

PT BAJAJ AUTO INDONESIA

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2010 AND 2009**

AND INDEPENDENT AUDITORS' REPORT

PT BAJAJ AUTO INDONESIA
TABLE OF CONTENTS

The financial statements have been prepared in Indonesian Rupiah. Also the audit report is based on figures in Indonesian Rupiah. For the purpose of user, the financial statements and notes as on 31 March 2010 & 2009 have been converted in Indian Rupees at following exchange rates as on 31 March 2010.

1 USD = Indonesian Rupiah 9115
1 USD = Rs. 44.90

Hence, Re. 1 = Indonesian Rupiah 203.01

Page

DIRECTORS' STATEMENT LETTER

INDEPENDENT AUDITORS' REPORT

1

FINANCIAL STATEMENTS – As of March 31, 2010 and 2009
and for the years then ended

Balance Sheets

2

Statements of Income

4

Statements of Changes in Equity

5

Statements of Cash Flows

6

Notes to Financial Statements

7

**DIRECTORS' STATEMENT LETTER
RELATING TO THE RESPONSIBILITY FOR
THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2010
PT BAJAJ AUTO INDONESIA**

We, the undersigned:

- | | | | |
|----|-------------------------------|---|--|
| 1. | Name | : | K. S. GRIHAPATHY |
| | Office address | : | Menara Imperium
29th Floor, Jl. HR Rasuna Said Kav 1
Jakarta Selatan 12980, Indonesia |
| | Domicile as stated in ID Card | : | ZC1JE 5664-G
Puri Casablanca Residence
D-Tower, Room 05-07
Jl. Puri Casablanca No. 1
Jakarta Selatan, Indonesia |
| | Phone number | : | (021) 8281787 |
| | Position | : | President Director |
| 2. | Name | : | S. VIJAYARAGHAVAN |
| | Office address | : | Menara Imperium
29th Floor, Jl. HR Rasuna Said Kav 1
Jakarta Selatan 12980, Indonesia |
| | Domicile as stated in ID Card | : | 2C21JD 0530-G
Jl Landasan Pacu Utara Selatan
Tower B, Unit 11
Lagoon Mediterania Residences,
Kemayoran - Jakarta Pusat |
| | Phone number | : | (021) 8281787 |
| | Position | : | Director |

State that:

1. We are responsible for the preparation and presentation of the financial statements for the year ended April 16, 2010;
2. The financial statements have been prepared and presented in accordance with the accounting principles generally accepted in Indonesia;
3.
 - a. All information contained in the financial statements is complete and correct;
 - b. The financial statements do not contain misleading material information or facts, and do not omit material information and facts;
4. We are responsible for the Company's internal control system.

This statement letter is made truthfully.

Jakarta, April 16, 2010

PT BAJAJ AUTO INDONESIA

Khrisna Srinevasa Grihapathy
President Director

Srinivasan Vijayaraghavan
Director

Independent Auditors' Report

No. 1015 BAI HR S-GA

The Stockholders, Boards of Commissioners and Directors
PT Bajaj Auto Indonesia

We have audited the accompanying balance sheets of PT Bajaj Auto Indonesia as of March 31, 2010 and 2009 and the related statements of income, changes in equity (capital deficiency), and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

HANDOKO & SUPARMUN
Business License No. 204/KM.6/2003

Herman, SE, Ak., MSi, CPA, BKP.
License No. 08.1.1017

April 16, 2010

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

PT BAJAJ AUTO INDONESIA
BALANCE SHEETS
MARCH 31, 2010 AND 2009

	Notes	2010 Rp	2009 Rp	2010 (Rs. in Million)	2009 (Rs. in Million)
ASSETS					
CURRENT ASSETS					
Cash on hand and cash in banks	3	8,727,837,666	11,161,421,214	43.0	55.0
Trade accounts receivable	2d	2,890,941,527	1,117,997,304	14.2	5.5
Inventories	2e,4	26,286,523,204	88,121,308,001	129.5	434.1
Prepaid taxes	2i,6a	18,514,106,052	22,431,804,764	91.2	110.5
Prepaid expenses and advances	2f	1,557,903,005	12,534,962,925	7.7	61.7
Total Current Assets		57,977,311,454	135,367,494,208	285.6	666.8
NONCURRENT ASSETS					
Deferred tax assets	2i,6d	68,652,789,456	60,163,859,495	338.2	296.4
Property, plant and equipment - net of accumulated depreciation of Rp 5,075,510,083 in 2010 and Rp 3,374,808,340 in 2009	2g,7	7,618,149,241	9,325,742,270	37.5	45.9
Security deposit		828,650,231	723,960,199	4.1	3.6
Total Noncurrent Assets		77,099,588,928	70,213,581,964	379.8	345.9
TOTAL ASSETS		135,076,900,382	205,581,076,172	665.4	1,012.7

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

PT BAJAJ AUTO INDONESIA
BALANCE SHEET
MARCH 31, 2010 AND 2009 (Continued)

