-declining balance	-	50%
Machines	Straight-line	3 - 5	-

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end.

Landrights are stated at cost and are not amortized, unless there is a management's prediction or the probability that extension or renewal of the title is highly unlikely or definitely will not be obtained.

In accordance with PSAK 47, "Accounting for Land", the Company recognizes the acquisition cost of land separately from the legal expenditures incurred to acquire the landrights and the expenditures for the subsequent extension thereof. These expenditures are deferred and presented as part of "Other Non-current Assets" in the consolidated balance sheets and are amortized over the period the landrights.

**j. Investment Properties**

The Company has adopted PSAK 13 (Revised 2007), "Investment Property", which supersedes PSAK 13 (Revised 1994), "Accounting for Investment", whereby the Company has chosen the cost model. Investment property is depreciated using the straight-line method over 20 years, except land which is not depreciated.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**j. Investment Properties (continued)**

The Company's investment properties consist of land, buildings and improvements, which are held by the Company to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business.

Investment property is derecognized when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses are recognized in the statements of income.

**k. Deferred Gain on Asset Sale and Lease Transactions**

The gain or loss on the implementation of the restructuring program of certain assets of the Companies involving asset sale and lease transactions is deferred and amortized proportionally based on the rent expenses related to those assets.

**l. Impairment of Assets Value**

In accordance with PSAK 48, "Impairment of Assets Value", the Companies review whether there is an indication of assets impairment at balance sheet date. If there is an indication of assets impairment, the Companies estimate the recoverable amount of the assets. Impairment of assets is recognized as a charge to current operations.

**m. Intangible Assets - Computer Software Costs**

Cost of computer software purchased and the cost of subsequent updating thereof (charged to "Other Non-current Assets") are deferred and amortized on the straight-line method over 4 years.

**n. Bonds/Notes Issuance Cost**

Expenses incurred in connection with the issuance of bonds/notes are deducted from the proceeds thereof. The difference between the net proceeds and the nominal value represents premium or discount that should be amortized over the term of the bonds/notes.

**o. Treasury Bonds/Notes**

Repurchased instruments of indebtedness that are not retired are treated in the consolidated financial statements as if they were retired. The difference between the face value of the instruments of indebtedness and the fair value at the date of repurchase is credited or charged to current operations.

**p. Treasury Stock**

Treasury stock, which is shown under the Stockholders' Equity section of the consolidated balance sheets, is stated at acquisition cost. The cost of the treasury stock resold is determined by the average method.

The difference between the acquisition cost and the selling price of treasury stock is charged or credited to "Additional Paid-in Capital". When the difference creates a negative balance in the "Additional Paid-in Capital" account as a result of reacquisition transactions, such negative balance is charged to retained earnings.



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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**q. Revenue and Expense Recognition**

Revenue from sales of merchandise inventories (except revenue from sales on "Cash-on-Delivery" basis which is recognized when the goods are delivered to customers) is recognized when the goods are paid for at the sales counter. Revenue from consignment sales is recorded at the amount of sales of consigned goods to customers, while the related cost is recorded at the amounts payable to consignors.

Revenue from sales of prepaid cards (known as "power cards") by the family entertainment centers is initially recorded as unearned income and then proportionately recognized as revenue based on the actual use of the cards by customers. Revenue from sales of tokens is recognized at the time the tokens are purchased by customers.

Expenses are recognized when incurred.

**r. Foreign Currency Transactions and Balances**

Transactions involving foreign currencies are recorded at the rates of exchange prevailing at the time the transactions are made. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the last prevailing rates as of balance sheet date and the resulting gains or losses are credited or charged to current operations.

For December 31, 2009, the rates of exchange used (in full amounts) were Rp9,400 to USD1, Rp102 to JPY1 and Rp6,699 to SGD1, while for December 31, 2008, these were Rp10,950 to USD1, Rp121 to JPY1 and Rp7,607 to SGD1, computed by taking the average of the last buying and selling rates for transaction exchange rates for the year.

**s. Derivative Instruments and Hedging Activities**

The Companies adopted PSAK 55, "Accounting for Derivative Instruments and Hedging Activities". PSAK 55 sets forth the accounting and reporting standards for derivative transactions and hedging activities, which requires that every derivative instrument (including embedded derivatives) be recognized as either an asset or a liability based on the fair value of each contract. Fair value is a computation of present value by using data and assumptions which are commonly used. Based on the specific requirements for hedge accounting under PSAK 55, the Companies' instruments do not qualify and are not designated as hedge activities for accounting purposes. Accordingly, changes in the fair value of such derivative instruments are recorded directly in current year consolidated statement of income.

**t. Income Tax**

Current tax expense is provided based on the 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 carryover of unused tax losses, are also recognized to the extent that such benefits are more likely than not to be realized. The tax effects for the year are allocated to current operations, except for the tax effects from transactions which are directly charged or credited to stockholders' 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 the balance sheet date. Changes in the carrying amount of deferred tax assets and liabilities due to a change in tax rates are charged or credited to current year operations, except to the extent that they relate to items previously charged or credited to stockholders' equity.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**t. Income Tax (continued)**

For each of the consolidated entities, the tax effects of temporary differences and tax loss carryover, which individually are either assets or liabilities, are shown at the applicable net amounts.

Amendment to tax obligation is recorded when an assessment is received or, if appealed against by the Companies, when the result of the appeal is determined.

**u. Employee Benefits**

The Companies have recognized provision for employee service entitlements in accordance with Labor Law No. 13/2003 dated March 25, 2003 ("Labor Law No. 13").

Under PSAK 24 (Revised 2004), the cost of providing employee benefits under Labor Law No. 13 is determined using the Projected-Unit-Credit actuarial valuation method. Actuarial gains or losses are recognized as income or expense when the net cumulative unrecognized actuarial gains or losses for each individual plan at the end of the previous reporting period exceed 10% of the present value of the defined benefit obligation at that date. These gains or losses are recognized on a straight-line basis over the expected average remaining working lives of the employees. Further, past service costs arising from the introduction of a defined benefit plan or changes in the benefits payable of an existing plan are required to be amortized over the period until the benefits concerned become vested.

**v. Segment Reporting**

The Companies follow revised PSAK 5, "Segment Reporting", in the presentation of segment reporting in their financial statements. The revised PSAK 5 provides more detailed guidance for identifying reportable business segments and geographical segments. The primary presentation of segment reporting is based on business segment while the secondary segment is based on geographical segment. The financial information which is used by management for evaluating segment performance is presented in Note 36.

**w. Net Income per Share**

In accordance with PSAK 56, "Earnings Per Share", net income per share is computed by dividing net income by the weighted average number of shares outstanding during the year after deducting treasury stock acquired.

There are no dilutive effect as of December 2009 and 2008 because the execution price of the Company's warrants is higher than the average share price during those periods in the stock exchange. The net income amounts are Rp300,035 and Rp10,497 in 2009 and 2008, respectively. The weighted average number of outstanding shares is 4,515,890,944 shares and 4,513,338,000 shares for the years ended December 31, 2009 and 2008.

**x. Transaction with Related Parties**

The Companies have transactions with certain parties which are regarded as having related party relationships as defined by PSAK 7 on "Related Party Disclosures".

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**x. Transaction with Related Parties (continued)**

Related parties are defined under PSAK 7 as follows:

- a. Enterprises that, through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (including holding companies, subsidiaries and fellow subsidiaries);
- b. Associated companies;
- c. Individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them significant influence over the enterprise, and close members of the family of any such individuals (close members of a family are defined as those members who are able to exercise influence or can be influenced by such individuals in their transactions with the reporting enterprise);
- d. Key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the reporting enterprise, including commissioners, directors and managers of the enterprise and close members of the families of such individuals; and
- e. Enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in c or d above, or over which such a person is able to exercise significant influence. This definition includes enterprises owned by commissioners, directors or major stockholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

**y. Use of Estimates**

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

**3. RESTATEMENT AND RECLASSIFICATION OF THE 2008 CONSOLIDATED FINANCIAL STATEMENTS**

As discussed in Notes 1c and 35, on November 25, 2009, the Company invested in PT Matahari Department Store Tbk representing ownership interests of 90.76%. The said investment constitutes a restructuring transaction among entities under common control, and therefore accounted for in a manner similar to a pooling-of-interest, in accordance with PSAK 38 (Revised 2004), "Accounting for Restructuring Transactions among Entities under Common Control" (Note 2b).

Accordingly, the consolidated financial statement as of and for the year ended December 31, 2008 was restated to reflect the retroactive effects of the said business acquisition as if it occurred on January 1, 2008.



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**3. RESTATEMENT AND RECLASSIFICATION OF THE 2008 CONSOLIDATED FINANCIAL STATEMENTS (continued)**

A summary of the relevant consolidated financial information for the year ended December 31, 2008 before and after restatement is as follows:

	As previously reported	Effect of adoption of PSAK 38 (revised 2004) add (deduct)	As restated
Total Assets	9,741,369	59,360	9,800,729
Total Liabilities	6,633,768	15,759	6,649,527
Stockholders' Equity	3,107,601	43,601	3,151,202
Operating Income	496,720	(5,421)	491,299

In connection with the implementation of Staff Accounting Bulletin BAPEPAM-LK No. 7 ("BAS 7") regarding accounting treatments and disclosures in agency relationship transactions which regulate the revenue recognition in agency relationship transactions, the Company has reclassified the 2008 consolidated financial statements to conform with the 2009 presentation.

The reclassified accounts for the year ended December 31, 2008 are as follows:

	As previously reported	Effect of adoption of BAS 7 add (deduct)	After implementation of BAS 7
Sales from direct purchase and other trade revenue	-	7,738,485	7,738,485
Consignment sales	-	4,238,885	4,238,885
Cost of consignment sales	-	2,949,752	2,949,752
Commissions from consignment sales	-	1,289,133	1,289,133
Net sales	11,977,370	(2,949,752)	9,027,618
Cost of Sales	8,853,215	(2,949,752)	5,903,463

**4. CASH AND CASH EQUIVALENTS**

This account consists of the following:

	2009	2008 (As restated, Note 3)
Cash on hand, including USD1, SGD1 and RMB29 in 2009; and SGD3 and RMB32 in 2008	41,962	37,033
Third parties:		
Current accounts:		
PT Bank CIMB Niaga Tbk ("CIMB"), including USD10,903 in 2009 and USD410 in 2008	968,084	531,514
PT Bank Permata Tbk	349,224	300,111
PT Bank Internasional Indonesia Tbk	311,278	11,363
PT Bank Negara Indonesia (Persero) Tbk, including USD12,027 in 2009	124,430	330,526

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**4. CASH AND CASH EQUIVALENTS (continued)**

This account consists of the following (continued):

	2009	2008 (As restated, Note 3)
Third parties (continued):		
Current accounts (continued):		
Bank Julius Baer & Co. Ltd., Singapore - USD12,786 and SGD332 in 2009 and SGD8,448 in 2008	122,413	64,264
PT Bank Danamon Indonesia Tbk	104,368	220,809
PT Bank Mega Tbk, including USD11, JPY129 and SGD2 in 2009; and USD2 and SGD2 in 2008	65,002	3,533
PT Bank Central Asia Tbk	64,359	45,053
PT Bank OCBC NISP Tbk	25,026	50,416
Other banks, below Rp40,000 each, including USD4,064, Euro154, HKD681, RMB101, JPY1,073 and SGD542 in 2009; and USD251, Euro90, HKD686, RMB110, JPY11,371 and SGD5,529 in 2008	53,879	116,902
Time deposits:		
PT Bank Mayapada Tbk	10,000	10,000
Other banks, below Rp10,000 each	12,148	21,142
<b>Total</b>	<b>2,252,173</b>	<b>1,742,666</b>

The time deposits denominated in rupiah earned interest at annual rates ranging from 7% to 13.5% in 2009 and from 7% to 13% in 2008, while those denominated in Hong Kong dollar earned interest at the annual rate of 2.95% in 2008.

As of December 31, 2009, no cash and cash equivalents are used as collateral for obligations.

**5. SHORT-TERM INVESTMENTS**

The short-term investments consist of the following:

	2009	2008 (As restated, Note 3)
<b><u>Investment in managed funds</u></b>		
Related party (Note 8)	1,070,000	812,000
Third parties - USD2,000	18,800	-
Sub-total	1,088,800	812,000
<b><u>Investments in debt and equity securities</u></b>		
<i>Held-to-maturity</i>		
Third parties		
Commercial papers - USD7,317	68,780	-

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**5. SHORT-TERM INVESTMENTS (continued)**

The short-term investments consist of the following (continued):

	2009	2008 (As restated, Note 3)
<b><u>Investments in debt and equity securities (continued)</u></b>		
<i>Trading securities</i>		
Third parties		
Bonds (including USD3,290 in 2008)	6,132	42,234
Shares of stock	31	42
Sub-total	6,163	42,276
<b><u>Time deposits</u></b>		
Third parties - SGD93 in 2009 and SGD40,730 in 2008	625	309,849
<b><u>Mutual fund</u></b>		
Third party	-	7,701
<b>Total</b>	<b>1,164,368</b>	<b>1,171,826</b>

The Company entered into several managed fund agreements with PT Ciptadana Securities ("PT CS", an affiliate). Based on these agreements, which can be extended, the Company placed funds in PT CS for the purchase of investments, such as bonds and other debentures which are not issued by the Company's related parties.

In April 2009, PT Nadya Putra Investama ("PT NPI"), a wholly-owned subsidiary, invested in commercial papers issued by Prime Venture Pte. Ltd. and One Earth Holdings Pte. Ltd. with face values of USD8,000 and USD5,000, respectively. The commercial papers were bought at the price 97.103% and have annual interest rate of 6%. These commercial papers have been extended up to April 7, 2010. As of December 31, 2009, the face values of the holding commercial papers issued by Prime Venture Pte. Ltd. and One Earth Holdings Pte. Ltd. are USD3,000 and USD4,435, respectively.

The bonds bore interest at annual rates ranging from 12.09% to 16.15% in 2009 and from 6.62% to 16.15% in 2008.

In 2008, the time deposit mainly consist of deposit placed in Bank Credit Suisse, Singapore Branch amounting to SGD40,637. The time deposits represent guarantee (escrow) funds received from Dellmore Investment Limited ("DM") relating to the LMIR Trust units owned by Tristar which are held by DM (Notes 2k, 10, 11, 16 and 33). The time deposit earned interest at the annual rate of 1.52%. On January 9, 2009, the Company refunded the guarantee (escrow) funds relating to the LMIR Trust units owned by Tristar.

