



## POLYSINDO EKA PERKASA

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## Annual Report 2004



POLYSINDO EKA PERKASA

TEXMAGO

Figure 1

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## **Company Description**

PT. Polysindo Eka Perkasa Tbk is a leading polyester manufacturer in Indonesia established in 1984. Its manufacturing capabilities span the entire polyester production chain from raw materials to end products, ensuring quality and consistency. The upstream operations up to fiber and filament yarn are located at two sites namely Karawang and Semarang and its Subsidiary Texmaco Jaya's downstream operations consisting of weaving and finishing are located at Karawang and Pemalang. Its current products include Purified Terephthalic Acid (PTA), polyester chips, staple fiber, filament yarn and fashion fabrics and performance fabrics. The Company's products are marketed domestically as well as exported to several countries worldwide.

The following is the report on the business performance of PT. Polysindo Eka Perkasa Tbk in 2003. The term "Company" used throughout the report refers to PT. Polysindo Eka Perkasa Tbk and all its subsidiaries. The term "Polysindo" refers to PT. Polysindo Eka Perkasa Tbk as a stand-alone entity, while the term "Texmaco Jaya" refers exclusively to PT. Texmaco Jaya Tbk.

## Financial Highlights

The following table sets forth the Financial highlights for the company for the years ended December 31, 2000-2004. the company's current auditors are Drs. Hendrawinata Gani & Rekan (Indonesian Member of firm of Grant Thornton International).

(in million Rupiah)

	31 <sup>st</sup> December				
	2004	2003 <sup>(2)</sup>	2002	2001	2000
Current Assets	909,390	1,094,019	1,852,064	2,156,570	1,872,446
Fixed Assets-Net	5,018,172	5,626,003	6,218,612	7,109,279	8,006,988
Total Assets	6,555,484	7,212,332	8,459,075	9,558,644	10,043,843
Liabilities	17,397,239	16,007,281	16,110,144	17,685,219	18,482,955
Equity	(10,841,755)	(8,794,950)	(7,651,069)	(8,126,575)	(8,439,111)
Net Sales	1,893,618	1,871,103	3,733,368	3,909,788	3,206,778
Gross Profit	(522,051)	(515,661)	(203,576)	(175,926)	(326,938)
Operating Profit	(819,264)	(914,102)	(721,794)	(744,391)	(700,677)
Net Income	(2,047,891)	(1,143,811)	477,401	311,707	(4,820,681)
Net Working Capital <sup>(1)</sup>	(15,992,349)	(14,415,784)	(13,689,670)	(14,922,843)	(16,260,810)
Profit per Share-Net Rp	(260)	(260)	109	71	(1.097)
Gross Profit Margin %	(27.6)	(27.6)	(5.45)	(4.50)	(10.2)
Net Profit Margin %	(108.1)	(61.1)	12.79	7.97	(150.3)
Return on Investment %	(31.2)	(15.9)	5.64	3.26	(48.0)
Return on Equity %	NA	NA	NA	NA	NA
Current Ratio X	0.1	0.1	0.1	0.1	0.1
Debt to Total Assets X	2.7	2.4	1.9	1.8	1.1
Debt to Equity X	(1.6)	(1.8)	(2.1)	(2.2)	(1.8)

Notes:

<sup>(1)</sup> Current Assets minus Current Liabilities

<sup>(2)</sup> 2003 Figures have been restated by the Auditors in line with current Regulations

## **Message to Shareholders**

### **Dear Shareholders,**

In the year 2004, the country has witnessed a reasonable economic growth and stability. The GDP growth was around 5% which was mainly boosted by domestic consumption and the JSE composite index had climbed by 36% to 939 by December 2004. The country has also witnessed a peaceful direct election of President and the political condition remained stable since then. The new government is having ambitious plans for investment in infrastructure in the next 5 years through local and foreign investments. However, the Rupiah depreciated by around 10% and stood at Rp.9.290 per US Dollar. This was mainly due to increase in the oil price resulted in higher fuel subsidy which was estimated to be around Rp.59 Trillion as compared to Rp.20 Trillion in the previous year.

### **Polyester Industry – Global and Domestic Scenario**

The man-made fibres production and demand world-wide has increased by around 5% in year 2004 over 2003. The polyester filament and staple production and demand continued to grow by around 7% in year 2004 over the previous year. The major growth had taken place in China and India. Indonesia is the 5<sup>th</sup> largest producer of polyester in the world next to China, Taiwan Korea and India. In Indonesia many textile companies faced ups and downs in 2004. But despite the problems, general prospects for textile were good and exports of Indonesian textiles and related products reached about US 7.3 Billion, up 5% from the previous year. The textile exports of Indonesia remain the largest non-oil sector export based contributor to national income.

The increase in the oil price in the last quarter of 2004 pushed upward the prices of raw materials – Paraxylene and MEG. The polyester margins were under enormous pressure as the full impact of the raw materials could not be passed on.

## **Company's Performance**

In the year 2004, the Company continued to operate on pre-financing provided by the customers and tolling of PTA. With this, the Polysindo could operate only around 50% of its capacity. With the increase in the raw material prices and lower capacity utilization, the Company could achieve a cash break even level only. Subsequent to the stoppage of working capital in early 2003, the Company's operations suffered considerably and came to total stoppage in mid 2003. However the company immediately formulated a medium term strategy to overcome the stoppage situation. The company could tie-up pre financing and tolling arrangements with its trusted, loyal customers and suppliers. The overall effort taken by the Company in terms of sourcing pre financing, tolling arrangements and cost saving measures to keep the operation going, in spite of total non availability of working capital, yielded good results in the year 2004. In this process the Company could up keep the economic value of the assets as well as retained its major customer. This would enable the Company to scale-up its operation in a short period once the working capital is provided as its customer base is reasonably in tact. During this difficult period, the Company has successfully and aggressively managed cash, reduced costs, sustained its operations and strengthened its relationship with customers and supplier. The Company could retain its major customers by providing quality products, timely deliveries. In the downstream operations of Texmaco Jaya, the fabric division suspended its operations due to non-availability of working capital and performance Fabrics division continued to operate even though at a low capacity.

The Independent Auditors have expressed disclaimer opinion on the financials of the Company for the year ended 31<sup>st</sup> December 2004.

The Company was declared bankrupt in February 2005 on the basis of the bankruptcy proceeding initiated by one of the creditors of the Company PT. Bahana Pembinaan Usaha Indonesia. The Company was able to retain its pre financing arrangements and hence allowed to continue its operations. This enabled the Company to sustain the value of the assets. In the meantime, the Company had several meetings with its unsecured

creditors to discuss the Restructuring Proposal (Peace Plan). The Company has submitted the final Restructure Proposal which was taken up for voting by the unsecured creditors. The majority unsecured creditors have approved the Restructuring Proposal and as a result the Company came out of the bankruptcy in November 2005. Even during the bankruptcy period most of our customers and suppliers continued to support the Company.

**Outlook for the future :**

The polyester industry is expected to grow at around 6% over the next few years. This is mainly on account of high GDP growth rates in India and China, removal of quotas and emergency many new application of polyester. However, the margin would continue to be under pressure due to higher energy cost on account of removal of subsidy and higher raw material price on account of oil price which could not be fully passed on.

During the pendency of bankruptcy proceeding, some investors have shown interest in the Company due to its potential and inherent strengths, such as vertical integration, market reach, etc. They have agreed to provide working capital upon completion of restructure and this would enable the Company to scale-up its operations.

The Company is actively engaged in restructuring the secured debts. Upon successful completion of the restructure processes, the Company is well positioned on growth track with the working capital support from the investors, committed customers, suppliers and manpower.

We would like to take this opportunity to express our sincere gratitude for the support and cooperation of our customers, suppliers, creditors and employees.



**V. Ravi Shankar**  
President Director



**Slamet Nugroho**  
President Commissioner

# **Management Report**

## **An Overview of the Polyester Industry**

The Polyester Industry has witnessed on steady growth in year 2004 with around 10% increase in the world polyester capacity. The most of the growth in capacity has occurred in Asian/Far East Asian Region only. The overall demand for polyester product is expected to grow in line with the growth in the capacity. In Indonesia, the exports of textile products averaged around USD7 billion in 2004 and the per capita consumption of textile was around 4,2 kgs. The rising cost of fuel and energy continued to affect the performance of textile industry in Indonesia. The Company could only operate at 40-50% capacity in year 2004 due to total lack of working capital.

## **PTA (Purified Terephthalic Acid) & Polymer**

The demand for PTA was continued to be on raise due to general growth in polyester industry. The production of PTA in the year 2004 was significantly higher as compared to year 2003. The capacity utilization of PTA was around 61% in 2004 due to higher tolling business during the year. The growth in Polyester Chips was also steady during the year 2004. The capacity utilization of Polymer was around 38% due to lack of working capital facility.

## **Staple Fiber**

The Company's polyester Staple Fiber production was marginally higher in 2004 as compared to year 2003. The Company was operating its Fiber Division on pre-financing/tolling basis due to non availability of regular working capital facility.

## **Filament Yarn**

There has not been any significant increase in the country's Filament Yarn capacity which is around 800,000 T per annum. The Company achieved an increase of 35% in production of filament yarn in 2004 as compared to year 2003. As it could tie-up some pre-financing arrangements with its domestic/export customers. However, the capacity utilization was only around 50% due to non availability of working capital.



**Fabrics/Performance Fabric**

The operations of Fabrics Division was totally affected in the year 2004 due to non-availability of working capital and total stoppage of raw material procurement. The fabrics division suspended its operation with effect from September 2004. The employees of this division numbering 3,860 persons were retrenched.

The Performance Fabrics division continued its operations even though at a low capacity due to shortage of working capital. Customers of this division continued to be loyal on account of its after sales service support.

## Product Range

The Company's – product range include :

Product	Type	Utilization
1. PTA (Purified Terephthalic Acid)		Manufacture of Polyester Chips
2. Polyester chips	Semi-Dull Super Bright Cationic Dye able Optical Bright	Polyester Filament yarn/ staple fiber Filament yarn/ staple fiber Filament yarn Polyester staple Fiber Filament yarn
3. Polyester staple fiber	Normal  Dope Dyed	Spun Yarn Non Woven Fiber Fill Spun yarn/ Dope dyed yarn
4. Polyester filament yarn	Normal Dope Dyed  Cationic  Micro filament Hi filament Differential Shrinkage	Popular clothing Automotive textiles Upholstery Home furnishings Technical fabrics Light luminous fabrics for sportswear Two-tone suiting, Dress Material with mélange effect Super fine clothing with silk feel, silky apparel Fine clothing Soft fold clothing
5. Fabrics	Dress Material Suiting Material High performance Fabrics Light weight woven Fabrics	High quality ladies wear Men's wear Outdoor wear, Winter clothing active wear, sportswear, children's wear High quality ladies dress material

## **Marketing and Distribution**

The Company's attention continued to be maintain its overseas marketing and distribution chain, while at the same time extending its reach into the domestic market. The company was able to hold on to its market segments and customers by a mix of pre-financing and contract manufacturing arrangements entered into with its customers. The company was able to establish new markets in China in respect of its PTA. The company also continued to maintain its market share in South America

## **Human Resources**

Due to the suspension of operations at Texmaco Jaya Pemalang and Karawang, the staff and workers were retrenched and its compensation payable to its workers were provided for in the accounts.

## **Environment**

The Company is fully compliant to all applicable environmental standards of Indonesia with Badan Pengendali Lingkungan (Bapedal) as its regulating authority.

## **Location and Type of Assets Worth More Than 5% of Total Assets**

The Company has certain assets whose value exceeds 5% of the company's total assets. For Polysindo, these assets, which essentially comprise of land, machinery and buildings, including the PTA Plant, its Polymer facilities, fiber line and yarn equipment, are located in two manufacturing facilities in Kaliwungu, in Central Java and Karawang, in west Java. For Texmaco Jaya, the assets are located in Karawang, in West Java and Pemalang in Central Java. They include land, buildings and machinery, including weaving looms, preparatory, finishing and other textile machinery.

## **Mortgaged Fixed Assets**

Polysindo has production facilities at Karawang and Kaliwungu. The land totaling 15.9 hectares, buildings, plant and equipment and located in Kaliwungu facilities are mortgaged to IBRA (Indonesian Bank Restructuring Agency). The production facilities at Karawang, are secured to the Company's Guaranteed Secured Notes and Floating Rate Notes.

## Dividend Policy

Polysindo has historically paid annual dividend after approval of the Company's shareholders at the Annual General Meeting of the shareholders.

The Company's policy is to recommend an annual dividend of 15% of net income, if the net income is less than Rp. 5 billion; an annual dividend of 20% of net income, if the net income is more than Rp. 5 billion but less than Rp. 25 billion; and annual dividend of 30% of net income, if the net income is more than Rp. 25 billion. The Directors may also declare an interim dividend if the financial position of the Company so permits, provided that such interim dividends shall be offset against any annual dividends subsequently declared by the Company for that period.

However in view of the current financial situation, Polysindo did not declare any dividend in the year 2004.

## Stock Price Performance

		1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
<b>2003</b>					
Highest	(Rp)	25	40	35	30
Lowest	(Rp)	15	15	20	30
Volume	(Shares)	10,051,000	36,361,000	13,311,500	2,308,000
<b>2004</b>					
Highest	(Rp)	65	60	60	65
Lowest	(Rp)	25	60	60	40
Volume	(Shares)	1,061,000	-	-	1,399,500

## Financing Activities

The Company has been operating on pre finance/tolling arrangement with its major customers. The Company was declared bankrupt by the Supreme Court on 15<sup>th</sup> February 2005. Although the Company was declared bankrupt, the Company was allowed to continue the manufacturing activities by the Supervisory Judge. This enabled the Company to keep its operation going even though at a lower capacity utilization.

The Company had several rounds of meeting with the creditors of the Company to reach an amicable solution for the restructure of the loans of the Company (“Rencana Perdamiaan”) The Company Submitted the Final Restructure Proposal to its unsecured creditor. This was taken up for voting by the unsecured creditor on October 2005. The majority unsecured creditor valuing around 85.7% voted in favour of the restructure proposal submitted by the Company. This was ratified by the court in November 2005. With this the Company came out of the bankruptcy proceeding. The Company is in the process of finalizing the restructure proposal with the secured creditor. The investors have also shown interest in providing working capital facility in order that the Company can improve the capacity utilization and hence the profitability.

The Company has four subsidiaries: PT Texmaco Jaya Tbk (Texmaco Jaya); Polysindo International Finance Company B.V. (Polysindo Finance); Polysindo Mauritius Ltd and PT Eastindo Polyemertama.(Eastindo).

**PT. Texmaco Jaya Tbk (Texmaco Jaya)**

Texmaco Jaya has the Company’s downstream textile operations and produces finished fabrics from design to weaving to dyeing to finishing. Polysindo currently has a 92% stake of Texmaco Jaya.

**Polysindo International Finance Company B.V (Polysindo Finance) and Polysindo (Mauritius) Ltd.**

Polysindo International Finance B.V. and Polysindo (Mauritius) Ltd. are wholly owned subsidiaries of PT. Polysindo Eka Perkasa Tbk and acts as financing vehicles for the Company. The double taxation treaty between Indonesia and Mauritius has currently expired. In view of this the company is intending to wind up Polysindo (Mauritius) Ltd.

**PT. Eastindo Polymertama (Eastindo)**

Eastindo has not engaged in any manufacturing activity, hence The Company intending the wind up PT Eastindo Polymertama. .

## **Management Discussion and Analysis**

### **Overview**

The operating revenue of the company consists of sale of yarn, fibre, chips and fabric both in domestic and export market. The sales revenue in 2004 was marginally higher as compared to year 2003. This was mainly due to increased volume of production and sales of PTA, chips, yarn and fibre. The company continued to operate on pre-financing facility provided by its customers. During the year 2004 the rupiah weakened vis-à-vis USD and the exchange rate stood at Rp.9290/\$ as against Rp.8465/\$ at the end of year 2003.

### **Results of Operation**

The net sales in 2004 were Rp.1,893.6 billion as compared to Rp.1,871.1 billion in year 2003. The marginal increase in sales was due to higher volume of sales of PTA and chips. However, the volume of sales and production of fabric dropped steeply in year 2004, due to stoppage of its fabric division operations.

The export sales comprised of Rp.1,069.4 billion or 56.5% of total net sales and domestic sales were Rp.824.2 billion or 43.5% of total net sales. The other operating revenue in year 2004 consisted of sale of waste and indirect materials was Rp.76.7 billion compared to Rp.34.8 billion in year 2003.

### **Gross Profit/(Loss)**

The company incurred a gross loss of Rp.522.1 billion in year 2004 compared to gross loss of Rp.515.6 billion in year 2003. This was due to higher cost of goods sold of 126.5% of total operating revenue in year 2004 compared to 127.1% in year 2003. The gross loss in year 2004 was mainly due to lower capacity utilization.

### **Operating Profit / (Loss)**

The operating loss in year 2004 was Rp.819.3 billion compared to Rp.914.1 billion in year 2003. The selling, general and administration expenses were Rp.297.2 billion in year 2004 compared to Rp.398.4 billion in year 2003. The operating loss was due to gross loss situation.

### **Net Loss**

The company posted on net loss of Rp.2,047.9 billion in year 2004 compared to net loss of Rp.1,143.8 billion in year 2003. The company incurred a net foreign exchange loss of Rp.1,237.9 billion. This was due to depreciation of Rupiah vis-à-vis USD by 9.7% in year 2004.

### **Auditors Opinion**

The independent auditors have expressed a disclaimer opinion on the financial performance of the Company for the year ended 31<sup>st</sup> December 2004.

### **Business Risks**

#### **Economic Scenario**

During the year 2004 the Rupiah weakened considerably vis-à-vis USD. The domestic costs such as electricity, fuel and labor shows an increasing trend. These costs are likely to increase further due to increase in crude oil price and gradual withdrawal of subsidy by the government. This will have a great impact on the cost structure of the company.

The political stability was achieved that was evidenced by the peaceful first direct election of the President in year 2004. This will boost the confidence of the investors going forward.

## **Debt Restructuring**

The company was declared bankrupt effective 15<sup>th</sup> February 2005 by Mahkamah Agung RI based on the case filed by one of the creditors of the company.

However, the operations of the company continued based on the decision of the supervisory judge. Subsequently, the company submitted a proposal for restructure of loans after several meetings with the creditors. The restructure proposal consisted of reduction of debt to a sustainable level, conversion of debt into equity, lower rate of interest and repayment of restructured debt over a period of 9 years. The proposal was taken up for voting by the creditors on 20<sup>th</sup> October 2005 and was voted in favour by more than requisite majority of creditors. This was ratified by the court in November '05 and accordingly the company came out of the bankruptcy.

At this juncture an investor group has shown interest in providing working capital for the company. This would enable the company to increase its capacity utilizations and hence profitability. The company has taken steps to implement the Restructure Proposal as approved by the creditors. The future financial performance of the company will depend on successful implementation of the restructure proposal and obtaining fresh working capital facility.



## **Corporate Information**

### **Date of Incorporation**

February 15<sup>th</sup>, 1984

### **Listing on the Jakarta and Surabaya Stock Exchange**

1. Public Offering in February 1991  
partial Listing of 24,000,000,000 shares on 12 March 1991 on the Jakarta and Surabaya Stock Exchanges.
2. Company Listing in January 1992.  
Company listed 68,000,000 shares on 3 January 1992 on the Jakarta and Surabaya Stock Exchanges. The Company's total number of listed shares was 92,000,000.
3. Rights Issue Offering in October 1993  
Between November 1, 1993 and January 3, 1994, the Company launched the first Rights Issue Offering of 184,000,000 shares. After the rights issued, the number of issued shared shares of the company totaled to 276,000,000.
4. Stock Splits in March 1995.  
With the stock splits on 27 March 1995 respectively, a total of 552,000,000.
5. Bonus issue and dividend shares in April 1995.  
On 12 April 1995 and 17 April 1995 respectively, a total of 552,000,000 bonus and dividend share were listed on Jakarta and Surabaya Stock Exchanges. The total number of listed on both Jakarta and Surabaya Stock Exchanges amounted to 1,104,000.
6. Rights Issue Offering II in June 1996  
With the second Right Issue Offering on 10 June 1996, 1,104,000,000 shares were listed on Jakarta and Surabaya Stock Exchanges, which gives a total of 2,208,000,000 shares listed on the Stock Exchange Houses.
7. Rights Issue Offering III in December 1997  
The third Rights Issue Offering on 24 December 1997 launched a sum of 2,185,920,000 shares on Jakarta and Surabaya Stock Exchanges. Thus, after the completion of rights Issue III, the Company's total number of listed shares is 4,393,920,000.

**Total Structure as of 31 December 2004**

4,393,920,000

**Capital Structure as 31 December 2004 :**

Authorized Capital	Rp. 8,500,000,000,000
Nominal Vale per share	Rp. 500
Paid-up Capital	Rp. 2,196,960,000,000

**Shareholders**

PT. Multikarsa Investama*	59.81%
Public	40.19%

\* Shares transferred by PT. Multikarsa Investama to PT. Bina Prima Perdana under IBRA restructuring. Registration with Jakarta Stock Exchange yet to be completed.

**Board of Commissioners**

President Commissioner	Slamet Nugroho
Commissioner	K.H Sivasubramaniam
Independent Commissioner	Timbul T. Lubis, SH, LLM

**Board of Directors**

President Director	Vasudevan Ravi Shankar
Director	Drs. Masjhud Ali, MBA
Director	Seeniappa Jegatheesan

**Company's Activities**

Engaged in the production of PTA, Polymer, Polyester Fibre & Filament Yarn and Synthetics fabrics.

**Production Capacity as of 31 December 2004**

Purified Terephthalic Acid (PTA)	340.000 ton/year
Polyester Chips	330.400 ton/year
Polyester Staple Fiber	140.000 ton/year
Polyester Filament Yarn	140.000 ton/year
Fabric	78.000.000 yard/year

**Representative Office**

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**Registered Office**

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Kecamatan Kaliwungu, Kendal  
Tel : (024) 8660272  
Fax : (024) 8660275

**Manufacturing Facilities****Plant 1 :**

Kiara Payung Vilage,  
Klari District, Karawang  
West Java - Indonesia  
Tel : (0267) 431971  
Fax: (0267) 431975

**Plant 2 :**

Jl. Raya Kaliwungu Km. 19  
Kendal, Semarang  
Central Java - Indonesia  
Tel : (024) 8660272  
Fax : (024) 8660275

**Share Registrar**

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Jakarta 10220

**Registered Public Accountant**

Drs. Hendrawinata Gani & Rekan  
Indonesian Member of Grant Thornton International  
Wisma Dharmala Sakti Lt18  
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The Annual Report is signed by the Boards Of Commissioners and Directors of  
PT Polysindo Eka Perkasa Tbk.



**Slamet Nugroho**  
*President Commissioner*



**Vasudevan Ravi Shankar**  
*President Director*



**K.H Sivasubramaniam**  
*Commissioner*



**Drs. Masjhud Ali MBA**  
*Director*



**Timbul Thomas Lubis, SH LLM**  
*Independent Commissioner*



**Seeniappa Jegatheesan**  
*Director*

Consolidated Financial Statements and  
Independent Auditor's Report  
PT Polysindo Eka Perkasa Tbk and  
Subsidiaries  
December 31, 2004 and 2003

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No : PEP/05/JR/04

**Independent Auditor's Report****Board of Directors, Commissioners and Stockholders  
PT POLYSINDO EKA PERKASA Tbk**

We have audited the accompanying consolidated balance sheet of PT Polysindo Eka Perkasa Tbk and Subsidiaries as of December 31, 2004 and the related consolidated statements of income, consolidated statements of changes in equity (deficiency) and consolidated statements of cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The financial statements of PT Polysindo Eka Perkasa Tbk and Subsidiaries for the year ended December 31, 2003 were audited by Hendrawinata & Rekan whose report dated April 15, 2004, expressed a disclaimer opinion on those statements due to the Company's going concern.

We conducted our audit in accordance with auditing standards established by the Indonesian Institute of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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.

The accompanying consolidated financial statements have been prepared assuming that the Company and Subsidiaries will continue to operate as a going concern. As discussed in Note 2 to the consolidated financial statements, in February 2005 the Company was declared bankrupt, but the Supervisory Judge has allowed the Company to continue its operations by getting pre-finance from the customers and suppliers, even though at a lower capacity utilization levels. Besides, since September 2004, the Subsidiary (TJ) had temporarily suspended the operations of its fabric division at Karawang and Pematang due to paucity of working capital, while the fleece division still in operation. Consequently, the Company and its Subsidiaries have experienced recurring net loss of Rp 2,048 billion for the year ended December 31, 2004, and have a negative working capital of Rp 15,992 billion and a capital deficiency of Rp 10,842 billion as of December 31, 2004. In October 2005, the Company has submitted the final restructure proposal to its unsecured for voting. The ratification of the voting and the results will be given by the Court in November 2005.

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KEP-337/KM.6/2004

KEP-306/KM.6/2004

KEP-339/KM.6/2004

KEP-304/KM.6/2004

KEP-338/KM.6/2004

Most of the confirmation replies on trade receivables; due from related parties; trade payables; due to related parties; short term loans; notes payables; guaranteed secured and unsecured notes, and leasing transaction are not obtained. In addition, the allowance for doubtful accounts on trade receivables from related parties and due from related parties of Rp 135 billion and Rp 55 billion respectively as of December 31, 2004 was understated or inadequate to cover possible losses on uncollectible receivables.

Because of the significance of uncertainties as described in the preceding paragraphs, we are unable to express, and we do not express, an opinion on the 2004 consolidated financial statements.