	Notes	2010 Rp	2009 Rp	2010 (Rs. In Million)	2009 (Rs. In Million)
LIABILITIES AND EQUITY (CAPITAL DEFICIENCY)					
CURRENT LIABILITIES					
Bank loan	8	45,575,000,000	57,875,000,000	224.5	285.1
Trade accounts payable	2c,2h,5d,9				
Related parties		4,777,348,399	193,986,146,370	23.5	955.5
Third parties		933,997,276	10,087,226,204	4.6	49.7
Other accounts payable		2,149,511,025	2,524,290,353	10.6	12.5
Taxes payable	2l,6b	1,576,778,296	1,238,143,226	7.8	6.1
Accrued expenses		6,367,012,102	9,224,641,763	31.4	45.4
Total Current Liabilities		61,379,647,098	274,935,447,916	302.4	1,354.3
NONCURRENT LIABILITY					
Post-employment benefits obligation	2i,10	1,559,390,210	1,144,609,695	7.7	5.6
EQUITY (CAPITAL DEFICIENCY)					
Capital stock - US\$ 100 (Rp 935,500) par value per share					
Authorized, subscribed and paid-up - 295,000 shares					
in 2010 and 125,000 shares in 2009	11	275,972,500,000	116,937,500,000	1,359.4	576.0
Foreign exchange difference on paid-up capital	11	6,508,187,500	(2,552,812,500)	32.0	(12.5)
Deficit		(210,342,824,426)	(184,883,668,939)	(1,036.1)	(910.7)
Total Equity (Capital Deficiency)		72,137,863,074	(70,498,981,439)	355.3	(347.2)
TOTAL LIABILITIES AND EQUITY (CAPITAL DEFICIENCY)		135,076,900,382	205,581,076,172	665.4	1,012.7

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

PT BAJAJ AUTO INDONESIA
 STATEMENTS OF INCOME
 FOR THE YEARS ENDED MARCH 31, 2010 AND 2009

	Notes	2010 Rp	2009 Rp	2010 (Rs. In Million)	2009 (Rs. In Million)
NET SALES	2k,5b,12	141,123,956,209	229,109,230,631	695.2	1,128.6
COST OF GOODS SOLD	2c,2k,5c,13	148,707,305,590	226,267,577,750	732.5	1,114.6
GROSS PROFIT (LOSS)		(7,583,349,381)	2,841,652,881	(37.3)	14.0
OPERATING EXPENSES	2k,14				
Selling		33,357,718,921	59,703,141,575	164.3	294.1
General and administrative		26,294,794,548	28,220,351,302	129.5	139.0
Total Operating Expenses		59,652,513,469	87,923,492,877	293.8	433.1
LOSS FROM OPERATIONS		(67,235,862,850)	(85,081,839,996)	(331.1)	(419.1)
OTHER INCOME (CHARGES)					
Interest income		43,591,466	331,327,397	0.2	1.6
Gain (loss) on sale of property, plant and equipments		90,884,791	(2,487,215)	0.4	-
Interest expense and financial charges		(7,851,451,132)	(14,663,502,055)	(38.7)	(72.3)
Gain (loss) on foreign exchange - net	2b	39,384,116,115	(38,197,857,125)	194.0	(188.2)
Others		1,620,636,162	746,076,650	8.0	3.7
Other Income (Charges) - Net		33,287,777,402	(51,806,442,348)	163.9	(255.2)
LOSS BEFORE TAX		(33,948,085,448)	(136,888,282,344)	(167.2)	(674.3)
TAX BENEFIT	2f,6				
Current tax		-	-	-	-
Deferred tax		8,488,929,961	27,782,556,889	41.8	136.9
Total Tax Benefit		8,488,929,961	27,782,556,889	41.8	136.9
NET LOSS		(25,459,155,487)	(109,105,725,455)	(125.4)	(537.4)

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

PT BAJAJ AUTO INDONESIA
STATEMENTS OF CHANGES IN EQUITY (CAPITAL DEFICIENCY)
FOR THE YEARS ENDED MARCH 31, 2010 AND 2009

	Paid-up capital stock Rp	Foreign exchange difference on paid-up capital Rp	Deficit Rp	Total equity (capital deficiency) Rp	Total equity (capital deficiency) (Rs. In Million)
Balance as of April 1, 2008	116,937,500,000	(2,552,812,500)	(75,777,943,484)	38,606,744,016	190.2
Net loss for the year	-	-	(109,105,725,455)	(109,105,725,455)	(537.4)
Balance as of March 31, 2009	116,937,500,000	(2,552,812,500)	(184,883,668,939)	(70,498,981,439)	(347.2)
Paid up capital	159,035,000,000	9,061,000,000	-	168,096,000,000	827.9
Net loss for the year	-	-	(25,459,155,487)	(25,459,155,487)	(125.4)
Balance as of March 31, 2010	275,972,500,000	6,508,187,500	(210,342,824,426)	72,137,863,074	355.3

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

PT BAJAJ AUTO INDONESIA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2010 AND 2009

	2010 Rp	2009 Rp	2010 (Rs. In Million)	2009 (Rs. In Million)
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	139,351,011,986	228,743,080,284	686.4	1,126.8
Cash paid to suppliers and employees	(288,120,256,904)	(253,327,694,457)	(1,419.2)	(1,247.9)
Interest paid	(7,851,451,132)	(14,683,502,055)	(38.7)	(72.3)
Income tax paid	(1,417,634,262)	(5,736,027,080)	(7.0)	(28.3)
Net Cash Used in Operating Activities	<u>(158,038,330,312)</u>	<u>(45,004,143,308)</u>	<u>(778.5)</u>	<u>(221.7)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	43,591,466	331,327,397	0.2	1.6
Proceeds from sale of fixed assets	605,454,544	334,090,909	3.0	1.6
Acquisition of property, plant and equipment	(735,629,214)	(726,952,211)	(3.6)	(3.6)
Increase in deposit	(104,670,032)	(114,592,150)	(0.5)	(0.6)
Net Cash Used in Investing Activities	<u>(191,253,236)</u>	<u>(176,126,055)</u>	<u>(0.9)</u>	<u>(1.0)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from bank loan	(12,300,000,000)	30,224,000,000	(60.6)	148.9
Paid up capital	159,035,000,000	-	783.4	-
Foreign exchange difference on paid-up capital	9,061,000,000	-	44.6	-
Net Cash Provided by Financing Activities	<u>155,796,000,000</u>	<u>30,224,000,000</u>	<u>767.4</u>	<u>148.9</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,433,583,548)	(14,956,269,363)	(12.0)	(73.8)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,161,421,214	26,117,690,577	55.0	128.8
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>8,727,837,666</u>	<u>11,161,421,214</u>	<u>43.0</u>	<u>55.0</u>