On August 30, 2007, the Company entered into a Managed Investment Assets Agreement (*Kontrak Pengelolaan Aset Investasi*) with PT Syailendra Capital ("Syailendra") wherein, based on the agreement, the Company appointed Syailendra as its investment manager and gave power and full authority to Syailendra to receive and manage its investment assets on behalf of the Company. The Company pays a certain fee as compensation to Syailendra. On August 31, 2007, the Company transferred Rp10,000 as the investment portfolio managed by Syailendra. As of December 31, 2008, the Company's investment portfolio consists of investment in a mutual fund with net assets value of Rp7,701, including decrease of net asset value amounting to Rp6,055 for the year ended December 31, 2008. In April 2009, the Company took the early termination of its investment in mutual fund.



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**5. SHORT-TERM INVESTMENTS (continued)**

The Companies recognized net gain amounting to Rp1,240 from the sale of its investments in mutual fund, managed funds and debt securities; and net loss amounting to Rp16,817 from the sale of its investments in debt securities for the years ended December 31, 2009 and 2008, respectively.

**6. ACCOUNTS RECEIVABLE**

Accounts receivable - trade consist of third-party receivables from the following types of sales:

	<b>2009</b>	<b>2008</b>
Customer sales through credit cards, including joint promotion receivable	29,996	42,763
Credit sales	997	2,715
<b>Total</b>	<b>30,993</b>	<b>45,478</b>

The accounts receivable - trade as of December 31, 2009 and 2008 are collectible in the first quarter of the following years.

Accounts receivable - others consist of the following:

	<b>2009</b>	<b>2008 (As restated, Note 3)</b>
<b><u>Rent</u></b>		
Third parties	93,871	57,377
Related parties (Note 8)	830	672
Sub-total	94,701	58,049
<b><u>Insurance claim</u></b>		
Third parties	14,211	-
<b><u>Others - net</u></b>		
Third parties	27,885	586,380
Related parties (Note 8)	138	1,461
Sub-total	28,023	587,841
<b>Total</b>	<b>136,935</b>	<b>645,890</b>

On September 30, 2009, the stores owned by the Company and PT Matahari Graha Fantasi, a Subsidiary, located in Padang, were damaged by earthquake. The total net book value of the damaged inventories and property and equipment were reclassified to "Account receivable - Others - insurance claim" (Notes 7 and 11).

As of December 31, 2008, accounts receivable - others mainly represent receivable from developers due to cancellation of rental agreements.

The management believes that all accounts receivable are collectible; therefore, no allowance for doubtful accounts has been provided in 2009 and 2008.

As of December 31, 2009, no receivables are used as collateral for obligations.

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**7. MERCHANDISE INVENTORIES**

Merchandise inventories consist of the following:

	2009	2008
Ladies' wear	81,222	60,811
Men's wear	81,145	60,974
Children's wear	67,001	55,478
Shoes	74,420	51,089
Bags, cosmetics and accessories	13,381	6,577
Toys and sports gadgets	12,463	9,844
Books and stationery	32,083	8,276
Household appliances and bathroom accessories	34,506	39,640
Daily needs, food and beverages	775,584	690,319
<b>Total</b>	<b>1,171,805</b>	<b>983,008</b>

The management believes that the merchandise inventories value represent the net realizable value.

On September 30, 2009, the stores owned by the Companies that were located in Padang, were damaged by earthquake. The total net book value of the damaged inventories was reclassified to "Account receivable - Others - insurance claim" (Note 6).

As of December 31, 2009, no merchandise inventory is pledged as collateral to long-term bank loans.

The Companies carry insurance on their respective merchandise inventories from fire and other risks for Rp1,190,316 as of December 31, 2009. The management believes that the insurance coverage is adequate to cover the possible losses from fire and other risks. The insurance coverage is covered by PT Asuransi Central Asia, PT Lippo General Insurance Tbk (affiliate) and PT Asuransi Bintang Tbk.

**8. ACCOUNTS AND TRANSACTIONS WITH RELATED PARTIES**

The details of the accounts with related parties (mainly affiliates) are as follows:

	Amount		Percentage to Total Assets/Liabilities	
	2009	2008 (As restated, Note 3)	2009	2008 (As restated Note 3)
<b><u>Short-term investments (Note 5)</u></b>				
Investment in managed funds - PT Ciptadana Securities	1,070,000	812,000	10.13	8.29
<b><u>Accounts receivable - others (Note 6)</u></b>				
<u>Rent</u>				
Others	830	672	0.01	0.01
<u>Others</u>				
PT First Media Tbk	-	1,323	-	0.01
Other	138	138	0.00	0.00
<b>Sub-total</b>	<b>138</b>	<b>1,461</b>	<b>0.00</b>	<b>0.01</b>
<b>Total</b>	<b>968</b>	<b>2,133</b>	<b>0.01</b>	<b>0.02</b>

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**8. ACCOUNTS AND TRANSACTIONS WITH RELATED PARTIES (continued)**

	Amount		Percentage to Total Assets/Liabilities	
	2009	2008 (As restated, Note 3)	2009	2008 (As restated Note 3)
<b>Prepaid expenses</b>				
<u>Rent</u>				
PT Mandiri Cipta Gemilang	9,791	9,791	0.09	0.10
PT Direct Power	3,532	3,532	0.03	0.04
Other	400	388	0.00	0.00
<b>Sub-total</b>	<b>13,723</b>	<b>13,711</b>	<b>0.12</b>	<b>0.14</b>
<u>Insurance</u>				
Other	811	-	0.01	-
<u>Others</u>				
Others (below Rp1,000 each)	601	1,591	0.01	0.01
<b>Total</b>	<b>15,135</b>	<b>15,302</b>	<b>0.14</b>	<b>0.15</b>
<b>Due from related parties - net</b>				
PT Bintang Sidoraya	7,566	5,027	0.07	0.05
PT Karya Dinamika Investama	1,600	1,600	0.02	0.02
Employee	-	2,200	-	0.02
Others	281	456	0.00	0.00
<b>Total</b>	<b>9,447</b>	<b>9,283</b>	<b>0.09</b>	<b>0.09</b>
<b>Investments in associated companies (Note 9)</b>				
Investments in:				
PT Matahari Leisure	26,638	27,291	0.25	0.28
PT Bintang Sidoraya	2,380	2,380	0.02	0.02
PT Tason Mitra Prima	2,082	2,082	0.02	0.02
PT Lippo Securities Tbk	-	55,440	-	0.57
Other	400	400	0.00	0.00
<b>Total</b>	<b>31,500</b>	<b>87,593</b>	<b>0.29</b>	<b>0.89</b>
<b>Purchase of property and equipment</b>				
PT Multipolar Tbk	17,182	22,727	0.16	0.23
<b>Rental advances (Note 12)</b>				
PT Mandiri Cipta Gemilang (Note 35)	324,260	-	3.07	-
PT Menara Bhumimegah (Note 35)	286,433	286,433	2.71	2.92
<b>Total</b>	<b>610,693</b>	<b>286,433</b>	<b>5.78</b>	<b>2.92</b>
<b>Prepaid long-term rent - net (Note 13)</b>				
PT Direct Power	79,478	83,010	0.75	0.85
PT Mandiri Cipta Gemilang	70,170	79,961	0.66	0.82
Other	600	-	0.01	-
<b>Total</b>	<b>150,248</b>	<b>162,971</b>	<b>1.42</b>	<b>1.67</b>
<b>Advances for purchase of property and equipment (Note 14)</b>				
PT Lippo Karawaci Tbk	-	118,000	-	1.20
Other	-	13	-	0.00
<b>Total</b>	<b>-</b>	<b>118,013</b>	<b>-</b>	<b>1.20</b>

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**8. ACCOUNTS AND TRANSACTIONS WITH RELATED PARTIES (continued)**

	Amount		Percentage to Total Assets/Liabilities	
	2009	2008 (As restated, Note 3)	2009	2008 (As restated Note 3)
<b><u>Other non-current assets</u></b>				
<b><u>Computer software</u></b>				
PT Multipolar Tbk	12,477	10,929	0.12	0.11
<b><u>Guarantee deposit</u></b>				
Others	318	318	0.00	0.00
<b><u>Due to related parties</u></b>				
Avel Pty. Limited, Australia	2,289	353	0.03	0.01
PT Buana Trans Mandiri	1,467	1,437	0.02	0.02
PT Bintang Taratrans Buana	1,350	1,350	0.02	0.02
Others	414	3	0.01	0.00
<b>Total</b>	<b>5,520</b>	<b>3,143</b>	<b>0.08</b>	<b>0.05</b>

The following is a summary of significant transactions (affecting revenues/income and expenses) entered into with related parties (mainly affiliates):

	Amount		Percentage to Respective Income or Expenses	
	2009	2008 (As restated, Note 3)	2009	2008 (As restated Note 3)
<b><u>Selling Expenses</u></b>				
<b><u>Rental expenses (including amortization of long-term rent)</u></b>				
PT Mandiri Cipta Gemilang	9,791	8,159	1.12	1.07
PT Direct Power	3,532	1,766	0.40	0.23
Others (below Rp1,000 each)	1,377	1,513	0.16	0.20
<b>Sub-total</b>	<b>14,700</b>	<b>11,438</b>	<b>1.68</b>	<b>1.50</b>
<b><u>Rental income</u></b>				
PT Lippo Karawaci Tbk	(3,745)	(2,931)	(5.10)	(4.52)
PT Multipolar Tbk	(911)	(1,127)	(1.24)	(1.74)
PT First Media Tbk	(215)	(1,652)	(0.29)	(2.55)
<b>Sub-total</b>	<b>(4,871)</b>	<b>(5,710)</b>	<b>(6.63)</b>	<b>(8.81)</b>
<b>Net</b>	<b>9,829</b>	<b>5,728</b>	<b>(4.95)</b>	<b>(7.31)</b>
<b><u>Marketing Expenses</u></b>				
PT Air Pasifik Utama	10,750	-	7.88	-
Avel Pty. Limited, Australia	7,941	4,888	5.82	5.89
Others	680	121	0.50	0.15
<b>Total</b>	<b>19,371</b>	<b>5,009</b>	<b>14.20</b>	<b>6.04</b>
<b><u>General and Administrative Expenses</u></b>				
<b><u>Salaries and employee benefits</u></b>				
Boards of Commissioners and Directors	20,939	20,465	2.39	2.57
<b><u>Insurance expenses</u></b>				
PT Lippo General Insurance Tbk	3,306	1	7.41	0.00
<b><u>Consultant fees</u></b>				
Others	841	7	1.16	0.01



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**8. ACCOUNTS AND TRANSACTIONS WITH RELATED PARTIES (continued)**

	Amount		Percentage to Respective Income or Expenses	
	2009	2008 (As restated, Note 3)	2009	2008 (As restated Note 3)
<u>Communication expenses</u>				
Other	812	205	2.93	0.75
<u>Other expenses</u>				
PT Multipolar Tbk	1,811	332	2.70	0.72
Others (below Rp1,000 each)	1,208	882	1.80	1.91
<b>Total</b>	<b>3,019</b>	<b>1,214</b>	<b>4.50</b>	<b>2.63</b>
<u>Other Charges (Income)</u>				
<u>Interest income</u>				
PT Ciptadana Securities	(170,537)	(46,669)	(49.05)	(19.61)
<u>Other charges</u>				
PT Ciptadana Securities	2,156	-	1.60	-

Transactions with the related parties are made under terms comparable to those that would be obtained in similar transactions with unrelated parties, except for accounts receivable - others and certain amounts due from related parties which are non-interest bearing.

Transactions with the related parties do not result in conflict of interest as discussed in BAPEPAM-LK Regulation No. IX.E.1.

The relationship and nature of account balances/transactions with related parties are as follows:

No.	Related Parties	Relationship	Nature of Account Balances/Transactions
1.	PT Ciptadana Securities	Affiliate, common controlled entity	Investment in managed funds, interest income, payment for promotion expenses and other expenses
2.	PT First Media Tbk	Affiliate, common controlled entity	Accounts receivable - others, rental income, payment for promotion expenses, communication expenses and other expenses
3.	PT Mandiri Cipta Gemilang	Affiliate, subsidiary of PT LK	Prepaid expenses, rental advances, prepaid long-term rent - net and rental expenses
4.	PT Direct Power	Affiliate, subsidiary of PT LK	Prepaid expenses, prepaid long-term rent - net and rental expenses
5.	PT Bintang Sidoraya	PT TPRB's associated company	Intercompany account and investment in shares of stock
6.	PT Karya Dinamika Investama	PT NPI's associated company	Intercompany account and investment in shares of stock
7.	Employee	Key employees	Loans
8.	PT Matahari Leisure	Company's direct associated company	Investment in shares of stock and intercompany account
9.	PT Tason Mitra Prima	PT TPRB's associated company	Investment in shares of stock
10.	PT Lippo Securities Tbk	Affiliate, common controlled entity	Investment in shares of stock

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**8. ACCOUNTS AND TRANSACTIONS WITH RELATED PARTIES (continued)**

No.	Related Parties	Relationship	Nature of Account Balances/Transactions
11.	PT Multipolar Tbk	Company's major stockholder	Purchase of property and equipment, computer software, rental income, other expenses, prepaid expenses, prepaid long-term rent - net, advances for purchase of property and equipment, guarantee deposit and rental expenses
12.	PT Menara Bhumimegah	Affiliate, subsidiary of PT LK	Rental advances
13.	PT Lippo Karawaci Tbk ( "PT LK")	Affiliate, common controlled entity	Renovation of property and equipment, rental income, accounts receivable - others, prepaid expenses, intercompany account, guarantee deposit and rental expenses
14.	Avel Pty. Limited, Australia	Affiliate	Intercompany account and payment for promotion expenses
15.	PT Buana Trans Mandiri	PT TPRB's associated company	Intercompany account
16.	PT Bintang Taratrans Buana	Affiliate, common controlled entity	Payment for promotion expenses
17.	PT Air Pasifik Utama	Affiliate, common controlled entity	Payment of salaries
18.	Boards of Commissioners and Directors	Boards of Commissioners and Directors	Insurance expenses and prepaid expenses
18.	PT Lippo General Insurance Tbk	Affiliate, common controlled entity	

The account balances/transactions with other related parties (below Rp1,000 each) primarily consist of accounts receivable - others, prepaid expenses, regular intercompany accounts, investment in shares of stock, prepaid long-term rent - net, advances for purchase of property and equipment, guarantee deposit, rental income/expenses, marketing expenses, consultant fees, communication expenses and other expenses.