As discussed in Note 42, the Company has made adjustments to the previously reported consolidated financial statements for the year ended December 31, 2003.



Johannes E. Runtuwene, BAP  
Registered Accountant No. D – 18.888  
License No. 01.1.0762

September 28, 2005 (Except for note 44 as to which the date is October 26, 2005)

JR/gk

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



**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**December 31, 2004 and 2003**

**A S S E T S**

	Notes	2 0 0 4	2 0 0 3
		Rp	(As Restated) Rp
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3c,4,38	10,436,726,012	12,727,401,462
Trade receivables, net after allowance for doubtful accounts of Rp 188,608,445,689 in 2004 and Rp 125,530,285,969 in 2003	3d,5,37,38		
Third parties		82,624,479,776	159,986,178,268
Related parties		431,941,749,920	524,007,043,214
Other receivables, net after allowance for doubtful accounts of Rp 878,647,275 in 2004 and Rp Nil in 2003	6,38	10,676,294,559	13,385,953,691
Inventories, net after provision for inventory obsolescence of Rp Nil in 2004 and 2003	3e,7	271,542,784,766	295,950,116,028
Purchase advances		15,142,566,098	13,719,987,552
Prepaid taxes	3m,18a	86,226,510,587	72,587,187,731
Prepaid expenses		798,821,984	1,655,975,265
Total current assets		909,389,933,702	1,094,019,843,211
<b>NON-CURRENT ASSETS</b>			
Due from related parties	8,37,38	576,906,741,292	463,963,543,631
Deferred tax assets	3m,18d	25,143,076,084	3,640,053,036
Restricted cash in banks	9,38	17,604,827,946	16,545,095,380
Fixed assets, net after accumulated depreciation of Rp 5,706,476,290,559 in 2004 and Rp 5,096,856,485,929 in 2003	3f,g,10,37	5,018,171,694,345	5,626,003,460,861
Advances for investment in a joint venture	11	5,914,525,920	5,914,525,920
Other assets	12	2,353,552,646	2,244,928,541
Total non-current assets		5,646,094,418,233	6,118,311,607,369
<b>TOTAL ASSETS</b>		<b>6,555,484,351,935</b>	<b>7,212,331,450,580</b>

**The accompanying notes to consolidated financial statements are an integral part  
of the consolidated financial statements**

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS (Continued)**  
**December 31 2004 and 2003**

**LIABILITIES AND EQUITY (DEFICIENCY)**

	Notes	2004	2003
		Rp	(As Restated) Rp
<b>CURRENT LIABILITIES</b>			
Short term loans	13,38	3,214,629,322,765	3,042,462,656,311
Notes payable	14	4,240,120,028,701	3,853,948,489,138
Guaranteed Secured and Unsecured Notes	3h,15	6,344,037,935,122	5,775,950,645,942
Trade payables	16,37,38		
Third parties		218,721,085,806	88,851,510,540
Related parties		59,456,254,206	54,647,646,198
Liabilities for purchase of fixed assets	17,37,38	283,124,363	257,981,456
Taxes payable	3m,18b	110,001,421,854	129,539,768,619
Accrued expenses	19,38	2,590,989,248,916	2,477,243,373,119
Current maturity of obligation under capital lease	3g,21,38	63,242,132,807	44,991,165,444
Other current liabilities	38	60,258,172,751	42,000,230,997
Total current liabilities		16,901,738,727,291	15,509,893,467,764
<b>NON-CURRENT LIABILITIES</b>			
Due to related parties	20,38	18,502,658,261	20,076,432,953
Deferred tax liabilities	3m,18d	409,143,305,162	428,337,540,063
Obligation under capital lease	3g,21,38	9,242,115,811	25,499,236,500
Provision for employee entitlement	3j,25	58,612,414,940	23,474,997,832
Total non-current liabilities		495,500,494,174	497,388,207,348

**The accompanying notes to consolidated financial statements are an integral part  
of the consolidated financial statements**

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS (Continued)**  
**December 31 2004 and 2003**

**LIABILITIES AND EQUITY (DEFICIENCY)**

	Notes	2004	2003
		Rp	(As Restated) Rp
<b>EQUITY (DEFICIENCY)</b>			
Capital stock			
Authorized 17,000,000,000 shares at Rp 500 each			
Issued and paid-up 4,393,920,000 shares	22	2,196,960,000,000	2,196,960,000,000
Additional paid-in capital	3h,23	11,992,613,553	11,992,613,553
Difference in the equity transactions of Subsidiaries	3h	(4,950,019,100)	(4,950,019,100)
Equity adjustment from translation	3l	12,713,963,518	11,627,332,093
Difference on restructuring among under common control companies	1c	(221,924,188)	(221,924,188)
Retained earnings (accumulated deficit)			
Appropriated	26	8,280,000,000	8,280,000,000
Unappropriated		(13,066,529,503,313)	(11,018,638,226,890)
Total equity (deficiency)		(10,841,754,869,530)	(8,794,950,224,532)
<b>TOTAL LIABILITIES AND EQUITY (DEFICIENCY)</b>			
		<b>6,555,484,351,935</b>	<b>7,212,331,450,580</b>

**The accompanying notes to consolidated financial statements are an integral part  
of the consolidated financial statements**

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
For the years ended December 31, 2004 and 2003

	Notes	2004	2003
		Rp	(As Restated) Rp
<b>OPERATING REVENUES</b>			
Net sales	3k,29,37	1,893,618,322,096	1,871,102,592,901
Other operating revenues	3k,30,37	76,714,764,921	34,826,898,393
Total operating revenues		1,970,333,087,017	1,905,929,491,294
<b>COST OF GOODS SOLD</b>	3k,31,37	(2,492,384,567,136)	(2,421,590,007,677)
<b>GROSS LOSS</b>		(522,051,480,119)	(515,660,516,383)
<b>OPERATING EXPENSES</b>			
Selling expenses	3k,32	(73,501,578,535)	(169,198,624,022)
General and administrative expenses	3k,33	(223,711,118,926)	(229,243,310,676)
Total operating expenses		(297,212,697,461)	(398,441,934,698)
<b>LOSS FROM OPERATIONS</b>		(819,264,177,580)	(914,102,451,081)
<b>OTHER INCOME (CHARGES)</b>			
Interest income	35	105,782,515	251,845,489
Gain (loss) on sale of fixed assets		(9,469,139)	46,749,698
Interest expense and bank charges	34	(12,289,635,846)	(878,569,400,895)
Employee entitlement expense	2b,3j,25	(36,134,604,946)	(7,495,078,754)
Gain (loss) on foreign exchange, net	31	(1,237,971,645,137)	608,981,201,321
Insurance claim settlement, net	27	–	743,334,160
Miscellaneous income, net		16,975,215,761	21,837,373,793
Total other charges, net		(1,269,324,356,792)	(254,203,975,188)
<b>LOSS BEFORE INCOME TAX</b>		(2,088,588,534,372)	(1,168,306,426,269)
<b>TAX INCOME (EXPENSE)</b>	3m		
Current period	18e	–	–
Deferred	18e	40,697,257,949	(727,250,633)
Total tax income (expense)		40,697,257,949	(727,250,633)
<b>LOSS FROM NORMAL ACTIVITIES</b>		(2,047,891,276,423)	(1,169,033,676,902)
<b>EXTRAORDINARY ITEM</b>	3p,36,42	–	25,222,853,059
<b>NET LOSS</b>		(2,047,891,276,423)	(1,143,810,823,843)
<b>BASIC NET LOSS PER SHARE</b>	3n,28	(466)	(260)

The accompanying notes to consolidated financial statements are an integral part  
of the consolidated financial statements

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**For the years ended December 31, 2004 and 2003**

	Notes	Capital stock	Additional paid-in capital	Difference in the equity transaction of subsidiaries	Equity adjustment from translation	Difference on restructuring among under common control companies	Retained earnings (accumulated deficit)		Total equity (deficiency)
							Appropriated	Unappropriated	
		Rp	Rp	Rp	Rp	Rp	Rp	Rp	Rp
Balance as of December 31, 2002		2,196,960,000,000	11,992,613,553	(4,950,019,100)	11,698,245,315	(221,924,188)	8,280,000,000	(9,874,827,403,047)	(7,651,068,487,467)
Equity adjustment from translation	31	-	-	-	(70,913,222)	-	-	-	(70,913,222)
Net loss for the period		-	-	-	-	-	-	(1,143,810,823,843)	(1,143,810,823,843)
Balance as of December 31, 2003 (As Restated)		2,196,960,000,000	11,992,613,553	(4,950,019,100)	11,627,332,093	(221,924,188)	8,280,000,000	(11,018,638,226,890)	(8,794,950,224,532)
Equity adjustment from translation	31	-	-	-	1,086,631,425	-	-	-	1,086,631,425
Net loss for the period		-	-	-	-	-	-	(2,047,891,276,423)	(2,047,891,276,423)
Balance as of December 31, 2004		2,196,960,000,000	11,992,613,553	(4,950,019,100)	12,713,963,518	(221,924,188)	8,280,000,000	(13,066,529,503,313)	(10,841,754,869,530)

**The accompanying notes to consolidated financial statements are an integral part of the consolidated financial statements**

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2004 and 2003

	Notes	2004	2003
		Rp	(As Restated) Rp
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		1,325,507,247,919	2,417,922,949,421
Cash paid to suppliers		(990,428,972,457)	(1,769,008,152,245)
Cash paid to directors and employees		(120,229,904,521)	(147,857,833,308)
Other operating cash receipts and payments		(196,647,255,407)	(191,980,785,285)
Cash generated from operations		18,201,115,534	309,076,178,583
Interest received		103,649,041	251,845,489
Interest expense and bank charges paid		(12,774,468,352)	(78,013,144,416)
Cash receipts from insurance enterprise for claims		–	743,334,160
Payments of income tax		(23,456,527,765)	(12,323,911,496)
Net cash provided by (used in) operating activities		(17,926,231,542)	219,734,302,320
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of fixed assets	10	155,358,000	–
Payment to acquire fixed assets		(29,500,000)	(6,724,028,631)
Decrease (increase) in other assets		(36,313,726)	543,209,578
Net cash provided by (used in) investing activities		<b>89,544,274</b>	<b>(6,180,819,053)</b>

**The accompanying notes to consolidated financial statements are an integral part  
of the consolidated financial statements**

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**  
For the years ended December 31, 2004 and 2003

	Notes	2 0 0 4	2 0 0 3
		Rp	(As Restated) Rp
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of short term bank loans		(13,388,822)	(58,131,822,820)
Payment of obligation under capital lease		(4,536,550,769)	(4,012,681,439)
Receipt (payment) of due to related parties		267,136,705,556	(48,157,553,380)
Payment of due from related parties		(253,040,060,195)	(103,095,694,962)
Proceeds from pre-financing agreement		2,750,000,000	–
Net cash provided by (used in) financing activities		12,296,705,770	(213,397,752,601)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		(5,539,981,498)	155,730,666
<b>EFFECT OF FOREIGN EXCHANGE RATE</b>			
		3,249,306,048	(242,836,749)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>			
	4	12,727,401,462	12,814,507,545
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>			
	4	<b>10,436,726,012</b>	<b>12,727,401,462</b>
<b>ADDITIONAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES :</b>			
Acquired fixed assets direct acquisition through related parties payable and other current liabilities due to		1,951,274,453	1,343,275,000
Extraordinary item from restructuring short-term loan and obligation under capital lease	36,42	–	22,459,391,542

**The accompanying notes to consolidated financial statements are an integral part of the consolidated financial statements**

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2004 and 2003**

**1. GENERAL**

a. Establishment and General Information

PT Polysindo Eka Perkasa Tbk (the Company) was established within the framework of the Domestic Capital Investment Law No. 6 year 1968 as amended by Law No. 12 year 1970 based on notarial deed No. 22 dated February 15, 1984 of Januar Tirtaamidjaja, SH, notary public in Jakarta. The deed of establishment was approved by the Minister of Justice of the Republic of Indonesia with decision letter No. C2-6107.HT.01.01.Th.84 dated October 26, 1984 and was published in Supplement No. 3247 of State Gazette No. 72 dated September 7, 1990.

The articles of incorporation have been amended several times. The most recent changes in the Company's articles of incorporation was affected by deed No. 100 dated December 27, 2002 of Aulia Taufani, SH, replacement of Sutjipto, SH, notary public in Jakarta, concerning issuance of the Company's new shares without pre-emptive rights in the framework of debt restructuring and concerning changes in the Company's authorized, issued and paid-in capital. The approval of Ministry of Justice and Human Rights for these changes is still in process.

In accordance with article 3 of the Company's articles of incorporation, the scope of the Company's activities are mainly to engage in the manufacturing of chemical and synthetic fiber, weaving and knitting, and other activities related to the textile industry. The Company is domiciled in Kendal, Central Java with its plants located in Kendal, Central Java and Karawang, West Java. The Company's head office is located in Sentra Mulia Building Suite 1001, 10<sup>th</sup> Floor, Jl. H.R. Rasuna Said Kav. X – 6 No. 8, Jakarta. The Company started its commercial operations in 1986. The Company's products are marketed both domestically and internationally, including Europe, United States of America, Asia and the Middle East.

The Company is one of the group of companies owned by Texmaco Group.

b. Public Offering of Shares and Notes Payable of the Company and its Subsidiaries

- On December 14, 1990, the Company offered 12,000,000 shares to the public through the Jakarta and Surabaya Stock Exchanges.
- On October 8, 1993, the Company obtained the notice of effectivity from the Chairman of the Capital Market Supervisory Agency (BAPEPAM) in his letter No. S-1738/PM/1993 for its limited offering of 184,000,000 shares through rights issue to stockholders. These shares were listed in the Jakarta and Surabaya Stock Exchanges on November 1, 1993.
- On December 15, 1994, the Company obtained the notice of effectivity from the Chairman of BAPEPAM in his decision letter No. S-2027/PM/1994 for the change of par value from Rp 1,000 to Rp 500 per share.
- On May 20, 1996, the Company obtained the notice of effectivity from the Chairman of BAPEPAM in his decision letter No. S-778/PM/1996 for its offering of 1,104,000,000 shares through rights issue II to stockholders. These shares were listed in the Jakarta and Surabaya Stock Exchanges on June 10, 1996.



**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

1. **GENERAL** (Continued)

b. Public Offering of Shares and Notes Payable of the Company and its Subsidiaries (Continued)

- On December 11, 1997, the Company obtained the notice of effectivity from the Chairman of BAPEPAM in his decision letter No. S-2844/PM/1997 for its offering of 2,185,920,000 shares through rights issue III to stockholders. These shares were listed in the Jakarta and Surabaya Stock Exchanges on January 5, 1998.
- In 1994, the Company issued US\$ 125,000,000 Unsecured Senior Notes which are listed in Luxembourg. In 1996, the Company offered to the holders of the said unsecured notes to exchange their notes with US\$ 125,000,000 Guaranteed Senior Notes issued by PIFC with the Company as the guarantor. These notes were also listed in the Luxembourg Stock Exchange.
- In 1996, PIFC with the Company as the guarantor also issued US\$ 50,000,000 Secured Floating Rate Notes and US\$ 260,000,000 Guaranteed Secured Notes which were listed in the Luxembourg Stock Exchange.
- In 1997, PIFC with the Company as the guarantor issued US\$ 250,000,000 Guaranteed Secured Notes which were listed in the Luxembourg Stock Exchange.
- Prior to January 2000, the above notes were delisted from Luxembourg Stock Exchange.
- As of December 31, 2004 and 2003, all of the Company's outstanding shares totaling 4,393,920,000 shares respectively have been listed in the Jakarta and Surabaya Stock Exchanges. Beginning December 2004, the shares were suspended and it continued to be suspended due to the pendency of bankruptcy proceedings against the Company.

c. Consolidated Subsidiaries

The Company has ownership interest of more than 50%, directly or indirectly, in the following subsidiaries :

Subsidiary	Domicile	Nature of Business	Commercial Operation	Percentage of Ownership %	Total Assets	
					2004 Rp (in million)	2003 Rp (in million)
PT Texmaco Jaya Tbk (TJ)	Karawang	Trading, weaving, knitting and processing	1972	92.00	602,251	839,228
PT Texmaco Graha Busana (TGB)-99% owned by TJ	Jakarta	Trading of textile, and producing ready to wear garments and accessories	1994	91.08	6,611	22,324
Polysindo International Finance Company B.V. (PIFC)	Netherlands	Financial services	1994	100.00	7,053,136	6,426,781
Polysindo (Mauritius) Ltd. (PML)	Republic of Mauritius	Financial services	Pre-operating	100.00	—	—

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

1. **GENERAL** (Continued)

c. Consolidated Subsidiaries (Continued)

In 2001, the Company had acquired 10,000 shares which represent 100% ownership at the amount of US\$ 10,000 in Polysindo (Mauritius) Ltd. The difference between acquisition cost and the net assets of PML amounted to Rp 221,924,188 was recorded as difference on restructuring among under common control companies account in the equity.

There were no transactions between the Company and Polysindo (Mauritius) Ltd during the year 2004, and the Company has intention to close the operations of Polysindo (Mauritius) Ltd.

d. Employees, Directors and Commissioners

- The members of the Company's board of commissioners and board of directors as of December 31, 2004 and 2003 are as follows :

Board of commissioners :

President Commissioner	: Mr. Slamet Nugroho
Commissioners	: Mr. Kalpathi Hari Haran Sivasubramanian Mr. Timbul Thomas Lubis SH (Independent Commissioner)

Board of directors :

President Director	: Mr. Vasudevan Ravishankar
Directors	: Mr. Masjhud Ali Mr. Seeniappa Jegathesan Mr. Bambang Luksiono Margoadi Soedibyo

- The Company's total number of permanent employees as of December 31, 2004 and 2003 were 3,583 and 3,870 peoples respectively. The Subsidiaries' total number of permanent employees as of December 31, 2004 and 2003 were 940 and 5,577 peoples respectively.

2. **GOING CONCERN, IBRA, DEBT RESTRUCTURING AND ECONOMIC CONDITIONS**

a. Going Concern

On October 27, 2004, PT Bahana Pembinaan Usaha Indonesia (PT BPUI) claimed the Company for bankruptcy to Commercial Court Jakarta Pusat. This claim was rejected by the Commercial Court based on its decision No.43/Pailit/2004/PN.Niaga/Jkt.Pst dated December 20, 2004. However, this claim was further accepted by the Noble Court (Mahkamah Agung) through its decision No. 01K/N/2005 dated February 15, 2005 deciding the Company is under bankruptcy and canceling the Commercial Court Jakarta Pusat decision. Although, the Company was declared bankrupt in February 2005, the Company has requested that the operations of the Company be continued for the following reasons :

1. By keeping the operations of the Company going, the machines can be reasonably maintained. Being a chemical company, the non operations will lead to corrosion of machinery which will ultimately affect the realizable value of the assets.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**2. GOING CONCERN, IBRA, DEBT RESTRUCTURING AND ECONOMIC CONDITIONS**  
(Continued)

a. Going Concern (Continued)

2. The existing labour force can be maintained. Any stoppage of the operations will lead to unemployment of huge work force resulting in social problem.
3. The customers and suppliers have reposed confidence in the Company which supplies basic raw materials for the textile industry. The stoppage of operations will create shortage of these materials in the market.

After a due consideration of all the above factors, the Supervisory Judge has allowed the Company to continue the operations vide letter No. 43/PAILIT/2004/PN.NIAGA.JKT. PST.JO.01 K/N/2005 dated March 17, 2005. The Company continued to get the pre finance facility from its customers or suppliers as before. This enabled the Company to keep the operations going even though at a lower capacity utilization levels.

On March 3, 2005 accompanied by memoir dated March 14, 2005, the Company issued a letter to the Noble Court requesting Reconsideration (“Peninjauan Kembali”) for its bankruptcy decision. This reconsideration request is rejected by the Noble Court based on its decision No. 04 PK/N/2005 dated May 18, 2005.

In the meantime, the Company had several rounds of meeting with the creditors of the Company to reach an amicable solution for the restructure of the loans of the Company (Rencana Perdamaian), and the Company is still in discussion with its unsecured creditors of the proposal of restructure (Rencana Perdamaian).

The Subsidiary (PT Texmaco Jaya Tbk) had temporarily suspended the operations of its Fabric division at Karawang and Pematang with effect from September 2004 due to paucity of working capital while the Fleece (Performance Fabrics) division continued its normal business activities as usual.

In addition, the company’s financial condition in 2004 showing the following :

- Net loss amounting to Rp 2,047,891,276,423
- Negative working capital amounting to Rp 15,992,348,793,589
- Capital deficiency amounting to Rp 10,841,754,869,530

As a result of matters described, there is significant uncertainty whether the Company and its Subsidiaries will be able to continue as a going concern and therefore whether they will realize their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the consolidated financial statements. The accompanying consolidated financial statements have been prepared on a going concern basis, and do not include any adjustment that might result from the outcome of this uncertainties. Related effects will be reported in the consolidated financial statements as they become known and can be estimated.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**2. GOING CONCERN, IBRA, DEBT RESTRUCTURING AND ECONOMIC CONDITIONS**  
(Continued)

b. The Indonesian Bank Restructuring Agency (IBRA)

IBRA is a special agency established by the government in early 1998 to help rehabilitate the national economy through the Government Guarantee Scheme, the Bank Restructuring Program, as well as Corporate Loan Restructuring. IBRA has received transfers of loans from several banks whose operations have been frozen, and also non performing loan from banks taken over, recapitalized banks and state banks. The Company and its Subsidiary's loans from these banks have been transferred to IBRA.

Texmaco Group including the Company and its Subsidiary have signed a MoU on September 29, 2000, relating to the overall restructuring of the group's indebtedness to IBRA. Subsequent to the signing of the MoU, the Finance Sector Policy Committee (Komite Kebijakan Sektor Keuangan or "KKSK") has approved the basic terms and conditions of the Restructuring of Texmaco Group. For that reason on May 23, 2001 Texmaco Group and IBRA has signed Master Restructuring Agreement (MRA) due to certain amendments and additional of the restructuring process as set forth in the KKSK approval.

Following are highlights of the restructuring scheme which was proposed in the MRA :

- IBRA and Founder of Texmaco Group (Founder) shall establish 2 new companies (NewCo) which is NewTexCo for textile division and NewEngCo for engineering division.
- The capital composition of NewTexCo shall be IBRA at 70% and founders at 30%, while for the NewEngCo the Founder shall subscribe for 100%.
- IBRA shall transfer all the debt to the NewCos and in settlement for the transfer NewCos will issue the Secured Guaranteed Exchangeable Bonds to IBRA.
- Founder shall transfer the Core Assets and Non Core Assets to NewCos and in settlement for the transfer NewCos will issue the Subordinated Exchangeable Bonds to the Founder.
- Both parties shall enter into Implementing Agreements in order to implement the basic terms and conditions of the restructuring.
- Both parties shall enter into arrangements for the management and control of NewCo and the relevant NewCo Assets and Subsidiaries.
- The settlement of the loan under the new scheme will be completed in 2011.
- IBRA will appoint an independent financial controller to conduct the cash monitoring of Texmaco Group Companies.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**2. GOING CONCERN, IBRA, DEBT RESTRUCTURING AND ECONOMIC CONDITIONS**  
(Continued)

b. The Indonesian Bank Restructuring Agency (IBRA) (Continued)

On February 26, 2004, IBRA issued a letter of default notice to PT Bina Prima Perdana (BPP), PT Jaya Perkasa Engineering (JPE) (the NewCos) and the founder of Texmaco Group. The letter stated that PT Bina Prima Perdana as the textile holding company and PT Jaya Perkasa Engineering as the engineering holding company have failed to pay Exchangeable Bond (EB) coupons due on August 18, 2003 issued by the holding company to IBRA.

As stated on the letter of default notice, if the payments were not performed within 21 days since the receipt of the letter, therefore all terms regulated on the "Amendment and Restated Exchangeable Bond Subscription Agreement (AREBSA)" made between NewCos and IBRA were terminated, and IBRA and/or the successor of IBRA may collect the entire holding companies' liabilities, including but not limited to the exchange option of the assets of PT Bina Prima Perdana (BPP) and PT Jaya Perkasa Engineering (JPE) in the form of collection rights to all subsidiaries of BPP and JPE and also PT Multikarsa Investama. All the liabilities including the current coupon should be paid within 30 days after passing such 21 days period.

On February 27, 2004, IBRA was dissolved by the Government. The outstanding or unfinished affairs under the handling of IBRA (including Rp 40 trillion unsold IBRA'S assets) were transferred to a company called PT Perusahaan Pengelola Assets (Assets Management Company) for further management and restructuring process under the supervision of the Ministry of Finance.

c. Debt Restructuring

On December 22, 2000 the Company and PIFC entered into the Preliminary Endorsement of Memorandum of Understanding (PEMoU) with a majority of Bondholders and IBRA.

Further on November 30, 2001, The Company and PIFC entered into Definitive Memorandum of Agreement (MOA) with the Bondholders and IBRA regarding the restructuring plan of the Company and to amend the PEMoU. According to MOA, the old debt will be exchanged into New Debt Security and New Common Shares and it is contemplated to occur no later than June 30, 2002 (Closing). Including in the debt restructuring of the MOA is the debt of the PT Texmaco Jaya Tbk which the Company has agreed to include as part of the restructuring plan.