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

PT BAJAJ AUTO INDONESIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2010 AND 2009

1. GENERAL

PT Bajaj Auto Indonesia (the Company) was established within the framework of the Foreign Capital Investment Law No. 1 year 1967 as amended by Law No. 11 year 1970, based on notarial deed No. 9 dated July 3, 2006 of Sutjipto, S.H., M.Kn., notary public in Jakarta. The deed of establishment has been approved by the Minister of Law and Human Rights of the Republic of Indonesia with decision letter No. C-22753 HT.01.01.TH.2006 dated August 3, 2006, and was published in State Gazette No. 83 dated October 17, 2006, Supplement No. 11137. Based on Decision Letter No. 631/I/PMA/2006, Project Code No. 3591/5030-31/32-19262 dated June 8, 2006 and No. 1119/III/PMA/08 dated July 10, 2008, the Company obtained approval for foreign investment from Foreign Investment Coordinating Board (BKPM). The article No.9 of the Deed of Establishment has been changed based on notarial deed No. 2, regarding the value of shares transfer, and notarial deed No.3, regarding the shares transfer between shareholders, both dated December 3, 2007 of Sutjipto, S.H., notary in Jakarta. The Company has obtained the approval from Foreign Investment Coordinating Board (BKPM) regarding the shares transfer between shareholders as stated in the letter No. 1189/III/PMA/2007 dated August 16, 2007. The latest amendment by notarial deed No. 15 dated August 12, 2009 of Mala Mukti, S.H., LLM, notary in Jakarta concerning the increase in paid in capital. The amendment were approved by the Minister of Law and Human Rights of Republic of Indonesia in the Letter No. AHU.42315.AH.01.02.Tahun 2009 dated August 28, 2009. The Company has obtained the approval from Foreign Investment Coordinating Board (BKPM) regarding increase in paid in capital as stated in the letter No. 991/III/PMA/2009 dated July 30, 2009.

The Company is domiciled in Menara Imperium 12X FI, Jalan H.R. Rasuna Said Kav 1, Jakarta and its plant is located in Lippo Cikarang, Jalan Angsana Raya Block A9 No. 8 Delta Silicon I Industrial Park, Bekasi 17550, West Java.

In accordance with article 3 of the Company's articles of association, the scope of its activities is to engage in the trading and manufacturing of two wheelers, three wheelers and spare parts thereof. The Company started commercial operations in 2006.

The Company's management as of March 31, 2010 and 2009 consist of the following:

President Commissioner	:	Rakesh Sharma
Commissioners	:	Kevin D'sa Teguh Boentoro
President Director	:	Khrisna Srinevasa Grihapathy
Directors	:	Srinivasan Vijayaraghavan Krishnan Sampath Kumar

The Company had total number of employees of 38 in 2010 and 42 in 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Statement Presentation

The financial statements have been prepared by using accounting principles and reporting practices generally accepted in Indonesia. Such financial statements are an English translation of the company's statutory report in Indonesia, and are not intended to present financial position and results of operations, changes in equity, and cash flows in accordance with accounting principles and reporting practices generally accepted in other countries and jurisdictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Financial Statement Presentation (Continued)

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

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

b. Foreign Currency Transactions and Translation

The books of accounts of the Company are maintained in Indonesian Rupiah. Transactions during the year involving foreign currencies are recorded at the rates of exchange prevailing at the time the transactions are made. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the rates of exchange prevailing at that date. The resulting gains or losses are credited or charged to current operations.

c. Transaction with Related Parties

Related parties consist of the following:

- 1) companies that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company (including holding companies, subsidiaries and fellow subsidiaries);
- 2) associated companies;
- 3) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company, and close members of the family of any such individuals (close members of the family are those who can influence or can be influenced by such individuals in their transactions with the Company);
- 4) key management personnel who have the authority and responsibility for planning, directing and controlling the Company's activities, including commissioners, directors and managers of the Company and close members of their families; and
- 5) companies in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (3) or (4) or over which such a person is able to exercise significant influence. This includes companies owned by commissioners, directors or major stockholders of the Company and companies which have a common key member of management as the Company.

All transactions with related parties, whether or not made at similar terms and conditions as those done with third parties, are disclosed in the financial statements.

d. Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided based on a review of the status of the individual receivable accounts at the end of the year.

e. Inventories

Inventories are stated at cost or net realizable value, whichever is lower. Cost of vehicles and spare parts are determined using the moving weighted average method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Prepaid Expenses

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

g. Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

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

	<u>Years</u>
Machinery	8
Computer and data processing equipment	4
Factory equipment	8
Home and office appliance	4
Transportation equipment	4 - 8

When the carrying amount of an asset exceeds its estimated recoverable amount, the asset is written down to its estimated recoverable amount, which is determined as the higher of net selling price or value in use.

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

h. Trade Accounts Payable

Trade accounts payable are stated at nominal values.

i. Post-Employment Benefits

The Company recognized the estimated liabilities for employees' benefits in accordance with Labor Law No. 13/2003 dated March 25, 2003.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Impairment of Assets

An assessment by management of the asset value is made at each balance sheet date to determine whether there is any indication of impairment of any asset and possible writedown to its recoverable amount whenever events or changes in circumstances indicate that the asset value is impaired.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An asset's recoverable amount is computed as the higher of the asset's value in use and its net selling price. On the other hand, a reversal of an impairment loss is recognized whenever there is an indication that the asset is not impaired anymore.