**9. INVESTMENTS IN ASSOCIATED COMPANIES**

This account represents investments which are accounted for under the equity method and consists of the following:

	Percentage of Ownership	Carrying Value	Accumulated Equity in Undistributed Net Earnings (Loss) of Investees
<b>2009</b>			
PT Matahari Leisure ("PT ML")	50.00	26,638	25,201
PT Bintang Sidoraya ("PT BSR")	24.00	2,380	(18,581)
PT Tason Mitra Prima ("PT TMP")	50.00	2,082	(918)
PT Karya Dinamika Investama ("PT KDI")	36.36	400	-
<b>Total</b>		<b>31,500</b>	<b>5,702</b>

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**9. INVESTMENTS IN ASSOCIATED COMPANIES (continued)**

This account represents investments which are accounted for under the equity method and consists of the following (continued):

	Percentage of Ownership	Carrying Value	Accumulated Equity in Undistributed Net Earnings (Loss) of Investees
<b>2008 (As restated, Note 3)</b>			
PT ML	50.00	27,291	25,854
PT BSR	24.00	2,380	(18,581)
PT TMP	50.00	2,082	(918)
PT KDI	36.36	400	-
PT Lippo Securities Tbk ("PT Lipsec")	20.27	55,440	(92,932)
<b>Total</b>		<b>87,593</b>	<b>(86,577)</b>

**PT ML**

The Company directly owns the 50% equity in PT ML. PT ML is engaged in the manufacture of amusement machines. The equity in net earnings (loss) of this investee amounting to (Rp653) and Rp5,618 for the years ended December 31, 2009 and 2008, respectively. The Company received cash dividend amounting to Rp5,000 in 2008.

**PT BSR and PT TMP**

The investments in PT BSR and PT TMP were acquired through PT Taraprima Reksabuana, a Subsidiary. PT BSR is engaged in the sale and marketing of beer while PT TMP has not started its commercial operations. The equity in net loss of PT BSR and PT TMP amounted to Rp18,743 and Rp1,313, respectively, in 2008.

**PT KDI**

PT Nadya Putra Investama, a Subsidiary, owns the 36.36% equity in PT KDI. PT KDI has not started commercial operations.

**PT Lipsec**

The investment in PT Lipsec was acquired through PT Matahari Department Store Tbk ("PT MDS"), a Subsidiary. PT Lipsec is engaged in, among others, investment management and investment advisory. The equity in net earnings (loss) of this investee amounted to Rp1,948 and (Rp7,750) for the years ended December 31, 2009 and 2008, respectively. These net income (loss) of associated company have been adjusted with amortization on excess of acquisition cost on investment in equity amounted to Rp8,497 and Rp7,462 for the years ended December 31, 2009 and 2008, respectively.

In October 2009, PT MDS sold all of its ownership in PT Lipsec. The difference between the selling price and the acquisition cost of investment is presented as "Other expenses (Income)" in the consolidated financial statements.

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**10. OTHER LONG-TERM INVESTMENTS**

This account represents:

	2009	2008 (As restated, Note 3)
<b><u>Investment in LMIR Trust units - SGD25,446 in 2009 and SGD15,621 in 2008</u></b>	170,453	118,831
<b><u>Investments in shares of stock which are accounted for under the cost method</u></b>		
PT Courts Indonesia Tbk ("PT CI")	4,251	4,251
BigboXX.com (CI) Limited ("BCL") - net	5	5
PT Bakti Sarana Ventura ("PT BSV")	-	100
Sub-total	4,256	4,356
<b>Total</b>	<b>174,709</b>	<b>123,187</b>

**LMIR Trust**

Tristar Capital Limited ("Tristar"), a Subsidiary, hold available-for-sale investment of 50,389,000 units of LMIR Trust, a trust which has investments in assets such as commercial mall and retail spaces. As of December 31, 2009 and 2008, the market values of the units were Rp170,453 and Rp118,831, respectively. The differences between the acquisition cost and fair value of the investment amounting to Rp86,732 and Rp138,354 are recorded as unrealized loss as of December 31, 2009 and 2008 which are presented under stockholders' equity.

On December 24, 2008, Tristar received 50,389,000 LMIR Trust units as a realization of agreement with Dellmore Investment Ltd. (Note 5).

**PT CI**

The investment in PT CI represents 4.9889% ownership. PT CI is engaged in the electronics and furniture retail business.

**BCL**

Prime Connection Limited, a Subsidiary owns the investment in BCL, a company which is part of Hutchison Whampoa Ltd. - Hong Kong, a business group which is engaged in the retail and distribution business.

**PT BSV**

PT Matahari Department Store Tbk ("PT MDS"), a Subsidiary, owned the investment in PT BSV which represented 1% of ownership. PT BSV is engaged in financing activities. In 2009, PT MDS sold all of its ownership in PT BSV.



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**11. PROPERTY AND EQUIPMENT**

The details of property and equipment are as follows:

<u>2009</u>	Beginning Balance	Transaction during the Year			Ending Balance
		Additions	Reclassifications*	Disposals**	
<u>Carrying Value</u>					
<u>Direct Ownership:</u>					
Landrights	108,809	-	-	-	108,809
Buildings	837,638	76,746	120,935	26,347	1,008,972
Buildings renovation	382,779	32,802	107,028	89,005	433,604
Equipment and installations	1,941,484	124,204	257,262	228,920	2,094,030
Motor vehicles	28,130	3,048	3,805	1,849	33,134
Machines	287,031	10,396	27,013	2,756	321,684
<b>Total</b>	<b>3,585,871</b>	<b>247,196</b>	<b>516,043</b>	<b>348,877</b>	<b>4,000,233</b>
<u>Accumulated depreciation</u>					
<u>Direct Ownership:</u>					
Landrights	-	462	-	-	462
Buildings	234,266	59,529	-	10,614	283,181
Buildings renovation	152,542	86,709	(138)	54,409	184,704
Equipment and installations	999,343	228,657	138	174,272	1,053,866
Motor vehicles	21,513	5,503	-	1,857	25,159
Machines	249,440	27,665	-	2,737	274,368
<b>Total</b>	<b>1,657,104</b>	<b>408,525</b>	<b>-</b>	<b>243,889</b>	<b>1,821,740</b>
Net of accumulated depreciation	1,928,767	(161,329)	516,043	104,988	2,178,493
Allowance for possible loss from disposal	(24,897)	(47,000)	-	(71,897)	-
<b>Net</b>	<b>1,903,870</b>	<b>(208,329)</b>	<b>516,043</b>	<b>33,091</b>	<b>2,178,493</b>

\* reclassification from advances for purchase of property and equipment

\*\* including assets damaged by earthquake in Padang

<u>2008</u> <u>(As restated,</u> <u>Note 3)</u>	Beginning Balance	Transaction during the Year			Ending Balance
		Additions	Reclassifications*	Disposals	
<u>Carrying Value</u>					
<u>Direct Ownership:</u>					
Landrights	110,939	-	-	2,130	108,809
Buildings	832,857	25	4,841	85	837,638
Buildings renovation	257,100	64,575	86,837	25,733	382,779
Equipment and installations	1,613,400	116,622	266,013	54,551	1,941,484
Motor vehicles	24,348	1,544	3,572	1,334	28,130
Machines	279,568	10,492	5,286	8,315	287,031
<b>Total</b>	<b>3,118,212</b>	<b>193,258</b>	<b>366,549</b>	<b>92,148</b>	<b>3,585,871</b>
<u>Accumulated depreciation</u>					
<u>Direct Ownership:</u>					
Buildings	194,467	39,811	-	12	234,266
Buildings renovation	114,936	60,391	-	22,785	152,542
Equipment and installations	844,965	191,883	-	37,505	999,343
Motor vehicles	18,685	4,118	-	1,290	21,513
Machines	222,389	34,952	-	7,901	249,440
<b>Total</b>	<b>1,395,442</b>	<b>331,155</b>	<b>-</b>	<b>69,493</b>	<b>1,657,104</b>

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

<u>2008</u> <u>(As restated,</u> <u>Note 3) (continued)</u>	Beginning Balance	Transaction during the Year			Ending Balance
		Additions	Reclassifications*	Disposals	
Net of accumulated depreciation	1,722,770	(137,897)	366,549	22,655	1,928,767
Allowance for possible loss from disposal	(24,897)	-	-	-	(24,897)
<b>Net</b>	<b>1,697,873</b>	<b>(137,897)</b>	<b>366,549</b>	<b>22,655</b>	<b>1,903,870</b>

\* reclassification from advances for purchase of property and equipment

In 2009 and 2008, the Companies sold certain property and equipment as follows:

**a. Sale of Property and Equipment**

	<b>2009</b>	<b>2008</b>
Proceeds	7,140	8,234
Net book value	(26,113)	(22,655)
<b>Loss</b>	<b>(18,973)</b>	<b>(14,421)</b>

**b. Sale of Investment in Shares, and Asset Sale and Lease Transactions**

On November 19, 2007, the Company and Tristar, a Subsidiary, entered into sale of investment in shares and asset sale and lease transactions on properties located in Madiun, Semarang, Malang, Tangerang, Depok and Medan (Note 35). The difference between the proceeds from the sale and net book value was recorded as deferred gain on asset sale and lease transactions and amortized proportionally over the rental period based on the rent expenses related to those assets as follows:

	<b>2009</b>	<b>2008</b>
Balance at beginning of year	387,789	422,282
Amortization	(38,362)	(34,493)
Balance at end of year	349,427	387,789
Less current portion	41,431	38,362
<b>Long-term portion</b>	<b>307,996</b>	<b>349,427</b>

The depreciation for the years ended December 31, 2009 and 2008 was charged to the following:

	<b>2009</b>	<b>2008</b> <b>(As restated,</b> <b>Note 3)</b>
General and administrative expenses	402,596	326,491
Other charges - others	5,767	4,552
Cost of sales - bakery overhead	162	112
<b>Total</b>	<b>408,525</b>	<b>331,155</b>

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

The Companies continuously review and maximize the Companies' operations to generate income, review the appropriateness of stores location and demographic condition, close down some non-value added stores, and reduce the spaces occupied by some stores to enhance operating efficiency. In connection with these activities, the Companies made provisions, such as allowance for possible loss from disposal of property and equipment.

On September 30, 2009, the stores owned by the Company and PT Matahari Graha Fantasi, a Subsidiary, located in Padang, were damaged by earthquake. The total net book value of the damaged property and equipment were reclassified to "Account receivable - Others - insurance claim" (Note 6).

The landrights represent rights (Hak Guna Bangunan or "HGB" and Hak Milik Rumah Susun or "HMRS") on parcels of land and buildings located in several cities in Indonesia. These HGB and HMRS will expire on various dates from year 2010 to 2038. The HGB and HMRS are under the Company's and subsidiaries' names. The management believes that no impairment of assets value contemplated in PSAK 48, "Impairment of Assets Value", has occurred as of December 31, 2009.

The Companies carry insurance for Rp3,087,353 and USD37,671 as of December 31, 2009, on their respective property and equipment, except land, from fire and other risks. The management believes that the insurance coverage is adequate to cover possible losses from fire and other risks. The insurance coverage is covered by PT Asuransi Central Asia, PT Lippo General Insurance (affiliate) and PT Asuransi Bintang Tbk.

As of December 31, 2008, property and equipment with net carrying value of Rp154,325 are pledged as collateral to bonds payable (Note 21).

**12. RENTAL ADVANCES**

This account represents rental advances made to building owners for new stores. The rental advances are used for rental payment at the start of the rent period (Note 35). As of December 31, 2009 and 2008, the rental advances to related parties amounted to Rp610,693 and Rp286,433 (Note 8).

**13. PREPAID LONG-TERM RENT - NET**

This account represents the long-term rent prepayment for the Company's stores located at Mega Mall Pluit, Pejaten Village, Bellanova Country Mall, Puri Paragon City, Cibubur Junction and other locations in 2009, and the Company's stores located at Mega Mall Pluit, Bellanova Country Mall, Puri Paragon City, Cibubur Junction, Bandung Indah Plaza and other locations in 2008.

As of December 31, 2009 and 2008, the prepaid long-term rent to related parties, net of current portion, amounted to Rp150,248 and Rp162,971, respectively (Note 8).

**14. ADVANCES FOR PURCHASE OF PROPERTY AND EQUIPMENT**

This account includes advances for purchase of equipment and installations in the Companies' existing stores. In 2008, this account primarily represents advances for store spaces under construction to be used for the Companies' store in Lampung. The advances account will be reclassified to property and equipment upon the transfer of the stores to the Companies after completion of construction/installation or delivery of the equipment purchased.

As of December 31, 2008, the advances for purchase of property and equipment to related parties amounted to Rp118,013 (Note 8).

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**15. ACCOUNTS PAYABLE - TRADE**

This account represents liabilities to suppliers (third parties) for merchandise purchased under the following arrangements:

	<b>2009</b>	<b>2008</b>
Direct purchase	890,596	828,884
Consignment	404,082	362,868
<b>Total</b>	<b>1,294,678</b>	<b>1,191,752</b>

The amounts due to suppliers as of December 31, 2009 and 2008 are all payable in next quarter.

**16. ACCOUNTS PAYABLE - OTHERS**

This account primarily represents liabilities to contractors for building renovation work, including store decoration, and to other parties for marketing expenses. In 2008, this account primarily represents liabilities to Dellmore Investment Limited ("DM") related to the receipt of escrow fund from DM (Notes 2r, 5 and 33). In addition, this account consists of the estimated liabilities relating to the Companies' customer loyalty program amounting to Rp18,136 and Rp10,984 as of December 31, 2009 and 2008, respectively.