Following are the debt instrument of the New Debt Securities :

- The bondholders will receive the New Senior Secured Bonds issued by Polysindo Mauritius I, and guaranteed by the Company.
- IBRA Secured Debt will receive the New Senior 1<sup>st</sup> Lien Secured Notes issued by Company.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**2. GOING CONCERN, IBRA, DEBT RESTRUCTURING AND ECONOMIC CONDITIONS**  
(Continued)

c. Debt Restructuring (Continued)

- IBRA Unsecured Debt and Trade Claim Debt will receive the New Senior 2<sup>nd</sup> Lien Secured Notes – Series A. Rupiah debt issued to IBRA and Trade Claim Debt issued by the Company, while for USD debt issued to IBRA shall be issued by Polysindo Mauritius II and guaranteed by the Company. Portion of USD Trade Claim Debt may be issued by Polysindo Mauritius.
- PNs Debt and Unsecured Bond Debt will receive the New Senior 2<sup>nd</sup> Lien Secured Notes – Series B. Rupiah debt of PNs Debt issued by the Company, USD debt issued to PNs debt and Unsecured Bond Debt issued by Polysindo Mauritius and guaranteed by The Company.

Conditions of each instruments of New Debt Securities are as follows :

- New Senior Secured Bonds
  - Principal equal to 87% of principal of the old bonds (Guaranteed Secured Notes US\$ 122,526,000, Secured Floating Rates Notes US\$ 50,000,000, Guaranteed Secured Notes US\$ 260,000,000 and Guaranteed Secured Notes US\$ 250,000,000) totally US\$ 593.8 million.
  - Issued as of January 1, 2001 and maturity 8 years from such date.
  - Delivered on Closing
  - 13% shall be exchanged for new common shares representing approx. 8% of fully diluted equity of Company
  - Unpaid and accrued interest from 1998 up to 2002 shall be deemed forgiven. The gain from this debt restructuring amounted to Rp 2,263,998,564,889 is recorded as extraordinary item
  - Interest: January 1, 2001 – June 30, 2001: 0.9835% and July 1, 2001 – December 31, 2001: 2.9505% shall be paid to Escrow Deposits Fund on the Closing.
  - The New Senior Secured Bonds have repayment dates on the first business day of January of each year starting from January 1, 2005 up to January 1, 2009.
- New Senior 1<sup>st</sup> Lien Secured Notes
  - Principal is the entire principal of IBRA secured debt ex. PT Bank Negara Indonesia (Persero) Tbk, PT Bank Dharmala, PT Bank Papan Sejahtera, PT Bank International Indonesia Tbk and PT Bank Duta with total amount of US\$ 167.6 million.
  - Accrued and unpaid interest will be restructured into 66.65% new common shares of the fully diluted equity of the Company.
  - Interest for 2001 amounted to US\$ 4,390 million will be paid to IBRA on closing.
  - Issuance date : January 1, 2001.
  - The New Senior Secured Bonds have repayment dates on the first business day of January of each year starting from January 1, 2005 up to January 1, 2011.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**2. GOING CONCERN, IBRA, DEBT RESTRUCTURING AND ECONOMIC CONDITIONS**  
(Continued)

c. Debt Restructuring (Continued)

- New Senior 2<sup>nd</sup> Lien Secured Notes – Series A:
  - The principal is 24% of IBRA Unsecured Debt ex. PT Bank Putera Multikarsa, and notes payable, 24% unsecured Trade Claim Debt ex. Credit Agricole Indosuez, PT Bank Sumitomo Mitsui Indonesia, Bangkok Bank Jakarta, PT Bank IBJ Indonesia, PT Bank Tabungan Negara and PT Bank Lippo, and 87% secured Trade Claim Debt ex. PT Bank Finconesia, Union Europeene de CIC Singapura, PT Bank Indosuez Indonesia, Bangkok Bank Singapura and ING Bank in the amount of US\$ 61.9 million. The remaining principal amount will be restructured into New Common Shares approx 3.45% of fully diluted equity of Polysindo.
  - Unpaid and accrued interest for 1998 up to 2002 shall be deemed forgiven. The gain from this debt restructuring amounted to Rp 188,650,231,600 is recorded as extraordinary item.
  - Interest for 2001 of US\$ 2,157 million will be paid on Closing.
  - The new Senior Secured Bonds have repayment dates on the first business day of January of each year starting from January 1, 2005 up to January 1, 2009.
  
- New Senior 2<sup>nd</sup> Lien Secured Notes – Series B:
  - The Principal is 24% of PN's Debt or Unsecured Bonds in the amount of approx US\$ 91.7 million. The remaining principal amount will be restructured approx 11.90% into New Common Shares.
  - Denomination in US Dollar.
  - Unpaid and accrued interest for 1998 up to 2002 shall be deemed forgiven. The gain from this debt restructuring amounted to Rp 177,180,659,744 is recorded as extraordinary item.
  - Interest for 2001 of US\$ 4,751 million will be paid on Closing.
  - The New Senior Secured Bond have repayment dates on the first business day of January of each year starting from January 1, 2005 up to January 1, 2009.

In 2001, the Company has also restructured its obligation under capital lease.

Based on the extraordinary stockholders' meeting held on July 25, 2001 which was covered by notarial deed No. 105 of Soetjipto, SH, also dated July 25, 2001, the independent stockholders approved to transfer the debt restructuring of the Company's subsidiary to the Company, however the transfer of the debt will be done with the consent of the creditors.

On November 30, 2001, the Company has signed Escrow Deposit Agreement (Secured Bondholders) with the secured bondholders and Deutsche Bank AG Trustees Hongkong Limited (escrow agent) regarding to the establishment of Escrow Account for secured bondholders (Secured Escrow Deposit Fund).

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**2. GOING CONCERN, IBRA, DEBT RESTRUCTURING AND ECONOMIC CONDITIONS**  
(Continued)

c. Debt Restructuring (Continued)

On August 9, 2002, the Company has also signed Escrow Deposits Agreement with the Unsecured Creditors and Deutsche Bank AG Trustees Hongkong Limited (escrow agent) for establishment of Escrow Account for unsecured creditors (Unsecured Escrow Deposit Fund).

During 2002, the Company has paid US\$ 5,019,074 to Secured Escrow Deposit Fund and US\$ 3,039,075 to Unsecured Escrow Deposit Fund, and Rp 6,323,942,162 to PT Bina Prima Perdana (NewCo) as part of interest payment.

On November 22, 2002, the Company has proposed Revised Term Sheet to creditors for changes in debt restructuring terms such as but not limited to issuance date of “New Debt Securities”, changes in the rate of interests and installment composition for principal repayments. But the draft of Revised Term Sheet had not yet been approved by the creditors.

Currently, the Company is under the bankruptcy proceedings and in the process of negotiating a new restructure proposal with its unsecured creditors. The Company is also actively discussing a new restructure proposal with its secured creditors including IBRA/ PPA.

d. Economic Condition

The year 2004 witnessed a revival of the fortunes of the petro chemicals and polyester industry. The industry after suffering massive downtrend during 2001 followed by a period of stagnation in 2002 and 2003 has started showing an upward revival in 2004. However, the Company could not participate in the revival process to the full extent on account of non availability of working capital facility and the operations were at 50-55% capacity only.

Indonesian real GDP growth is expected to strengthen in 2004 and 2005 in line with stronger OECD (Organization for Economic Cooperation and Development) export demand and election-related spending in 2004. The economy is projected to grow moderately reaching from 4-6% per year in 2003 to 2005 and rising to 6-7% GDP growth rate in 2006-2007 supported by 5-7% inflation rate per year. Annual Inflation is forecast to average 5.3% in 2004 to 2005, and the currency is expected to be maintained around Rp 9,500/US\$1. A current-account surplus is also expected to be maintained.



**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**2. GOING CONCERN, IBRA, DEBT RESTRUCTURING AND ECONOMIC CONDITIONS**  
(Continued)

d. Economic Condition (Continued)

As regards the chemical and textiles industry the down cycle appears to have bottomed out and the upcycle has commenced with an increase in the conversion margins. With the growth in world population, the global demand for textile fibres is expected to move upward, But manmade fibres are expected to have a faster growth rate than cotton. Again among manmade fibres, polyester demand is expected to have the faster growth. The polyester industry is also being supported by the sharp increase in world cotton prices during the last quarter of 2003 on account of an abrupt reduction in the production estimate for China (Mainland). During 2004 the markets for polyester fiber and fabrics remain solid. Several more rationalization steps are expected to improve markets as Western producers move away from traditional commodity grades and into more profit- and patent-driven applications such as nonwovens and technical grades.

It is estimated by PCI that the world demand for all fibres is expected to rise in volume terms from 53 million tonnes in 2000 to 74 million tonnes in 2010 and to 95 million tonnes in 2020. Evidently, PCI is more optimistic about the fibre demand in the coming years, despite the present prolonged global economic slowdown. The demand is growing at present and it can be expected to rise in the coming year mostly from China and Eastern Europe. Prospects for manmade fibres appear far better in the coming years. It is projected that the demand for these fibres might rise by about 43 per cent between 2002 and 2010, in China and South Asia in particular, with strong gains in Eastern Europe and Turkey as well. PCI expects the demand for cotton also to rise, but not as fast as that of manmade fibres, whose production can be raised as and when needed unlike that of cotton whose production very much depends on climatic and incidence of pests as also land available. Besides, certain manmade fibres have qualities of elegance, and crease resistance, etc, which cotton lacks. This is why the consumer is increasingly turning to manmade fibres.

For economic conditions to improve, fiscal and monetary action needs to be undertaken by the Government and others, such action is beyond of the control of the Company. It is not possible to determine the future effect that the ongoing adverse the Company's conditions and current economic conditions may have on the Company's liquidity and earnings as well as the Company's customers and suppliers.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**3. ACCOUNTING POLICY**

A summary of significant accounting policies adopted by the Company, which affect the determination of its financial position and result of its operations is presented below :

a. Presentation of Consolidated Financial Statement

The Company's consolidated financial statements which have been presented according Generally Accepted Accounting Principles in Indonesia, such as Financial Accounting Standard. Established by the Indonesian Institute of Accountants, Capital Market Supervisory Board (BAPEPAM) regulation and BAPEPAM's guidelines in the Presentation of public financial statement for public companies.

The Company's consolidated financial statements have been prepared on the historical cost basis of accounting, except for certain accounts which are measured on the basis described in the related accounting policies.

The consolidated statements of cash flows are prepared using direct method which classified into operating, investing and financing activities.

The reporting currency used in the consolidated financial statements is Rupiah.

b. Principles of Consolidation

The consolidated financial statements include the accounts of the parent company and all subsidiaries that are controlled by the parent company, other than those excluded because control is assumed to be temporary or due to long term restrictions significantly impairing a subsidiary's ability to transfer funds to the parent company.

When a subsidiary either began or ceased to be controlled during the year, the results of the subsidiary's operations are included only from the date of control commenced or up to the date of control ceased.

Control is presumed to exist where more than 50% of a subsidiary's voting power is directly or indirectly controlled by the parent company; or the parent company able to govern the financial and operating policies of a subsidiary; or control the removal or appointment of a majority of a subsidiary's board of directors.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

3. **ACCOUNTING POLICY** (Continued)

b. Principles of Consolidation (Continued)

All inter-company balances and transactions have been eliminated.

The minority interest in the net assets of consolidated subsidiaries are presented as “Minority Interest” in the consolidated balance sheets. When cumulative losses applicable to minority interest exceed the minority stockholders’ interest in the Subsidiary’s equity, the excess is charged against the majority stockholders’ interest and should not be reflected as an assets except in rare cases when minority stockholders have a binding obligation to make good on such losses. Subsequent profits earned by a Subsidiary under such circumstances that are applicable to the minority interests should be allocated to the majority interest to the extent minority losses have been previously absorbed. In 2004 and 2003, the minority interest in the accumulated losses of the Subsidiary has exceeded its equity interest in the Subsidiary and, accordingly, such excess losses have been absorbed by the Company being as the majority stockholder.

c. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, and amounts repayable on demand with banks which are readily convertible into known amounts or cash without notice. Restricted cash in banks are not classified as cash and cash equivalents.

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 period.

e. Inventories

Inventories are stated at cost or net realizable value which ever is lower. Cost of the Company’s inventories are carried on the weighted average method. Cost includes expenditures incurred in acquiring the inventories and bringing them to their present location and condition. The Company provides an allowance for inventory obsolescence based on a review of the status of the individual inventory items at end of the period.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

3. **ACCOUNTING POLICY** (Continued)

f. Fixed Assets

Fixed assets are stated at cost, net after accumulated depreciation.

In 2003, the estimated economic useful life of certain machinery and equipment used in the operations that are acquired during 1997 up to 2001 have been changed from 10 years to 20 years. The changes were effected considering the estimated useful life of the similar assets by competitors, consistent quality that those machines are producing, technology, as well as proper preventive maintenance of those particular machines.

Depreciation of fixed assets is computed using the straight-line method, based upon the estimated economic useful lives of the related fixed assets, as follows :

	<u>Years</u>
Buildings and land improvements	20
Machinery and equipment	10 – 20
Transportation	5
Office equipment	5
Store equipment	5

Land is stated at cost and is not depreciated.

Expenditures for repair or maintenance of fixed assets to keep the future economic benefits are charged to the statement of income at the time of the transactions. Improvements which increase the value (utility) and the estimated of useful life of the assets, and significant renewals are capitalized. When assets are retired or otherwise disposed of, the carrying value and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the consolidated statement of income in the current period.

g. Leases

Lease transactions are accounted for under the capital lease method if the following criteria are met :

- a. The lessee has an option to purchase the leased assets at the end of the lease period at a price mutually agreed upon at the commencement of the lease agreement.
- b. Total periodic payments plus residual value fully cover the acquisition cost of leased capital goods plus interest thereon which is the lessor's profit.
- c. Lease period covers a minimum of 2 years.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

3. **ACCOUNTING POLICY** (Continued)

g. Leases (Continued)

Leases that do not meet any of the aforementioned criteria are accounted for under operating lease. Assets under capital lease are presented based on the present value of the lease payments at the beginning of the lease term plus residual value (option price) to be paid at the end of the lease period. Each lease payment is allocated between the principal repayment and lease interest expense.

Based on the capital lease method, assets under capital lease is presented under "Fixed assets" account, and lease obligation is presented under "Obligation under capital lease" account. Assets under capital lease are depreciated using the same method and estimated useful lives used for the directly acquired of fixed assets.

h. Deferred Charges

Expenses related to the issuance of the Company's shares to the public were deferred and are amortized over a ten year period using the straight-line method. In 1997, the Company opted to amortize the remaining balance of this account over five years. Further, based on BAPEPAM's decision letter KEP-No.06/PM/2000 dated March 13, 2000 the share issuance costs were retroactively recorded into "Additional Paid-in Capital". The share issuance cost of the subsidiaries is presented in the equity and the consolidated statements of changes in equity as "difference in the equity transactions of subsidiaries".

Expenses incurred in connection with the issuance of bonds and long-term notes to the public are charged to the respective debt and are amortized over the term of the debts using the straight-line method.

i. Retirement Benefits

The Company and its Subsidiaries established defined benefit pension plans covering all their local permanent employees.

Current service cost is charged to operations in the current period. Past service cost, actuarial adjustment and the effect of changes in assumptions for active participants are amortized using the fixed annuity method over the estimated average residual employment period that has been determined by the actuary.

The method used by the actuary for actuarial calculation is the Projected Benefits Entry Age Normal method.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

3. **ACCOUNTING POLICY** (Continued)

j. Provision for Employee Entitlement

Employee entitlements to service and compensation payments relating to an employee's voluntary resignation, and employee retirement benefits for those who do not join the pension plans are recognized on accrual basis. A provision is made for the estimated liability as a result of past services rendered by employees up to the balance sheet date and is calculated based on the Ministry of Manpower regulation No. 150/Men/2000 dated June 20, 2000. Further, in April 2003, the Government of the Republic Indonesia issued Labour Law No. 13/2003 replacing the Manpower Decree No. Kep. 150/Men/2000.

k. Revenue and Expense Recognition

Local sales are recognized when the goods are delivered to the customers, while export sales are recognized when the goods are shipped. Expenses are recognized when incurred.

l. Foreign Currency Transaction and Balances

The Company's books and records are maintained in Indonesian Rupiah. Transactions involving foreign currencies are recorded at the rates of exchange prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at balance sheet date are translated in Rupiah at the middle rate of Bank Indonesia are as follows :

<u>Foreign currencies</u>	<u>December 31, 2004</u> Rp	<u>December 31, 2003</u> Rp
US\$ 1	9,290	8,465
YEN 1	90	79
CHF 1	8,195	6,824
SGD 1	5,685	4,977
SEK 1	1,403	1,172
GBP 1	17,888	15,076
EUR 1	12,652	10,643

Gains or losses arising from foreign exchange transactions are credited or charged to the consolidated statement of income in the current period.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

3. **ACCOUNTING POLICY** (Continued)

l. Foreign Currency Transaction and Balances (Continued)

The Subsidiaries domiciled outside of Indonesia i.e. PIFC and PML maintain their accounting records in Netherland Guilders and US Dollar respectively. For consolidation purposes, the financial statements of foreign domiciled subsidiaries are translated into Rupiah as follows:

- Balance sheet items, except for equity accounts, are translated at the exchange rate as of the balance sheet date.
- Profit and loss items are translated at the average rates of exchange for the year. The difference resulting from this translation is presented in the consolidated balance sheets as part of stockholders' equity.

Foreign exchange presented as part of equity in "Equity adjustment from translation".

m. Income Tax

Income tax is computed on the basis of taxable income for the period. Deferred income tax is provided for the timing differences in the recognition of income and expenses for financial reporting and income tax purposes. The accounting treatment is in conformity with the Financial Accounting Standard No. 46 concerning accounting for income taxes.

Deferred tax is accounted for using the current tax tariff or substantially applicable at the balance sheet date. Deferred tax are charged or credited to the consolidated statement of income in the current period.

n. Basic Earnings (loss) per Share

Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of shares outstanding during the year. The weighted average number of shares as of December 31, 2004 and 2003 was 4,393,920,000 shares respectively.

Diluted earnings (loss) per share is not presented because the Company has issued no dilutive potential ordinary shares.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**3. ACCOUNTING POLICY (Continued)**

**o. Segment Information**

In 2000, The Indonesian Institute of Accountants issued the revision of Financial Accounting Standard (PSAK) No. 5 about "Segment Reporting". According to PSAK, effective January 1, 2002 the Company and its Subsidiaries classified segment reporting as follows :

- 1) A business segment (primary), which the Company and its Subsidiary business activity are divided into weaving and knitting, also trading and producing ready to wear garments.
- 2) A geografis segment (secondary), consist of domestic and abroad business activities.

**p. Debt Restructuring**

Net gains on debt restructuring after calculated income tax are recognized in the statement of income in the period of restructuring and classified as "extraordinary item".

**q. Impairment of Assets**

The Company and its Subsidiaries recognize impairment losses on assets if the recoverable amount of an asset is lower than its carrying amount. At each balance sheet date, the Company and its Subsidiaries assess whether there is an indication of impairment or reversal of an impairment loss. Any impairment loss or the reversal of impairment loss is recognized in the consolidated statement of income in the current period.

**4. CASH AND CASH EQUIVALENTS**

	2 0 0 4 Rp	2 0 0 3 Rp
Cash on hand :		
Rupiah	419,973,437	448,060,020
US Dollar	225,031,949	208,197,520
Singapore Dollar	14,135,620	16,185,668
Norwegia Kron	1,701,556	-
Swedia Kron	-	708,555
	660,842,562	673,151,763



**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**4. CASH AND CASH EQUIVALENTS**

	2 0 0 4	2 0 0 3
	Rp	Rp
Cash in banks :		
<u>Third parties :</u>		
PT Bank Sumitomo Mitsui Indonesia		
Rupiah account	13,194,391	13,225,882
US Dollar account	11,838,804	10,843,411
Bangkok Bank		
Rupiah account	1,127,068	1,127,068
PT Bank Internasional Indonesia Tbk		
US Dollar account	19,884,223	18,863,914
PT Bank Negara Indonesia (Persero) Tbk		
Rupiah account	347,188,006	870,035,031
US Dollar account	251,099,632	964,543,915
Credit Industriel Et Commercial		
US Dollar account	1,300,600	1,185,100
Deutsche Bank		
US Dollar account	477,042	14,902,379
ING Bank		
US Dollar account	26,965,247	24,570,594
PT Bank Danamon Tbk		
Rupiah account	567,790	899,440
US Dollar account	-	3,979
PT Bank Tabungan Negara		
Rupiah account	7,830,051	7,929,952
PT Bank Central Asia Tbk		
Rupiah account	2,083,361,019	2,601,431,471
US Dollar account	1,438,583,373	4,949,601,302
Carried forward	<u>4,203,417,246</u>	<u>9,479,163,438</u>

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

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

	2 0 0 4 Rp	2 0 0 3 Rp
Cash in banks : (Continued)		
<u>Third Parties :</u>		
Brought forward	4,203,417,246	9,479,163,438
PT Bank Niaga Tbk		
Rupiah account	1,746,525,573	793,037,076
US Dollar account	1,512,657,538	1,637,921,546
PT Bank CIC International Tbk		
Rupiah account	42,844,202	109,328,487
US Dollar account	31,636,073	3,774,459
PT Bank Mandiri Tbk		
Rupiah account	100,140,629	30,954,412
PT Bank Pembangunan Daerah		
Rupiah account	70,281	70,281
Bank Chinatrust Indonesia		
US Dollar account	2,137,053,856	-
Union De Banques Arabes Et Francaises		
US Dollar account	1,538,052	-
	9,775,883,450	12,054,249,699
Total	10,436,726,012	12,727,401,462

5. **TRADE RECEIVABLES**

This account consists of :

Third parties :

	2 0 0 4 Rp	2 0 0 3 Rp
Local debtors	114,009,131,026	148,052,805,026
Foreign debtors	21,837,394,227	34,282,669,523
Total	135,846,525,253	182,335,474,549
Less : Allowance for doubtful accounts	(53,222,045,477)	(22,349,296,281)
Net	82,624,479,776	159,986,178,268

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

5. **TRADE RECEIVABLES** (Continued)

A summary of the aging of trade receivables from third parties which were computed since the date of invoice is as follows :

	2 0 0 4	2 0 0 3
	Rp	Rp
Up to 1 month	50,450,226,420	26,462,703,960
> 1 month – 3 months	10,534,845,015	35,006,062,475
> 3 months – 6 months	10,507,331,185	36,708,205,528
> 6 months – 1 year	10,781,289,536	62,428,113,952
> 1 year	53,572,833,097	21,730,388,634
Total	<u>135,846,525,253</u>	<u>182,335,474,549</u>

Changes in the allowance for doubtful accounts from third parties are as follows :

	2 0 0 4	2 0 0 3
	Rp	Rp
Beginning balance	22,349,296,281	9,630,998,864
Movement during the period :		
Additions	97,657,125,607	40,165,152,164
Deductions	(66,784,376,411)	(27,446,854,747)
Ending balance	<u>53,222,045,477</u>	<u>22,349,296,281</u>

Based on the review of the status of the individual receivable accounts at the end of each period, the management has the opinion that the allowance for doubtful accounts is adequate to cover possible losses on uncollectible receivables.

Additions in allowance for doubtful accounts in 2004 of Rp 97,657,125,607 were due to the addition of uncollectible receivables from third parties of Rp 69,400,078,474 and the reclassification of related parties trade receivables (PT Mutu Gading Tekstil) of Rp 28,257,047,133 to third parties trade receivable.

Additions in allowance for doubtful accounts in 2003 of Rp 40,165,152,164 were due to the addition of uncollectible receivables from third parties of Rp 14,417,476,816 and the reclassification of related parties trade receivables (PT Mutu Gading Tekstil) of Rp 25,747,675,348 to third parties trade receivable.

Deduction in allowance for doubtful accounts in 2004 of Rp 66,784,376,411 was due to the collectible of trade receivables from third parties of Rp 4,979,192,715 and the write-off of uncollectible receivables of Rp 61,805,183,696.

Deduction in allowance for doubtful accounts in 2003 of Rp 27,446,854,747 were due to the collectible of the trade receivables from third parties of Rp 1,699,179,399 and the write-off of uncollectible receivables of Rp 25,747,675,348.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

5. **TRADE RECEIVABLES** (Continued)

The details of trade receivables from third parties based on currencies are as follows :

	2 0 0 4	2 0 0 3
	Rp	Rp
Rupiah	72,588,606,225	107,678,400,264
United States Dollar		
US\$ 6,809,249 in 2004 and		
US\$ 8,819,500 in 2003	63,257,919,028	74,657,074,285
Total	<u>135,846,525,253</u>	<u>182,335,474,549</u>
<u>Related parties :</u>	2 0 0 4	2 0 0 3
	Rp	Rp
PT Multikarsa Investama	271,460,837,259	329,456,519,627
PT Wastra Indah	136,735,716,066	136,612,241,412
PT Raja Busana Mahameru	29,563,983,189	29,505,229,033
PT Mutiara Persada Inti	28,918,667,903	31,578,001,942
PT Sumatex Subur	25,655,601,950	25,655,601,950
Polysindo (UK) Ltd, England	22,891,135,980	20,858,280,851
Drapper Texmaco Inc, Co, United States of America	19,184,805,569	17,481,095,710
Coastal Group Ltd, South Africa	8,059,351,285	7,343,639,249
Norfil Ltd, England	6,764,894,297	6,164,136,730
Commonwealth Holdings Pte, Ltd., Singapore	4,615,890,528	4,205,975,600
PT Texmaco Perkasa Engineering	3,302,896,383	3,310,003,793
Polysindo (USA) Inc, United States of America	2,538,246,388	5,883,198,956
PT Texmaco Taman Synthetics	1,970,542,967	3,451,339,795
PT Elok Prima Mitra Busana	1,825,862,400	1,817,770,759
PT Ungaran Sari Garments	1,504,646,496	1,244,596,407
PT Citra Abadi Sejati	1,261,897,094	1,419,579,184
PT Supermitory Utama Tbk	661,402,410	661,402,410
PT Busana Perkasa Garments	118,729,149	248,903,375
PT Perkasa Heavyndo Engineering	141,187,416	140,774,917
PT Wahana Perkasa Auto Jaya	89,068,435	89,068,435
PT Perkasa Indobaja	60,672,768	60,672,767
PT Texmaco Micro Indoutama	2,114,200	-
Total	<u>567,328,150,132</u>	<u>627,188,032,902</u>
Less : Allowance for doubtful accounts	(135,386,400,212)	(103,180,989,688)
Net	<u>431,941,749,920</u>	<u>524,007,043,214</u>

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**5. TRADE RECEIVABLES (Continued)**

A summary of the aging of trade receivables from related parties which were computed since the date of invoice is as follows :

	2 0 0 4	2 0 0 3
	Rp	Rp
Up to 1 month	31,434,986,473	9,925,771,088
> 1 month – 3 months	502,694,655	22,889,312,907
> 3 months – 6 months	1,061,901,763	100,344,876,490
> 6 months – 1 year	1,841,180,070	221,244,433,862
> 1 year	532,487,387,171	272,783,638,555
Total	<u>567,328,150,132</u>	<u>627,188,032,902</u>

Changes in the allowance for doubtful accounts from related parties are as follows :

	2 0 0 4	2 0 0 3
	Rp	Rp
Beginning balance	128,928,665,036	74,186,553,403
Movement during the period :		
Additions	34,714,782,309	56,324,617,487
Deductions	(28,257,047,133)	(27,330,181,202)
Ending balance	<u>135,386,400,212</u>	<u>103,180,989,688</u>

Additions in allowance for doubtful accounts in 2004 of Rp 34,714,782,309 due to the addition of uncollectible receivables from related parties of Rp 26,742,461,004 and foreign exchange of Rp 7,972,321,305.

