

Excerpt of 2004 Annual Report of PT. Summarecon Agung Tbk.

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III. About the company

Founded in November 1975, PT. Summarecon Agung Tbk (The Company) has grown to be one of the leading property and real estate concerns in Indonesia, with its most important accomplishment being the Kelapa Gading Permai – an integrated residential and commercial estate with comprehensive facilities.

Having been in business for more than 30 years, The Company stays focused, consistent, and committed to the continuous development of Kelapa Gading Permai. It now has transformed from an uncharted swamp to an advanced satellite city of 500 ha complete with infrastructure and supporting facilities, and is home for more than 300,000 people.

In 1990 The Company became a public company, listing its stock at the Jakarta Stock Exchange (BEJ) and Surabaya Stock Exchange (BES).

Today, it focuses on three major business units:

Residential (Real estate) business unit

The residential division will continue building and developing innovative, complete horizontal as well as vertical residential complexes, with robust infrastructure. In addition to Kelapa Gading Permai, The Company also develop Bukit Gading Villa, Gading Kusuma, Gading Nirwana, Gading Riviera, Gading Parkview, Royal Gading Mansion, Wisma Gading Permai Apartments, Summit Apartments, and mom-and-pop shops along the streets of Bulevar Kelapa Gading, Bulevar Kelapa Gading Barat, Bulevar Kelapa Gading Timur, Hybrida, Nias, and Raya Batavia.

The shops along Jalan Bulevar Kelapa Gading are by far the longest of its kind in Indonesia, measuring 4 kms in length.

Property-for-rent business unit

The property business unit develops and manages properties for rent, which include Kelapa Gading Mall that has expanded from the first to the third phase with 130,000 m² in area; Gading Food City, a 6700-m² family eatery; and Gading Batavia, which consists of 109 units and is based on the concept of old-time Batavia eating experience.

Others are the 42-unit Summerville Apartments, whose residents are primarily expatriates from various countries; Plaza Summarecon, an 8-storey office complex with an area of 8343 m²; Bursa Mobil 123 and Bursa Mobil AXC, buy-and-sell centers for used cars and auto parts; and at the end of 2004, La Piazza – a 20,000 m²-lifestyle center with 3 floors on a 1.6 ha land.

Recreational business unit

The Recreational business unit manages Klub Kelapa Gading, a family-oriented club with more than 1200 members featuring an assembly hall and facilities comparable to those of a 4-star hotel.

Available facilities include 10 outdoor tennis courts, 5 indoor tennis courts, 4 badminton courts, an Olympic-sized swimming pool and a children's pool, a fitness

center, 2 squash courts, table tennis, billiard, a mini basketball court, Mayang Sari Restaurant and Pandan Café, as well as 4 multi-purpose rooms.

In 1993 The Company partnered with Keris Group to further develop Gading Serpong, which is 1500 ha in area. But in mid 2004 The Company decided to withdraw from the partnership, and subsequently assumed the right to develop 364 ha of the 800 ha unexploited area through an operational partnership called Summarecon Serpong.

IV. Message from the Board of Commissioner

The success of the Indonesian government in stabilizing the economy during 2004 is clear by macroeconomic indicators, which shows that the economy continued to increase to 5.1% in 2004 from 4.55% in 2003; the decrease of 3-month interest rate of Bank Indonesia certificates (SBI) to 7.4% in 2004 from 8.3% in 2003, followed by the decrease of interest rate for investment to 14.05% last year from 17% in 2003; and the upbeat sentiment in the stock market, shown by the growth in capitalization of 48% and the increase in Jakarta Composite Index to 1000 at the end of 2004 – from 692 in the previous year.

Meanwhile, inflation rate increased from 5.1% in 2003 to 6.4% in 2004, and the Rupiah weakened from Rp. 8570/ \$US 1 in 2003 to Rp. 8985/ US\$ 1 in 2004.

However, the fiscal consolidation showed an improvement; the budget deficit continued to decrease to 1.1% of GDP in 2004, from around 2% in the previous year.

The banking sector also showed signs of recovery, although it remains vulnerable to potential crisis. The improvement is shown by the stability of capital adequacy ratio (CAR) at 19.4%, the increase in loan to deposit ratio (LDR) from 43.5 % in 2003 to 50% in 2004, and the decrease in non-performing loan (NPL) from 8.2% in 2003 to 5.8% in 2004.

In view of that, we are grateful that throughout 2004 The Company was able to improve its performance compared to that of 2003. Obviously, such achievement is the result of the commitment, hard work, and professionalism of the entire management and employees.

We would like to take this opportunity to confer our deep thanks to the dedication, loyalty, and integrity of the entire management and staff throughout 2004. We also thank our shareholders, customers, government agencies, financial-service providers, and business partners for their trust and support for The Company.

With solid business, strong financial foundation, and customers' trust of our offerings, we are positioned to repeat our success in 2005 and beyond.

The Board of Commissioners

V. Message from The Board of Directors

The Indonesia's business went through various changes and adjustments in the last 6 years. The monetary crisis had changed the approach to managing business in various industries, including the property sector. Nevertheless, we need to remain focused on Indonesia's accomplishments in the past years, especially the future business opportunities.