**17. TAXES PAYABLE**

Taxes payable consist of the following:

	<b>2009</b>	<b>2008</b> <b>(As restated,</b> <b>Note 3)</b>
Income Tax payable (less prepayments of Rp430 in 2009 and Rp34,364 in 2008)	26,127	1,207
Other taxes payable:		
Income Tax		
Article 21	4,415	29,823
Article 23	9,495	7,214
Article 25	113	2,859
Article 26	700	279
Value Added Tax	1,276	3,804
Others	1,490	109
<b>Total</b>	<b>43,616</b>	<b>45,295</b>



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**17. TAXES PAYABLE (continued)**

A reconciliation between income (loss) before Income Tax, as shown in the consolidated statements of income, and estimated taxable income (loss) of the Company is as follows:

	<b>2009</b>	<b>2008 (As restated, Note 3)</b>
Income (loss) before Income Tax per consolidated statements of income	373,934	(70,570)
Subsidiaries' loss (income) before tax - net	72,008	(92,953)
Equity in net loss (income) of associates - net	(1,295)	22,188
Income (loss) before Income Tax of the Company	444,647	(141,335)
Temporary differences:		
Difference in Restructuring Transaction of Entities under Common Control	210,834	-
Depreciation and amortization	(30,447)	(49,912)
Allowance for stores restructuring	(24,897)	-
Allowance for doubtful accounts	(21,774)	-
Others	(653,244)	438,475
Permanent differences:		
Employee benefits	500	500
Income already subjected to final tax/non-tax objects		
- Rent - net	(68,681)	(71,917)
- Interest	(53,044)	(46,927)
- Dividend	(2,524)	(41)
Realized/unrealized holding loss (gain) on listed shares of stock	(22)	452
Others	-	6,087
<b>Estimated taxable income (fiscal loss) of the Company</b>	<b>(198,652)</b>	<b>135,382</b>

The computation of Income Tax expense is as follows:

	<b>2009</b>	<b>2008 (As restated, Note 3)</b>
Taxable income		
Company	-	135,382
Subsidiaries (PT MSE, PT MDS and PT TPRB in 2009 and PT MGF, PT MSE and PT TPRB in 2008)	94,846	5,793
Income Tax expense - current		
Company	-	33,833
Subsidiaries (PT MSE, PT MDS and PT TPRB in 2009 and PT MGF, PT MSE and PT TPRB in 2008)	26,557	1,738
<b>Total</b>	<b>26,557</b>	<b>35,571</b>

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**17. TAXES PAYABLE (continued)**

The computation of Income Tax expense is as follows (continued):

	<b>2009</b>	<b>2008 (As restated, Note 3)</b>
Income Tax expense (benefit) - deferred at enacted maximum tax rate of 28% in 2009 and 30% in 2008		
Company		
Effects on temporary differences:		
Depreciation and amortization	8,525	14,974
Allowance for stores restructuring	6,971	-
Allowance for doubtful accounts	6,097	-
Difference in Restructuring Transaction of Entities under Common Control	(59,033)	-
Others	182,908	(131,543)
Reduction on deferred tax assets/liabilities resulting from reduction in tax rates based on Law No. 36 Year 2008 and others	6,975	239
Effect on estimated fiscal loss	(55,623)	-
Net	96,820	(116,330)
Subsidiaries	(45,965)	6,626
Income Tax expense (benefit) - deferred	50,855	(109,704)
Income Tax expense (benefit) - current and deferred		
Company	96,820	(82,497)
Subsidiaries	(19,408)	8,364
<b>Net</b>	<b>77,412</b>	<b>(74,133)</b>

The computation of the estimated Income Tax payable (claims for tax refund) is as follows:

	<b>2009</b>	<b>2008 (As restated, Note 3)</b>
Income Tax expense - current		
Company	-	33,833
Subsidiaries (PT MSE, PT MDS and PT TPRB in 2009 and PT MGF, PT MSE and PT TPRB in 2008)	26,557	1,738
Total	26,557	35,571
Prepayments of Income Tax		
Company		
Article 23	29,256	7,657
Article 25	15,625	26,164
Sub-total	44,881	33,821

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**17. TAXES PAYABLE (continued)**

The computation of the estimated Income Tax payable (claims for tax refund) is as follows (continued):

	<b>2009</b>	<b>2008</b> <b>(As restated,</b> <b>Note 3)</b>
Subsidiaries (PT MGF, PT MSE and PT MDS in 2009 and 2008)		
Article 23	422	383
Article 25	1,195	493
Sub-total	1,617	876
Total prepayments	46,498	34,697
Estimated Income Tax payable (claim for tax refund)		
Company	(44,881)	12
Subsidiaries		
PT MDS	25,498	(333)
PT MSE	9	4
PT TPRB	620	233
PT MGF	(1,187)	958
<b>Net</b>	<b>(19,941)</b>	<b>874</b>

On May 26, 2009, PT Matahari Department Store Tbk ("PT MDS"), a Subsidiary, received tax assessment letters for tax overpayment ("Surat Ketetapan Pajak Lebih Bayar or SKPLB") for the fiscal year 2007 amounted to Rp704. Based on the decision letter from the Directorate General of Taxation dated June 9, 2009, it is decided that SKPLB will be compensated with tax assessment letters for tax underpayment ("Surat Ketetapan Pajak Kurang Bayar or SKPKB") and tax collection letter ("Surat Tagihan Pajak or STP") for the year 2007 amounted to Rp4, therefore the amount of cash received in the year 2009 is Rp700.

On March 23, 2009, PT Matahari Graha Fantasi ("PT MGF"), a Subsidiary, received SKPLB and SKPKB for the fiscal year 2007. Based on the SKPLB, the Directorate General of Taxation adjusted PT MGF's claim for tax refund to become Rp216. Based on the SKPKB, PT MGF was liable for additional Income Tax (covering Income Tax Articles 23 and 26), Value Added Tax ("VAT") and the related penalty, totaling Rp1,169. The adjustment of the 2007 claim and the assessment for additional underpayment of Income Tax and VAT above were charged to current operations.

On March 25, 2008, PT MGF received tax assessment letters for tax overpayment SKPLB and SKPKB for the fiscal year 2006. Based on the SKPLB, the Directorate General of Taxation adjusted PT MGF's claim for tax refund to become Rp623. Based on the SKPKB, PT MGF was liable for additional Income Tax (covering Income Tax Articles 23 and 26), VAT and the related penalty, totaling Rp557. The adjustment of the 2006 claim and the assessment for additional underpayment of Income Tax and VAT above were charged to current operations.

On March 18, 2008, PT MDS received SKPLB for the year 2006 amounted Rp638. Based on the decision letter from the Directorate General of Taxation dated April 3, 2008, it is decided that SKPLB will be compensated with SKPKB and STP for the year 2006 amounted Rp5, therefore the amount of cash received in year 2008 is Rp633.

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**17. TAXES PAYABLE (continued)**

The reconciliation between the Income Tax expense (benefit) calculated by applying the applicable tax rate to the income (loss) before Income Tax, and the net Income Tax expense (benefit) shown in the consolidated statements of income for the years ended December 31, 2009 and 2008 is as follows:

	<b>2009</b>	<b>2008 (As restated, Note 3)</b>
Income (loss) before Income Tax per consolidated statements of income	373,934	(70,570)
Income Tax expense (benefit) at the applicable tax rate	104,702	(21,171)
Tax effect on permanent differences:		
Employee benefits	426	280
Income already subjected to final tax/non-tax objects - net	(36,792)	(36,598)
Others - net	(2,627)	(10,450)
Reduction on deferred tax assets/liabilities resulting from reduction in tax rates based on Law No. 36 Year 2008 and others	11,703	575
Reduction on Corporate Income Tax rates based on Ministry of Finance Rule No.238/PMK.03/2008	-	(6,769)
<b>Net Income Tax expense (benefit) per consolidated statements of income</b>	<b>77,412</b>	<b>(74,133)</b>

In September 2008, Law No. 7 Year 1983 regarding "Income Tax" was revised for the fourth time with the issuance of Law No. 36 Year 2008. The revised Law stipulates changes in corporate tax rates from progressive tax rates to a single rate of 28% for fiscal year 2009 and 25% for fiscal years 2010 and onwards. The impact of the change in tax rates which amounted to Rp11,703 and Rp1,077 was deducted from deferred income tax benefit debited to operations in 2009 and 2008.

In December 2007, the Government issued a regulation relating to a further tax reduction of 5% from the applicable tax rates for publicly-listed companies effective January 1, 2008, if they comply with the certain requirements relating to shareholding composition. The Company has complied with these requirements and therefore has applied the reduced tax rate in determining its 2008 current income tax expense. The Company was in the fiscal loss position for the year ended December 31, 2009. Therefore, no allowance for corporate income tax (current period) has been provided in 2009.

The tax effects of the significant temporary differences between financial and tax reporting which are outstanding as of December 31, 2009 and 2008 are as follows:

	<b>2009</b>	<b>2008 (As restated, Note 3)</b>
Company:		
Deferred tax assets		
Difference in Restructuring Transaction of Entities under Common Control	52,709	-
Fiscal loss current year	49,663	-



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**17. TAXES PAYABLE (continued)**

The tax effects of the significant temporary differences between financial and tax reporting which are outstanding as of December 31, 2009 and 2008 are as follows (continued):

	2009	2008 (As restated, Note 3)
Company (continued):		
Deferred tax assets (continued)		
Allowance for doubtful accounts	21,012	26,455
Accrual for employee benefits	5,758	5,758
Gain on asset sale and lease transactions	4,096	4,600
Allowance for possible loss on long-term investments	163	163
Loss on foreign exchange - net, including loss/gain on changes in fair value of currency swap/option/forward contracts	-	147,322
Allowance for stores restructuring	-	6,224
<b>Total</b>	<b>133,401</b>	<b>190,522</b>
Deferred tax liabilities		
Depreciation and amortization	95,587	87,211
Gain on foreign exchange - net, including loss/gain on changes in fair value of currency swap/option/forward contracts	27,808	-
Insurance claim	3,515	-
<b>Total</b>	<b>126,910</b>	<b>87,211</b>
Deferred tax assets - net		
Company	6,491	103,311
Subsidiaries (PT MGF, PT MSE, PT MDS, PT TPRB, PT TPI, PT NPI, PT PGP and PT Prima in 2009 and PT MGF, PT MSE, PT TPRB, PT TPI and PT MDS in 2008)	43,932	6,855
<b>Total</b>	<b>50,423</b>	<b>110,166</b>
Deferred tax liabilities - net		
Subsidiary (PT NPI in 2008)	-	8,888
<b>Total</b>	<b>-</b>	<b>8,888</b>

As of the financial statements completion date, the Company and its Subsidiaries have not yet submitted their respective 2009 Income Tax Return ("Surat Pemberitahuan Tahunan or SPT") to the Tax Office. The estimated taxable income in 2008 agrees with the amount reported in SPT submitted by the Company to the Tax Office.

No current Income Tax expense was provided for MIFCO, PT MKN, MF and MIBV in 2009 and for MIFCO, PT NPI, PT MKN, PT MDS and MF in 2008 since they are still in a tax loss position, after considering the tax losses carryover from previous years, and for PT MMS, PT MMT, PT MBD, PCL, BL, PT MP, BRC, MI, MTL, GCL and PT MDP in 2009 and for PT MMS, PT MMT, PT MBD, PCL, BL, PT Prima, BRC, MI, MTL, GCL, PT MDP, PT MP and PT PGP in 2008 since they have not started their operations.

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**18. ACCRUED EXPENSES**

This account consists of the following:

	2009	2008 (As restated, Note 3)
Salaries and employee benefits (Note 32)	163,175	118,111
Interest	102,968	75,559
Marketing and supplies	68,943	67,043
Electricity and energy	52,497	43,155
Rental	54,498	36,544
Others	124,400	131,941
<b>Total</b>	<b>566,481</b>	<b>472,353</b>

**19. NOTES PAYABLE**

The balance of the notes payable is computed as follows:

	2009	2008
Notes USD200,000 matured in year 2012	1,880,000	-
Notes USD150,000 matured in year 2009 (less treasury notes of USD29,650 in 2008)	-	1,317,833
Balance	1,880,000	1,317,833
Unamortized notes discount and issuance cost	(91,789)	(14,741)
Net	1,788,211	1,303,092
Less Current Liabilities	-	1,303,092
<b>Non-Current Liabilities</b>	<b>1,788,211</b>	<b>-</b>

Notes USD200,000 matured in year 2012 ("2012 Notes")

On July 10, 2009, Matahari International B.V. ("MIBV"), a wholly-owned subsidiary, issued an Exchange Offer Memorandum, whereby MIBV proposed to Company subsidiary's noteholders to exchange those notes that matured on October 6, 2009 (2009 Notes) with new notes issued by MIBV with a maturity date on August 7, 2012 (2012 Notes).

Concurrently, on the same date, MIBV also issued a Consent Solicitation Memorandum whereby MIBV has requested consent from the noteholders of 2009 Notes to waive certain covenants in the 2009 Notes.

The 2009 Notes amounted to USD79,800 have been exchanged with the 2012 Notes amounted to USD83,428 in this Exchange Offer program.

Simultaneously with the Exchange Offer, on August 7, 2009, MIBV issued new notes (2012 Notes) that will mature on the same date in August 2012, with a total face value of (including issuance of 2012 Notes and exchange offer of 2009 Notes) USD200,000 in USD100 denomination at the price of 97.532%, with the DB Trustees (Hong Kong) Limited ("DB") as the trustee, and Citigroup Global Markets Limited and UBS AG as Joint Lead Managers.

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**19. NOTES PAYABLE (continued)**

Notes USD200,000 matured in year 2012 ("2012 Notes") (continued)

The 2012 Notes bear interest at the rate of 10.75% per annum, guaranteed by the Company and have no collateral. At any time on or after August 7, 2010, MIBV may redeem the notes, in whole or in part, at pre-determined prices.

The 2012 Notes have been rated "B1" by Moody's Investors Service, Inc. and "B+" by Standard and Poor's Rating Group, a division of Mc Graw-Hill Companies, Inc and have been listed on the Singapore Stock Exchange ("SGX-ST").

The amortization of notes discount and issuance cost charged to operations for the year ended December 31, 2009 amounted to Rp14,805.

Notes USD150,000 matured in year 2009 ("2009 Notes")

On October 6, 2006, Matahari Finance B.V. ("MF"), a wholly-owned subsidiary, issued notes with a total face value of USD150,000 ("2009 Notes") in USD100 denomination at the price of 98.731%, with the DB Trustees (Hong Kong) Limited as the trustee, and UBS AG and Credit Suisse Securities (Europe) Limited as Joint Lead Managers.

The 2009 Notes matured on October 6, 2009 and bear interest at the rate of 9.5% per annum. Thus, as of December 31, 2008, the 2009 Notes have been reclassified as part of Current Liabilities. The 2009 Notes are guaranteed by the Company and have no collateral. At any time on or after October 6, 2007, MF may redeem the 2009 Notes, in whole or in part, at pre-determined prices.

The 2009 Notes have been rated "B1" by Moody's Investor Service, Inc. and "B+" by Standard & Poor's Rating Group, a division of Mc Graw-Hill Companies, Inc. and have been listed on SGX-ST.

In 2009 and 2008, the Companies repurchased the 2009 Notes with nominal value of USD5,380 and USD29,650 from the market with purchase value of USD5,207 and USD26,906, respectively. The difference amounting to Rp1,995 and Rp31,095 were credited to operations and presented under "Other charges (income)" in the consolidated statements of income.

In 2009, MF instructed DB as the trustee to cancel and redeem the 2009 Notes with the total face value of USD114,830 in relation with the Company's buyback notes and exchange offer program.

The amortization of notes discount and issuance cost charged to operations for the years ended December 31, 2009 and 2008 amounted to Rp14,741 and Rp28,128, respectively.

On October 5, 2009, MF fully repaid the remaining liabilities of the USD150,000 Notes.