Additions in allowance for doubtful accounts in 2003 of Rp 56,324,617,487 due to the addition of uncollectible receivables from related parties.

Deductions in allowance for doubtful accounts in 2004 of Rp 28,257,047,133 due to the reclassification of related parties trade receivables (PT Mutu Gading Tekstil) to third parties trade receivable.

Deductions in allowance for doubtful accounts in 2003 of Rp 27,330,181,202 was due to the foreign exchange of Rp 1,582,505,854 and the reclassification of related parties trade receivables (PT Mutu Gading Tekstil) of Rp 25,747,675,348 to third parties.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**5. TRADE RECEIVABLES (Continued)**

The details of trade receivables from related parties based on currencies are as follows :

	2 0 0 4	2 0 0 3
	Rp	Rp
Rupiah	475,016,771,964	538,686,087,981
United States Dollar		
US\$ 9,936,639 in 2004 and		
US\$ 10,455,044 in 2003	92,311,378,168	88,501,944,921
Total	<u>567,328,150,132</u>	<u>627,188,032,902</u>

Trade receivables are used as collateral for the Company's short-term loans and guaranteed secured notes (Notes 13 and 15).

**6. OTHER RECEIVABLES**

	2 0 0 4	2 0 0 3
	Rp	Rp
Receivables from employees	6,816,854,214	6,843,473,002
Yayasan Pengembangan Science & Technology	1,736,187,382	1,635,464,907
Receivables from purchase discount	1,441,427,482	1,313,421,208
PT. Cipta Busana Jaya	878,647,275	-
Receivables from import clearance	70,205,885	35,752,585
PT Mutu Gading Tekstil	-	679,520,000
Others	611,619,596	2,878,321,989
Total	<u>11,554,941,834</u>	<u>13,385,953,691</u>
Less : Allowance for doubtful accounts	(878,647,275)	-
Net	<u>10,676,294,559</u>	<u>13,385,953,691</u>

Other receivables from Yayasan Pengembangan Science & Technology and PT Cipta Busana Jaya represent loans for operational expenses, these loans are not subject to interest and have no term of repayment.

Based on the review of the status of the individual other receivables accounts at the end of each period, the management has the opinion that the allowance for doubtful accounts is adequate to cover possible losses on uncollectible receivables.

The details of other receivables based on currencies are as follows :

	2 0 0 4	2 0 0 3
	Rp	Rp
Rupiah	10,113,514,352	11,844,828,319
United States Dollar		
US\$ 155,159 in 2004 and		
US\$ 182,059 in 2003	1,441,427,482	1,541,125,372
Total	<u>11,554,941,834</u>	<u>13,385,953,691</u>

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**7. INVENTORIES**

	2 0 0 4 Rp	2 0 0 3 Rp
Finished goods	71,147,338,138	99,082,382,674
Work in process	36,378,824,847	42,280,807,665
Raw materials	73,861,876,473	49,997,620,743
Indirect materials	90,154,745,308	104,589,304,946
Total	<u>271,542,784,766</u>	<u>295,950,116,028</u>
Less : Provision for inventory obsolescence	-	-
Net	<u><u>271,542,784,766</u></u>	<u><u>295,950,116,028</u></u>

Changes in the provision for inventory obsolescence are as follows :

	2 0 0 4 Rp	2 0 0 3 Rp
Beginning balance	-	6,587,184,179
Movement during the period :		
Additions	-	-
Deductions	-	(6,587,184,179)
Ending balance	<u><u>-</u></u>	<u><u>-</u></u>

Based on the review of the physical condition of the inventories at the end of each period, the management has the opinion that no provision for inventory obsolescence is deemed necessary.

As at December 31, 2004, the Company's inventories are covered by insurance, with PT. Asuransi Rama Satria Wibawa against fire loss and other risks totaling of US\$ 10,000,000, which in the opinion of management were adequate to cover losses arising from such risks except for the subsidiaries' inventories are not covered by insurance due to the Subsidiaries facing financial difficulties or cash flows problem.

As at December 31, 2003, the Company's inventories are not covered by insurance, except for the subsidiary's inventory which covered by insurance with PT Asuransi Rama Satria against fire loss and other risks totaling for Rp 10,985,000,000.

Inventories are used as collateral for the Company's short-term loans (Note 13).

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2004 and 2003**

**8. DUE FROM RELATED PARTIES**

	2 0 0 4	2 0 0 3
	Rp	Rp
PT Multikarsa Investama	480,609,875,378	399,939,173,337
PT Texmaco Perkasa Engineering Tbk	56,780,444,001	56,139,771,225
PT Wahana Perkasa Auto Jaya	52,378,812,340	47,882,774,284
PT Texmaco Taman Synthetics	19,844,513,183	-
PT Wastra Indah	5,304,522,535	2,769,513,842
PT Sumatex Subur	3,050,719,938	3,050,719,937
PT Saritex Jaya Swasthi	2,955,972,612	1,715,809,502
PT Wismakarya Prasetya	2,112,533,782	-
PT Perkasa Heavindo Engineering	1,608,346,440	1,534,430,966
PT Perkasa Indosteel	1,268,808,912	1,266,398,912
PT Kreasi Kekar	1,263,456,000	-
PT Supermitory Utama Tbk	1,235,049,652	839,820,513
PT Raja Busana Mahameru	1,210,000,000	1,210,000,000
PT Perkasa Indobaja	852,266,129	852,266,129
PT Ungaran Sari Garments	769,944,967	769,944,967
PT Merauke Rayon Jaya	448,500,000	448,500,000
PT Mahkota Indah Sentosa	377,832,876	377,832,876
PT Devrindo Widya	315,282,365	290,882,365
PT Wahana Jaya Perkasa	99,820,513	99,820,513
PT Sarana Daycrown Industri	99,820,511	99,820,511
PT Kreasi Indah Textile	13,750,000	13,750,000
PT Citra Indah Textile	8,855,000	8,855,000
Total	<u>632,609,127,134</u>	<u>519,310,084,879</u>
Less : Allowance for doubtful accounts	(55,702,385,842)	(55,346,541,248)
Net	<u><u>576,906,741,292</u></u>	<u><u>463,963,543,631</u></u>

Changes in the allowance for doubtful accounts are as follows :

	2 0 0 4	2 0 0 3
	Rp	Rp
Beginning balance	55,346,541,248	55,346,541,248
Movement during the period :		
Additions	355,844,594	-
Deductions	-	-
Ending balance	<u><u>55,702,385,842</u></u>	<u><u>55,346,541,248</u></u>

Receivables from related parties represent advances and are not subject to interest and have no term of repayment.

Receivables from PT Multikarsa Investama derived from the cash receipts from AR International Limited, Hong Kong of Rp 51,421,394,625 due to refund on advances for purchase of fixed assets (machinery and equipment) and the remaining balance represent advance payments for expenses of Rp 429,188,480,753 as of December 31, 2004 and Rp 348,517,778,712 as of December 31, 2003 represent advance payments for salary and other expenses.



**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**8. DUE FROM RELATED PARTIES (Continued)**

Additions in allowance for doubtful accounts in 2004 of Rp 355,844,594 due to the addition of uncollectible receivables from related parties.

The detail of due from related parties based on currencies are as follows :

	2 0 0 4 Rp	2 0 0 3 Rp
Rupiah	581,440,314,794	473,178,009,071
United States Dollar US\$ 5,449,743 in 2004 and 2003	51,168,812,340	46,132,075,808
Total	<u>632,609,127,134</u>	<u>519,310,084,879</u>

**9. RESTRICTED CASH IN BANKS**

	2 0 0 4 Rp	2 0 0 3 Rp
IBRA :		
PT Bank Dharmala Rupiah account	64,056,133	64,056,133
PT Bank Putera Multikarsa Rupiah account	5,569,629,066	5,569,629,066
US Dollar account	11,915,325,203	10,857,182,759
PT Bank Papan Sejahtera Rupiah account	37,356,312	37,356,312
PT Bank Umum Nasional US Dollar account	17,905,732	16,315,610
PT Bank Asia Pacific Rupiah account	555,500	555,500
Total	<u>17,604,827,946</u>	<u>16,545,095,380</u>

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**9. RESTRICTED CASH IN BANKS (Continued)**

As the Company is under restructuring process with the Indonesian Bank Restructuring Agency (IBRA), the aggregate balance of cash in the banks was restricted by IBRA. Restricted cash in PT Bank Sociate Generale Indonesia due to the fact that some companies of Texmaco Group are under restructuring process with PT Bank Sociate Generale Indonesia. As a result, the cash in banks are restricted and presented under non-current assets in the consolidated balance sheets. Further, in January 2003, the balance of cash in PT Bank Sociate Generale Indonesia has been closed and transferred to the Company's bank account.

The Indonesian government through IBRA suspended the bank operating licences of PT Bank Putera Multikarsa, a related party, on January 28, 2000; PT Bank Dharmala, PT Bank Asia Pacific and PT Bank Papan Sejahtera on March 13, 1999; and PT Bank Umum Nasional on August 21, 1998. In addition, the operations of PT Bank Duta and PT Bank Nusa International were taken over by the Government on March 13, 1999. As a result, the balance of cash amounting to Rp 17,604,827,946 and Rp 16,545,095,380 in the said banks is shown as restricted cash in banks under non-current assets in the 2004 and 2003 consolidated balance sheets respectively.

Management believes that an allowance for probable losses on such restricted cash is not deemed necessary, as the cash in banks can be off-set with the loans of the Company and its Subsidiaries.

**10. FIXED ASSETS**

	2 0 0 4 Rp	2 0 0 3 Rp
Carrying cost :		
Direct acquisition	10,670,169,715,195	10,668,381,677,081
Assets under capital lease	54,478,269,709	54,478,269,709
Total carrying cost	<u>10,724,647,984,904</u>	<u>10,722,859,946,790</u>
Accumulated depreciation :		
Direct acquisition	5,659,588,795,025	5,054,796,514,891
Assets under capital lease	46,887,495,534	42,059,971,038
Total accumulated depreciation	<u>5,706,476,290,559</u>	<u>5,096,856,485,929</u>
Book value	<u>5,018,171,694,345</u>	<u>5,626,003,460,861</u>

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**10. FIXED ASSETS (Continued)**

The details of fixed assets are as follows :

Direct acquisition :

<u>2004</u>	<u>Beginning</u> Rp	<u>Changes during the current period</u>		<u>Ending</u> Rp
		<u>Addition</u> Rp	<u>Deduction</u> Rp	
Carrying cost :				
Land	113,030,049,157	90,985,353	–	113,121,034,510
Buildings and land improvements	224,140,351,189	–	–	224,140,351,189
Machinery and equipment	10,283,531,629,272	956,760,800	–	10,284,488,390,072
Transportation equipment	13,317,536,361	840,000,000	–	14,157,536,361
Office equipment	29,583,417,979	93,028,300	192,736,339	29,483,709,940
Store equipment	4,778,693,123	–	–	4,778,693,123
	<u>10,668,381,677,081</u>	<u>1,980,774,453</u>	<u>192,736,339</u>	<u>10,670,169,715,195</u>
Accumulated depreciation :				
Buildings and land improvements	92,936,456,159	10,863,165,064	–	103,799,621,223
Machinery and equipment	4,921,716,504,176	591,156,548,415	–	5,512,873,052,591
Transportation equipment	12,355,543,086	398,058,906	–	12,753,601,992
Office equipment	25,226,115,884	1,739,105,273	79,042,533	26,886,178,624
Store equipment	2,561,895,586	715,311,676	866,667	3,276,340,595
	<u>5,054,796,514,891</u>	<u>604,872,189,334</u>	<u>79,909,200</u>	<u>5,659,588,795,025</u>
Book value	<u>5,613,585,162,190</u>			<u>5,010,580,920,170</u>
<u>2003</u>	<u>Beginning</u> Rp	<u>Changes during the current period</u>		<u>Ending</u> Rp
		<u>Addition</u> Rp	<u>Deduction</u> Rp	
Carrying cost :				
Land	113,030,049,157	–	–	113,030,049,157
Buildings and land improvements	224,140,351,189	–	–	224,140,351,189
Machinery and equipment	10,279,652,125,022	3,879,504,250	–	10,283,531,629,272
Transportation equipment	12,643,896,361	736,100,000	62,460,000	13,317,536,361
Office equipment	28,150,526,623	1,456,241,356	23,350,000	29,583,417,979
Store equipment	4,126,510,098	652,183,025	–	4,778,693,123
	<u>10,661,743,458,450</u>	<u>6,724,028,631</u>	<u>85,810,000</u>	<u>10,668,381,677,081</u>
Accumulated depreciation :				
Buildings and land improvements	82,005,813,273	10,930,642,886	–	92,936,456,159
Machinery and equipment	4,341,588,645,178	580,127,858,998	–	4,921,716,504,176
Transportation equipment	11,980,004,743	437,998,343	62,460,000	12,355,543,086
Office equipment	22,883,530,603	2,344,048,616	1,463,335	25,226,115,884
Store equipment	1,918,791,449	643,104,137	–	2,561,895,586
	<u>4,460,376,785,246</u>	<u>594,483,652,980</u>	<u>63,923,335</u>	<u>5,054,796,514,891</u>
Book value	<u>6,201,366,673,204</u>			<u>5,613,585,162,190</u>

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**10. FIXED ASSETS (Continued)**

Assets under capital lease :

<u>2004</u>	<u>Beginning</u> Rp	<u>Changes during the current period</u>		<u>Ending</u> Rp
		<u>Addition</u> Rp	<u>Deduction</u> Rp	
Carrying cost :				
Machinery and equipment	46,159,844,782	–	–	46,159,844,782
Transportation equipment	8,318,424,927	–	–	8,318,424,927
	<u>54,478,269,709</u>	<u>–</u>	<u>–</u>	<u>54,478,269,709</u>
Accumulated depreciation :				
Machinery and equipment	34,332,083,111	4,615,984,496	–	38,948,067,607
Transportation equipment	7,727,887,927	211,540,000	–	7,939,427,927
	<u>42,059,971,038</u>	<u>4,827,524,496</u>	<u>–</u>	<u>46,887,495,534</u>
Book value	<u>12,418,298,671</u>			<u>7,590,774,175</u>
<u>2003</u>	<u>Beginning</u> Rp	<u>Changes during the current period</u>		<u>Ending</u> Rp
		<u>Addition</u> Rp	<u>Deduction</u> Rp	
Carrying cost :				
Machinery and equipment	46,159,844,782	–	–	46,159,844,782
Transportation equipment	8,318,424,927	–	–	8,318,424,927
	<u>54,478,269,709</u>	<u>–</u>	<u>–</u>	<u>54,478,269,709</u>
Accumulated depreciation :				
Machinery and equipment	29,716,098,615	4,615,984,496	–	34,332,083,111
Transportation equipment	7,516,347,927	211,540,000	–	7,727,887,927
	<u>37,232,446,542</u>	<u>4,827,524,496</u>	<u>–</u>	<u>42,059,971,038</u>
Book value	<u>17,245,823,167</u>			<u>12,418,298,671</u>

Deduction on fixed assets represents sales of fixed asset with details as follows :

	2004 Rp	2003 Rp
Book value	164,827,139	21,886,665
Selling price	155,358,000	68,636,364
Gain (loss) on sales of fixed assets	<u>(9,469,139)</u>	<u>46,749,699</u>

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

10. **FIXED ASSETS** (Continued)

	2 0 0 4	2 0 0 3
	Rp	Rp
Depreciation expenses are allocated to :		
Direct acquisitions :		
Manufacturing expense	602,019,713,479	591,058,501,888
Operating expenses	2,852,475,855	3,425,151,092
	<u>604,872,189,334</u>	<u>594,483,652,980</u>
Assets under capital lease :		
Manufacturing expense	4,615,984,496	4,615,984,496
Operating expenses	211,540,000	211,540,000
	<u>4,827,524,496</u>	<u>4,827,524,496</u>
<b>Total</b>	<u><u>609,699,713,830</u></u>	<u><u>599,311,177,476</u></u>

The effect of the change in estimated economic useful lives on machinery and equipment (Note 3f) on the consolidated statement of income for the year 2003 was Rp 284,259,447,635.

The additions to machinery and equipment in 2004 and 2003 are mainly purchase for staple fiber plants, polymer and chip plants, spinning machine, waste recycling machine, texturing machine, utilities for the respective plants, polyester fleece production machine and coated fabrics machine.

The addition of machinery and equipment in 2004 of Rp 956,760,800 represents the purchase of machineries from related parties PT Texmaco Perkasa Engineering Tbk and PT Raja Busana Mahameru of Rp 555,635,000 and Rp 401,125,800 respectively (Note 37).

The addition of machinery and equipment in 2003 of Rp 3,879,504,250 including the purchase of machineries from related party (PT Texmaco Perkasa Engineering Tbk) of Rp 3,332,514,250 (Note 37).

The addition of office equipment in 2003 of Rp 1,456,241,356 including the purchase of furnitures from related party (PT Texmaco Micro Indoutama) of Rp 194,746,000 (Note 37).

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**10. FIXED ASSETS (Continued)**

The Company and its Subsidiaries own several pieces of land located in Karawang, Kendal and Pemalang amounted to 1,297,579 square meters with certificate Building Use Right (Hak Guna Bangunan or HGB) for a period of 20 – 30 years which will be expired between 2006 and 2029. The certificate of ownership for remaining of 100,548 square meters is still in process. Management believes that there will be no difficulty in the extension of the certificate of landrights since all the landrights were acquired legally and supported by sufficient evidence of ownership. In 2002 and 2001, the addition of land of Rp 258,585,580 and Rp 1,753,645,426 consist of land located in Semarang of 24,120 square meters and in Karawang 1,962.60 square meters. The ownership certificate of the land is still in process.

As of December 31, 2004 the Company's vehicles were insured with PT. Tunas Financindo Sarana, PT. Asuransi Rama Satria Wibawa, and PT. Asuransi Raksa Pratikara from fire loss and other risks totaling for Rp 2,293,365,040 which in the opinion of the Company's management was adequate to cover possible losses arising from such risks. While for the Company's other fixed assets and the Subsidiaries' fixed assets are not covered by insurance due to the cash flows problem or financial difficulties.

As of December 31, 2003, the Company's vehicles were insured with PT Tunas Financido Sarana against fire loss and other risks totalling for Rp 192,365,040 and fixed assets of Subsidiaries were insured with PT Asuransi Prima Perkasa Internasional and PT Asuransi Rama Satria against fire loss and other risks totalling for Rp 15,385,430,568.

Land, machinery and equipment are used as collateral for the short-term loan and guaranteed secured notes (Notes 13 and 15).

**11. ADVANCES FOR INVESTMENT IN A JOINT VENTURE**

This account consist of advances for investment in land to be used for a joint venture project between the Company and Eastman Kodak Company, USA to manufacture special types of polyester chips and fiber in Karawang, West Java which represents 17% of the joint venture's subscribed capital (Note 40). However the necessity for continuing with the joint venture is being assessed by both joint venture partners.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**12. OTHER ASSETS**

	2 0 0 4 Rp	2 0 0 3 Rp
Guarantee deposits	2,193,721,307	2,205,755,200
Long term prepaid rent	83,020,960	39,173,341
Jaminan Bank	47,954,879	-
Home deposits Lippo	28,855,500	-
Total	<u>2,353,552,646</u>	<u>2,244,928,541</u>

**13. SHORT TERM LOANS**

	2 0 0 4 Rp	2 0 0 3 Rp
<u>Working Capital Loan Facility :</u>		
PT Bina Prima Perdana :		
PT Bank Negara Indonesia (Persero) Tbk Rupiah account (US\$ 19,712,481 in 2004 and US\$ 19,626,622 in 2003)	1,331,301,272,184  183,128,950,879	1,331,301,272,184  166,139,356,229
PT Bank Dharmala	20,000,000,000	20,000,000,000
PT Bank Putera Multikarsa	3,597,490,480	3,597,490,480
Total working capital loan facility	<u>1,538,027,713,543</u>	<u>1,521,038,118,893</u>

Letter of Credit Facility :

PT Bina Prima Perdana :		
PT Bank Putera Multikarsa Rupiah account (US\$ 13,613,979 in 2004 and US\$ 13,141,629 in 2003)	1,451,307,000  126,473,872,835	1,451,307,000  111,244,060,743
Carried forward	<u>127,925,179,835</u>	<u>112,695,367,743</u>

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**13. SHORT TERM LOANS (Continued)**

	2 0 0 4 Rp	2 0 0 3 Rp
<u>Letter of Credit Facility ( Continued )</u>		
Brought forward	<u>127,925,179,835</u>	<u>112,695,367,743</u>
PT Bank International Indonesia Tbk		
Rupiah account	24,494,086,771	24,494,086,771
(US\$ 2,758,184)	25,623,529,360	23,348,027,560
PT Bank Duta		
Rupiah account	28,175,026,153	28,175,026,153
PT Bank Papan Sejahtera		
(US\$ 720,956 in 2004 and		
US\$ 717,904 in 2003)	6,697,677,004	6,077,061,164
	<u>212,915,499,123</u>	<u>194,789,569,391</u>
Others :		
PT Bank Negara Indonesia (Persero) Tbk		
Rupiah account	69,084,153,202	67,956,673,224
(US\$ 78,826,917 in 2004 and		
US\$ 78,956,517 in 2003)	732,302,062,831	668,366,919,960
European Euro (EUR 1,426,175)	18,044,051,670	15,179,051,498
Swiss Franc (CHF 49,902)	408,935,912	340,510,788
ING Bank		
(US\$ 13,924,531)	129,358,895,405	117,871,157,116
Credit Agricole Indosuez, Singapore		
(US\$ 12,117,088)	112,567,750,677	102,571,152,796
Credit Agricole Indosuez		
(US\$ 10,665,424)	99,081,785,524	90,282,811,029
Union Europeene de CIC Singapore		
(EUR 5,941,405)	75,171,547,903	63,234,373,948
PT Bank Sumitomo Mitsui Indonesia		
(US\$ 5,743,793)	53,359,840,779	48,621,211,215
Carried forward	<u>1,289,379,023,903</u>	<u>1,174,423,861,574</u>



**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

13. **SHORT TERM LOANS** (Continued)

	2 0 0 4 Rp	2 0 0 3 Rp
<u>Letter of Credit Facility : (Continued)</u>		
Others : (Continued)		
Brought forward	<u>1,289,379,023,903</u>	<u>1,174,423,861,574</u>
PT Bank Finconesia (EUR 7,471,552)	94,531,194,611	79,519,726,232
PT Bank Lippo Tbk (US\$ 5,198,454)	48,293,634,037	44,004,909,807
Bangkok Bank, Singapore (US\$ 3,303,097)	30,685,774,660	27,960,719,322
PT Bank Tabungan Negara (US\$ 85,736)	796,482,888	725,751,092
	<u>1,463,686,110,099</u>	<u>1,326,634,968,027</u>
Total letter of credit facility	<u>1,676,601,609,222</u>	<u>1,521,424,537,418</u>
Total	<u>3,214,629,322,765</u>	<u>3,042,462,656,311</u>

Pursuant to MOA (See Note 2c), the interest rate per annum during the year are as follows :

	2 0 0 4 %	2 0 0 3 %
US Dollar	10.25 – 10.50	7.75 – 8.00
Rupiah	18.50 – 18.75	16.50 – 16.75

These loans are collateralized by all of the Company and its Subsidiary's trade receivables, inventories, land, fixed assets, and future assets to be acquired by the Company, personal guarantee of the Company and its Subsidiary's Directors, and pledge of 5,000,000 shares of PT Texmaco Jaya Tbk (TJ) being held by the Company (Notes 5, 7 and 10). Certain loan agreements governing the above facilities contain covenants which among others restrict the right of the Company to amend its Articles of Association, change the composition of its Board of Directors or Commissioners, incur additional indebtedness, make certain investments and give guarantees. The agreements also provide various events of default, including any breach of any condition or covenant and certain events of insolvency.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**13. SHORT TERM LOANS (Continued)**

Loans to PT Bina Prima Perdana (BPP) represents loans : PT Bank Duta, PT Bank Papan Sejahtera, PT Bank Putera Multikarsa, PT Bank Dharmala, PT Bank Negara Indonesia (Persero) Tbk (not included letter of credit facilities) and PT Bank International Indonesia Tbk had been defaulted and transferred to IBRA. Further, pursuant to debt restructuring scheme in Master Restructuring Agreement (MRA) dated May 23, 2001, in 2002 the Company's debts to IBRA have been transferred to BPP. For this transfer, BPP issued Exchangeable Bond (EB) to IBRA (Note 2b).