The amount of impairment loss (reversal of impairment loss) is charged to (credited in) current year's operations.

k. Revenue and Expense Recognition

Sales are recognized when the goods are delivered and title has passed. Expenses are recognized when incurred.

l. Income Tax

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

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

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

Deferred tax assets and liabilities are offset in the balance sheet, except if these are for different legal entities, in the same manner the current tax assets and liabilities are presented.

Amendments to tax obligation are recorded when an assessment is received or, if appealed against by the Company and its subsidiaries, when the result of the appeal is determined.

m. Use of Estimates

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

PT BAJAJ AUTO INDONESIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2010 AND 2009 (Continued)

3. CASH ON HAND AND IN BANKS

	2010 Rp	2009 Rp	2010 (Rs. Mn.)	2009 (Rs. Mn.)
Cash on hand - Rupiah	35,572,817	37,608,827	0.2	0.2
Cash in banks				
Citibank N.A.	7,678,719,456	8,108,885,671	37.9	39.9
PT Bank Central Asia Tbk	980,256,350	1,744,959,899	4.8	8.6
PT Bank Danamon Indonesia Tbk	26,921,851	1,257,478,086	0.1	6.2
ABN Amro Bank N.V.	6,367,192	12,488,731	-	0.1
Subtotal	8,692,264,849	11,123,812,387	42.8	54.8
Total	8,727,837,666	11,161,421,214	43.0	55.0

By Currency

	2010 Rp	2009 Rp	2010 (Rs. Mn.)	2009 (Rs. Mn.)
U.S. Dollar	2,682,384,806	1,084,725,777	13.2	5.3
Rupiah	6,045,452,860	10,076,695,437	29.8	49.7
Total	8,727,837,666	11,161,421,214	43.0	55.0

4. INVENTORIES

	2010 Rp	2009 Rp	2010 (Rs. Mn.)	2009 (Rs. Mn.)
Finished goods				
Vehicles - two wheelers	17,231,398,247	53,302,200,301	85.0	262.6
Spareparts	2,353,429,779	3,675,237,453	11.6	18.1
Work in process	66,419,944	79,939,833	0.3	0.4
Goods in transit				
Vehicles - two wheelers	6,505,182,720	30,741,110,874	32.0	151.4
Spareparts	85,031,237	318,915,751	0.4	1.6
Tools	45,061,277	3,903,789	0.2	0
Total	26,286,523,204	88,121,308,001	129.5	434.1

Inventories were insured with PT Asuransi Bintang Cemerlang Tbk for Terrorism & Sabotage risk and PT Asuransi Allianz Utama Indonesia against fire, theft and other possible risks for US\$ 5,000,000 as of March 31, 2010 and US\$ 10,000,000 as of March 31, 2009. Management believes that the insurance coverage is adequate to cover possible losses.

PT BAJAJ AUTO INDONESIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2010 AND 2009 (Continued)

5. NATURE OF RELATIONSHIP AND TRANSACTIONS WITH RELATED PARTIES

a. Nature of Relationship

- Bajaj Auto Limited and Mr. Teguh Boentoro are the stockholders of the Company.
- PT Abdi Raharja is a related party wherein stockholder is the same as the stockholder of the Company.

b. Sales

Sales to PT Abdi Raharja amounting to Rp 887,534,582 (Rs. 4.3 Mn.) and Rp 7,228,750,535 (Rs. 35.6 Mn.) for the years ended March 31, 2010 and 2009 respectively and constituted approximately 0.63% in 2010 and 3.16% in 2009 of the total sales.

c. Purchases

Purchases from Bajaj Auto Limited amounting to Rp 79,369,693,998 (Rs.391.0 Mn.) and Rp 211,109,874,605 (Rs. 1,039.9 Mn.) for the years ended March 31, 2010 and 2009 respectively and constituted approximately 72% and 93.30% of the total purchases for 2010 and 2009 which, according to management, were made at normal terms and conditions as those done with third parties.

d. Accounts Payable

At balance sheets date, the liabilities for purchases from related party were presented as trade accounts payable which constituted 7.6% and 70.26% of the total liabilities as of March 31, 2010 and 2009 respectively.

6. TAXATION

a. Prepaid Taxes

	2010 Rp	2009 Rp	2010 (Rs. Mn.)	2009 (Rs. Mn.)
Income tax - Article 22	8,730,022,101	10,147,656,363	43.0	50.0
Fiscal tax	8,000,000	8,000,000	0.0	0.0
Value Added Taxes	9,776,083,951	12,276,148,401	48.2	60.5
Total	18,514,106,052	22,431,804,764	91.2	110.5

b. Taxes Payable

	2010 Rp	2009 Rp	2010 (Rs. Mn.)	2009 (Rs. Mn.)
Income taxes:				
Article 4 (2)	32,970,442	50,793,172	0.2	0.3
Article 21	118,578,585	133,058,146	0.6	0.7
Article 22	32,343,945	37,048,219	0.2	0.2
Article 23	11,514,738	45,866,861	0.1	0.2
Article 26	72,603,929	971,376,828	0.4	4.7
Import custom duty	1,308,766,657	-	6.3	-
Total	1,576,778,296	1,238,143,226	7.8	6.1

PT BAJAJ AUTO INDONESIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2010 AND 2009 (Continued)