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**20. BANK LOANS**

This account consists of the following third-party loans:

	2009	2008 (As restated, Note 3)
PT Bank Internasional Indonesia Tbk ("BII")	500,000	200,000
PT Bank Negara Indonesia (Persero) Tbk ("BNI")	430,000	500,000
PT Bank CIMB Niaga Tbk, ("CIMB")	240,000	252,650
PT Bank Danamon Indonesia Tbk ("Danamon")	235,000	235,000
PT Bank Mizuho Indonesia ("Mizuho")	200,000	200,000
PT Bank Permata Tbk ("Permata")	175,000	-
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	135,000	150,000
Sub-total	1,915,000	1,537,650
Less current maturities	1,011,667	74,800
<b>Long-term portion</b>	<b>903,333</b>	<b>1,462,850</b>

**BII**

On December 13, 2007, the Company obtained from BII a revolving promissory loan facility amounting to Rp200,000. The loan facility is available up to December 13, 2010. Therefore, as of December 31, 2009, all of the used loan facility is presented as "Current Maturities of Long-Term Debts - Bank Loans".

On December 17, 2009, the Company obtained from BII a medium term working capital loan facility amounting to Rp300,000. The loan is payable in 6 quarterly installments. For the first five installments, the Company will pay Rp15,000 each in quarterly starting September 2010 and Rp225,000 for the last installment in December 2011. Therefore, as of December 31, 2009, the installments which will be paid up to December 2010 are presented as "Current Maturities of Long-Term Debts - Bank Loans".

As of December 31, 2009, the full amount of the facilities have been drawn down.

**BNI**

On September 21, 2006, the Company obtained from BNI a term loan facility with a maximum amount of Rp500,000 which is available up to June 20, 2011.

On December 24, 2008, the Company drew down the full amount of the facility amounting to Rp500,000. The loan is payable in 7 quarterly installments. For the first six installments, the Company will pay Rp70,000 each in quarterly starting December 24, 2009 and Rp80,000 for the last installment on June 20, 2011. Therefore, as of December 31, 2009, the installments which will be paid up to December 2010 are presented as "Current Maturities of Long-Term Debts - Bank Loans".

As of December 31, 2009, the full amount of the facility has been drawn down.



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**20. BANK LOANS (continued)**

*CIMB*

On August 29, 2002, PT Matahari Department Store Tbk ("PT MDS"), a Subsidiary, obtained from CIMB a working capital loan facility. This loan facility has been amended several times, where in the last amendment on August 25, 2006, CIMB has given PT MDS 2 fixed installment facilities amounted to Rp30,250 that is available up to July 26, 2011. The facility is secured by the proceeds of future sale of PT Lippo Securities Tbk shares that is owned by PT MDS and all of PT MDS's receivables to third parties.

In November 2009, the above loan has been repaid.

On December 13, 2007, the Company obtained from CIMB a Fixed Loan on Demand 3 facility amounting to Rp240,000. The loan facility is available up to December 13, 2011.

As of December 31, 2009, the full amount of the facility has been drawn down.

*Danamon*

On September 8, 2006 and September 19, 2006, the Company obtained from Danamon two revolving working capital loan facilities amounting to Rp125,000 and Rp110,000, respectively. The facilities have been extended up to July 31, 2010. Therefore, as of December 31, 2009, all of the used loan facilities are presented as "Current Maturities of Long-Term Debts - Bank Loans".

As of December 31, 2009, the full amount of the facilities have been drawn down.

*Mizuho*

On April 20, 2007, the Company obtained from Mizuho a revolving working capital loan facility amounting to Rp100,000. The credit facility has been extended up to September 28, 2010 and the amount was increased to Rp200,000. Therefore, as of December 31, 2009, all of the used loan facility is presented as "Current Maturities of Long-Term Debts - Bank Loans".

As of December 31, 2009, the full amount of the facility has been drawn down.

*Permata*

On March 30, 2009, the Company obtained from Permata a revolving loan facility amounted to Rp50,000, which is available up to March 30, 2011 and a term loan facility amounted to Rp100,000, which is available up to April 30, 2012.

On March 30, 2009, the Company drew down the full amount of term loan facility. The term loan facility is payable in 36 monthly installments in the amount of Rp2,778 each starting April 2009. Therefore, as of December 31, 2009, the installments which will be paid up to December 2010 are presented as "Current Maturities of Long-Term Debts - Bank Loans".

On December 23, 2009, the Company obtained from Permata a new term loan facility amounted to Rp100,000 and an additional revolving loan facility amounted to Rp20,000. The term loan facility is available up to December 30, 2012, while the revolving loan facility is available up to March 30, 2011.

On December 28, 2009, the Company drew down the full amount of the new term loan facility. This loan is payable in 36 monthly installments in the amount of Rp2,778 each starting January 2010. Therefore, as of December 31, 2009, the installments which will be paid up to December 2010 are presented as "Current Maturities of Long-Term Debts - Bank Loans".

As of December 31, 2009, the facilities that have not been utilized amounted to Rp70,000 (Note 38).

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**20. BANK LOANS (continued)**

HSBC

On September 19, 2006, the Company obtained a working capital loan facility from HSBC with a principal amount of Rp150,000 (or its U.S. dollar equivalent up to a maximum of USD15,000). This facility is available up to December 19, 2011.

On December 24, 2009, the Company made payment amounted to Rp15,000 to HSBC, as a result of the loan facility adjustment to USD15,000.

As of December 31, 2009, the full amount of the facility has been drawn down.

In September 2006, the Company obtained a cross currency swap facility amounting to USD29,000 from HSBC which is to be used to hedge the Company's currency fluctuation exposure. On July 26, 2007, the cross currency swap facility was reduced to USD10,000 and is available up to June 30, 2010.

For all the above facilities, the Company's loans bear interest at annual rates ranging from 9.6% to 16.5% in 2009 and from 7.3% to 16.75% in 2008. The Company is required to comply with certain conditions, which all of the conditions have been met as of December 31, 2009 and 2008. The loans obtained by the Company from the facilities are unsecured.

**21. BONDS PAYABLE**

Bonds payable consist of the following:

	<b>2009</b>	<b>2008</b>
Third Matahari Bonds in Year 2009 with Fixed Rates	302,000	-
Second Matahari Sukuk Ijarah in Year 2009	226,000	-
Second Matahari Bonds in Year 2004 with Fixed Rates	-	300,000
First Matahari Syariah Ijarah Bonds in Year 2004	-	150,000
Nominal value	528,000	450,000
Treasury bonds	-	(7,000)
Balance	528,000	443,000
Unamortized bonds issuance cost	(6,193)	(1,360)
Net	521,807	441,640
Less current maturities - net	-	441,640
<b>Long-term portion - net</b>	<b>521,807</b>	<b>-</b>

Third Matahari Bonds in Year 2009 with Fixed Rates and Second Matahari Sukuk Ijarah in Year 2009

On April 14, 2009, the Company issued Third Matahari Bonds in Year 2009 with Fixed Rates ("Third Matahari Bonds") and Second Matahari Sukuk Ijarah in Year 2009 ("Second Matahari Sukuk Ijarah"), with details as follows:

- Third Matahari Bonds Series A, with total face value of Rp250,000 in Rp5 denomination. The bonds bear interest at the fixed rate of 16% per annum for 3 years, starting April 14, 2009 and will mature on April 14, 2012;

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**21. BONDS PAYABLE (continued)**

Third Matahari Bonds in Year 2009 with Fixed Rates and Second Matahari Sukuk Ijarah in Year 2009 (continued)

- Third Matahari Bonds Series B, with total face value of Rp52,000 in Rp5 denomination. The bonds bear interest at fixed rate of 17% per annum for 5 years, starting April 14, 2009 and will mature on April 14, 2014;
- Second Matahari Sukuk Ijarah Series A, with total face value of Rp90,000 in Rp5 denomination. Each bondholder is entitled to "Ijarah fee" amounted to Rp160 per annum for each Rp1,000. The fee shall be paid for 3 years starting April 14, 2009. The bonds will mature on April 14, 2012; and
- Second Matahari Sukuk Ijarah Series B, with total face value of Rp136,000 in Rp5 denomination. Each bondholder is entitled to "Ijarah fee" amounted to Rp170 per annum for each Rp1,000. The fee shall be paid for 5 years starting April 14, 2009. The bonds will mature on April 14, 2014.

PT Kustodian Sentral Efek Indonesia ("KSEI"), acting as the payment agent, pays quarterly interest on the bonds for Third Matahari Bonds and "Ijarah fee" for Second Matahari Sukuk Ijarah with details as follows:

- Third Matahari Bonds Series A, starting July 14, 2009 until April 14, 2012;
- Third Matahari Bonds Series B, starting July 14, 2009 until April 14, 2014;
- Second Matahari Sukuk Ijarah Series A, starting July 14, 2009 until April 14, 2012; and
- Second Matahari Sukuk Ijarah Series B, starting July 14, 2009 until April 14, 2014.

The ratings given by PT Pemeringkat Efek Indonesia are  $_{id}A^{+}$  (Stable Outlook) for Third Matahari Bonds and  $_{id}A^{+}_{(sy)}$  (Stable Outlook) for the Second Matahari Sukuk Ijarah at the time the bonds were issued.

PT Bank Mega Tbk acts as trustee for the Third Matahari Bonds and Second Matahari Sukuk Ijarah.

The Company's bonds listing on the Indonesia Stock Exchange ("BEI") were approved on the basis of the BEI Decision Letter No. Peng-00347/BEI.PSU/04-2009 dated April 14, 2009.

The Third Matahari Bonds and Second Matahari Sukuk Ijarah will not be secured with a specific collateral.

The proceeds of the Third Matahari Bonds had been earmarked to be used for refinancing the Second Matahari Bonds which has matured on May 11, 2009.

The proceeds of the Second Matahari Sukuk Ijarah had been earmarked to be used for the lease of store spaces which had been determined in "Akad Wakalah".

Based on the Bonds Indenture, the Company is required to comply with certain conditions, which all of the conditions have been met as of December 31, 2009.

The amortization of bonds issuance cost charged to operations for the year ended December 31, 2009 amounted to Rp1,690.

If the bonds' annual rating downgraded below  $_{id}A^{-}$  for the Third Matahari Bonds and  $_{id}A^{-}_{(sy)}$  for the Second Matahari Sukuk Ijarah, the Company should provide a sinking fund in the occurrence year and in the following years for as long as the rating remains at below  $_{id}A^{-}$  and  $_{id}A^{-}_{(sy)}$  respectively, in amounts determined as follows:

- First year, 10% of the face value of the Third Matahari Bonds or Second Matahari Sukuk Ijarah; or
- Second year, cumulative 15% of the face value of the Third Matahari Bonds or Second Matahari Sukuk Ijarah; or

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**21. BONDS PAYABLE (continued)**

Third Matahari Bonds in Year 2009 with Fixed Rates and Second Matahari Sukuk Ijarah in Year 2009 (continued)

- Third year, cumulative 20% of the face value of the Third Matahari Bonds or Second Matahari Sukuk Ijarah; or
- Fourth year, cumulative 25% of the face value of the Third Matahari Bonds or Second Matahari Sukuk Ijarah; or
- Fifth year, cumulative 30% of the face value of the Third Matahari Bonds or Second Matahari Sukuk Ijarah.

Second Matahari Bonds in Year 2004 with Fixed Rates and First Matahari Syariah Ijarah Bonds in Year 2004

On May 11, 2004, the Company issued Second Matahari Bonds in Year 2004 with Fixed Rates ("Second Matahari Bonds") and First Matahari Syariah Ijarah Bonds in Year 2004 ("First Matahari Syariah Ijarah Bonds"), with PT Bank Negara Indonesia (Persero) Tbk ("BNI") as the trustee. The bonds have total face values of Rp300,000 and Rp150,000, respectively, in Rp50 denomination and matured on May 11, 2009. Thus, in 2008 the Second Matahari Bonds and First Matahari Syariah Ijarah Bonds have been presented as "Current Maturities of Long-term Debts - Bonds Payable - net". The 2008 ratings were  $_{id}A^{+}$  (Stable Outlook) for the Second Matahari Bonds and  $_{id}A^{+}_{(sy)}$  (Stable Outlook) for the First Matahari Syariah Ijarah Bonds.

The Company's bonds listing on the Surabaya Stock Exchange ("BES") was approved on the basis of the BES Decision Letter No. JKT-007/LIST-EMITEN/BES/V/2004 dated May 10, 2004.

The Second Matahari Bonds bear interest at the fixed rate of 13.8% per annum for 5 years starting May 11, 2004. KSEI, acting as the payment agent, pays quarterly interest on the bonds starting August 11, 2004 until May 11, 2009.

Each bondholder of First Matahari Syariah Ijarah is entitled to "Ijarah fee" at 13.8% per annum. The fee shall be paid for 5 years starting May 11, 2004. KSEI, acting as the payment agent, pays quarterly Ijarah fee starting August 11, 2004 until May 11, 2009.

The bonds are collateralized by certain landrights and buildings with fair value representing 115% of the total face value of the bonds.

The proceeds of the Second Matahari Bonds were used for the opening of new stores and the renovation of the existing ones and for the Company's working capital requirements, such as for the purchase of merchandise inventories.

The proceeds of the First Matahari Syariah Ijarah Bonds were used for the lease of store spaces which were determined in "Akad Wakalah".

Based on the Bonds Indenture, the Company is required to comply with certain conditions.

The amortization of bonds issuance cost charged to operations for the years ended December 31, 2009 and 2008 amounted to Rp1,360 and Rp3,496, respectively.

On November 30, 2006, the Company held the General Bondholders' Meeting of Second Matahari Bonds in Year 2004 and First Matahari Syariah Ijarah Bonds in Year 2004 to approve the changes in the Bonds Indenture and to accept the resignation of BNI as trustee and bond collateral agent, and approve the appointment of PT Bank Mega Tbk to replace BNI as trustee and bond collateral agent.

In 2008, the Company repurchased Second Matahari Bonds with nominal value of Rp7,000 from the market with purchase value of Rp7,058. The difference amounting to Rp58 was charged to operations and is presented under "Other charges (income)" in the consolidated statements of income.



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**21. BONDS PAYABLE (continued)**

Second Matahari Bonds in Year 2004 with Fixed Rates and First Matahari Syariah Ijarah Bonds in Year 2004 (continued)

On May 8, 2009, the Company has fully repaid the Second Matahari Bonds and First Matahari Syariah Ijarah Bonds.

**22. SWAP, OPTION AND FORWARD TRANSACTIONS**

The Company utilizes derivative instruments to manage exposure to foreign currency and interest rate movements. The outstanding derivative instruments as of December 31, 2008, mainly consist of cross currency swaps and options contract which were expired in October 2009.

The cross currency swaps require periodic exchange of payments based on the interest rate in U.S. Dollar and Japanese Yen on total notional amounts, and final exchange of payments or net settlement of the notional (principal) amount on maturity date of the contracts. The options contract require option premium payments at certain dates and the right to purchase and sell Japanese Yen at certain strike prices.

As of December 31, 2008, the fair value of the derivative contracts amounted to Rp286,550 (equivalent to USD19,878 and JPY568,205) and Rp495,230 (equivalent to USD45,226), respectively, which are presented as "Option/forward contract assets" and "Swap contract liabilities" in the consolidated balance sheets. The net change in fair value of the Company's derivative contracts, including the effect of interest income/expense, is recorded in the consolidated statements of income as part of "Other charges (income) - net".