On November 30, 2001, the Company entered into Definitive Memorandum of Agreement (MOA) with the creditors and IBRA regarding the restructuring plan of the Company and its subsidiaries. However, it has not yet been executed by the Company and its subsidiaries, and the MOA could be automatically terminated (Note 2c).

On February 26, 2004, IBRA issued a letter of default notice to PT Bina Prima Perdana. The letter stated that PT Bina Prima Perdana as the textile holding company had failed to pay the Exchangeable Bond (EB) coupons due on August 18, 2003 (Note 2b).

On February 27, 2004, IBRA was dissolved by the Government. The outstanding or unfinished affairs under the handling of IBRA were transferred to a company called PT. Perusahaan Pengelola Assets (Assets Management Company) for further management and restructuring process under the supervision of the Ministry of Finance.

Pursuant to MOA, PT Bina Prima Perdana will receive the New Senior 1<sup>st</sup> Lien Secured Notes for secured debts and New Senior 2<sup>nd</sup> Lien Secured Notes Series A for unsecured debts.

Pursuant to MOA, the letter of credit facilities from ING Bank, PT Bank Indosuez Indonesia, Union Europeene de CIC Singapore, and Bangkok Bank Singapore are categorized as "Secured Trade Claim Debt". Accordingly, the creditors will receive the New Senior 2<sup>nd</sup> Lien Secured Notes-Series A (Note 2c).

Pursuant to MOA, the letter of credit facilities from PT Bank IBJ Indonesia, Credit Agricole Indosuez, Bangkok Bank Jakarta, PT Bank Sumitomo Mitsui Indonesia, PT Bank Lippo and PT Bank Tabungan Negara are categorized as "Unsecured Trade Claim Debt". Accordingly, the creditors will receive the New Senior 2<sup>nd</sup> Lien Secured Notes-Series A (Note 2c).

In August 2000, the Company, TJ and PT Wastra Indah obtained Letter of Credits facilities from PT Bank Negara Indonesia (Persero) Tbk with a maximum credit of US\$ 100,000,000 for importing raw materials, supplies and consumable goods for textile and chemical industries. The Letter of Credit facility provided by BNI guaranteed by IBRA, was stopped by BNI in March 2003. As of December 31, 2004 and 2003 the outstanding letter of credit facilities were US\$ 11,052,543 and US\$ 11,182,143 respectively. The entire outstanding has become overdue.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**14. NOTES PAYABLE**

In 1996 and 1997, the Company and its Subsidiaries issued unsecured commercial papers (notes payable) with nominal value of US\$ 416,920,000 and Rp 135,350,000,000 with terms of one to five years and interest per annum at 9.88% – 11% for US Dollar notes and 20% – 21% for Rupiah notes. PT Asia Kapitalindo Securities acts as arranger to seek prospective investors with arrangement fee at 0.5% – 1% from the issued notes payable.

In January 1998, the Company issued US\$ 22,000,000 notes that matured in 2000, and bear interest at the rate of 10% per annum. These have been presented as part of medium-term notes.

At balance sheet date, the Company and its Subsidiaries have notes payable as follows :

	2 0 0 4 Rp	2 0 0 3 Rp
PT Bina Prima Perdana (BPP) :		
Rupiah		
Nominal value	64,099,898,118	64,099,898,118
US Dollar		
Nominal value US\$ 39,290,400 in 2004 and US\$ 65,435,005 in 2003	365,007,816,000	553,907,317,325
Japanese Yen		
Nominal value Yen 3,001,711,400	270,154,026,000	–
Total BPP	<u>699,261,740,118</u>	<u>618,007,215,443</u>
Others :		
Rupiah		
Nominal value	106,926,388,529	106,926,388,529
US Dollar		
Nominal value US\$ 369,641,451 in 2004 and 2003	3,433,931,900,054	3,129,014,885,166
Total others	<u>3,540,858,288,583</u>	<u>3,235,941,273,695</u>
Total	<u>4,240,120,028,701</u>	<u>3,853,948,489,138</u>

Due to operations suspension of some of the banks as noteholders, they have been transferred to IBRA for the administration. Pursuant to debt restructuring scheme in Master Restructuring Agreement (MRA) dated May 23, 2001, in 2002 the Company's debts to IBRA have been transferred to BPP. For this transfer, BPP issued Exchangeable Bond (EB) to IBRA (Note 2b).

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**14. NOTES PAYABLE (Continued)**

The above mentioned notes payable are unsecured and PT Asia Kapitalindo Securities is the arranger.

On November 30, 2001, the Company entered into Definitive Memorandum of Agreement (MOA) with the noteholders and IBRA regarding the restructuring plan of the Company and its Subsidiaries. However, it has not yet been executed by the Company and its Subsidiaries, and the MOA could be automatically terminated (Note 2c).

In 2004, notes payable which previously recorded in US Dollar currencies was converted into the original currencies in Japanese Yen because the company considered the MOA will not be applied.

Pursuant to MOA, PT BPP as a noteholders will receive New Senior 2<sup>nd</sup> Lien Secured Notes Series A and the other noteholders will receive the New Senior 2nd Lien Secured Notes–Series B (Note 2c).

On February 26, 2004, IBRA issued a letter of default notice to PT Bina Prima Perdana. The letter stated that PT Bina Prima Perdana as the textile holding company had failed to pay the Exchangeable Bond (EB) coupons due on August 18, 2003 (Note 2b).

On February 27, 2004, IBRA was dissolved by the Government. The outstanding or unfinished affairs under the handling of IBRA were transferred to a company called PT. Perusahaan Pengelola Assets (Assets Management Company) for further management and restructuring process under the supervision of the Ministry of Finance.

**15. GUARANTEED SECURED AND UNSECURED NOTES**

The details of this account are as follows :

	2 0 0 4 Rp	2 0 0 3 Rp
A. 1) 13% Unsecured Senior Notes US\$ 1,224,000 due 2002	11,370,960,000	10,361,160,000
2) 13% Guarantees Secured Notes US\$ 122,526,000 due 2002	1,138,266,540,000	1,037,182,590,000
B. US\$ 50,000,000 Secured Floating Rate Notes due 1999	464,500,000,000	423,250,000,000
C. 11,5% Guaranteed Secured Notes US\$ 260,000,000 due 2006	2,415,400,000,000	2,200,900,000,000
D. 9,375% Guaranteed Secured Notes US\$ 250,000,000 due 2007	<u>2,322,500,000,000</u>	<u>2,116,250,000,000</u>
Total	6,352,037,500,000	5,787,943,750,000
Less : Net book value of debt issuance cost	<u>(7,999,564,878)</u>	<u>(11,993,104,058)</u>
Net	<u><u>6,344,037,935,122</u></u>	<u><u>5,775,950,645,942</u></u>

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**15. GUARANTEED SECURED AND UNSECURED NOTES (Continued)**

On November 30, 2001, the Company entered into Definitive Memorandum of Agreement (MOA) with the noteholders regarding the restructuring plan of the Company and its Subsidiaries. However, it has not yet been executed by the Company and its Subsidiaries, and the MOA could be automatically terminated (Note 2c).

Pursuant to MOA, the noteholders of unsecured notes will receive the New Senior 2nd Lien Secured Notes–Series B and the noteholders of secured notes will receive the New Senior Secured Bonds (Note 2c). Guaranteed Secured and Unsecured Notes are consist of :

- A. 13% Unsecured Senior Notes, US\$ 1,224,000 and 13% Guaranteed Secured Notes, US\$ 122,526,000.

The Company issued US\$ 125,000,000 Unsecured Senior Notes in June 1994 carrying an interest rate of 13% per annum. The notes are due for repayment in 2001. In May 1996, the Company offered to the holders of the said unsecured notes to exchange their notes with 13% Guaranteed Senior Notes due in 2001 which were listed in Luxembourg Stock Exchanges and issued by PIFC with the Company as the guarantor. All holders of the unsecured notes exchanged their notes with the new secured notes except for the holders of unsecured notes amounting to US\$ 2,474,000. In August 1997, the Company paid part of the 13% Unsecured Senior Notes amounting to US\$ 1,250,000.

Currently the notes have been delisted from Luxembourg Stock Exchanges. The Guaranteed Secured Notes are secured by liens of the collateral, which consist of real property, moveable assets (other than inventories) and proceeds of collateral on a pari-passu basis with the other notes payable and obligations of the Company and its Subsidiaries.

- B. Secured Floating Rates Notes, US\$ 50,000,000.

In February 1996, PIFC, with the Company as the guarantor, issued the US\$ 50,000,000 Secured Floating Rate Notes which were listed in Luxembourg Stock Exchanges with carrying an interest rate of 3% above LIBOR and were due in 1999.

Currently the notes have been delisted from Luxembourg Stock Exchanges and are secured by liens of the collateral, which consist of real property, moveable assets (other than inventories) and proceeds of collateral on a pari-passu basis with the other notes payable and obligations of the Company and its Subsidiaries.

- C. 11.375% Guaranteed Secured Notes, US\$ 260,000,000.

In June 1996, PIFC issued the US\$ 260,000,000 Guaranteed Secured Notes due in 2006 which were listed in Luxembourg Stock Exchange, with the Company as the guarantor. The notes carry an interest rate of 11.375% per annum. The proceeds from issuance of these notes were used to pay off other debts and loans.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**15. GUARANTEED SECURED AND UNSECURED NOTES (Continued)**

C. 11.375% Guaranteed Secured Notes, US\$ 260,000,000 (Continued)

Currently these notes have been delisted from Luxembourg Stock Exchanges and are secured by liens of the collateral, which consist of real property, moveable assets (other than inventories) and proceeds of collateral on a pari-passu basis with the other notes payable and obligations of the Company's and its Subsidiaries.

D. 9.375% Guaranteed Secured Notes, US\$ 250,000,000.

In July 1997, PIFC issued the US\$ 250,000,000 Guaranteed Secured Notes due in 2007 which were listed in Luxembourg Stock Exchange with the Company as the guarantor. The notes carry an interest rate of 9.375% per annum. The proceeds from issuance of these notes were used to finance a portion of phase I of the Company's expansion program.

Currently these notes have been delisted from Luxembourg Stock Exchanges and are secured by liens of the collateral, which consist of real property, movable assets (other than inventories) and proceeds of collateral on a pari-passu basis with the other notes payable and obligations of the Company and its Subsidiaries.

In addition to the above notes payable, the Company issued series of negotiable discounted promissory notes originally to a local Indonesian bank amounted to US\$ 260,000,000 at discounted rates averaging 11.5% per annum at issuance date (September 13, 1996). The promissory notes have varying maturity dates up to ten years. As of December 31, 2004 and 2003 the sole holder of the notes is PIFC. Accordingly, the balance of the notes was eliminated in the consolidated accounts.

The amortization expenses of debt issuance cost for the year ended December 31, 2004 and 2003 amounted to Rp 3,993,539,180 each year.

**16. TRADE PAYABLES**

This account consist of :

Third parties :

	2 0 0 4 Rp	2 0 0 3 Rp
Local suppliers	60,007,412,219	52,349,119,799
Foreign suppliers	158,713,673,587	36,502,390,741
Total	218,721,085,806	88,851,510,540

In 2004, trade payables to foreign suppliers include payable to customers for pre-financing amounted to Rp 73,285,082,270.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

16. **TRADE PAYABLES** (Continued)

A summary of the aging of trade payables to third parties which were computed since the date of invoice is as follows :

	2 0 0 4 Rp	2 0 0 3 Rp
Up to 1 month	80,914,105,512	25,248,073,074
> 1 month – 3 months	80,674,435,132	11,765,879,544
> 3 months – 6 months	7,784,615,218	12,421,012,296
> 6 months – 1 year	22,360,264,531	22,458,123,851
> 1 year	26,987,665,413	16,958,421,775
<b>Total</b>	<u><u>218,721,085,806</u></u>	<u><u>88,851,510,540</u></u>

The details of trade payables to third parties based on currencies are as follows :

	2 0 0 4 Rp	2 0 0 3 Rp
Rupiah	56,026,860,984	46,059,039,988
Unites States Dollar (US\$ 17,273,799 in and US\$ 4,529,494 in 2003)	160,473,595,771	38,342,170,048
European Euro (EUR 117,150 in 2004 and EUR 260,163 in 2003)	1,486,746,657	2,768,928,686
Singapore Dollar (SGD 89,403 in 2004 and SGD 214,636 in 2003)	508,297,984	1,068,134,404
Japan Yen (Yen 44,000 in 2004 and Yen 5,612,798 in 2003)	3,978,480	444,364,915
Swiss Franc (CHF 8,939 in 2004 and CHF 23,792 in 2003)	73,255,007	162,343,877
Great Brithish Poundsterling (GBP 8,293 in 2004 and GBP 433 in 2003)	148,350,923	6,528,622
<b>Total</b>	<u><u>218,721,085,806</u></u>	<u><u>88,851,510,540</u></u>

Trade payables to third parties local suppliers represent payables for purchase of raw materials and trade payables to third parties foreign suppliers represent payables for purchase of indirect materials.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

16. **TRADE PAYABLES** (Continued)

Related parties :

	2 0 0 4 Rp	2 0 0 3 Rp
PT Citra Indah Textiles	46,783,669,472	47,256,116,546
PT Texmaco Taman Synthetics	7,965,763,562	-
PT Wismakarya Prasetya	3,940,056,932	6,579,442,408
PT Perkasa Heavyndo Engineering	603,284,554	603,284,554
PT Polysindo Japan Ltd., Japan	83,021,918	109,644,922
PT Texmaco Micro Indoutama	80,457,768	80,457,768
PT Devrindo Widya	-	18,700,000
<b>Total</b>	<u><u>59,456,254,206</u></u>	<u><u>54,647,646,198</u></u>

A summary of the aging of the trade payables to related parties which were computed since the date of invoice is as follows :

	2 0 0 4 Rp	2 0 0 3 Rp
Up to 1 month	1,276,677,332	5,519,172,087
> 1 month – 3 months	1,235,545,372	2,972,631,089
> 3 months – 6 months	4,398,455,388	1,117,858,806
> 6 months – 1 year	11,312,697,310	9,556,807,194
> 1 year	41,232,878,804	35,481,177,022
<b>Total</b>	<u><u>59,456,254,206</u></u>	<u><u>54,647,646,198</u></u>

The details of trade payables to related parties based on currencies are as follows :

	2 0 0 4 Rp	2 0 0 3 Rp
Rupiah	59,456,254,206	54,538,001,276
Japan Yen (Yen 1,384,970 in 2003)	-	109,644,922
<b>Total</b>	<u><u>59,456,254,206</u></u>	<u><u>54,647,646,198</u></u>

Trade payables to related parties represent payables for purchase of raw materials, indirect materials and maklon fee.



**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**17. LIABILITIES FOR PURCHASE OF FIXED ASSETS**

This account represents liabilities for purchase of machinery in relation to the Company's subsidiary project expansion :

	2 0 0 4 Rp	2 0 0 3 Rp
Third parties :		
Juki Singapore Pte. Ltd., Singapore		
US\$ 30,476.25	<u>283,124,363</u>	<u>257,981,456</u>

**18. TAXATIONS**

**a. Prepaid Taxes**

	2 0 0 4 Rp	2 0 0 3 Rp
Overpayment of corporate income tax		
2002	-	10,871,345,857
2003	11,633,104,265	11,924,214,865
2004	22,512,948,973	-
Value added tax	52,080,457,349	49,791,627,009
 Total	 <u>86,226,510,587</u>	 <u>72,587,187,731</u>

**b. Taxes Payable**

	2 0 0 4 Rp	2 0 0 3 Rp
Income tax article 21	5,971,938,799	3,329,728,119
Income tax article 23	939,831,834	1,881,741,346
Income tax article 25	-	28,687,687
Income tax article 26	82,679,968,634	82,731,512,568
Income tax article 4 (final)	60,274,741	3,782,093
Value added tax	20,349,407,846	41,564,316,806
 Total	 <u>110,001,421,854</u>	 <u>129,539,768,619</u>

**c. Corporate Income Tax**

A reconciliation between loss before income tax, as shown in the consolidated statements of income and estimated taxable loss which were calculated by the Company for the years ended December 31, 2004 and 2003 are as follows :

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

18. **TAXATIONS** (Continued)

c. **Corporate Income Tax** (Continued)

	2 0 0 4 Rp	2 0 0 3 Rp
Loss before income tax as per consolidated statements of income	(2,088,588,534,372)	(1,168,306,426,269)
Extraordinary item	-	25,222,853,059
Loss before income tax of the Subsidiaries	342,110,704,097	281,064,389,822
Loss before income tax of the Company	<u>(1,746,477,830,275)</u>	<u>(862,019,183,388)</u>
Fiscal adjustments consisted of :		
Permanent difference :		
Non deductible expenses/ (non taxable income) :		
Allowance for doubtful accounts	43,005,109,124	33,805,945,228
Tax expense	25,407,076,301	12,867,627,666
Entertainment and representation	348,357,966	634,545,022
Donation	9,000,000	139,254,000
Interest income	(78,314,228)	(168,076,024)
	<u>68,691,229,163</u>	<u>47,279,295,892</u>
Timing differences :		
Depreciation expense of fixed assets	64,926,967,768	(9,727,504,640)
Amortization of deferred charges	2,032,269,972	2,159,233,820
Provision for employee entitlement	51,395,224	2,886,175,034
Lease expense	(3,029,849,961)	(8,560,919,798)
Provision for inventory obsolescence	-	(6,587,184,179)
	<u>63,980,783,003</u>	<u>(19,830,199,763)</u>
Estimated taxable loss of the Company for the period before loss carry forward	<u>(1,613,805,818,109)</u>	<u>(834,570,087,259)</u>
Fiscal loss carry forward	<u>(5,858,017,957,901)</u>	<u>(7,852,646,232,447)</u>
Total estimated taxable loss	<u>(7,471,823,776,010)</u>	<u>(8,687,216,319,706)</u>
Estimated corporate income tax	<u>-</u>	<u>-</u>

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

18. **TAXATIONS** (Continued)

c. **Corporate Income Tax** (Continued)

	2 0 0 4 Rp	2 0 0 3 Rp
Prepaid taxes :		
Income tax article 22	(19,963,135,644)	(11,286,472,599)
Income tax article 23	(2,431,798,088)	(47,378,007)
Total prepaid taxes	<u>(22,394,933,732)</u>	<u>(11,333,850,606)</u>
Estimated overpayment of corporate income tax	<u>(22,394,933,732)</u>	<u>(11,333,850,606)</u>
Estimated overpayment of corporate income tax of subsidiaries	<u>118,015,241</u>	<u>590,364,259</u>

- Taxable profit (loss) for the year ended December 31, 2003 as reported in the 2003 corporate income tax return amounted to Rp 788,334,823,479. For this discrepancy, the Company did not make any correction to corporate income tax return, because it was under examination by the tax authorities.

d. **Deferred Tax**

The calculation of deferred tax assets and deferred tax liabilities is as follows :

	As of <u>December 31, 2003</u> Rp	2 0 0 4 Credited (charged) to statement of <u>income for the year</u> Rp	As of <u>December 31, 2004</u> Rp
<u>The Company</u>			
Deferred tax assets (liabilities) :			
Fiscal loss carry forward	2,550,673,299,137	473,752,262,764	3,024,425,561,901
Valuation allowance	(2,550,673,299,137)	(473,752,262,764)	(3,024,425,561,901)
Depreciation expense of fixed assets	(428,893,451,223)	19,478,090,330	(409,415,360,893)
Amortization of deferred charges	217,626,147	609,680,992	827,307,139
Provision for employee entitlement	2,720,458,272	15,418,567	2,735,876,839
Lease expense	(2,382,173,259)	(908,954,988)	(3,291,128,247)
Total	<u>(428,337,540,063)</u>	<u>19,194,234,901</u>	<u>(409,143,305,162)</u>

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

18. **TAXATIONS (Continued)**

d. **Deferred Tax (Continued)**

The calculation of deferred tax assets and deferred tax liabilities is as follows :

	As of <u>December 31, 2003</u> Rp	<u>2 0 0 4</u> Credited (charged) to statement of <u>income for the year</u> Rp	As of <u>December 31, 2004</u> Rp
<u>Subsidiaries</u>			
TJ	3,309,987,336	21,478,604,960	24,788,592,296
Total deferred tax liabilities	<u>(425,027,552,727)</u>	<u>40,672,839,861</u>	<u>(384,354,712,866)</u>
TGB	330,065,700	24,418,088	354,483,788
Total deferred tax liabilities, net	<u>(424,697,487,027)</u>	<u>40,697,257,949</u>	<u>(384,000,229,078)</u>
	As of <u>December 31, 2002</u> Rp	<u>2 0 0 3</u> Credited (charged) to statement of <u>income for the year</u> Rp	As of <u>December 31, 2003</u> Rp
<u>The Company</u>			
Deferred tax assets (liabilities) :			
Fiscal loss carry forward	2,299,658,461,928	251,014,837,209	2,550,673,299,137
Valuation allowance	(2,299,658,461,928)	(251,014,837,209)	(2,550,673,299,137)
Depreciation expense of fixed assets	(425,975,199,831)	(2,918,251,392)	(428,893,451,223)
Amortization of deferred charges	(430,143,999)	647,770,146	217,626,147
Provision for employee entitlement	1,854,605,762	865,852,510	2,720,458,272
Lease expense	186,102,680	(2,568,275,939)	(2,382,173,259)
Provision for inventory obsolescence	1,976,155,254	(1,976,155,254)	-
Total	<u>(422,388,480,134)</u>	<u>(5,949,059,929)</u>	<u>(428,337,540,063)</u>
<u>Subsidiaries</u>			
TJ	(1,701,507,962)	5,011,495,298	3,309,987,336
Total deferred tax liabilities	<u>(424,089,988,096)</u>	<u>(937,564,631)</u>	<u>(425,027,552,727)</u>
TGB	119,751,702	210,313,998	330,065,700
Total deferred tax liabilities, net	<u>(423,970,236,394)</u>	<u>(727,250,633)</u>	<u>(424,697,487,027)</u>

The recognition of the Company' deferred tax assets is based on management's estimates of the results of future operations including an estimate of output levels and commodity prices for the Company's products, the timing and extent of the reversal certain of the Company's deferred tax liabilities, and certain tax planning strategies. Based on these estimates, management believes that the Company will not realize its deferred tax asset arising from fiscal loss carry forward. Accordingly, the management had made a valuation allowance of Rp 3,024,425,561,901 and Rp 2,550,673,299,137 at December 31, 2004 and 2003, respectively.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

18. **TAXATIONS** (Continued)

d. **Deferred Tax** (Continued)

A reconciliation between the total tax income (expense) and the amounts computed by applying the effective tax rate to profit (loss) before income tax is as follows :

	2 0 0 4 Rp	2 0 0 3 Rp
Loss before income tax as per consolidated statements of income	(2,088,588,534,372)	(1,168,306,426,269)
Extraordinary item	-	25,222,853,059
Loss before income tax of the Subsidiaries	342,110,704,097	281,064,389,822
Loss before income tax of the Company	<u>(1,746,477,830,275)</u>	<u>(862,019,183,388)</u>
Tax loss (benefit) at effective tax rate of 30%	(523,943,349,083)	(258,605,755,016)
Valuation allowance	484,141,745,433	250,371,026,177
Tax effect of non-deductible expense (non-taxable income)	<u>20,607,368,749</u>	<u>14,183,788,768</u>
Tax expense (income) of the Company	(19,194,234,901)	5,949,059,929
Tax income of the Subsidiaries	(21,503,023,048)	(5,221,809,296)
Total tax expense (income)	<u>(40,697,257,949)</u>	<u>727,250,633</u>

e. **Tax Income (Expense)**

	2 0 0 4 Rp	2 0 0 3 Rp
Current income tax expense:		
The Company	-	-
Subsidiaries	-	-
	<u>-</u>	<u>-</u>
Deferred tax income (expense) :		
The Company	19,194,234,901	(5,949,059,929)
Subsidiaries	21,503,023,048	5,221,809,296
	<u>40,697,257,949</u>	<u>(727,250,633)</u>
Tax income (expense)	<u>40,697,257,949</u>	<u>(727,250,633)</u>

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

18. **TAXATIONS** (Continued)

f. **Tax Assessment Letter**

a. The Company :