6. TAXATION (Continued)

c. Tax Benefit

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

	2010 Rp	2009 Rp	2010 (Rs. Mn.)	2009 (Rs. Mn.)
Loss before tax per statements of income	(33,948,085,448)	(136,888,282,344)	(167.2)	(674.3)
<u>Temporary differences:</u>				
Provision for employees' benefit income	272,232,835	394,136,855	1.3	1.9
<u>Nondeductible expenses (income):</u>				
Employees' benefit in kinds:				
Residence rental	847,809,398	706,906,904	4.2	3.5
Differences between salary emoluments and employees' income tax article 21	51,633,846	350,359,812	0.3	1.7
Uniforms	34,221,400	110,180,311	0.2	0.5
Employees' residence telephone and mobilephones	87,053,866	106,493,464	0.4	0.5
Medical allowance and benefit	15,310,645	14,687,738	0.1	0.1
Bus expenses	-	900,000	-	-
Adjustment in value of inventory	(2,445,290,654)	-	(12.0)	-
Other employees benefit in kinds	408,980,833	135,061,000	2.0	0.7
Depreciation	97,175,230	135,324,276	0.5	0.7
Interest income	(43,591,466)	(331,327,397)	(0.2)	(1.6)
Miscellaneous expense	208,457,748	313,083,994	1.0	1.5
Total	(738,239,154)	1,541,670,102	(3.5)	7.6
Fiscal loss	(34,414,091,767)	(134,952,475,387)	(169.4)	(664.8)
Compensated prior year fiscal loss:				
2009	(134,952,475,387)	-	(664.8)	-
2008	(80,691,469,488)	(80,691,469,488)	(397.5)	(397.5)
Adjustment of tax decision letter for income tax 2008	1,306,457,149	575,852,391	6.4	2.8
2007	(26,303,724,090)	(26,303,724,090)	(129.6)	(129.6)
Adjustment of tax decision letter for income tax 2007	2,003,535,909	2,003,535,909	9.9	9.9
Accumulated fiscal loss	(273,051,767,674)	(239,368,280,665)	(1,345.0)	(1,179.2)

PT BAJAJ AUTO INDONESIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2010 AND 2009 (Continued)

6. TAXATION (Continued)

c. Tax Benefit (Continued)

The Company obtained Tax Decision Letter from Chief of Jakarta Tax Service Office as follows:

2010						
No.	Date	No. Tax Decision Letter	Description	Period	Over (under) payment	Over (under) payment (Rs. Mn.)
1	March 30, 2010	00200/207/08/055/10	Value added tax	April - September 2008	(64,371,526)	(0.3)
		00242/407/08/055/10	Value added tax	October 2008	4,911,427,715	24.2
2	October 5, 2009	00237/406/07/055/09	Corporate income tax	2008 (fiscal year 2007)	3,507,461,471	17.3
		00132/507/07/055/09	Value added tax	August - December 2007	Nil	
		00131/507/07/055/09	Value added tax	April - June 2007	Nil	
		00035/540/07/055/09	Income tax - article 4 (2)	2007	Nil	
		00032/501/07/055/09	Income tax - article 21	2007	Nil	
		00001/502/07/055/09	Income tax - article 22	2007	Nil	
		00023/503/07/055/09	Income tax - article 23	2007	Nil	
		00024/504/07/055/09	Income tax - article 26	2007	Nil	
3	April 23, 2009	00016/207/08/055/09	Value added tax	January - February 2008	(14,993,404)	(0.1)
		00045/207/08/055/09	Value added tax	March 2008	(2,500,325,506)	(12.3)
2009						
No.	Date	No. Tax Decision Letter	Description	Period	Over (under) payment	Over (under) payment (Rs. Mn.)
1	April 24, 2008	00080/407/07/055/08	Value added tax	July 2007	3,223,253,332	15.9
2	June 27, 2008	00233/406/06/055/08	Corporate income tax	2007 (fiscal year 2006)	1,120,101,996	5.5
		00034/540/06/055/08	Income tax - article 4 (2)	April - December 2006	Nil	
		00032/501/06/055/08	Income tax - article 21	2006	Nil	
		00018/503/06/055/08	Income tax - article 23	April - December 2006	Nil	
		00243/207/06/055/08	Value added tax	September - December 2006	(20,899,838)	(0.1)
		00003/540/07/055/08	Income tax - article 4 (2)	January - March 2007	Nil	
		00002/503/07/055/08	Income tax - article 23	January - March 2007	Nil	
		00003/504/07/055/08	Income tax - article 26	January - March 2007	Nil	
		00047/207/07/055/08	Value added tax	January - February 2007	(9,639,230)	

d. Deferred Tax

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

	April 1, 2008 Rp	Credited to loss for the year Rp	Adjustment due to change in tax rates Rp	March 31, 2009 Rp	Credited to loss for the year Rp	March 31, 2010 Rp
Deferred tax asset:						
Fiscal loss	32,113,396,450	40,485,742,616	(12,757,068,915)	59,842,070,151	8,420,871,752	68,262,941,903
Post-employment benefit	267,906,156	118,241,057	(64,357,869)	321,789,344	63,059,209	389,847,553
Total	32,381,302,606	40,603,983,673	(12,821,426,784)	60,163,859,495	8,488,929,961	68,652,789,456
	April 1, 2008 (Rs. Mn.)	Credited to loss for the year (Rs. Mn.)	Adjustment due to change in tax rates (Rs. Mn.)	March 31, 2009 (Rs. Mn.)	Credited to loss for the year (Rs. Mn.)	March 31, 2010 (Rs. Mn.)
Deferred tax asset:						
Fiscal loss	158.2	199.4	(62.8)	294.8	41.5	336.3
Post-employment benefit	1.3	0.6	(0.3)	1.6	0.3	1.9
Total	160	200.0	(63.1)	296.4	41.8	338.2

PT BAJAJ AUTO INDONESIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2010 AND 2009 (Continued)

6. TAXATION (Continued)

d. Deferred Tax (Continued)

The fiscal loss can be utilized against the taxable income for a period of five years subsequent to the year the fiscal loss was incurred. Management believes that probable future taxable profits will be available to utilize fiscal losses amounting to Rp 34,414,091,767 (Rs. 169.4 Mn.) and Rp 134,952,475,387 (Rs. 664.8 Mn.) as of March 31, 2010 and 2009, respectively. Hence, deferred tax of Rp 8,488,929,961 (Rs. 41.8 Mn.) and Rp 27,782,556,889 (Rs. 136.9 Mn.) as for year 2010 and 2009, respectively, was recognized on such fiscal losses.