**23. CAPITAL STOCK**

Starting October 11, 2000, the Company's shares have been traded on a scripless basis on the stock exchanges.

The Company's stockholders as of December 31, 2009 and 2008 are as follows:

	<b>Number of Shares Issued and Fully Paid</b>	<b>Percentage of Ownership</b>	<b>Amount</b>
<b><u>2009</u></b>			
PT Multipolar Tbk	2,261,708,003	50.0102	1,130,854
PT Star Pacific Tbk	306,770,000	6.7832	153,385
Others - public (below 5% each)	1,954,011,572	43.2066	977,006
Sub-total	4,522,489,575	100.0000	2,261,245
Treasury stock	198,584,000		99,292
<b>Total</b>	<b>4,721,073,575</b>		<b>2,360,537</b>
<b><u>2008</u></b>			
PT Multipolar Tbk	2,261,208,003	50.1006	1,130,604
PT Star Pacific Tbk	306,770,000	6.7970	153,385
Others - public (below 5% each)	1,945,359,997	43.1024	972,680
Sub-total	4,513,338,000	100.0000	2,256,669
Treasury stock	198,584,000		99,292
<b>Total</b>	<b>4,711,922,000</b>		<b>2,355,961</b>

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**23. CAPITAL STOCK (continued)**

As of December 31, 2009 and 2008, no Company's stockholders are part of the Company's management.

In the Company's Stockholders' Extraordinary Meeting held on January 8, 2002 the minutes of which are notarized under deed No. 19 dated January 8, 2002 of Ny. Poerbaningsih Adi Warsito, S.H., the stockholders resolved to, among others, approve the buy-back of the Company's shares held by the public in accordance with BAPEPAM-LK Regulation No. XI.B.2 during an 18-month period, under the following conditions:

- The maximum total number of the buy-back shares was 270,599,400 shares or 10% of the Company's issued and fully paid capital stock.
- The maximum fund for the shares buy-back program was Rp270,600, which included transaction fee, broker's fee and other expenses incurred on the buy-back transactions.

For the execution of the shares buy-back, the Company appointed PT Ciptadana Securities, an affiliate, as the broker.

The Company's shares buy-back program ended on July 9, 2003. As of this date, the Company had bought 198,584,000 (73.39% of maximum total buy-back shares allowed) of its shares from the market for Rp123,236.

Based on the minutes of the Stockholders' Extraordinary Meeting as notarized under Deed No. 77 dated December 27, 2006 of Ny. Poerbaningsih Adi Warsito, S.H., the stockholders approved the issuance, through the Fourth Limited Public Offering with pre-emptive rights to stockholders, of 2,005,928,000 (at Rp500 per share) new shares and a maximum of 877,593,500 Series I warrants that will be given for free as an incentive to the stockholders that exercise their rights. Each 16 new shares purchased from the Fourth Limited Public Offering will get 7 Series I warrants which can be used to buy new shares at the price of Rp900 per share. The warrants can be exercised starting April 11, 2008 up to July 12, 2010. On January 11, 2007, the new shares were listed on the Jakarta Stock Exchange and Surabaya Stock Exchange.

As of December 31, 2009, the warrants that have been exercised into stocks amounted to 9,151,575 units.

**24. ADDITIONAL PAID-IN CAPITAL - NET**

The details of this account as of December 31, 2009 and 2008 are as follows:

	<b>2009</b>	<b>2008</b>
Premium on capital stock from:		
- First Limited Public Offering with pre-emptive rights to the stockholders	30,067	30,067
- Conversion of bonds into shares of Stock	144	144
- Exercise of warrants into share of Stock	3,661	-
Stock issuance costs	(51,409)	(51,409)
<b>Net</b>	<b>(17,537)</b>	<b>(21,198)</b>

Stock issuance costs arising from the Company's First, Second, Third and Fourth Limited Public Offerings with pre-emptive rights to the stockholders amounted to Rp1,312, Rp2,475, Rp32,780 and Rp14,842, respectively.

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**25. SALES FROM DIRECT PURCHASE AND OTHER TRADE REVENUE**

This account mainly represents sales in the Companies' stores which include PT Matahari Department Store Tbk, PT Matahari Super Ekonomi and family entertainment centers known as Time Zone.

The details of sales from direct purchase and other trade revenue based on business segment are as follows:

	<b>2009</b>	<b>2008</b>
Supermarket/hypermarket	6,188,456	5,421,327
Department stores	2,198,808	1,962,301
Family entertainment centers	289,812	313,745
Others	81,643	41,112
<b>Total</b>	<b>8,758,719</b>	<b>7,738,485</b>

There were no individual sales which exceeded 10% of net sales for the years ended December 31, 2009 and 2008.

**26. CONSIGNMENT SALES**

This account mainly represents consignment sales from department stores.

**27. COST OF CONSIGNMENT SALES**

This account mainly represents cost of consignment sales to consignors.

**28. COST OF SALES**

The details of cost of sales are as follows:

	<b>2009</b>	<b>2008</b>
Merchandise inventories at beginning of year	983,008	906,377
Net purchases	6,897,116	5,965,643
Merchandise inventories available for sale	7,880,124	6,872,020
Merchandise inventories at end of year	1,171,805	983,008
Cost of sales before bakery overhead	6,708,319	5,889,012
Bakery overhead	16,061	14,451
<b>Cost of Sales</b>	<b>6,724,380</b>	<b>5,903,463</b>

There were no purchases of merchandise inventory from any supplier which exceeded 10% of net sales for the years ended December 31, 2009 and 2008.

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**29. SELLING EXPENSES**

The details of selling expenses are as follows:

	2009	2008
Rental - net of rental income of Rp73,501 in 2009 and Rp64,840 in 2008	801,142	699,989
Marketing - net	136,345	83,019
Supplies	106,813	98,962
Credit card charges	64,996	55,739
<b>Total</b>	<b>1,109,296</b>	<b>937,709</b>

**30. GENERAL AND ADMINISTRATIVE EXPENSES**

The details of general and administrative expenses are as follows:

	2009	2008 (As restated, Note 3)
Salaries and employee benefits (Note 32)	877,871	797,476
Depreciation (Note 11)	402,596	326,491
Electricity and energy	300,987	270,305
Consultant fees	72,330	72,423
Taxes and licenses	55,758	45,719
Amortization	55,561	35,419
Insurance	44,613	39,508
Traveling	38,053	34,174
Telephone and telex	27,681	27,451
Others	67,058	46,181
<b>Total</b>	<b>1,942,508</b>	<b>1,695,147</b>

**31. INTEREST EXPENSE AND OTHER FINANCING COST - NET**

This account consists of the following:

	2009	2008 (As restated, Note 3)
Interest expense and other financing cost	611,563	413,137
Interest income	(347,695)	(238,042)
<b>Net</b>	<b>263,868</b>	<b>175,095</b>



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**32. EMPLOYEE BENEFITS**

The Company and Subsidiaries recognized provision for termination, gratuity and compensation benefits of employees amounting to Rp34,641 and Rp29,853 (net of payments of Rp13,984 and Rp19,656) for the years ended December 31, 2009 and 2008, respectively. As of December 31, 2009 and 2008, the provision was determined based on Labor Law No. 13/2003 dated March 25, 2003. Such benefits are included as part of general and administrative expenses (salaries and employee benefits) in the consolidated statements of income.

The above provisions (the Company, PT MDS, PT MGF and PT TPI) were determined based on actuarial calculations as of December 31, 2009 and 2008, prepared by PT Dayamandiri Dharmakonsilindo, an independent actuary, adopting the Projected-Unit-Credit method with the following assumptions:

Annual discount rate	: 10.5% in 2009 and 12% in 2008
Annual salary increase rate	: 10%
Table of mortality	: Commissioners Standard Ordinary 1980 (CSO'80)
Disability rate	: 10% of mortality rate
Retirement rate	: 100% at normal retirement age
Resignation rate	: 2-9% per annum at age 20 up to age 54
Normal retirement age	: 55 years old

The cost of employee benefits consists of the following:

	2009	2008 (As restated, Note 3)
Current service cost	17,979	16,913
Interest cost	21,476	14,871
Amortization of unrecognized past service cost - non-vested benefits	2,516	2,508
Liability relating to past service of new employees	1,025	-
Amortization of actuarial loss (gain)	(252)	68
Net	42,744	34,360
Compensation	5,881	15,149
<b>Total</b>	<b>48,625</b>	<b>49,509</b>

Movements in the liability for employee benefits as of December 31, 2009 and 2008 are as follows:

	2009	2008 (As restated, Note 3)
Balance at beginning of year	162,904	133,051
Provision during the year	48,625	49,509
Payments during the year	(13,984)	(19,656)
<b>Balance at end of year</b>	<b>197,545</b>	<b>162,904</b>

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**33. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES**

The Companies' monetary assets and liabilities in foreign currencies as of December 31, 2009 and 2008 are as follows:

	<b>Amount in Foreign Currencies</b>	<b>Rupiah Equivalent</b>
<b><u>2009</u></b>		
<b>Assets</b>		
Cash and cash equivalents	USD 39,792	374,045
	SGD 877	5,875
	Euro 154	2,080
	HKD 681	826
	RMB 130	180
	JPY 1,202	122
Short-term investments	USD 9,317	87,580
	SGD 93	625
<b>Total assets</b>		<b>471,333</b>
<b>Liabilities</b>		
Accounts payable - others	SGD 93	625
Notes payable	USD 200,000	1,880,000
Current maturities of long-term debts - others	USD 65	611
Long-term debts - net of current maturities - others	USD 429	4,033
Other non-current liabilities	USD 1,918	18,029
<b>Total liabilities</b>		<b>1,903,298</b>
<b>Liabilities - net</b>		<b>1,431,965</b>
<b><u>2008</u></b>		
<b>(As restated, Note 3)</b>		
<b>Assets</b>		
Cash and cash equivalents	SGD 13,982	106,366
	USD 663	7,260
	Euro 90	1,389
	JPY 11,371	1,379
	HKD 686	969
	RMB 142	229
Short-term investments	SGD 40,730	309,849
	USD 3,290	36,026
Option/forward contract assets	USD 19,878	217,667
	JPY 568,205	68,883
<b>Total assets</b>		<b>750,017</b>

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**33. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES (continued)**

		Amount in Foreign Currencies	Rupiah Equivalent
<b>2008 (continued)</b>			
<b>(As restated, Note 3)</b>			
<b>Liabilities</b>			
Accounts payable - others	SGD	40,730	309,849
Notes payable	USD	120,350	1,317,833
Current maturities of long-term debts - others	USD	65	712
Swap contract liabilities	USD	45,226	495,230
Long-term debts - net of current maturities - others	USD	429	4,698
Other non-current liabilities	USD	1,918	21,002
<b>Total liabilities</b>			<b>2,149,324</b>
<b>Liabilities - net</b>			<b>1,399,307</b>

In managing the risk of monetary assets and liabilities denominated in foreign currencies, the Company used swap, option and forward financial instruments to handle the risk related with foreign currency fluctuation (Notes 2s and 22).

**34. DISTRIBUTION OF INCOME AND APPROPRIATION OF RETAINED EARNINGS**

In the Company's Stockholders' Annual General Meeting held on April 24, 2009 the minutes of which are notarized under deed No. 49 of Ny. Poerbaningsih Adi Warsito, S.H., the stockholders resolved to, among others, to appropriate Rp2,000 from retained earnings as a general reserve.

In the Company's Stockholders' Annual General Meeting held on March 19, 2008 the minutes of which are notarized under deed No. 36 of Ny. Poerbaningsih Adi Warsito, S.H., the stockholders resolved to, among others, declare cash dividend amounting to Rp51,903 or Rp11.5 (full amount) per share, payable to stockholders listed in the stockholders' register as of April 18, 2008 and to appropriate Rp2,000 from retained earnings as a general reserve.

**35. COMMITMENTS AND CONTINGENCY**

**COMMITMENTS**

- a. In March 2001, the Company entered into a license agreement with IGA, Inc. ("IGA"), whereby IGA authorized and licensed the Company to use the IGA trademarks (1) to identify the Company as an IGA member, (2) in connection with the distribution and promotion of products with the quality standards established by IGA, solely in the Company's stores, and rendering of services relating to IGA systems in those stores, and (3) in connection with the procurement and labelling of products with the quality standards established by IGA.

On the same date, the Company entered into a service agreement with IGA to obtain service and support from IGA, including guidance and counsel, international public relations assistance, and attendance at major key events. As of December 31, 2009 and 2008, the Company recognized license fee amounted to Rp255 and Rp395, respectively.

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**35. COMMITMENTS AND CONTINGENCY (continued)**

**COMMITMENTS (continued)**

- b. In December 2002, the Company entered into a management agreement with PT Matahari Graha Fantasi ("PT MGF"), a Subsidiary, whereby the Company agreed to provide management consultation services to PT MGF. The Company earns an annual management fee as compensation, which is computed at a certain percentage of the gross revenue of PT MGF. The agreement is effective for a 12-year period starting January 1, 2003.

The related reciprocal management fee income and expense amounting to Rp3,610 and Rp2,222 for the years ended December 31, 2009 and 2008, respectively, have been eliminated in the consolidated financial statements.

- c. In January 2003, PT MGF entered into a "Business System License Agreement" with Avel Pty. Limited, Australia (licensor) whereby the licensor granted PT MGF the exclusive right in Indonesia to use the "Timezone Business System". The licensor earns an annual royalty as compensation, which is computed at a certain percentage of the gross revenue of PT MGF. The agreement is effective for a 12-year period starting January 1, 2003.

The royalty fees charged to current operations as part of "Selling Expenses (Marketing)" amounted to Rp7,941 and Rp4,888 for the years ended December 31, 2009 and 2008, respectively.

- d. In August 2004, the Company entered into a lease agreement with PT Donindo Menara Utama covering lease of store space with a floor area of 9,000 square meters in Grand Menara Mall, Banjarmasin. The lease period covers 11 years to start at the opening day of the store and is extendable. As required in the agreement, the Company made rental deposit amounting to Rp1,500 as of December 31, 2009, which is presented as part of "Other Non-current Assets". In October 2009, the Company transferred partially the lease rights and obligations of store with a floor area of 5,000 square meters to PT Matahari Department Store Tbk ("PT MDS"), a Subsidiary. The store has not opened yet as of December 31, 2009.
- e. In December 2004, the Company entered into a "Software License Agreement" with PT Accenture whereby PT Accenture granted to the Company a non-transferable and non-exclusive license to utilize the licensed software program for the entire duration of the agreement. The agreement commenced in December 2004 and shall be perpetual unless terminated by PT Accenture. In addition, the Company entered into a "Consulting Service Agreement" whereby PT Accenture will assist the Company in implementing selected "Retek" application modules. The service is for 18 months. The Company shall pay service fee as compensation for the services over a certain agreed period. As of December 31, 2009, the Company has paid USD4,000 for the license fee and USD4,392 for the consultation, which are presented as part of "Other Non-current Assets".
- f. In February 2007, the Company entered into a lease agreement with PT Gerbang Perkasa covering a store with floor area of 20,343 square meters in Boutique Mall Yogya. The lease period covers 15 years to start on the opening day of the store with total rental charge of Rp129,000. As required in the agreement, the Company has made the rental payment amounting to Rp129,000 as of December 31, 2009, which is presented as part of "Rental Advances".