- On June 28, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued a Corporate Income Tax Assessment Letter for the fiscal year 2002 No. 00037/406/02/092/04 stated that the Company had an overpayment of income tax amounted to Rp 10,229,383,762 based on the taxable profit of Rp 870,743,203,377.
- On January 30, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Semarang Barat) issued an Income Tax article 21 Collection Letter for fiscal period November 2003 No. 00526/101/03/503/04 stated that the Company had additional tax liability of Rp 6,218,363. The tax liability had been paid on March 23, 2004.
- On February 13, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Semarang Barat) issued an Income Tax article 21 Collection Letter for fiscal period October 2003 No. 00032/101/03/092/04 stated that the Company had additional tax liability of Rp 3,112,923. The tax liability had been compensated on July 27, 2004 with the overpayment of 2002 corporate income tax.
- On February 13, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Semarang Barat) issued a Value Added Tax Collection Letter for fiscal period November 2003 No. 00007/107/03/092/04 stated that the Company had additional tax liability of Rp 50,000. The tax liability had been compensated on July 27, 2004 with the overpayment of 2002 corporate income tax.
- On February 13, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Semarang Barat) issued a Value Added Tax Collection Letter for fiscal period October 2003 No. 00008/107/03/092/04 stated that the Company had additional tax liability of Rp 50,000. The tax liability had been compensated on July 27, 2004 with the overpayment of 2002 corporate income tax.
- On February 13, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Semarang Barat) issued a Value Added Tax Collection Letter for fiscal period April 2003 No. 00009/107/03/092/04 stated that the Company had additional tax liability of Rp 675,542,930. The tax liability had been compensated on July 27, 2004 with the overpayment of 2002 corporate income tax.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

18. **TAXATIONS** (Continued)

f. **Tax Assessment Letter** (Continued)

a. The Company (Continued) :

- On March 29, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued decision letter No. Kep. 118/WPJ.19/BD.05/2004 to deduction or write off administration penalty amounting to Rp. 5,212,825,768 on Underpaid Value Added Tax Assessment Letter for fiscal period February 2003 No. 00003/207/03/092/03 amounting to Rp. 5,838,738,539. Based on deduction or write off administration penalty the Company had tax liability of Rp. 625,912,771. The tax liability had been compensated on July 27, 2004 with the overpayment of 2002 corporate income tax.
- On April 01, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued decision letter No. Kep. 126/WPJ.19/BD.05/2004 to deduction or write off administration penalty amounting to Rp. 3,495,456,970 on Underpaid Value Added Tax Assessment Letter for fiscal period March 2003 No. 00004/207/03/092/03 amounting to Rp. 3,915,162,376. Based on deduction or write off administration penalty the Company had tax liability of Rp. 419,705,406. The tax liability had been compensated on July 27, 2004 with the overpayment of 2002 corporate income tax.
- On April 01, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued decision letter No. Kep. 127/WPJ.19/BD.05/2004 to deduction or write off administration penalty amounting to Rp 4,979,012,709 on Underpaid Value Added Tax Assessment Letter for fiscal period January 2003 No. 00002/207/03/092/03 amounting to Rp 5,576,851,151. Based on deduction or write off administration penalty the Company had tax liability of Rp 597,838,442. The tax liability had been compensated on July 27, 2004 with the overpayment of 2002 corporate income tax.
- On April 26, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Semarang Barat) issued an Income Tax article 21 Collection Letter for fiscal period December 2003 No. 00651/101/03/503/04 stated that the Company had additional tax liability of Rp 110,000. The tax liability had been paid on August 5, 2004.
- On June 28, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued a Value Added Tax Assessment Letter for fiscal period January up to December 2002 No. 00015/277/02/092/04 stated that the Company had additional tax liability of Rp 383,117,096. The tax liability had been compensated on July 27, 2004 with the overpayment of 2002 corporate income tax.
- On June 28, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued an Income Tax article 26 Assessment Letter for fiscal period January up to December 2002 No. 00015/204/02/092/04 stated that the Company had additional tax liability of Rp 43,794,145,373. The tax liability had not been paid yet.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

18. **TAXATIONS** (Continued)

f. **Tax Assessment Letter** (Continued)

a. The Company (Continued) :

- On June 28, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued an Income Tax article 23 Assessment Letter for fiscal period January up to December 2002 No. 00032/203/02/092/04 stated that the Company had additional tax liability of Rp 1,020,409. The tax liability had been compensated on July 27, 2004 with the overpayment of 2002 corporate income tax.
- On June 28, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued a Value Added Tax Assessment Letter for fiscal period October up to December 2002 No. 00044/207/02/092/04 stated that the Company had additional tax liability of Rp 24,707,482,170. The tax liability of Rp 5,352,748,814 had been compensated on July 27, 2004 with the overpayment of 2002 corporate income tax.
- On June 28, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Semarang Barat) issued an Income Tax article 21 Assessment Letter for fiscal period January up to December 2002 No. 00012/501/02/092/04 stated that the Company had no additional tax liability.
- On June 28, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Semarang Barat) issued an Income Tax article 4(2) Assessment Letter for fiscal period January up to December 2002 No. 00016/540/02/092/04 stated that the Company had no additional tax liability.
- On June 29, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued a Value Added Tax Assessment Letter for fiscal period May 2003 No. 00039/107/03/092/04 stated that the Company had additional tax liability of Rp 17,380,887. The tax liability had been compensated on July 27, 2004 with the overpayment of 2002 corporate income tax.
- On June 29, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued a Value Added Tax Assessment Letter for fiscal period June 2003 No. 00040/107/03/092/04 stated that the Company had additional tax liability of Rp 32,733,469. The tax liability had been compensated on July 27, 2004 with the overpayment of 2002 corporate income tax.



**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

18. **TAXATIONS** (Continued)

f. **Tax Assessment Letter** (Continued)

a. The Company (Continued) :

- On June 29, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued a Value Added Tax Assessment Letter for fiscal period July 2003 No. 00041/107/03/092/04 stated that the Company had additional tax liability of Rp 5,630,001. The tax liability had been compensated on July 27, 2004 with the overpayment of 2002 corporate income tax.
- On June 29, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued a Value Added Tax Assessment Letter for fiscal period August 2003 No. 00042/107/03/092/04 stated that the Company had additional tax liability of Rp 12,744,015. The tax liability had been compensated on July 27, 2004 with the overpayment of 2002 corporate income tax.
- On June 29, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued a Value Added Tax Assessment Letter for fiscal period October 2003 No. 00043/107/03/092/04 stated that the Company had additional tax liability of Rp 8,122,390. The tax liability had been compensated on July 27, 2004 with the overpayment of 2002 corporate income tax.
- On June 29, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued a Value Added Tax Assessment Letter for fiscal period November 2003 No. 00044/107/03/092/04 stated that the Company had additional tax liability of Rp 3,709,184. The tax liability had been compensated on July 27, 2004 with the overpayment of 2002 corporate income tax.
- On June 29, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued a Value Added Tax Assessment Letter for fiscal period December 2003 No. 00045/107/03/092/04 stated that the Company had additional tax liability of Rp 50,000. The tax liability had been compensated on July 27, 2004 with the overpayment of 2002 corporate income tax.
- On June 29, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued an Income Tax Article 21 Collection Letter for fiscal year 2003 No. 00054/101/03/092/04 stated that the Company had additional tax liability of Rp 100,000. The tax liability had been compensated on July 27, 2004 with the overpayment of 2002 corporate income tax.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

18. **TAXATIONS** (Continued)

f. **Tax Assessment Letter** (Continued)

a. The Company (Continued) :

- On June 29, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued an Income Tax Article 21 Collection Letter for fiscal period November 2003 No. 00055/101/03/092/04 stated that the Company had additional tax liability of Rp 9,064,202. The tax liability had been compensated on July 27, 2004 with the overpayment of 2002 corporate income tax.
- On June 29, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued an Income Tax Article 21 Collection Letter for fiscal period December 2003 No. 00056/101/03/092/04 stated that the Company had additional tax liability of Rp 8,742,793. The tax liability had been compensated on July 27, 2004 with the overpayment of 2002 corporate income tax.
- On July 14, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued decision letter No. Kep 306/WPJ.19/BD.05/2004 to reject deduction or write off administration penalty amounting to Rp. 2,070,096,546 on underpaid Value Added Tax Assessment Letter for fiscal period April 2003 No. 00005/207/03/092/03 amounting to Rp 2,070,096,546. Based on reject deduction or write off administration penalty the company had tax liability of Rp 2,070,096,546. The tax liability had been compensated on July 27, 2004 with the overpayment of 2002 corporate income tax.
- On July 16, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued an Income Tax article 23 Assessment Letter for fiscal period January up to December 2002 No. 00058/203/02/503/04 stated that the Company had additional tax liability of Rp 35,136,034. The tax liability had not been paid yet.
- On July 16, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued an Income Tax article 4(2) Assessment Letter for fiscal period January up to December 2002 No. 00027/240/02/503/04 stated that the Company had additional tax liability of Rp 110,660,857. The tax liability had not been paid yet.
- On July 16, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Semarang Barat) issued an Income Tax article 21 Assessment Letter for fiscal year 2002 No. 00105/501/02/503/04 stated that the Company had no additional tax liability.
- On August 02, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Semarang Barat) issued an Income Tax article 21 Assessment Letter for fiscal period January 2004 No. 00115/101/04/503/04 stated that the Company had additional tax liability of Rp 48,919,597. The tax liability had been paid on March 10, 2005.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

18. **TAXATIONS** (Continued)

g. **Tax Assessment Letter** (Continued)

a. The Company (Continued) :

- On August 02, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Semarang Barat) issued an Income Tax article 21 Assessment Letter for fiscal period February 2004 No. 00116/101/04/503/04 stated that the Company had additional tax liability of Rp 44,142,948. The tax liability had been paid on March 10, 2005.
- On August 02, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Semarang Barat) issued an Income Tax article 21 Assessment Letter for fiscal period March up to April 2004 No. 00117/101/04/503/04 stated that the Company had additional tax liability of Rp 2,314,234. The tax liability had been paid on September 17, 2004
- On September 03, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Semarang Barat) issued an Income Tax article 21 Collection Letter for fiscal period June 2004 No. 00133/101/04/503/04 stated that the Company had additional tax liability of Rp 753,381. The tax liability had been paid on September 17, 2004
- On October 22, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Semarang Barat) issued an Income Tax article 21 Collection Letter for fiscal period May 2004 No. 00146/101/04/503/04 stated that the Company had additional tax liability of Rp 799,756. The tax liability had been paid on November 8, 2004
- On November 26, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Semarang Barat) issued an Income Tax article 21 Collection Letter for fiscal period February up to April 2004 No. 00166/101/04/503/04 stated that the Company had additional tax liability of Rp 19,810,743. The tax liability had been paid on April 20, 2005.
- On December 28, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued an Income Tax article 21 Collection Letter for fiscal period January 2004 No. 00049/101/04/092/04 stated that the Company had additional tax liability of Rp 9,378,297. The tax liability had not been paid yet.
- On December 28, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued an Income Tax article 21 Collection Letter for fiscal period February 2004 No. 00050/101/04/092/04 stated that the Company had additional tax liability of Rp 10,492,631. The tax liability had not been paid yet.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

18. **TAXATIONS** (Continued)

f. **Tax Assessment Letter** (Continued)

a. The Company (Continued) :

- On December 28, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued an Income Tax article 21 Collection Letter for fiscal period March 2004 No. 00051/101/04/092/04 stated that the Company had additional tax liability of Rp 1,138,402. The tax liability had been paid on March 21, 2005.
- On December 28, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued an Income Tax article 21 Collection Letter for fiscal period April 2004 No. 00052/101/04/092/04 stated that the Company had additional tax liability of Rp 1,138,402. The tax liability had been paid on March 21, 2005.
- On December 28, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued an Income Tax article 21 Collection Letter for fiscal period May 2004 No. 00053/101/04/092/04 stated that the Company had additional tax liability of Rp 1,059,555. The tax liability had been paid on March 21, 2005.
- On December 28, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued an Income Tax article 21 Collection Letter for fiscal period June 2004 No. 00054/101/04/092/04 stated that the Company had additional tax liability of Rp 50,000. The tax liability had been paid on March 21, 2005.
- On December 28, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued an Income Tax article 21 Collection Letter for fiscal period July 2004 No. 00055/101/04/092/04 stated that the Company had additional tax liability of Rp 50,000. The tax liability had been paid on March 21, 2005.
- On December 28, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued an Income Tax article 21 Collection Letter for fiscal period August 2004 No. 00056/101/04/092/04 stated that the Company had additional tax liability of Rp 50,000. The tax liability had been paid on March 21, 2005.
- On December 28, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued an Income Tax article 21 Collection Letter for fiscal period September 2004 No. 00057/101/04/092/04 stated that the Company had additional tax liability of Rp 50,000. The tax liability had been paid on March 21, 2005.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2004 and 2003**

18. **TAXATIONS** (Continued)

f. **Tax Assessment Letter** (Continued)

a. The Company (Continued) :

- On December 28, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued an Income Tax article 21 Collection Letter for fiscal period October 2004 No.00058/101/04/092/04 stated that the Company had additional tax liability of Rp 50,000. The tax liability had been paid on March 21, 2005.
- On December 28, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued a Corporate Income Tax Collection Letter for fiscal period August 2004 No.00059/106/04/092/04 stated that the Company had additional tax liability of Rp 50,000. The tax liability had been paid on March 21, 2005.
- On December 28, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued a Corporate Income Tax Collection Letter for fiscal period October 2004 No.00060/106/04/092/04 stated that the Company had additional tax liability of Rp 50,000. The tax liability had been paid on March 21, 2005.
- On December 28, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued a Corporate Income Tax Collection Letter for fiscal period January 2004 No.00061/106/04/092/04 stated that the Company had additional tax liability of Rp 50,000. The tax liability had been paid on March 21, 2005.
- On December 28, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued a Corporate Income Tax Collection Letter for fiscal period March 2004 No.00062/106/04/092/04 stated that the Company had additional tax liability of Rp 50,000. The tax liability had been paid on March 21, 2005.
- On December 28, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued a Value Added Tax Collection Letter for fiscal period January 2004 No.00065/107/04/092/04 stated that the Company had additional tax liability of Rp 4,921,645. The tax liability had not been paid yet.
- On December 28, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued a Value Added Tax Collection Letter for fiscal period February 2004 No.00066/107/04/092/04 stated that the Company had additional tax liability of Rp 5,453,151. The tax liability had not been paid yet.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

18. **TAXATIONS** (Continued)

f. **Tax Assessment Letter** (Continued)

a. The Company (Continued) :

- On December 28, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued a Value Added Tax Collection Letter for fiscal period March 2004 No. 00067/107/04/092/04 stated that the Company had additional tax liability of Rp 81,315,891. The tax liability had not been paid yet.
- On December 28, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued a Value Added Tax Collection Letter for fiscal period April 2004 No. 00068/107/04/092/04 stated that the Company had additional tax liability of Rp 98,931,585. The tax liability had not been paid yet.
- On December 28, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued a Value Added Tax Collection Letter for fiscal period May 2004 No. 00069/107/04/092/04 stated that the Company had additional tax liability of Rp 50,000. The tax liability had been paid on March 21, 2005.
- On December 28, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued a Value Added Tax Collection Letter for fiscal period June 2004 No. 00070/107/04/092/04 stated that the Company had additional tax liability of Rp 50,000. The tax liability had been paid on March 21, 2005.
- On December 28, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued a Value Added Tax Collection Letter for fiscal period July 2004 No. 00071/107/04/092/04 stated that the Company had additional tax liability of Rp 50,000. The tax liability had been paid on March 21, 2005.
- On December 28, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued a Value Added Tax Collection Letter for fiscal period August 2004 No. 00072/107/04/092/04 stated that the Company had additional tax liability of Rp 50,000. The tax liability had been paid on March 21, 2005.
- On December 28, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued a Value Added Tax Collection Letter for fiscal period September 2004 No. 00073/107/04/092/04 stated that the Company had additional tax liability of Rp 50,000. The tax liability had been paid on March 21, 2005.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

18. **TAXATIONS** (Continued)

f. **Tax Assessment Letter** (Continued)

a. The Company (Continued) :

- On December 28, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued a Value Added Tax Collection Letter for fiscal period October 2004 No. 00074/107/04/092/04 stated that the Company had additional tax liability of Rp 50,000. The tax liability had been paid on March 21, 2005.
- On February 9, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Karawang) issued an Income Tax article 21 Collection Letter for fiscal month October 2003 No. 00193/101/03/408/04 stated that the Company had additional tax liability of Rp 4,097,283. The tax liability had been paid on March 10, 2004.
- On February 20, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Karawang) issued an Income Tax article 21 Collection Letter for fiscal month November 2003 No. 00210/101/03/408/04 stated that the Company had additional tax liability of Rp 6,112,025. The tax liability had been paid on May 11, 2004.
- On March 16, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Karawang) issued an Income Tax article 21 Collection Letter for fiscal month January 2004 No. 00003/101/04/408/04 stated that the Company had additional tax liability of Rp 4,081,899. The tax liability had been paid on April 8, 2004.
- On June 14, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Karawang) issued an Income Tax article 21 Collection Letter for fiscal month April 2004 No. 00058/101/04/408/04 stated that the Company had additional tax liability of Rp 4,245,309. The tax liability had been paid on July 9, 2004
- On June 28, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Karawang) issued an Income Tax article 4 (2) Collection Letter for fiscal month April 2004 No. 00001/140/04/408/04 stated that the Company had additional tax liability of Rp 2,663,051. The tax liability had been paid on August 11, 2004.
- On July 15, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Karawang) issued an Income Tax article 4 (2) Collection Letter for the fiscal year 2002 No. 00011/140/02/408/04 stated that the Company had additional tax liability of Rp 2,799,585. The tax liability had been paid on September 10, 2004.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

18. **TAXATIONS** (Continued)

f. **Tax Assessment Letter** (Continued)

a. The Company (Continued) :

- On July 15, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Karawang) issued an Income Tax article 23 Assessment Letter for the fiscal year 2002 No. 00107/203/02/408/04 stated that the Company had additional tax liability of Rp 48,541,864. The tax liability had been paid on September 10, 2004.
- On October 8, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Karawang) issued an Income Tax article 4 (2) Collection Letter for fiscal month July 2004 No. 00008/140/04/408/04 stated that the Company had additional tax liability of Rp 5,906,323. The tax liability had been paid on November 23, 2004.
- On October 12, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Karawang) issued an Income Tax article 23 Collection Letter for fiscal month July 2004 No. 00012/103/04/408/04 stated that the Company had additional tax liability of Rp 402,287. The tax liability had been paid on November 23, 2004.
- On December 7, 2004 the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Karawang) issued an Income Tax article 21 Collection Letter for fiscal month October 2004 No. 00185/101/04/408/04 stated that the Company had additional tax liability of Rp 2,137,967. The tax liability had been paid on December 20, 2004.
- On December 7, 2004 the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Karawang) issued an Income Tax article 23 Collection Letter for fiscal months September until October 2004 No. 00018/103/04/408/04 stated that the Company had additional tax liability of Rp 797,689. The tax liability had been paid on February 8, 2005.
- On December 7, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Karawang) issued an Income Tax article 26 Collection Letter for fiscal months September until October 2004 No. 00011/104/04/408/04 stated that the Company had additional tax liability of Rp 31,093,123. The tax liability had been paid on February 8, 2005.
- On June 30, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued a Corporate Income Tax Assessment Letter for the fiscal year 2001 No. 00031/406/01/092/03 stated that the Company had an overpayment of income tax amounted to Rp 29,525,851,812 based on the taxable loss of Rp 488,891,762,404.



**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

18. **TAXATIONS** (Continued)

f. **Tax Assessment Letter** (Continued)

a. The Company (Continued) :

- On June 30, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued an Income Tax Assessment Letters for the fiscal year 2001 No. 00036/203/01/092/03, No. 00020/240/01/092/03, and No. 00016/204/01/092/03 stated that the Company had additional tax liabilities of income tax article 23 of Rp 66,231,538, income tax article 4(2) final of Rp 832,999 and income tax article 26 of Rp 23,044,207,684. The tax liabilities had been compensated on July 28, 2003 with the overpayment of 2001 corporate income tax.
- On March 5, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Semarang Barat) issued an Income Tax article 26 Collection Letter for fiscal year 1998 No. 00045/109/98/503/03 stated that the Company had additional tax liability of Rp 553,406,057. The tax liability had been compensated on July 28, 2003 with the overpayment of 2001 corporate income tax.
- On March 11, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Semarang Barat) issued a Value Added Tax Collection Letter for fiscal period March up to April 2002 No. 00338/107/02/503/03 stated that the Company had additional tax liability of Rp 1,934,608,071. The tax liability had been compensated on July 28, 2003 with the overpayment of 2001 corporate income tax.
- On April 25, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Semarang Barat) issued a Value Added Tax Collection Letter for fiscal period May 2002 No. 00386/107/02/503/03 stated that the Company had additional tax liability of Rp 312,413,412. The tax liability had been compensated on July 28, 2003 with the overpayment of 2001 corporate income tax.
- On April 25, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Semarang Barat) issued a Value Added Tax Collection Letter for fiscal period June 2002 No. 00387/107/02/503/03 stated that the Company had additional tax liability of Rp 58,926,710. The tax liability had been compensated on July 28, 2003 with the overpayment of 2001 corporate income tax.
- On May 13, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Semarang Barat) issued a Value Added Tax Collection Letters for fiscal period March 2000 No. 00051/109/98/503/03 and No. 00053/109/98/503/03 stated that the Company had additional tax liabilities of Rp 48,638,803 and Rp 2,063,760 respectively. The tax liabilities had been compensated on July 28, 2003 with the overpayment of 2001 corporate income tax.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

18. **TAXATIONS** (Continued)

f. **Tax Assessment Letter** (Continued)

a. The Company (Continued) :

- On May 25, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Semarang Barat) issued an Income Tax article 21 Collection Letter for fiscal period September up to December 2002 No. 00397/101/02/503/03 stated that the Company had additional tax liability of Rp 43,221,566. The tax liability had been compensated on July 28, 2003 with the overpayment of 2001 corporate income tax.
- On June 18, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Semarang Barat) issued an Income Tax article 21 Collection Letter for fiscal period January up to March 2003 No. 00068/101/03/503/03 stated that the Company had additional tax liability of Rp 17,609,558. The tax liability had been compensated on July 28, 2003 with the overpayment of 2001 corporate income tax.
- On June 25, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued Income Tax Collection Letters for fiscal period March 2003 No. 00005/140/03/092/03, No. 00006/103/03/092/03, No. 00010/106/03/092/03, and No. 00013/101/03/092/03 stated that the Company had additional tax liabilities of income tax article 4(2) final of Rp 50,000, income tax article 23 of Rp 50,000, income tax article 25 of Rp 50,000, and income tax article 21 of Rp 1,055,818. The tax liabilities had been compensated on July 28, 2003 with the overpayment of 2001 corporate income tax.
- On June 25, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued an Income Tax article 21 Collection letter for fiscal period April 2003 No. 00012/101/03/092/03 stated that the Company had additional tax liability of Rp 1,026,703. The tax liability had been compensated on July 28, 2003 with the overpayment of 2001 corporate income tax.
- On June 25, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued a Value Added Tax Collection Letter for fiscal period March 2003 No. 00009/107/03/092/03 stated that the Company had additional tax liability of Rp 50,000. The tax liability had been compensated on July 28, 2003 with the overpayment of 2001 corporate income tax.
- On June 25, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued a Value Added Tax Collection Letter for fiscal period April 2003 No. 00010/107/03/092/03 stated that the Company had additional tax liability of Rp 50,000. The tax liability had been compensated on July 28, 2003 with the overpayment of 2001 corporate income tax.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

18. **TAXATIONS** (Continued)

f. **Tax Assessment Letter** (Continued)

a. The Company (Continued) :

- On June 30, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Semarang Barat) issued a Value Added Tax Collection Letter for fiscal period July 2002 No. 00412/107/02/503/03 stated that the Company had additional tax liability of Rp 1,397,049,598. The tax liability had been compensated on July 28, 2003 with the overpayment of 2001 corporate income tax.
- On June 30, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Semarang Barat) issued a Value Added Tax Collection Letter for fiscal period December 2001 No. 01048/107/01/503/02 stated that the Company had additional tax liability of Rp 376,522,418. The tax liability had been compensated on July 28, 2003 with the overpayment of 2001 corporate income tax.
- On June 30, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Semarang Barat) issued a Value Added Tax Collection Letter for fiscal period January 2002 No. 00161/107/02/503/02 stated that the Company had additional tax liability of Rp 366,499,388. The tax liability had been compensated on July 28, 2003 with the overpayment of 2001 corporate income tax.
- On July 23, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued a Value Added Tax Assessment Letter for fiscal period April 2003 No. 00005/207/03/092/03 stated that the Company had additional tax liability of Rp 511,520,023. The tax liability had been compensated on July 28, 2003 with the overpayment of 2001 corporate income tax.
- On July 23, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued a Value Added Tax Assessment Letter for fiscal period May 2003 No. 00006/207/03/092/03 stated that the Company had additional tax liability of Rp 789,767,706. The tax liability had been compensated on July 28, 2003 with the overpayment of 2001 corporate income tax.
- On July 9, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Karawang) issued an Income Tax article 23 Collection Letter for fiscal year 2001 No. 00088/203/01/408/03 stated that the Company had additional tax liability of Rp 44,982,831. The tax liability had been paid on August 29, 2003.
- On August 01, 2003 the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Wajib Pajak Besar Dua) issued an Income Tax Article 21 Collection Letter for fiscal period May 2003 No. 00029/101/03/092/04 stated that the Company had additional tax liability of Rp 1,911,484. The tax liability had been compensated on July 27, 2004 with the overpayment of 2002 corporate income tax.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

18. **TAXATIONS** (Continued)

f. **Tax Assessment Letter** (Continued)

b. Subsidiaries (TJ and TGB) :