Based on Law No. 36/2008 the amendment of Tax Law No. 7/1983 on income taxes, the new corporate tax rate is set at flat rate of 28% effective from January 1, 2009 and 25% effective from January 1, 2010. Accordingly, deferred tax assets and liabilities has been adjusted to the tax rates that are expected to apply in the period when the asset is realized or liability is settled, based on the tax rates that will be enacted.

7. PROPERTY, PLANT AND EQUIPMENT

	April 1, 2009 Rp	Additions Rp	Deductions Rp	March 31, 2010 Rp	March 31, 2010 (Rs. Mn.)
At cost:					
Machinery	5,712,672,564	84,486,986	-	5,797,159,550	28.5
Computer and data processing equipment	1,382,066,832	75,578,538	-	1,457,645,370	7.2
Factory equipment	1,379,767,178	80,589,791	-	1,460,356,969	7.2
Home and office appliances	655,666,426	393,914,927	-	1,049,581,353	5.2
Transportation equipment	2,441,701,732	101,058,972	742,520,500	1,800,240,204	8.9
Electric Installations	1,128,675,878	-	-	1,128,675,878	5.6
Total	12,700,550,610	735,629,214	742,520,500	12,693,659,324	62.6
Accumulated depreciation:					
Machinery	1,335,322,931	715,844,218	-	2,051,167,149	10.2
Computer and data processing equipment	625,134,239	358,527,603	-	983,661,842	4.8
Factory equipment	291,200,741	189,696,809	-	480,897,550	2.4
Home and office appliances	201,725,840	177,551,952	-	379,277,792	1.9
Transportation equipment	671,666,856	345,947,423	227,950,747	789,663,532	3.9
Electric Installations	249,757,733	141,084,485	-	390,842,218	1.9
Total	3,374,808,340	1,928,652,490	227,950,747	5,075,510,083	25.1
Net Book Value	9,325,742,270			7,618,149,241	37.5

PT BAJAJ AUTO INDONESIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2010 AND 2009 (Continued)

	April 1, 2008 Rp	Additions Rp	Deductions Rp	March 31, 2009 Rp	March 31, 2009 (Rs. Mn.)
At cost:					
Machinery	5,678,175,211	34,497,353	-	5,712,672,564	28.1
Computer and data processing equipment	1,253,523,371	128,543,461	-	1,382,066,832	6.8
Factory equipment	1,135,951,715	243,815,463	-	1,379,767,178	6.8
Home and office appliances	530,779,976	124,886,450	-	655,666,426	3.2
Transportation equipment	2,745,106,232	193,695,500	497,100,000	2,441,701,732	12.0
Electric Installations	1,127,161,894	1,513,984	-	1,128,675,878	5.6
Total	12,470,698,399	726,952,211	497,100,000	12,700,550,610	62.5
Accumulated depreciation:					
Machinery	624,832,331	710,490,600	-	1,335,322,931	6.6
Computer and data processing equipment	290,680,960	334,453,279	-	625,134,239	3.1
Factory equipment	129,840,609	161,360,132	-	291,200,741	1.4
Home and office appliances	77,185,607	124,540,233	-	201,725,840	1.0
Transportation equipment	412,135,300	420,053,432	160,521,876	671,666,856	3.3
Electric Installations	108,830,954	140,926,779	-	249,757,733	1.2
Total	1,643,505,761	1,891,824,455	160,521,876	3,374,808,340	16.6
Net Book Value	10,827,192,638			9,325,742,270	45.9

Depreciation charges to operation amounting to Rp 1,928,652,490 (Rs. 9.5 Mn.) for 2010 and Rp 1,891,824,455 (Rs. 9.3 Mn.) for 2009.

Property, plant and equipment were insured against theft and other possible risks as follows:

	2010			2009		
	US\$	Rp	Rs. Mn.	US\$	Rp	Rs. Mn.
PT Asuransi Allianz Utama Indonesia	<u>1,493,102</u>	<u>214,385,492</u>	<u>1.1</u>	<u>1,494,119</u>	<u>270,792,900</u>	<u>1.3</u>

Management believes that the insurance coverage is adequate to cover possible losses on the assets insured.

8. BANK LOAN

	2010 Rp	2009 Rp	2010 (Rs. Mn.)	2009 (Rs. Mn.)
Citibank N.A.	27,345,000,000	34,725,000,000	134.7	171.1
ABN Amro Bank N.V.	18,230,000,000	23,150,000,000	89.8	114.0
Total	45,575,000,000	57,875,000,000	224.5	285.1

On April 6, 2010, the Company obtained a Short Term Loan - Uncommitted from ABN Amro Bank N.V., Indonesia Branch with maximum credit amounting to USD 2,000,000. This loan will be due on April 6, 2011.

The facilities were guaranteed with Inter Branch Guarantee from ABN Amro Bank N.V., India Branch for the amount of USD 2,000,000 plus interest and cost valid UFN.

On July 24, 2009, the Company obtained an extension on a revolving credit from Citibank N.A., Indonesia Branch with maximum credit amounting to USD 3,000,000. This loan will be due on July 23, 2010.

This agreement also includes the Company certain limitations from carrying out certain transactions without an approval from the bank during the period of the credit facility.