The Company ended the year 2004 with far more superior performance than that of 2003. Sales of Rp. 632.39 billion that was booked in 2004 grew by Rp. 140.28 billion or 28.51% of Rp. 492.11 billion in 2003. At the same time, net profit after tax in 2004 was Rp.147.01 billion – increased by Rp. 23.21 billion or 18.75% of Rp.123.80 billion in 2003.

The biggest revenue contribution was obtained from the Real estate business unit of Rp. 345.67 billion (54.66%), followed by Property-for-rent business unit – Rp. 257.70 billion (40.75%) – and the smallest from the Recreation business unit of Rp. 29.02 billion (4.59%).

During 2004 The Company successfully opened an exclusive, vertical living complex built on a loft structure – The Summit Apartments, strategically located at Sentra Kelapa Gading. At the end of the year, The Company also launched La Piazza – intended to be an icon of modern lifestyle in Jakarta.

In addition, The Company launched a horizontal residential complex based on a townhouse concept at Gading Serpong – Alexandriate Residence, which is strategically situated at Jalan Boulevard Raya, across from Sentra Summarecon Serpong.

The Company consistently maintained adequate supply of land – currently almost 530 ha at various locations, including Kelapa Gading, Gading Serpong, Bekasi, Ciketing, and Slipi. In 2004 The Company acquired additional land of 9.8 ha, located at Kelapa Gading.

Our remarkable performance during 2004 is believed to encourage and motivate us to achieve better results in the future. As it had always been in previous years, our success was the result of dedication and professionalism of entire staff, support of shareholders and all parties with vested interests.

On behalf of the Board of Directors, we thank you for your dedication and support. We are hopeful for this relationship and cooperation to improve, as we move forward to advance our business in the future to come.

The Board of Directors

VII. Report of the Audit Committee

The Audit Committee was established by the Board of Commissioners and chaired by Independent Commissioner. Its main responsibility is to ensure that The Company's operation is based on the principles of good corporate governance, by providing independent and professional opinions on reports submitted by the Board of Directors to the Board of Commissioners. It identifies all aspects that need special attention by the Board of Commissioners through:

- Examination of financial reports, projections, and other important financial information published by The Company.
- Investigation of the independence, objectivity, and adequacy of the audit performed by the public accountant, ensuring that all risks have been taken into consideration.
- Examination of the effectiveness of internal control at The Company;
- Evaluation of The Company's compliance to capital market regulations and others related to its operation.

Based on the aforementioned analyses, the Audit Committee concluded that:

1. Financial reports of The Company including balance sheet, profit/ loss statement, change of equity statement, cash flow statement, and statement as of December 31, 2004, had complied with applicable principles of accounting and were in line with The Management's actual business activities.
2. The public accountant had audited The Company's balance sheet, profit/ loss statement, change of equity statement, cash flow statement, and statement as of December 31, 2004, based on audit standards enacted by Accountants Association of Indonesia, objectively and independently

3. Internal control of The Company had been implemented effectively as an effort to secure its assets, as well as to ensure that The Management has complied with the established policies.
4. The Company's management is committed to conforming to the capital market and other regulations related to The Company, and had operated the Company professionally in line with its authority and responsibilities.

Based on the findings of the Audit Committee, there was no meaningful violation or inconsistency regarding the implementation of good corporate governance at The Company, which might have affected its performance.

The Audit Committee of PT. Summarecon Agung Tbk

VIII. Financial analysis

The Company's revenue in 2004 increased by 28.50% or Rp. 140.28 billion compared to the previous year, which was largely the result of:

- Increase in the revenue of Real Estate business unit of Rp. 97.84 billion or 39.48%, mainly generated by the increase in the sales of land - Rp. 99.14 billion or 121.83%.
- Increase in the revenue of Property-for-rent business unit of Rp. 42.71 billion or 19.81%, mainly generated by the increase in occupancy rate of Kelapa Gading Mall 3 to 99%.

55% of the revenue was contributed by the Real Estate business unit, 41% was contributed by the Property-for-rent business unit, and 4% was contributed by the Recreational business unit.

The Company's gross profit in 2004 increased by Rp. 75.1 billion or 26.50%, in comparison with that of the previous year. The increase in gross profit was similar to that of revenue, as the increase in expenses was directly related to the increase in revenue.

The percentage of gross profit to revenue is 56% for the Real Estate business unit, 60% for the Property-for-rent business unit, and 27% for the Recreational business unit.

The Company's operating expenses increased by Rp. 38 billion or 44%, compared to that of the previous year. This was mainly the result of addition of new divisions for The Summit and La Piazza, which increased operating expenses related to promotion, advertising, and employees.

Miscellaneous expenses increased by Rp. 7.8 billion or 20.6%, mainly the result of interest payments to Cinnamon Capital Limited beginning last year; and decrease in loss of consolidated subsidiaries of The Company.

The Company's net profit increased by Rp. 23.27 billion or 18.80%, compared to the previous year. This shows that The Company continuously introduces new offerings and innovates integrately to sustain its growth.