- On July 16, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Masuk Bursa) issued a Corporate Income Tax Assessment Letter for the fiscal year 2002, No. 00142/406/02/054/04 stated that the Subsidiary (TJ) has overpayment of Rp 405,238,050 based on taxable loss of Rp 100,161,355,514. The tax receivables had been refunded by the State Treasury on July 16, 2004.
- On July 16, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Masuk Bursa) issued an Income Tax article 23 Assessment Letter for 2002, No. 00148/203/02/054/04 stated that the Subsidiary (TJ) had additional tax liability of Rp 928,839,338. The tax liability had been compensated on July 16, 2004 with the overpayment of 2002 corporate income tax balance of Rp 370,030,899 and the overpayment of March 2002 income tax article 21 of Rp 19,804,990.
- On July 16, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Masuk Bursa) issued Income Tax article 26, Income Tax Article 4 (2) and Income Tax article 21 Assessment Letters for 2002, No. 00059/540/02/054/04, No. 00073/504/02/054/04 and No. 00056/501/02/054/04 stated that the Subsidiary (TJ) had no additional tax liabilities.
- On July 16, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Masuk Bursa) issued a Value Added Tax Assessment Letter for 2002, No. 00014/277/02/054/04 stated that the Subsidiary (TJ) had additional tax liability of Rp 33,411,839. The tax liability had been compensated on July 16, 2004 with the overpayment of 2002 corporate income tax balance.
- On July 23, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Pekalongan ) issued Income Tax article 21 and income tax article 23 Assessment Letters for 2002, No. 00031/501/02/502/04 and No. 00005/503/02/502/04 stated that the Subsidiary (TJ) had no additional tax liabilities.
- On July 23, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Pekalongan ) issued a Value Added Tax Assessment Letter for 2002, No. 00052/507/02/502/04 stated that the Subsidiary (TJ) had no additional tax liability.
- On August 8, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Karawang ) issued Income Tax article 21 ,Income Tax article 23, Income Tax article 26 and Income Tax article 4 (2) Assessment Letters for 2002, No. 00051/501/02/408/04; No. 00021/503/02/408/04; No. 00034/504/02/408/04 and No. 00048/540/02/408/04 stated that the Subsidiary (TJ) had no additional tax liabilities.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

18. **TAXATIONS** (Continued)

f. **Tax Assessment Letters** (Continued)

b. Subsidiaries (TJ and TGB) (Continued):

- On August 3, 2004, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Karawang ) issued a Value Added Tax Assessment Letter for 2002, No. 00024/277/02/408/04 stated that the Subsidiary (TJ) had additional tax liability of Rp 188,333,061. The tax liability had not been paid yet.
- On July 1, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Masuk Bursa) issued a Corporate Income Tax Assessment Letter for 2001, No. 00135/406/01/054/03 stated that the Subsidiary (TJ) had overpayment of Rp 1,501,773,478 based on taxable loss of Rp 196,742,775,023. The tax receivable had been refunded by the State Treasury on July 31,2003 of Rp 821,325,337 after compensated with some tax liabilities.
- On July 1, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Masuk Bursa) issued an Income Tax article 4(2) Assessment Letter for 2001, No. 00094/240/01/054/03 stated that the Subsidiary (TJ) had additional tax liability of Rp 52,822,579. The tax liability had been compensated on July 31, 2003 with the overpayment of 2001 corporate income tax .
- On July 1, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Masuk Bursa) issued Income Tax article 23 and 21 Assessment Letters for 2001, No. 00137/203/01/054/03 and No. 00090/201/01/054/03 stated that the Subsidiary (TJ) had additional tax liabilities of Rp 164,307,687 and Rp 5,137,367 respectively. The tax liabilities had been compensated on July 31, 2003 with the overpayment of 2001 corporate income tax .
- On July 1, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Masuk Bursa) issued Income Tax article15 and Income Tax article 26 Assessment Letters for 2001, No. 00004/241/01/054/03 and No. 00051/204/01/054/03 stated that the Subsidiary (TJ) had additional tax liabilities of Rp 227,010 and Rp 7,611,427 respectively. The tax liabilities had been compensated on July 31, 2003 with the overpayment of 2001 corporate income tax .
- On July 2, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Masuk Bursa) issued an Income Tax article 4 (2) Collection Letter for May 2003, No. 00015/140/03/054/03 stated that the Subsidiary (TJ) had additional tax liability of Rp 39,240. The tax liability had been compensated on July 31, 2003 with the overpayment of 2001 corporate income tax .

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

18. **TAXATIONS** (Continued)

f. **Tax Assessment Letters** (Continued)

b. Subsidiaries (TJ and TGB) (Continued):

- On July 15, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Masuk Bursa) issued an Income Tax article 4 (2) Collection Letter for March 2003, No. 00031/103/03/054/03 stated that the Subsidiary (TJ) had additional tax liability of Rp 50,000. The tax liability had been compensated on July 31, 2003 with the overpayment of 2001 corporate income tax.
- On June 30, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Pekalongan ) issued an Income Tax article 23 Collection Letter for March up to December 2001, No. 00005/109/01/502/03 stated that the Subsidiary (TJ) had additional tax liability of Rp 5,550,647. The tax liability had been compensated on July 31, 2003 with the overpayment of 2001 corporate income tax .
- On June 30, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Pekalongan ) issued an Income Tax article 21 Tax Collection Letter for November up to December 2001, No. 00008/109/01/502/03 stated that the Subsidiary (TJ) had additional tax liability of Rp 628,802. The tax liability had been compensated on July 31, 2003 with the overpayment of 2001 corporate income tax .
- On June 27, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Perusahaan Masuk Bursa ) issued Income Tax article 21 Tax Collection Letter for April 2003 and March 2002, No. 00034/101/03/054/03 and No. 00146/101/02/054/03 stated that the Subsidiary (TJ) had additional tax liabilities of Rp 1,824,343 and Rp 21,825,102 respectively. The tax liabilities had been compensated in July 31, 2003 with the overpayment of 2001 corporate income tax .
- On June 26, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Pekalongan ) issued an Income Tax article 21 Tax Collection Letter for February up to April 2003 No. 00705/101/03/502/03 stated that the Subsidiary (TJ) had additional tax liability of Rp 147,000. The tax liability had been compensated on July 31, 2003 with the overpayment of 2001 corporate income tax .
- On June 25, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Pekalongan) issued an Income Tax article 21 tax collection Letter for October up to December 2002 No. 00460/101/02/502/03 stated that the Subsidiary (TJ) had additional tax liability of Rp 18,443,384. The tax liability had been compensated on July 31, 2003 with the overpayment of 2001 corporate income tax.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

18. **TAXATIONS** (Continued)

f. **Tax Assessment Letters** (Continued)

b. Subsidiaries (TJ and TGB) (Continued) :

- On June 9, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Pekalongan) issued Income Tax article 21, Income Tax article 4(2), and Income Tax article 23 Tax Collection Letters for January up to September 2002 No. 00457/101/02/502/03, No. 00010/140/02/502/03, and No. 00016/103/02/502/03 stated that the Subsidiary (TJ) had additional tax liabilities of Rp 54,004; Rp 450,000 and Rp 160,696,041 respectively. The tax liabilities had been compensated on July 31, 2003 with the overpayment of 2001 corporate income tax .
- On February 14, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Pekalongan) issued an Income Tax article 23 Collection Letter for January up to June 2002 No. 00011/103/02/502/03 stated that the Subsidiary (TJ) had additional tax liability of Rp 240,533,508. The tax liability had been compensated on July 31, 2003 with the overpayment of 2001 corporate income tax .
- On August 25, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Pekalongan ) issued a Value Added Tax Assessment Letter for April 2002, No. 00055/407/02/502/03 stated that the Subsidiary (TJ) has overpayment of value added tax of Rp 12,810,951,295. The tax receivable had been refunded by the State Treasury on September 8 , 2003.
- On August 13, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Pekalongan) issued an Income Tax article 21 collection Letter for May 2003 No. 00058/101/03/504/03 stated that the Subsidiary (TJ) had additional tax liability of Rp 3,540,624. The tax liability had been compensated on September 10, 2003 with the overpayment of April 2002 value added tax .
- On August 25, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Pekalongan) issued a Value Added Tax Assessment Letter for January up to March 2002 No. 00008/207/02/502/03 stated that the Subsidiary (TJ) had additional tax liability of Rp 344,898,170. The tax liability had been compensated on September 10, 2003 with the overpayment of April 2002 value added tax .
- On January 29, 2004, the Indonesian Tax Authorities ( Direktorat Jendral Pajak Kantor Pelayanan Pajak Jakarta Kebayoran Baru Satu ) issued a Value Added Tax Collection Letter for August 2003, No. 01512/107/03/012/04 stated that the Subsidiary (TGB) had additional tax liability of Rp 4,355,822. The tax liability had been paid on February 20, 2004.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

18. **TAXATIONS** (Continued)

f. **Tax Assessment Letters** (Continued)

b. Subsidiaries (TJ and TGB) (Continued) :

- On January 21, 2004, the Indonesian Tax Authorities ( Direktorat Jendral Pajak Kantor Pelayanan Pajak Jakarta Kebayoran Baru Satu ) issued an Income Tax article 23 Collection Letter for January up to July 2003, No. 00087/103/03/012/04 stated that the Subsidiary (TGB) had additional tax liability of Rp 1,052,735. The tax liability had been paid on February 20, 2004.
- On February 18, 2004, the Indonesian Tax Authorities ( Direktorat Jendral Pajak Kantor Pelayanan Pajak Jakarta Kebayoran Baru Satu ) issued a Value Added Tax Collection Letter for September 2003, No. 01600/107/03/012/04 stated that the Subsidiary (TGB) had additional tax liability of Rp 4,116,193. The tax liability had been paid on April 2, 2004.
- On May 27, 2004, the Indonesian Tax Authorities ( Direktorat Jendral Pajak Kantor Pelayanan Pajak Semarang Timur ) issued a Value Added Tax Collection Letter for September 2003, No. 00361/107/02/509/04 stated that the Subsidiary (TGB) had additional tax liability of Rp 600,000. The tax liability had been paid on June 24, 2004.
- On May 10, 2004, the Indonesian Tax Authorities ( Direktorat Jendral Pajak Kantor Pelayanan Pajak Jakarta Kebayoran Baru Satu ) issued a Value Added Tax Collection Letter for September 2003, No. 01722/107/03/012/04 stated that the Subsidiary (TGB) had additional tax liability of Rp 67,721. The tax liability had been paid on May 26, 2004.
- On May 10, 2004, the Indonesian Tax Authorities ( Direktorat Jendral Pajak Kantor Pelayanan Pajak Jakarta Kebayoran Baru Satu ) issued a Value Added Tax Collection Letter for May 2003, No. 01720/107/03/012/04 stated that the Subsidiary (TGB) had additional tax liability of Rp 5,183,099. The tax liability had been paid on May 26, 2004.
- On May 10, 2004, the Indonesian Tax Authorities ( Direktorat Jendral Pajak Kantor Pelayanan Pajak Jakarta Kebayoran Baru Satu ) issued a Value Added Tax Collection Letter for June 2003, No. 01721/107/03/012/04 stated that the Subsidiary (TGB) had additional tax liability of Rp 200,389. The tax liability had been paid on May 26, 2004.
- On October 26, 2004, the Indonesian Tax Authorities ( Direktorat Jendral Pajak Kantor Pelayanan Pajak Jakarta Kebayoran Baru Satu ) issued an Income Tax article 23 Collection Letter for December 2003, No. 00285/103/03/012/04 stated that the Subsidiary (TGB) had additional tax liability of Rp 15,621,783. The tax liability had been paid on November 10, 2004.



**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

18. **TAXATIONS** (Continued)

f. **Tax Assessment Letters** (Continued)

b. Subsidiaries (TJ and TGB) (Continued) :

- On October 26, 2004, the Indonesian Tax Authorities ( Direktorat Jendral Pajak Kantor Pelayanan Pajak Jakarta Kebayoran Baru Satu ) issued an Income Tax article 21 Collection Letter for January and February 2004, No. 00024/101/04/012/04 stated that the Subsidiary (TGB) had additional tax liability of Rp 591,571. The tax liability had been paid on November 10, 2004.
- On August 26, 2004, the Indonesian Tax Authorities ( Direktorat Jendral Pajak Kantor Pelayanan Pajak Jakarta Kebayoran Baru Satu ) issued a Value Added Tax Collection Letter for November 2003, No. 01864/107/03/012/04 stated that the Subsidiary (TGB) had additional tax liability of Rp 29,444,869. The tax liability had been paid on November 9, 2004.
- On August 26, 2004, the Indonesian Tax Authorities ( Direktorat Jendral Pajak Kantor Pelayanan Pajak Jakarta Kebayoran Baru Satu ) issued a Value Added Tax Collection Letter for October 2003, No. 01863/107/03/012/04 stated that the Subsidiary (TGB) had additional tax liability of Rp 20,479,751. The tax liability had been paid on November 9, 2004.
- On September 14, 2004, the Indonesian Tax Authorities ( Direktorat Jendral Pajak Kantor Pelayanan Pajak Jakarta Kebayoran Baru Satu ) issued an Income Tax article 21 Collection Letter for 2003, No. 00851/101/03/012/04 stated that the Subsidiary (TGB) had additional tax liability of Rp 141,265. The tax liability had been paid on November 10, 2004.
- On September 14, 2004, the Indonesian Tax Authorities ( Direktorat Jendral Pajak Kantor Pelayanan Pajak Jakarta Kebayoran Baru Satu ) issued an Income Tax article 23 Collection Letter for 2002, No. 00115/203/02/012/04 stated that the Subsidiary (TGB) had additional tax liability of Rp 3,851,696. The tax liability had been paid on November 10, 2004.
- On July 23, 2004, the Indonesian Tax Authorities ( Direktorat Jendral Pajak Kantor Pelayanan Pajak Jakarta Kebayoran Baru Satu ) issued an Income Tax article 23 Collection Letter for 2003, No. 00159/103/03/012/04 stated that the Subsidiary (TGB) had additional tax liability of Rp 13,603,431. The tax liability had been paid on September 30, 2004.
- On August 10, 2004, the Indonesian Tax Authorities ( Direktorat Jendral Pajak Kantor Pelayanan Pajak Jakarta Kebayoran Baru Satu ) issued a Value Added Tax Collection Letter for January 2004, No. 00419/107/04/012/04 stated that the Subsidiary (TGB) had additional tax liability of Rp 25,199,184. The tax liability had been paid on September 30, 2004.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

18. **TAXATIONS** (Continued)

f. **Tax Assessment Letters** (Continued)

b. Subsidiaries (TJ and TGB) (Continued) :

- On October 25, 2004, the Indonesian Tax Authorities ( Direktorat Jendral Pajak Kantor Pelayanan Pajak Jakarta Kebayoran Baru Satu ) issued a Corporate Income Tax Assessment Letter for the year 2003, No. 00023/406/03/012/04 stated based on taxable loss of Rp 1,234,012,418 the Subsidiary (TGB) had an overpayment of corporate income tax amounted of Rp 288,110,600. The tax receivable had been settled on November 8, 2004 by compensating with tax liabilities of 2002 Income Tax article 4 ( 2 ) of Rp 31,371,699; Income Tax article art 21 of Rp 43,024; Income Tax article 23 of Rp 9,506,277; Value Added Tax of Rp 38,274,203; tax liabilities of 2003 Income Tax article 4 (2) of Rp 3,676,516; Income Tax article 21 of Rp 12,530,280; Income Tax article 23 of Rp 52,199,591; Income Tax article 26 of Rp 36,516,152; Value Added Tax of Rp 81,262,726; Value Added Tax of Rp 22,730,123 and tax liability of 2000 Value Added Tax of Rp 9.
- On October 4, 2004, the Indonesian Tax Authorities ( Direktorat Jendral Pajak Kantor Pelayanan Pajak Jakarta Kebayoran Baru Satu ) issued an Income Tax article 4 ( 2 ) final Tax Assessment Letter for 2002, No. 00062/240/02/012/04 stated that the Subsidiary (TGB) had additional tax liability of Rp 31,371,699. The tax liability had been compensated with overpayment of 2003 Corporate Income Tax.
- On October 4, 2004, the Indonesian Tax Authorities ( Direktorat Jendral Pajak Kantor Pelayanan Pajak Jakarta Kebayoran Baru Satu ) issued an Income Tax article 21 Tax Assessment Letter for 2002, No. 00104/201/02/012/04 stated that the Subsidiary (TGB) had additional tax liability of Rp 43,024. The tax liability had been compensated with overpayment of 2003 Corporate Income Tax.
- On October 4, 2004, the Indonesian Tax Authorities ( Direktorat Jendral Pajak Kantor Pelayanan Pajak Jakarta Kebayoran Baru Satu ) issued an Income Tax article 23 Tax Assessment Letter for 2002, No. 00115/203/02/012/04 stated that the Subsidiary (TGB) had additional tax liability of Rp 9,506,277. The tax liability had been compensated with overpayment of 2003 Corporate Income Tax.
- On October 4, 2004, the Indonesian Tax Authorities ( Direktorat Jendral Pajak Kantor Pelayanan Pajak Jakarta Kebayoran Baru Satu ) issued an Income Tax article 4 ( 2 ) final Tax Assessment Letter for 2003, No. 00018/240/03/012/04 stated that the Subsidiary (TGB) had additional tax liability of Rp 3,676,516. The tax liability had been compensated with overpayment of 2003 Corporate Income Tax.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

18. **TAXATIONS** (Continued)

f. **Tax Assessment Letters** (Continued)

b. Subsidiaries (TJ and TGB) (Continued) :

- On October 25, 2004, the Indonesian Tax Authorities ( Direktorat Jendral Pajak Kantor Pelayanan Pajak Jakarta Kebayoran Baru Satu ) issued an Income Tax article 21 Tax Assessment Letter for 2003, No. 00027/201/03/012/04 stated that the Subsidiary (TGB) had additional tax liability of Rp 12,530,200. The tax liability had been compensated with overpayment of 2003 Corporate Income Tax.
- On October 25, 2004, the Indonesian Tax Authorities ( Direktorat Jendral Pajak Kantor Pelayanan Pajak Jakarta Kebayoran Baru Satu ) issued an Income Tax article 23 Tax Assessment Letter for 2003, No. 00031/203/03/012/04 stated that the Subsidiary (TGB) had additional tax liability of Rp 52,199,591. The tax liability had been compensated with overpayment of 2003 Corporate Income Tax.
- On October 25, 2004, the Indonesian Tax Authorities ( Direktorat Jendral Pajak Kantor Pelayanan Pajak Jakarta Kebayoran Baru Satu ) issued an Income Tax article 26 Tax Assessment Letter for 2003, No. 00004/204/03/012/04 stated that the Subsidiary (TGB) had additional tax liability of Rp 36,516,152. The tax liability had been compensated with overpayment of 2003 Corporate Income Tax.
- On October 25, 2004, the Indonesian Tax Authorities ( Direktorat Jendral Pajak Kantor Pelayanan Pajak Jakarta Kebayoran Baru Satu ) issued a Value Added Tax Assessment Letter for 2003, No. 00057/207/03/012/04 stated that the Subsidiary (TGB) had additional tax liability of Rp 244,178,933. The tax liability had been compensated with overpayment of 2003 Corporate Income Tax of Rp 81,262,726.
- On October 25, 2004, the Indonesian Tax Authorities ( Direktorat Jendral Pajak Kantor Pelayanan Pajak Jakarta Kebayoran Baru Satu ) issued a Value Added Tax Collection Letter for 2003, No. 001893/107/03/012/04 stated that the Subsidiary (TGB) had additional tax liability of Rp 22,730,123. The tax liability had been compensated with overpayment of 2003 Corporate Income Tax.
- On October 4, 2004, the Indonesian Tax Authorities ( Direktorat Jendral Pajak Kantor Pelayanan Pajak Jakarta Kebayoran Baru Satu ) issued a Value Added Tax Assessment Letter for 2002, No. 00104/207/03/012/04 stated that the Subsidiary (TGB) had additional tax liability of Rp 97,405,132. The tax liability had been compensated with overpayment of 2003 and 2002 Corporate Income Tax of Rp 38,274,203 and Rp 59,130,929 respectively.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

18. **TAXATIONS** (Continued)

f. **Tax Assessment Letters** (Continued)

b. Subsidiaries (TJ and TGB) (Continued) :

- On October 4, 2004, the Indonesian Tax Authorities ( Direktorat Jenderal Pajak Kantor Pelayanan Pajak Jakarta Kebayoran Baru Satu ) issued a Corporate Income Tax Assessment Letter for the year 2002, No. 00066/406/03/012/04 stated based on taxable profit of Rp 1,267,227,973 the Subsidiary (TGB) had an overpayment of corporate income tax amounted to Rp 134,474,436 . The tax receivable had been settled on October 20, 2004 by compensating with the tax liabilities of 2003 Corporate Income Tax of Rp 573,754 and Rp 1,282,646, and; Value Added Tax of Rp 23,421,222; Rp 59,130,929; Rp 17,953,775 and Rp 32,112,110.
- On October 25, 2004, the Indonesian Tax Authorities ( Direktorat Jendral Pajak Kantor Pelayanan Pajak Jakarta Kebayoran Baru Satu ) issued a Value Added Tax Collection Letter for 2003, No. 00003/277/03/012/04 stated that the Subsidiary (TGB) had additional tax liability of Rp 17,953,775. The tax liability had been compensated with overpayment of 2002 Corporate Income Tax.
- On August 26, 2004, the Indonesian Tax Authorities ( Direktorat Jendral Pajak Kantor Pelayanan Pajak Jakarta Kebayoran Baru Satu ) issued a Value Added Tax Collection Letter for December 2003, No. 01865/107/03/012/04 stated that the Subsidiary (TGB) had additional tax liability of Rp 23,421,222. The tax liability had been compensated with overpayment of 2002 Corporate Income Tax.
- On December 31, 2004, the Indonesian Tax Authorities ( Direktorat Jendral Pajak Kantor Pelayanan Pajak Semarang Tengah ) issued Income Tax article 21 and Value Added Tax Collection Letters for 2003, No. 00523/101/03/509/04 and No. 00432/107/03/509/05 stated that the Subsidiary (TGB) had additional tax liability of Rp 700,000 and Rp 600,000 respectively. The tax liabilities had been paid on January 4, 2004.
- On January 6, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Surabaya Tegalsari) issued a Value Added Tax Collection Letter for September 2002, No. 00437/107/02/607/03 stated that the Subsidiary (TGB) had additional tax liability of Rp 142,820. The tax liability had been paid in March 2003.
- On January 6, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Surabaya Tegalsari) issued a Tax Collection Letter for Value Added Tax for October 2002, stated that the Subsidiary (TGB) had additional tax liability of Rp 167,485. The tax liability had been paid in March 2003.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

18. **TAXATIONS** (Continued)

f. **Tax Assessment Letters** (Continued)

b. Subsidiaries (TJ and TGB) (Continued) :

- On January 10, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Surabaya Tegalsari) issued an Income Tax article 21 Collection Letter for September up to October 2002, No. 0251/101/02/607/03 stated that the Subsidiary (TGB) had additional tax liability of Rp 104,101. The tax liability had been paid in March 2003.
- On January 20, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Jakarta Kebayoran Baru Satu) issued a Value Added Tax Assessment Letter for January up to December 2001 No. 00054/207/01/012/03 stated that the Subsidiary (TGB) had additional tax liability of Rp 4,037,084. The tax liability had been paid in February 2003.
- On January 20, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Jakarta Kebayoran Baru Satu) issued an Income Tax article 21 Tax Assessment Letter for fiscal year 2001, No. 00057/201/01/012/03 stated that the Subsidiary (TGB) had additional tax liability of Rp 3,652,296. Also on the same date the Subsidiary (TGB) received Corporate Income Tax Assessment Letter No. 00044/206/01/012/03 for fiscal year 2001 stated that based on taxable profit of Rp. 1,945,243,000 the subsidiary had additional tax liability of Rp. 17,199,255 (including administration penalty). The tax liability had been paid in February 2003.
- On January 22, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan pajak Jakarta Kebayoran Baru Satu) issued a Tax Collection Letter for Value Added Tax for September 2002 No. 00812/107/02/012/03 stated that the Subsidiary (TGB) had additional tax liability of Rp 8,641,854. The tax liability had been paid in February 2003.
- On February 10, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Surabaya Tegalsari) issued a Value Added Tax Collection Letter for November 2002, No. 00502/107/02/607/03 stated that the Subsidiary (TGB) had additional tax liability of Rp 124,784. The tax liability had been paid in August 2003.
- On February 26, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan pajak Jakarta Kebayoran Baru Satu) issued a Tax Collection Letter for January up to March 2002, No. 00534/101/02/012/03 stated that the Subsidiary (TGB) had additional tax liability of Rp 1,072,067. The tax liability had been paid in June 2003.
- On April 09, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Surabaya Tegalsari) issued an Income Tax article 21 Collection Letter for October 2002, No. 00343/101/02/607/03 stated that the Subsidiary (TGB) had additional tax liability of Rp 52,145. The tax liability had been paid in August 2003.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

18. **TAXATIONS** (Continued)

f. **Tax Assessment Letters** (Continued)

b. Subsidiaries (TJ and TGB) (Continued) :