PT BAJAJ AUTO INDONESIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2010 AND 2009 (Continued)

9. TRADE ACCOUNTS PAYABLE

By Creditors

	2010 Rp	2009 Rp	2010 (Rs. Mn.)	2009 (Rs. Mn.)
Related parties (Note 5)	4,777,348,399	193,986,146,370	23.5	955.5
Third parties				
TLG India Private Limited	642,510,814	-	3.2	-
PT Indolima Perkasa	99,728,856	-	0.5	-
PT Cepat Jaya Utama	-	154,723,900	-	0.8
PT Johor Panca Agro	-	137,940,000	-	0.7
Others	191,757,606	9,794,562,304	0.9	48.2
Subtotal	933,997,276	10,087,226,204	4.6	49.7
Total Trade Accounts Payable	5,711,345,675	204,073,372,574	28.1	1,005.2

By Currencies

	2010 Rp	2009 Rp	2010 (Rs. Mn.)	2009 (Rs. Mn.)
U.S. Dollar	138,411,913	193,986,146,370	0.7	955.5
Rupiah	5,572,933,762	10,087,226,204	27.4	49.7
Total	5,711,345,675	204,073,372,574	28.1	1,005.2

10. POST-EMPLOYMENT BENEFITS

The Company provides defined post-employment benefits for all its local permanent employees based on the Labor Law No. 13 Year 2003 concerning the settlement of labor dismissal and the stipulation of severance pay, gratuity, and compensation in companies.

The principal assumptions used by PT Dian Artha Tama, an independent actuary, in determining the benefits cost at balance sheet date were as follows:

- Mortality : Indonesia II
- Normal pension age : 55 years
- Salary increase : 10%
- Discount rate : 10% in 2010 and 12% in 2009
- Employee benefit formula : Projected Unit Credit

The details of employees' benefit income were as follows:

	2010 Rp	2009 Rp	2010 (Rs. Mn.)	2009 (Rs. Mn.)
Current service cost	466,619,569	305,441,648	2.3	1.5
Interest expense	69,292,389	91,578,114	0.3	0.4
Actuary correction for beginning balance	(21,557,543)	(2,882,907)	(0.1)	-
Total retirement income for the year	514,354,415	394,136,855	2.5	1.9

PT BAJAJ AUTO INDONESIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2010 AND 2009 (Continued)

10. POST-EMPLOYMENT BENEFITS (Continued)

An analysis of employees' benefit obligation is as follows:

	2010 Rp	2009 Rp	2010 (Rs. Mn.)	2009 (Rs. Mn.)
Beginning balance	1,144,609,695	893,020,520	5.6	4.4
Retirement income for the year	514,354,415	394,136,855	2.5	1.9
Payment for the year	(99,573,900)	(142,547,680)	(0.4)	(0.7)
Ending balance	1,559,390,210	1,144,609,695	7.7	5.6

11. CAPITAL STOCK

Name of Stockholder	Series	Number of Shares	Percentage of Ownership	2010		
				Total Paid-up Capital		Rs. Mn.
				US\$	Rp	
Bajaj Auto Limited	A	288,750	97.88%	28,875,000	270,125,625,000	1,330.6
	B	3,125	1.06%	312,500	2,923,437,500	14.4
		291,875	98.94%	29,187,500	273,049,062,500	1,345.0
Teguh Boentoro	B	3,125	1.06%	312,500	2,923,437,500	14.4
Total		295,000	100.00%	29,500,000	275,972,500,000	1,359.4

Name of Stockholder	Series	Number of Shares	Percentage of Ownership	2009		
				Total Paid-up Capital		Rs. Mn.
				US\$	Rp	
Bajaj Auto Limited	A	118,750	95.00%	11,875,000	111,090,625,000	547.2
	B	3,125	2.50%	312,500	2,923,437,500	14.4
		121,875	97.50%	12,187,500	114,014,062,500	561.6
Teguh Boentoro	B	3,125	2.50%	312,500	2,923,437,500	14.4
Total		125,000	100.00%	12,500,000	116,937,500,000	576.0

Based on Notarial deed No. 15 dated August 12, 2009 of Mala Mukti, S.H., LLM, notary in Jakarta, the Company's stockholders approved the increase its paid in capital from US\$ 12,500,000 equivalents Rp 116,937,500,000 (Rs. 576.0 Mn) to US\$ 29,500,000 equivalent Rp 275,972,500,000 (Rs. 1,359.4 Mn.) at US\$ 100 equivalent Rp 935,500 per share. This amendment was approved by the Minister of Law and Human Rights of Republic of Indonesia in the Letter No. AHU.42315.AH.01.02.Tahun 2009 dated August 28, 2009.

The balance of foreign exchange difference on paid-up capital represents funds received by the Company short of the par value of shares issued, as a result of differences in exchange rates between the rate used in the Articles of Association and the actual rate ruling on the date the foreign currency capital was contributed by the shareholders.

PT BAJAJ AUTO INDONESIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2010 AND 2009 (Continued)

12. NET SALES

	2010	2009	2010	2009
	Rp	Rp	(Rs. Mn.)	(Rs. Mn.)
Vehicles	134,334,761,238	224,434,698,423	661.8	1,105.6
Spareparts	6,584,046,393	4,242,061,949	32.4	20.9
Scrap	205,148,578	432,470,259	1.0	2.1
Net Sales	141,123,956,209	229,109,230,631	695.2	1,128.6

13. COST OF GOODS SOLD

	2010	2009	2010	2009
	Rp	Rp	(Rs. Mn.)	(Rs. Mn.)
SKD Kits for vehicles	140,820,173,223	219,278,868,136	693.7	1080.1
Spare parts	6,724,433,080	3,991,115,044	33.1	19.7
Material	728,118,313	2,407,031,543	3.6	11.9
Other consumables	434,580,974	590,563,027	2.1	2.9
Total	148,707,305,590	226,267,577,750	732.5	1,114.6