Based on the addendum of the lease agreement that was signed in October 2008, due to delay in the hand-over of the store space, the Company accept the hand over not later than June 2010, and will receive, as compensation, additional 4 years' lease period and will also receive compensation for participation fee amounting to Rp3,800 which will be received in an installment starting from the opening day of the store. The store has not opened yet as of December 31, 2009.



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**35. COMMITMENTS AND CONTINGENCY (continued)**

**COMMITMENTS (continued)**

- g. In March 2007, the Company entered into a lease agreement with PT Lingkar Indah Kencana covering a store with floor area of 13,233 square meters in The Great Town Square, Sidoarjo. The lease period covers 20 years to start on the opening day of the store with total rental charge of Rp78,241. As required in the agreement, the Company has made the rental payment amounting to Rp78,241 as of December 31, 2009, which is presented as part of "Rental Advances".

Based on the addendum of the lease agreement that was signed in November 2008, due to delay in the hand-over of the store space, the Company accept the hand over not later than December 2011 and will receive, as compensation, additional 6 years' lease period and will also receive compensation for participation fee amounting to Rp2,300 which will be received in an installment starting from the opening day of the store. The store has not opened yet as of December 31, 2009.

- h. In March 2007, the Company entered into a lease agreement with PT Perisai Emas covering a store with floor area of 15,267 square meters in Kuta Beach, Bali. The lease period covers 20 years to start on the opening day of the store with total rental charge of Rp214,827. As required in the agreement, the Company has made the rental payment amounting to Rp214,827 as of December 31, 2009, which is presented as part of "Rental Advances".

Based on the addendum of the lease agreement that was signed in October 2008, due to delay in the hand-over of the store space, the Company accept the hand over not later than October 2010 and will receive, as compensation, additional 4 years' lease period and will also receive compensation for participation fee amounting to Rp6,400 which will be received in an installment starting from the opening day of the store. The store has not opened yet as of December 31, 2009.

- i. In April 2007, the Company entered into a lease term-sheet with PT Cakrawala Sakti Kencana covering a store with floor area of 7,350 square meters in Paragon City, Semarang. The lease period covers 12 years to start on the opening day of the store. As required in the term-sheet, the Company made rental deposit amounting to Rp1,103 as of December 31, 2009, which is presented as part of "Other Non-current Assets". The store has not opened yet as of December 31, 2009.

In November 2007, the Company entered into a lease term-sheet with PT Cakrawala Sakti Kencana covering a store with floor area of 8,672 square meters in Paragon City, Semarang. The lease period covers 11 years to start on the opening day of the store and is extendable. As required in the term-sheet, the Company made the rental payment and rental deposit amounting to Rp3,468 and Rp1,561 as of December 31, 2009, which are presented as part of "Rental Advances" and "Other Non-current Assets", respectively. In October 2009, the Company transferred the lease rights and obligations to PT MDS, a Subsidiary. The store has not opened yet as of December 31, 2009.

- j. In July and November 2007, the Company entered into a lease term-sheet with PT Gaya Kreasindo Permai covering a store with floor area of 14,715 square meters in Jakarta. The lease period covers 11 years. The store has not opened yet as of December 31, 2009.

- k. In August 2007, the Company entered into a lease agreement with PT Menara Bhumimegah covering lease of a store with floor area of 19,795 square meters in Jakarta. The lease period covers 20 years with total rental charge of Rp286,433. As required in the agreement, the Company made rental payment amounting to Rp286,433 as of December 31, 2009, which is presented as part of "Rental Advances". The store has not opened yet as of December 31, 2009.

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**35. COMMITMENTS AND CONTINGENCY (continued)**

**COMMITMENTS (continued)**

- l. On October 18, 2007, the Company, together with HSBC Institutional Trust Services (Singapore) Limited ("HSBC", as trustee of Lippo-Mapletree Indonesia Retail Trust, called Option Holder), Detos Properties Pte. Ltd ("Detos") and Matos Properties Pte. Ltd. ("Matos"), both stockholders of PT Megah Detos Utama ("PT MDU"), entered into a put option agreement whereby, if in the following 2 (two) years from the listing date of the LMIR Trust units on the Singapore Stock Exchange, PT MDU does not acquire the strata titles of the property purchased from the Company, Option Holder has an option to request the Company to repurchase shares of Detos at the Average of Valuations conducted by Valuers or the Valuation Amount at the initial offering of the LMIR Trust units, whichever is higher. As of December 31, 2009, from total area 13,045 square meters in Depok, 12,714.45 square meters has been transferred to PT MDU and the remaining 330.55 square meters still in process (Note 11).
- m. In February 2008, the Company entered into a lease term-sheet with PT Pakuwon Jati Tbk covering a store with floor area of 7,099 square meters in Pakuwon Town Square, Surabaya. The lease period covers 11 years to start on the opening day of the store. As required in the term-sheet, the Company has made rental payment amounting to Rp3,067 as of December 31, 2009, which is presented as part of "Rental Advances". The store has not opened yet as of December 31, 2009.
- n. In March 2008, the Company entered into a lease agreement with PT Trimitra Exelindo Utama Karya covering a store with floor area of 20,000 square meters in Setiabudi Signature, Semarang. The lease period covers 15 years to start on the opening day of the store with total rental charge of Rp113,353. As required in the agreement, the Company has made rental payment amounting to Rp113,353 as of December 31, 2009, which is presented as part of "Rental Advances". The store has not opened yet as of December 31, 2009.
- o. In March 2008, the Company entered into a lease agreement with PT Bima Mitra Utama Energi covering land and building with floor area of 9,968 square meters in Cempaka Putih, Jakarta. The lease period covers 10 years to start on the opening day of the store with total rental charge of Rp117,682. As required in the agreement, the Company has made rental payment amounting to Rp117,682 as of December 31, 2009, which is presented as part of "Rental Advances". The store has not opened yet as of December 31, 2009.
- p. In March 2008, the Company re-entered into a lease agreement with PT Rangkai Ribu Paremas covering a store with floor area of 14,000 square meters in Arteri Simpruk, Jakarta. The lease period covers 15 years to start on the opening day of the store with total rental charge of Rp154,433. As required in the agreement, the Company has made rental payment amounting to Rp154,433 as of December 31, 2009, which is presented as part of "Rental Advances". The store has not opened yet as of December 31, 2009.
- q. In March 2008, the Company entered into a lease term-sheet with PT Win Win Realty Centre covering a store with floor area of 6,855 square meters in Ciputra World, Surabaya. The lease period covers 12 years to start on the opening day of the store. As required in the term-sheet, the Company has made rental payment amounting to Rp2,056 as of December 31, 2009, which is presented as part of "Rental Advances". The store has not opened yet as of December 31, 2009.
- r. In June 2008, the Company entered into a lease term-sheet with PT Karya Bersama Takarob covering a store with floor area of 6,187 square meters in Cirebon Superblock Mall. The lease period covers 11 years to start on the opening day of the store. As required in the term-sheet, the Company has made rental payment amounting to Rp2,784 as of December 31, 2009, which is presented as part of "Rental Advances". The store has not opened yet as of December 31, 2009.

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**35. COMMITMENTS AND CONTINGENCY (continued)**

**COMMITMENTS (continued)**

In September 2008, the Company entered into an additional lease term-sheet with PT Karya Bersama Takarob covering a store with floor area of 5,500 square meters in Cirebon Superblock Mall. The lease period covers 11 years to start on the opening day of the store. As required in the term-sheet, the Company has made rental payment and deposit amounting to Rp5,000 and Rp990 as of December 31, 2009, which are presented as part of "Rental Advances" and "Other non-current Assets", respectively. In October 2009, the Company transferred the lease rights and obligations of a store with floor area of 5,500 square meters to PT MDS, a Subsidiary. The store has not opened yet as of December 31, 2009.

- s. In September 2008, the Company entered into a lease agreement with PT Khatulistiwa Multipromo covering a store with floor area of 19,660 square meters in Salemba, Jakarta. The lease period covers 15 years to start on the opening day of the store with total rental charge of Rp196,600. As required in the agreement, the Company has made rental payment amounting to Rp196,600 as of December 31, 2009, which is presented as part of "Rental Advances". The store has not opened yet as of December 31, 2009.
- t. In September 2008, the Company entered into a lease agreement with PT Inovasi Ragam Abadi covering a store with floor area of 10,789 square meters in Kuta Central Park, Bali. The lease period covers 15 years to start on the opening day of the store with total rental charge of Rp140,956. As required in the agreement, the Company has made rental payment amounting to Rp140,956 as of December 31, 2009, which is presented as part of "Rental Advances". The store has not opened yet as of December 31, 2009.
- u. In September 2008, the Company entered into a lease agreement with PT Sitryco Riwani Jaya covering a store with floor area of 22,739 square meters in Surabaya Junction, Surabaya. The lease period covers 20 years to start on the opening day of the store with total rental charge of Rp197,716. As required in the agreement, the Company has made rental payment amounting to Rp197,716 as of December 31, 2009, which is presented as part of "Rental Advances". The store has not opened yet as of December 31, 2009.
- v. On November 12, 2008, the Company entered into a lease agreement with PT Mandiri Cipta Gemilang covering a store with floor area of 24,858.91 square meters in Jakarta. The lease period covers 20 years to start on the opening day of the store with total rental charge of Rp324,260. The Company has made payment amounting to Rp324,260 as of December 31, 2009, which is presented as part of "Rental Advances". The store has not opened yet as of December 31, 2009.
- w. On January 27, 2009, the Company entered into a lease term-sheet with PT Papetra Perkasa Utama covering a store with floor area of 5,800 square meters in Blue Banter City Walk in, Manado. The lease period covers 11 years to start on the opening day of the store. As required in the term-sheet, the Company has made rental payment and deposit amounting to Rp2,088 and Rp1,001 as of December 31, 2009, which are presented as part of "Rental Advances" and "Other non-current Assets", respectively. In October 2009, the Company transferred the lease rights and obligations to PT MDS, a Subsidiary. The store has not opened yet as of December 31, 2009.

On August 26, 2009, the Company entered into a lease agreement with PT Papetra Perkasa Utama covering a store with floor area of 7,300 square meters in Blue Banter City Walk in, Manado. The lease period covers 11 years to start on the opening day of the store with total rental charge of Rp14,016. As required in the lease agreement, the Company has made rental payment amounting to Rp10,512 as of December 31, 2009, which is presented as part of "Rental Advances". The store has not opened yet as of December 31, 2009.

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**35. COMMITMENTS AND CONTINGENCY (continued)**

**COMMITMENTS (continued)**

- x. On August 25, 2009, the Company entered into a lease term-sheet with PT Gerbang Nusa Perkasa covering a store with floor area of 4,200 square meters in Manado Town Square. The lease period covers 11 years to start on the opening day of the store. The store has not opened yet as of December 31, 2009.
- y. On August 31, 2009, the Company entered into a lease term-sheet with PT Wulandari Bangun Laksana covering a store with floor area of 5,000 square meters in e-Walk@Balikpapan Superblock. The lease period covers 11 years to start on the opening day of the store. In October 2009, the Company transferred the lease rights and obligations to PT MDS, a Subsidiary. As required in the term-sheet, PT MDS has made deposit amounting to Rp3,900 as of December 31, 2009, which is presented as part of "Other non-current Assets". The store has not opened yet as of December 31, 2009.
- z. On September 24, 2009, the Company entered into a binding sales purchase agreement and transfer of net assets ("Perjanjian Pengikatan Jual Beli dan Pengalihan Aset Bersih or PPJBPA") of Matahari Department Store ("MDS") with PT MDS, which was amended by the First Amendment of PPJBPA dated October 29, 2009, whereas the Company will sell net assets of MDS division to PT MDS with selling price and/or a transfer of Rp430,058. This price is based on the Independent Appraisal Report as of October 19, 2009 for the net assets value of MDS.

The settlement of transaction depends on the fulfillment of several requirements, which include among others, approval of a majority of Independent Stockholders in General Meeting of Company Stockholders. This is due to the proposed acquisition must comply with BAPEPAM-LK Regulation No. IX.E.1 "Affiliated Transactions and Conflict of Interest of Specific Transactions" and Regulation No. IX.E.2, "Material Transactions and Changes in the Key Business Activities".

The approval of the proposed transaction as mentioned above have been received from the Company's Independent Stockholders at the Extraordinary General Meeting of Company Stockholders which was held on October 30, 2009, so that on that date the transfer of net assets of MDS division to PT MDS has been deemed effective. On the same date, PT MDS has issued a Promissory Note to the Company in the amount of transfer price.

On November 25, 2009, the Promissory Notes was utilized by the Company to execute shares of PT MDS in the Second Limited Public Offering of PT MDS. The Company's ownership in PT MDS is 90.76% of the total issued and fully paid shares (Note 1c). The difference between the amount of Promissory Notes and value of shares executed by the Company has been received.

- aa. In November 2009, the Company entered into an intellectual property utilization agreement ("Perjanjian Penggunaan Hak Milik Intelektual") with PT MDS, a Subsidiary, whereby the Company agrees to give rights to PT MDS to use the intellectual property of the Company. As compensation, the Company earned royalty income which is computed at a certain percentage of sales of PT MDS.

PT MDS has the rights to buy intellectual property rights from the Company. If PT MDS chooses to execute those rights, then this must be stated in a transfer agreement of Intellectual Property Rights.

The related reciprocal royalty income and expense amounting to Rp3,547 for the year ended December 31, 2009 has been eliminated in the consolidated financial statements.



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**35. COMMITMENTS AND CONTINGENCY (continued)**

**COMMITMENTS (continued)**

- bb. In November 2009, the Company entered into a Service Agreement for Retail Based Information Technology System with PT MDS, whereby the Company has agreed to supply Information Technology System service with retail technology basis ("Retail System") to support all PT MDS's business activities.

The agreement covers for a period of 5 years commencing from November 2, 2009. The agreement has been amended with the new agreement signed in January 2010 (Note 38).

The related reciprocal income and expense from providing services Retail System amounting to Rp4,446 for the year ended December 31, 2009 has been eliminated in the consolidated financial statements.