14. OPERATING EXPENSES

Selling Expenses

	2010	2009	2010	2009
	Rp	Rp	(Rs. Mn.)	(Rs. Mn.)
Advertisement	16,808,334,952	42,760,008,027	82.8	210.7
Incentive and sales promotion	9,709,973,862	6,819,256,474	47.8	33.6
Packing and forwarding	2,187,104,818	4,119,713,248	10.8	20.3
Dealer training expenses	2,012,880,074	922,026,026	9.9	4.5
Vehicles service charges	1,729,912,852	2,594,609,800	8.5	12.8
Subvention charges - other finance companies	847,550,000	1,530,000,000	4.2	7.5
Warranty	61,962,363	957,528,000	0.3	4.7
Total	33,357,718,921	59,703,141,575	164.3	294.1

PT BAJAJ AUTO INDONESIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2010 AND 2009 (Continued)

14. OPERATING EXPENSES (Continued)

General and Administrative Expenses

	2010	2009	2010	2009
	Rp	Rp	(Rs. Mn.)	(Rs. Mn.)
Staff on cost	11,695,572,372	11,394,383,852	57.6	56.1
Rental	4,090,853,678	3,850,016,156	20.2	19.0
Travelling	2,199,098,821	2,054,426,242	10.8	10.1
Depreciation	1,928,652,490	1,891,824,455	9.5	9.3
Consultancy	1,343,688,113	4,324,423,294	6.6	21.3
Welfare	1,010,048,859	398,344,170	5.0	2.0
Professional fee	631,026,547	138,900,000	3.1	0.7
Courier and communication	570,686,869	756,664,228	2.8	3.7
Repair	482,272,351	219,966,205	2.4	1.1
Data entry and others EDP	479,757,151	610,974,299	2.4	3.0
Bank charges	292,262,018	117,002,465	1.4	0.6
Power and electricity	228,226,868	239,203,258	1.1	1.2
Motor car expenses	223,911,842	332,583,103	1.1	1.6
Printing and stationery	220,207,511	308,454,564	1.1	1.5
Insurance	215,489,067	875,108,541	1.1	4.3
Training and conferences	182,538,950	117,455,200	0.9	0.6
Recruitment	145,763,089	150,206,694	0.7	0.7
Books and periodicals	27,956,000	26,017,300	0.1	0.1
Security	-	52,420,954	-	0.3
Others	326,781,952	361,976,322	1.6	1.8
Total	26,294,794,548	28,220,351,302	129.5	139.0

15. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

As of March 31, 2010 and 2009, the Company had monetary assets and liabilities in foreign currency as follows:

	2010			2009		
	Balance in US\$	Equivalent in Rp	Equivalent in (Rs. Mn.)	Balance in US\$	Equivalent in Rp	Equivalent in (Rs. Mn.)
Assets						
Cash on hand and in banks	294,282.48	2,682,384,806	13.2	93,712.81	1,084,725,777	5.3
Liabilities						
Bank loan	5,000,000.00	45,575,000,000	224.5	5,000,000.00	57,875,000,000	285.1
Trade accounts payable	594,608.80	5,419,859,212	26.7	16,759,062.32	193,986,146,370	955.5
Total Liabilities	5,594,608.80	50,994,859,212	251.2	21,759,062.32	251,861,146,370	1,240.6
Net Liabilities	(5,300,326.32)	(48,312,474,406)	(238.0)	(21,665,349.51)	(250,776,420,593)	(1,235.3)

The conversion rate used by the Company on March 31, 2010 is Rp 9,115 to one United States Dollar and on March 31, 2009 is Rp 11,575 to one United States Dollar.

16. ECONOMIC CONDITION

Nevertheless, the management has a reasonable expectation that the Company is well placed to manage their business risks successfully.

The management will demonstrate prudence in the administration of the Company operations by continuously implementing the following measures:

- The Company assembles and markets Pulsars and XCDs in Indonesia. Both these models have been upgraded during the year. So far there are more than 38,000 satisfied customers owning bajaj motor cycles in Indonesia.
- Product portfolio will be expanded under Pulsar brand with Pulsar 135LS in the first quarter of 2010-11. Indonesia, being a light weight high acceleration step through market (*bebek*), Pulsar 135LS will be positioned competitively to upgrade from *bebek* for the thrill seeking youngsters.
- During the year sales and service showrooms have been expanded to cover 23 provinces across 7 major islands.
- In an effort to bring down the customs duties, the Company has localized some of the assembly operations. It would continue to pursue localization of sub assemblies further in 2010-11.
- With the expansion of product portfolio and increased local sub assembly operations, the Company would be in a position to reduce its losses in 2010-11.

The management believes that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Company continues to adopt the going concern basis in preparing the financial statements.

17. PROSPECTIVE ACCOUNTING PRONOUNCEMENTS

As of date of completion of the financial statements, the Indonesian Institute of Accountants has issued the following revised statement of financial accounting standards (PSAK). These standards will be applicable to financial statements as follows:

Periods beginning or after January 1, 2010

1. PSAK 26 (Revised 2008), Borrowing Cost
2. PSAK 50 (Revised 2006), Financial Instruments: Presentation and Disclosures
3. PSAK 55 (Revised 2006), Financial Instruments: Recognition and Measurement

Periods beginning or after January 1, 2011

1. PSAK 1 (revised 2009), Presentation of Financial Statements
2. PSAK 2 (revised 2009), Statements of Cash Flows
3. PSAK 25 (revised 2009), Accounting Policies, Changes in Accounting Estimates and Errors
4. PSAK 48 (revised 2009), Impairment of Assets
5. PSAK 57 (revised 2009), Provisions, Contingent Liabilities and Contingent Assets

The Company is still evaluating the effects of these revised PSAKs and have not yet determined the related effects on the financial statements.

PT BAJAJ AUTO INDONESIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2010 AND 2009 (Continued)

18. COMPLETION OF THE FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation of these financial statements that were completed on April 16, 2010.