- cc. In December 2009, PT MDS, a Subsidiary, entered into a memorandum of understanding for a lease with PT Basko Minang Plaza covering a store with floor area of 4,820 square meters in Basko Grand Mall, Padang. The lease period covers 10 years to start on the opening day of the store. As required in the term-sheet, PT MDS has made rental payment amounting to Rp3,500 as of December 31, 2009, which is presented as part of "Rental Advances". The store has not opened yet as of December 31, 2009.
- dd. In December 2009, PT MDS, a Subsidiary, entered into a lease term-sheet with PT Swadaya Panduarta covering a store with floor area of 8,615 square meters in Mal Artha Gading, Jakarta. The lease period covers 11 years to start on the opening day of the store. The store has not opened yet as of December 31, 2009.
- ee. In December 2009, PT MDS, a Subsidiary, entered into a lease agreement with PT Rekapastika Asri covering a store with floor area of 6,646 square meters in Blu Plaza, Bekasi. The lease period covers 11 years to start on the opening day of the store. As required in the lease agreement, PT MDS made the rental payment and deposit amounting to Rp2,500 and Rp1,313 as of December 31, 2009, which are presented as part of "Rental Advances" and "Other Non-current Assets", respectively. The store has not opened yet as of December 31, 2009.
- ff. As of December 31, 2009, total of the Company's unused loan facilities is Rp70,000 which consists of loan facility from PT Bank Permata Tbk.

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**35. COMMITMENTS AND CONTINGENCY (continued)**

**COMMITMENTS (continued)**

In relation to the Company's rent right in the Bogor Internusa Plaza (now Pangrango Plaza) located in Bogor which was not compensated by PT Bogor Internusa Plaza ("PT BIP") as developer after the fire incident in 1996, the Company has filed a legal suit against PT BIP in the Bogor State Court. The state court has approved a part of the Company's suit to recover the amounts of Rp101,617 and USD1,441. In January 2006, PT BIP filed its objection to the decision of the state court in the High Court of Bandung. The High Court decided that PT BIP should pay compensation for the remaining unused rent amounting to Rp1,617 and USD1,441 and the Company should pay compensation to PT BIP amounting to Rp218,484. On March 14, 2007, the Company filed its objection to the decision of the High Court of Bandung in the Supreme Court. On March 19, 2009, the Bogor State Court has written an official letter to inform the Company regarding the Supreme Court decision on this matter. The Supreme Court has decided to revoke the decision of the High Court of Bandung and that PT BIP should pay compensation for the remaining unused rent amounting to Rp1,617 and USD1,441 plus interest 12% per annum for the rent amount that denominated in Rupiah and 3% per annum for the rent amount that denominated in U.S. dollar, using exchange rate (in full amount) of Rp6,000 to USD1 started from the date of legal suit registered in the Bogor State Court (Note 38).

**36. SEGMENT INFORMATION**

Based on financial information used by the management in evaluating segment performance and allocating existing resources, the Companies use business segment as the primary segment and geographical segment as the secondary segment. The Companies classify and evaluate their business segment in two major reportable segments: Retail Business and Family Entertainment Center.

The operating segments are managed as separate legal entities because each segment offers different services/products. The accounting policies of the operating segments are the same as those described in the "Summary of Significant Accounting Policies" (Note 2). All inter-segment transactions have been eliminated.

	Major Segments			Segment Total
	Retail Business	Family Entertainment Center	Others	
<b>2009</b>				
<b>Sales from Direct Purchase and Other</b>				
Trade Revenue				
External Sales	8,387,264	289,812	81,643	8,758,719
Consignment Sales	5,022,489	-	5,445	5,027,934
Cost of Consignment Sales	3,502,182	-	4,014	3,506,196
<b>Result</b>				
Operating income (loss)	528,721	18,268	(42,716)	504,273
Interest income (expense) and other financing cost - net	(143,574)	1,497	(121,791)	(263,868)
Equity in net income of investees - net	1,295	-	-	1,295
Income Tax benefit (expense) - net	(97,144)	440	19,292	(77,412)
Other income (charges) - net	175,072	(2,462)	(40,376)	132,234
<b>Income (loss) before minority interest and effect of pro forma adjustments</b>	<b>464,370</b>	<b>17,743</b>	<b>(185,591)</b>	<b>296,522</b>
<b>Other Information</b>				
Segment assets	10,647,609	170,479	2,808,354	13,626,442
Elimination of inter-segment assets	(1,050,694)	-	(2,015,604)	(3,066,298)
<b>Net</b>	<b>9,596,915</b>	<b>170,479</b>	<b>792,750</b>	<b>10,560,144</b>

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**36. SEGMENT INFORMATION (continued)**

	Major Segments			
	Retail Business	Family Entertainment Center	Others	Segment Total
<b>2009 (continued)</b>				
Segment liabilities	6,827,292	65,751	2,794,374	9,687,417
Elimination of inter-segment liabilities	(2,037,086)	(1,438)	(555,847)	(2,594,371)
<b>Net</b>	<b>4,790,206</b>	<b>64,313</b>	<b>2,238,527</b>	<b>7,093,046</b>
Capital expenditures	401,584	47,010	76,597	525,191
Depreciation and amortization	490,752	40,286	18,414	549,452
Net cash provided by (used in):				
- Operating activities	1,023,896	40,070	165,980	1,229,946
- Investing activities	(1,229,401)	(50,808)	(151,027)	(1,431,236)
- Financing activities	624,280	1,016	85,501	710,797
<b>2008</b>				
<b>Sales from Direct Purchase and Other</b>				
Trade Revenue				
External Sales	7,383,628	313,745	41,112	7,738,485
Consignment Sales	4,238,148	-	737	4,238,885
Cost of Consignment Sales	2,949,176	-	576	2,949,752
<b>Result</b>				
Operating income (loss)	462,751	34,011	(5,463)	491,299
Interest income (expense) and other				
financing cost - net	(90,430)	676	(85,341)	(175,095)
Equity in net income (loss) of investees - net	5,618	-	(27,806)	(22,188)
Income Tax benefit (expense) - net	82,484	(1,398)	(6,953)	74,133
Other income (charges) - net	(444,258)	(20,897)	100,569	(364,586)
<b>Income (loss) before minority interest and effect of pro forma adjustments</b>	<b>16,165</b>	<b>12,392</b>	<b>(24,994)</b>	<b>3,563</b>
<b>Other Information</b>				
Segment assets	9,304,596	165,563	3,162,578	12,632,737
Elimination of inter-segment liabilities	(551,271)	-	(2,280,737)	(2,832,008)
<b>Net</b>	<b>8,753,325</b>	<b>165,563</b>	<b>881,841</b>	<b>9,800,729</b>
Segment liabilities	6,254,292	54,278	3,147,896	9,456,466
Elimination of inter-segment liabilities	(2,209,764)	(555)	(596,620)	(2,806,939)
<b>Net</b>	<b>4,044,528</b>	<b>53,723</b>	<b>2,551,276</b>	<b>6,649,527</b>
Capital expenditures	491,092	22,220	19,630	532,942
Depreciation and amortization	356,996	46,967	(15,407)	388,556
Net cash provided by (used in):				
- Operating activities	707,781	47,769	(2,476)	753,074
- Investing activities	(1,908,539)	(21,587)	(19,981)	(1,950,107)
- Financing activities	257,480	(9,831)	(72,358)	175,291

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**36. SEGMENT INFORMATION (continued)**

Consolidated information by geographical segment as secondary segment follows:

	Major Segments		Segment Total
	Retail Business	Others	
<b>2009</b>			
Sales from Direct Purchase and Other			
Trade Revenue			
External Sales:			
Jabotabek	3,067,305	157,943	3,225,248
Outside Jabotabek	5,319,959	213,512	5,533,471
<b>Total</b>	<b>8,387,264</b>	<b>371,455</b>	<b>8,758,719</b>
Consignment Sales:			
Jabotabek	1,750,369	5,128	1,755,497
Outside Jabotabek	3,272,120	317	3,272,437
<b>Total</b>	<b>5,022,489</b>	<b>5,445</b>	<b>5,027,934</b>
Cost of Consignment Sales:			
Jabotabek	1,225,757	3,779	1,229,536
Outside Jabotabek	2,276,425	235	2,276,660
<b>Total</b>	<b>3,502,182</b>	<b>4,014</b>	<b>3,506,196</b>
<b>2008</b>			
Sales from Direct Purchase and Other			
Trade Revenue			
External Sales:			
Jabotabek	2,800,183	136,385	2,936,568
Outside Jabotabek	4,583,445	218,472	4,801,917
<b>Total</b>	<b>7,383,628</b>	<b>354,857</b>	<b>7,738,485</b>
Consignment Sales:			
Jabotabek	1,448,339	737	1,449,076
Outside Jabotabek	2,789,809	-	2,789,809
<b>Total</b>	<b>4,238,148</b>	<b>737</b>	<b>4,238,885</b>
Cost of Consignment Sales:			
Jabotabek	1,014,030	576	1,014,606
Outside Jabotabek	1,935,146	-	1,935,146
<b>Total</b>	<b>2,949,176</b>	<b>576</b>	<b>2,949,752</b>

**37. RECENT ECONOMIC CONDITIONS**

The operations of the Companies may be affected by future economic conditions in Indonesia that may contribute to volatility in currency values and negatively impact economic growth. Economic improvements and sustained recovery are dependent upon several factors, such as fiscal and monetary actions being undertaken by the Government and others, actions that are beyond the control of the Companies.



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**38. SUBSEQUENT EVENTS**

- a. On January 11, 2010, the Company paid partially the outstanding bank loan from PT Bank Danamon Indonesia Tbk ("Danamon") amounting to Rp50,000 and on January 21, 2010, the Company paid the remain outstanding bank loan amounting to Rp185,000. On February 25, 2010, the Company drew down all of the loan facility from Danamon amounting to Rp235,000 which was fully repaid on March 4, 2010 (Note 20).
- b. On January 12, 2010, the Company fully repaid the outstanding bank loan from PT Bank Mizuho Indonesia amounting to Rp200,000 (Note 20).
- c. On January 13, 2010, PT Matahari Department Store Tbk ("PT MDS"), a Subsidiary, has signed a Binding Sales Purchase Agreement to transfer all of the stock ownership in PT Asri Agungpermai ("PT AAP") at the selling price of Rp12.50.

On February 17, 2010, the transfer process of the stock ownership in PT AAP had been completed.

- d. On January 14, 2010, the Company obtained a revolving working capital loan facility amounting to USD30,000 from Bank of China Limited, Jakarta Branch. The loan facility is available up to January 14, 2012.
- e. On January 18, 2010, the Company has received submission notice of memory for judicial review on the Supreme Court's decision in connection with lease rights in Bogor Internusa Plaza. Furthermore, the Company will propose and apply a contra memory for judicial review (Note 35).
- f. On January 22, 2010, the Company has signed an amendment for Service Agreement for Retail Based Information Technology System with PT MDS, which revise the agreement that has been signed in November 2009 (Note 35).
- g. On January 23, 2010, the Company and Meadow Asia Company Limited ("MAC"), a subsidiary of CVC Capital Partners ("CVC"), have signed a binding Sale and Purchase Agreement ("SPA") in relation to, among other, the plan to sell a total of 2,648,220,000 series C shares of PT MDS, owned by Company, which represent 90.76% of total shares issued and fully paid in PT MDS, with the selling price of Rp2,705.33 (in full amount) per share, to MAC or a subsidiary of MAC.

In addition, on the same date, the Company, MAC and Meadow Asia Holdings Limited, a subsidiary of CVC, have signed a Shareholders' Agreement ("SHA") in connection with, among other, the arrangements in managing MAC and its subsidiaries.

On February 2, 2010, the Company has published Disclosure of Information to Stockholders regarding the Proposed Transaction that has been arranged in the SPA and SHA. Then, on March 23, 2010, the Company has published Additional and/or Revision of Disclosure of Information.

On February 25, 2010, the Company has signed Seller SPV Nomination Letter in connection with the appointment of the Company to PT Matahari Pacific, a wholly-owned subsidiary, to act as the party that receive the stocks and warrants that will be issued by MAC and as the party that give receivable to PT Meadow Indonesia (a subsidiary of MAC, which was appointed as buyer) based on Seller Loan Agreement as arranged in the SPA.

To fulfill the request of BAPEPAM-LK, on March 5, 2010, the Company has presented a public expose in regard with the Proposed Transaction.

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**38. SUBSEQUENT EVENTS (continued)**

The approval for the Proposed Transaction has been obtained from independent stockholder at the Company's Stockholders Extraordinary Meeting, which was held on March 26, 2010.

- h. On March 25, 2010, the Company fully repaid the outstanding bank loan from PT Bank Permata Tbk (Note 20).
- i. On March 26, 2010, the exchange rates (in full amounts) were Rp9,136 to USD1 and Rp6,497 to SGD1 while on December 31, 2009, the rates were Rp9,400 to USD1 and Rp6,699 to SGD1. On the basis of the rates on March 26, 2010, the Company recognized foreign exchange gain amounting to approximately Rp40,062 on its net foreign currency liabilities as of December 31, 2009.

**39. REVISED PSAK**

The Financial Accounting Standard Board - Indonesian Institute of Accountants has issued the following revised financial accounting standards which might has an impact on the Company's consolidated financial statements as follows:

- 1. Applicable for the financial statements covering periods beginning on or after January 1, 2010:
  - PSAK 50 (Revised 2006) : Financial Instruments: Presentation and Disclosure
  - PSAK 55 (Revised 2006) : Financial Instruments: Recognition and Measurement
  - PSAK 26 (Revised 2008) : Borrowing Cost
- 2. Applicable for the financial statements covering periods beginning on or after January 1, 2011:
  - PSAK 1 (Revised 2009): Presentation of Financial Statements
  - PSAK 2 (Revised 2009): Statement of Cash Flows
  - PSAK 4 (Revised 2009): Consolidated and Separate Financial Statements
  - PSAK 5 (Revised 2009): Operating Segments
  - PSAK 12 (Revised 2009): Interests in Joint Ventures
  - PSAK 15 (Revised 2009): Investment in Associates
  - PSAK 25 (Revised 2009): Accounting Policies, Changes in Accounting Estimates, and Errors
  - PSAK 48 (Revised 2009): Impairments of Assets
  - PSAK 57 (Revised 2009): Provisions, Contingent Liabilities, and Contingent Assets
  - PSAK 58 (Revised 2009): Non-current Assets Held for Sale and Discontinued Operations

The Companies have not adopted early any of these PSAKs. The Companies are currently evaluating them and have not yet determined the related effects on the consolidated financial statements.

**40. COMPLETION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The management of the Company is responsible for the preparation of the consolidated financial statements that were completed on March 26, 2010.