- On April 24, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Surabaya Tegalsari) issued a Value Added Tax Collection Letter for January 2003, No. 00022/107/03/607/03 stated that the Subsidiary (TGB) had additional tax liability of Rp 93,940. The tax liability had been paid in August 2003.
- On May 12, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan pajak Jakarta Kebayoran Baru Satu) issued a Tax Collection Letter for Income Tax article 23 for August up to December 2002 No. 00208/103/02/012/03 stated that the Subsidiary (TGB) had additional tax liability of Rp 3,219,244. The tax liability had been paid in June 2003.
- On May 12, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan pajak Jakarta Kebayoran Baru Satu) issued a Tax Collection Letter for Income Tax article 21 for August up to September 2002 No. 00705/101/02/012/03 stated that the Subsidiary (TGB) had additional tax liability of Rp 888,680. The tax liability had been paid in May 2003.
- On May 19, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan pajak Jakarta Kebayoran Baru Satu) issued a Tax Collection Letter for Value Added Tax for November up to December 2002 No. 01993/107/02/012/03 stated that the Subsidiary (TGB) had additional tax liability of Rp 10,782,186. The tax liability had been paid in May 2003.
- On May 27, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan pajak Jakarta Kebayoran Baru Satu) issued Tax Authority Decision, No KEP-59/WPJ.04/KP.1009/2003 for correction of Tax Collection Letter No. 00067/106/02/012/03 dated November 15, 2002, stated that the Subsidiary (TGB) had additional tax liability of Rp 979,972. The tax liability had been paid in June 2003.
- On June 5, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan pajak Jakarta Kebayoran Baru Satu) issued an Income Tax article 23 Tax Assessment Letter for January up to December 2000, No. 00136/203/00/012/03 stated that the Subsidiary (TGB) had additional tax liability of Rp 63,750,212. The tax liability had been paid in October 2003.
- On June 5, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan pajak Jakarta Kebayoran Baru Satu) issued an Income Tax article 23 Tax Collection Letter for January up to December 2000, No. 00250/103/00/012/03 stated that the Subsidiary (TGB) had additional tax liability of Rp 2,595,841. The tax liability had been paid in July 2003.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

18. **TAXATIONS** (Continued)

f. **Tax Assessment Letters** (Continued)

b. Subsidiaries (TJ and TGB) (Continued) :

- On June 5, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan pajak Jakarta Kebayoran Baru Satu) issued an Income Tax article 4 ( 2 ) Tax Assessment Letter for January up to December 2000, No. 00056/240/00/012/03 stated that the Subsidiary (TGB) had additional tax liability of Rp 9,140,265. The tax liability had been paid in July 2003.
- On June 5, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan pajak Jakarta Kebayoran Baru Satu) issued a Value Added Tax Assessment Letter for January up to December 2000, No. 00130/207/00/012/03 stated that the Subsidiary (TGB) had additional tax liability of Rp 6,857,429. The tax liability had been paid in July 2003.
- On June 5, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan pajak Jakarta Kebayoran Baru Satu) issued a Tax Collection Letter for Value Added Tax for January up to December 2000, No. 01086/107/00/012/03 stated that the Subsidiary (TGB) had additional tax liability of Rp 348,322. The tax liability had been paid in July 2003.
- On June 5, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan pajak Jakarta Kebayoran Baru Satu) issued a Corporate Income Tax Assessment Letter for fiscal year 2000, No.00083/206/00/012/03 stated based on taxable profit of Rp 838,904,000 the Subsidiary (TGB) had additional tax liability of Rp 73,973,064. The tax liability of Rp 65,223,064 had been paid in October 2003.
- On June 18, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Surabaya Tegalsari) issued an Income Tax article 21 Tax Collection Letter for March 2003, No. 00103/101/03/607/02 stated that the Subsidiary (TGB) had additional tax liability of Rp 50,000. The tax liability had been paid in August 2003.
- On July 18, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Jakarta Kebayoran Baru Satu) issued an Income Tax article 4 ( 2 ) Tax Collection Letter for April 2003, No.00011/140/03/012/03 stated that the Subsidiary (TGB) had additional tax liability of Rp 452,724. The tax liability had been paid in July 2003.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

18. **TAXATIONS** (Continued)

f. **Tax Assessment Letters** (Continued)

b. Subsidiaries (TJ and TGB) (Continued) :

- On July 18, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan pajak Jakarta Kebayoran Baru Satu) issued an Income Tax article 4 ( 2 ) Tax Collection Letter for January up to February 2003, No. 00010/140/03/012/03 stated that the Subsidiary (TGB) had additional tax liability of Rp 2,459,478. The tax liability had been paid in August 2003.
- On August 08, 2003, the Indonesian Tax Authorities (Direktorat Jendral Pajak Kantor Pelayanan Pajak Surabaya Tegalsari) issued a Tax Collection Letter for Value Added Tax for April 2003, No. 00251/107/03/607/03 stated that the Subsidiary (TGB) had additional tax liability of Rp 50,000. The tax liability had been paid in September 2003.
- On December 05, 2003, the Indonesian Tax Authorities ( Direktorat Jendral Pajak Kantor Pelayanan Pajak Jakarta Kebayoran Baru Satu ) issued Value Added Tax Collection Letters for April , February up to March and July 2003 No. 00887/107/03/012/03; No. 00886/107/03/012/03 & 00855/107/03/012/03 stated that the Subsidiary (TGB) had additional tax liabilities of Rp 50,000 ; Rp 100,000 and Rp 2,402,876 respectively. The tax liabilities had been paid on February 5, 2004.

19. **ACCRUED EXPENSES**

	2 0 0 4 Rp	2 0 0 3 Rp
Interest expense :		
Interest on short-term loans	1,377,931,386,401	1,353,157,987,796
Interest on notes payable	1,063,830,354,150	979,915,557,636
Interest on obligation under capital lease	10,483,451,615	8,940,943,064
Electricity	96,895,204,295	98,329,977,793
Tax penalty	19,026,774,027	716,494,214
Rent	3,344,436,637	4,934,140,672
Transportation	2,892,991,844	5,445,388,243
Others	16,584,649,947	25,802,883,701
 Total	 2,590,989,248,916	 2,477,243,373,119

As of December 31, 2004 and 2003, the accrued interest of certain short-term loans, notes payable, guaranteed secured and unsecured notes represent accrued interest for the year 2001, 2002 and 2003 while all the unpaid and accrued interest up to 2000 according to MOA had been waived, except the secured loans from IBRA which will be converted to share capital (Note 2c).



**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**19. ACCRUED EXPENSES (Continued)**

The Company and its Subsidiary also have rescheduled its obligation under capital leases with each lessor resulting some waiver of interest for certain obligation since 2001.

**20. DUE TO RELATED PARTIES**

	2 0 0 4 Rp	2 0 0 3 Rp
PT Bima Peranan Busana	13,649,470,385	13,868,218,881
PT Sumatex Subur	2,800,823,319	4,363,823,319
PT Perkasa Heavindo Engineering	1,907,159,003	1,687,159,003
PT Waniaindah Busana Tbk	128,200,000	128,200,000
PT Wismakarya Prasetya	17,005,554	-
PT Texmaco Micro Indo Utama	-	29,031,750
Total	<u>18,502,658,261</u>	<u>20,076,432,953</u>

Payables to related parties represent advances to the Company in Rupiah currency and are non interest bearing with no terms of payment.

**21. OBLIGATION UNDER CAPITAL LEASE**

<u>Lessors</u>	<u>Type of asset</u>	<u>2 0 0 4</u> Rp	<u>2 0 0 3</u> Rp
PT Exim SB Leasing	Machinery	25,074,934,888	22,848,151,112
PT Hanil Bakrie Finance Corporation	Machinery	14,949,667,831	17,783,188,793
PT Koexim Mandiri Finance	Vehicle, Machinery	13,238,721,093	12,063,054,259
PT Perjahl Leasing Indonesia	Machinery	11,461,240,305	10,443,422,948
PT Jaya Fuji Leasing Pratama	Machinery	4,566,250,528	4,160,743,888
PT GE Astra Finance	Machinery	3,060,748,337	2,788,938,070
PT Primus Financial Service	Vehicle	94,562,500	208,037,500
PT Central Sari Finance	Vehicle	38,123,136	77,316,022
PT Artha Cakra Multifinance	Vehicle	-	101,727,839
PT Dipo Star Finance	Vehicle	-	15,821,513
Total		<u>72,484,248,618</u>	<u>70,490,401,944</u>
Less : Current maturity of obligation under capital lease		<u>(63,242,132,807)</u>	<u>(44,991,165,444)</u>
Long-term portion		<u>9,242,115,811</u>	<u>25,499,236,500</u>

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
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**21. OBLIGATION UNDER CAPITAL LEASE(Continued)**

In 2003, PT Summit Sinar Mas Finance has transferred the Company's lease obligation to PT Hanil Bakrie Finance Corporation (Hanil). Further, on February 28, 2003 this lease obligation has been restructured by Hanil by giving 50.00% discount on principal from USD 1,550,754.50 to USD 775,372.77 and interest payable amounting to USD 82,482.36 is waived. The gain from interest waived on unpaid interest and discount on principal obligation was recorded as an Extraordinary Item (note 36). This new lease obligation is scheduled for 36 months with interest rate of 3 month SIBOR + 2% p.a.

On January 22, 2003, the Company's lease obligation with PT Hanil Bakrie Finance Corporation has been restructured by giving 50% discount on lease interest payable from USD 35,640.39 to USD 17,820.20 and the interest payables were paid on March, 2003. The gain for interest discount was recorded as an Extraordinary Item (note 36).

In 2003, PT Summit Sinar Mas Finance has transferred the Subsidiary's (TJ) lease obligation to PT Hanil Bakrie Finance (Hanil). Later, on February 28, 2003 this lease obligation has been restructured by Hanil by giving 47,50% discount on principal from USD 3,200,912,11 to USD 1,680,478,86 and interest payable amounting to USD 195,280.11 is waived. The gain from interest waived on unpaid interest and discount of principal obligation was recorded as an extraordinary item (note 36). This new lease obligation is scheduled for 48 months with interest rate at SIBOR + 2% p.a.

In 2003, the management of the Company and Subsidiary had completed negotiations with creditors for the restructuring of all the existing lease liabilities. Following are significant details of the lease agreements after restructuring.

<u>Lessor</u>	<u>Interest rate</u>	<u>Ended</u>
<u>The Company</u>		
PT Koexim Mandiri Finance	3 month SIBOR + 2,5%	2006
PT Jaya Fuji Leasing Pratama	3 month SIBOR + 2%	2004
PT Hanil Bakrie Finance Corp	3 month SIBOR + 2%	2003
PT Exim SB Leasing	6 month SIBOR + 2%	2006
PT Primus Financial Services	13,33%	2005
<u>Subsidiary (TJ)</u>		
PT Hanil Bakrie Finance Corp	SIBOR + 2%	2007
PT Koexim Mandiri Finance	SIBOR + 2.25%	2001
PT Perjahl Leasing Indonesia	SIBOR + 2.8125%	2003
PT Exim SB Leasing	SIBOR + 2%	2003
PT GE Astra Finance	SIBOR + 4.75% for 1999 SIBOR + 2.75% from 2000 until 2002	2002
PT Dipo Star Finance	21.70%	2003
PT Central Sari Finance	11.10%	2005
PT Arthacakra Multifinance	12.82%	2005

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**21. OBLIGATION UNDER CAPITAL LEASE(Continued)**

The future minimum lease payments under capital lease as of December 31, 2004 and 2003 are as follows :

	2 0 0 4 Rp	2 0 0 3 Rp
Year ending December 31,		
2004	-	51,326,207,238
2005	73,501,090,309	17,277,790,700
2006	8,715,796,457	8,310,551,673
2007	<u>696,211,180</u>	<u>634,386,909</u>
Total minimum lease payments	82,913,097,946	77,548,936,520
Less : amount representing interest	<u>(10,428,849,328)</u>	<u>(7,058,534,576)</u>
Obligation under capital lease	72,484,248,618	70,490,401,944
Less : current maturity of obligation under capital lease	<u>(63,242,132,807)</u>	<u>(44,991,165,444)</u>
Long-term portion	<u>9,242,115,811</u>	<u>25,499,236,500</u>

**22. CAPITAL STOCK**

The composition of stockholders as of December 31, 2004 and 2003 based on the stockholder's list issued by the Stock Administrative Office of listed shares of the Company, PT Datindo Entrycom are as follows :

<u>Stockholders</u>	<u>Numbers of shares</u>	<u>Percentage of Ownership %</u>	<u>Total Rp</u>
PT Multikarsa Investama	2,627,894,390	59.81	1,313,947,195,000
Public (below 5% each)	1,766,025,610	40.19	883,012,805,000
Total	<u>4,393,920,000</u>	<u>100.00</u>	<u>2,196,960,000,000</u>

Pursuant to General Shareholders Meeting with notarial deed of Aulia Taufani, SH, No. 100 dated December 27, 2002, the shareholders agreed to approve changes of the Company's Article of Association for authorized share capital from Rp 8,500,000,000,000 to become Rp 16,000,000,000,000 and, issued and paid-in capital from Rp 2,196,960,000,000 to become Rp 4,174,224,000,000. However, the approval from Ministry of Justice and Human Rights for these changes is still in process.

According to notarial deed of DR. H. Teddy Anwar, SH. Spn. No. 111 dated August 16, 2002; total shares of 2,454,081,290 owned by PT Multikarsa Investama were sold to PT Bina Prima Perdana. But based on the data are issued by PT Datindo Entrycom, the shares are still registered under the name of PT Multikarsa Investama.

Mr. Slamet Nugroho, Mr. Kalpathi Hari Haran Sivasubramanian and Mr. Seeniappa Jegathesan represents Commissioner and Director of the Company for 2004 and 2003 with ownership of 47,760, 23,880 and 47,760 shares respectively of paid-in capital for 2004 and 2003.

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**23. ADDITIONAL PAID-IN CAPITAL**

	2 0 0 4 Rp	2 0 0 3 Rp
Paid-in capital in excess of par value from public offering in 1990	25,800,000,000	25,800,000,000
Shares issuance cost	(13,807,386,447)	(13,807,386,447)
Total	<u>11,992,613,553</u>	<u>11,992,613,553</u>

**24. RETIREMENT BENEFITS**

The Company and TJ, a consolidated subsidiary, established defined benefit pension plans covering all of their local permanent employees. These plans provide pension benefits based on years of service and salaries of the employees.

The pension plans are managed by Dana Pensiun Texmaco Group (DPTG), which deed of establishment was approved by the Minister of Finance of the Republic of Indonesia in his decision letter No. Kep.239/KM.17/1993, dated October 22, 1993. DPTG was established by the Texmaco Group as founder and the Company and TJ as cofounders.

The pension plans are funded by the contributions from both employers and employees. Employees' contributions in 2004 and 2003 amounted to 5% of their gross salaries and the remaining amounts were contributed by the employers.

Pension expense for 2004 dan 2003 are as follows :

	2 0 0 4 Rp	2 0 0 3 Rp
Current service cost – total	2,734,535,698	9,350,598,563
Current service cost – employees	(1,367,267,849)	(4,675,299,282)
Total current service cost – the Company and TJ	<u>1,367,267,849</u>	<u>4,675,299,281</u>

The actuarial liability and net assets based on the actuarial report of DPTG as of December 31, 2004 and 2003 are as follows :

	2 0 0 4 Rp	2 0 0 3 Rp
Net assets	100.958.242.684	111,593,456,911
Actuarial liability	(88.389.176.260)	(102,623,504,981)
Excess of net assets over actuarial liability	<u>12.569.066.424</u>	<u>8,969,951,930</u>

The assets of pension fund mainly consist of time deposits, marketable securities, long-term investments in shares, land and buildings.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**24. RETIREMENT BENEFITS (Continued)**

The key actuarial assumptions used by PT Sienco Aktuarindo Utama, an independent actuary, are as follows :

Mortality	:	1949 annuity Mortality Table
Normal pension age	:	55 years old
Disability rate	:	1% of probability of death on each level of age
Salary increase	:	6% per annum
Technical interest rate	:	11% per annum
Pension management expense	:	10% of the receipts of pension fee
Pension benefits formula	:	2.5% x work period x salary
Actuarial calculation method	:	Projected Benefits Entry Age Normal

**25. PROVISION FOR EMPLOYEES' ENTITLEMENT**

On June 20, 2000, the Ministry of Manpower issued Decree No. KEP/150/Men/2000 regarding the settlements of work dismissal and determination of separation, appreciation and compensation payment by companies, which requires companies to pay their employees gratuity and compensation benefits in case of employees resignation based on the employee's number of years of service and salaries provided the conditions set forth in the decree are met.

Further, in April 2003, the Government of the Republic Indonesia issued Manpower Law No. 13/2003 replacing the Decree No. KEP-150/Men/2000. In relation to this, as of December 31, 2004 and 2003, the Company and Subsidiaries have recorded provision for employees entitlement as follows :

	2 0 0 4	2 0 0 3
	Rp	Rp
<u>The Company</u>		
Unvested benefit cost	8,487,079,206	9,017,890,076
Vested benefit cost	-	50,304,163
<u>Subsidiaries</u>		
PT Texmaco Jaya Tbk:		
Compensation for dismissal of working relationship	49,470,252,483	-
Unvested benefit cost	-	10,252,256,042
Vested benefit cost	-	3,158,263,931
PT Texmaco Graha Busana:		
Unvested benefit cost	746,778,186	996,283,620
Vested benefit cost	15,157,674	-
Unrecognized past service cost	(106,852,609)	-

The past service liabilities are deferred and amortized over the future service years. The amortization of deferred employment entitlement for the unrecognized past service, current service cost, amortization of actuarial correction, interest expenses and the amount reserved for vested employees are charged to the statement of income in the current period as follows :

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**25. PROVISION FOR EMPLOYEES' ENTITLEMENT (Continued)**

	2 0 0 4 Rp	2 0 0 3 Rp
<u>The Company</u>		
Amortization of past service cost	227,538,789	792,106,102
Actuarial correction	(2,392,736,826)	(650,092,928)
Current service cost	1,190,501,615	1,786,170,941
Interest expenses	1,026,091,646	907,686,756
Amount reserved for vested employees	–	50,304,163
<u>Subsidiaries</u>		
PT Texmaco Jaya Tbk:		
Amortization of past service cost	–	1,790,090,385
Actuarial correction	–	(1,278,231,596)
Current service cost	–	547,204,966
Interest expenses	–	1,395,217,394
Amount reserved for vested employees	–	1,405,628,143
Loss on curtailment or settlement of defined benefit pension program	36,059,732,510	–
PT Texmaco Graha Busana:		
Amortization of past service cost	5,937,617	218,667,390
Actuarial correction	(192,214,439)	(80,592,814)
Current service cost	154,535,851	140,411,020
Interest expenses	55,218,183	144,970,242

In 2004, TJ (a subsidiary) recognized loss on curtailment or settlement of defined benefit pension program amounted to Rp 36,059,732,510 based on the amount payable to the program member employees pursuant to the Labour Law No. 13/2003 as a compensation for the dismissal of working relationship, while the Company and TGB (another subsidiary) recognized the current period expenses as described above based on actuarial assessment made by PT Sienco Aktuarindo Utama as at December 31, 2004.

In 2003, the Company and Subsidiaries recognized the current period expenses as described above based on actuarial assessments made by PT Sienco Aktuarindo Utama as at December 31, 2003.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**25. PROVISION FOR EMPLOYEES' ENTITLEMENT (Continued)**

The above actuarial assessments were made by PT Sienco Aktuarindo Utama as at December 31, 2004 and 2003 using the full off-set method with the following assumptions:

Discount rate	: 10% p.a. in 2004 and 12% p.a. in 2003
Mortality rate	: The 1958 Commissioners' Standard Ordinary Mortality Table.
Salary growth rate	: 8% p.a. in 2004 and 10% p.a. in 2003
Normal retirement age	: 55 years
Probability of resigned	: 0% - 1%
Fund method	: Projected Unit Credit

Management had reviewed the assumptions used and is in the opinion that the assumptions are reasonable, and also believed that the provision for severance provided is adequate to cover the potential liability required by the Labour Law No. 13/2003.

**26. APPROPRIATION FOR GENERAL RESERVE**

Based on the annual general stockholders' meeting as stated in notarial deed No. 351 dated June 23, 1997 and No. 402 dated June 24, 1996 of Adam Kasdarmadji, SH, notary public in Jakarta, the stockholders agreed to appropriate a general reserve aggregating to Rp 8,280,000,000 from retained earnings in accordance with article 61 of the Corporate Law No. 1 year 1995 for limited liability companies. In 2004 and 2003 the Company was exempted from reserving additional amounts due to its operating losses.

**27. INSURANCE CLAIM SETTLEMENT, NET**

- In 2003, this account represent the settlement of insurance claim for inventory damage of Rp 741,220,214 and the remaining of Rp 2,113,946 for Astek insurance claim.

**28. BASIC NET LOSS PER SHARE**

	2 0 0 4	2 0 0 3
	Rp	Rp
Weighted average number of shares outstanding	4,393,920,000	4,393,920,000
Net loss for computing the loss per share	(2,047,891,276,423)	(1,143,810,823,843)
Basic net loss per share	(466)	(260)

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
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**29. NET SALES**

	2 0 0 4	2 0 0 3
	Rp	Rp
<u>Lokal</u>		
Yarn	392,752,267,619	551,438,504,031
Chips	223,841,274,289	186,110,904,167
Fibre	132,411,540,483	208,304,113,258
Knitting	20,157,047,149	22,650,758,646
Garment	13,772,140,374	33,723,526,188
Suiting	11,005,079,283	41,518,363,717
Georgette	7,471,354,772	23,194,012,536
Grey	3,548,767,070	1,809,872,835
Coating	2,950,689,195	7,211,172,137
Maklon	359,652,076	4,512,101,836
PTA	-	9,476,082,000
Others	15,914,842,463	7,896,557,203
	<u>824,184,654,773</u>	<u>1,097,845,968,554</u>
<u>Export</u>		
PTA	508,869,152,874	17,393,337,711
Yarn	378,177,813,644	294,950,894,408
Fibre	51,833,580,511	80,971,478,256
Chips	38,401,673,840	1,748,225,120
Knitting	36,791,747,887	38,943,210,959
Suiting	19,949,509,003	137,441,116,369
Georgette	19,859,294,488	155,787,949,676
Garment	15,550,895,076	45,010,047,444
Others	-	1,010,364,404
	<u>1,069,433,667,323</u>	<u>773,256,624,347</u>
Total	<u>1,893,618,322,096</u>	<u>1,871,102,592,901</u>

In 2004 and 2003, net sales were made to related parties amounted to Rp 232,730,396,332 and Rp 299,502,007,370 or 11.81% and 15.72% respectively of total operating revenues (Note 37).

In connection with pre-financing from customer, in 2004 the Company has sales to Winsway International Petroleum Ltd., China amounted to Rp. 508,561,911,855 or 25.81% of total operating revenues.

In 2003, no sales to third parties exceeded 10% of total operating revenues.



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**30. OTHER OPERATING REVENUES**

	2 0 0 4 Rp	2 0 0 3 Rp
Makloon	52,584,644,118	3,479,055,156
Waste	15,307,984,547	24,063,850,080
Indirect materials	8,822,136,256	7,283,993,157
<b>Total</b>	<u><u>76,714,764,921</u></u>	<u><u>34,826,898,393</u></u>

In 2004 and 2003, other operating revenues were made to related parties amounted to Rp 8,013,072,563 and Rp 12,977,487,917 or 0.41% and 0.68% respectively of total operating revenues (Note 37).

In 2004 and 2003, no sales to third parties exceeded 10% of total operating revenues.

**31. COST OF GOODS SOLD**

	2 0 0 4 Rp	2 0 0 3 Rp
Raw materials used	994,790,816,423	714,361,330,983
Direct labour	86,755,102,111	114,714,334,655
Manufacturing expense	1,094,063,061,659	1,140,195,345,684
<b>Total manufacturing cost</b>	<u><u>2,175,608,980,193</u></u>	<u><u>1,969,271,011,322</u></u>
Work in process		
At beginning of year	42,280,807,665	73,440,963,448
At end of year	(36,378,824,847)	(42,280,807,665)
<b>Cost of goods manufactured</b>	<u><u>2,181,510,963,011</u></u>	<u><u>2,000,431,167,105</u></u>
Finished goods		
At beginning of year	99,082,382,674	245,604,877,026
Purchases	282,938,559,589	274,636,346,220
At end of year	(71,147,338,138)	(99,082,382,674)
<b>Cost of goods sold</b>	<u><u>2,492,384,567,136</u></u>	<u><u>2,421,590,007,677</u></u>

In 2004 and 2003, total purchase of raw materials, indirect materials, spare parts and finished goods were made from related parties amounted to Rp 297,441,856,110 and Rp 403,253,290,822 or 22.85% and 43.40% respectively of total purchases (Note 37).

In connection with prefinancing from customer in 2004 the company has purchases from Winsway International Petroleum Ltd, China amounted to Rp 455,807,079,780 or 35.02% of total purchases.

In 2003, no purchase to third parties exceeded 10% of total purchases.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
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**32. SELLING EXPENSES**

	2 0 0 4 Rp	2 0 0 3 Rp
Marketing expenses	13,501,205,150	85,790,039,514
Export charges	42,628,636,032	61,845,272,280
Freight	15,821,586,949	16,162,237,178
Advertising and promotion	398,218,971	2,239,772,575
Others	1,151,931,433	3,161,302,475
<b>Total</b>	<u>73,501,578,535</u>	<u>169,198,624,022</u>

**33. GENERAL AND ADMINISTRATIVE EXPENSES**

	2 0 0 4 Rp	2 0 0 3 Rp
Allowance for doubtful accounts	97,377,031,347	69,404,446,239
Salaries, wages and benefits	31,104,911,960	44,926,008,522
Tax penalties	23,353,391,220	11,603,816,860
Rent	11,097,415,565	21,288,833,250
Business traveling expenses	8,349,696,524	14,226,039,105
Communication	6,131,374,224	9,116,060,879
Amortization	3,993,539,180	3,993,539,180
Insurance	3,126,951,114	2,492,586,149
Depreciation expense of fixed assets	3,064,015,855	3,636,691,092
Professional fees	2,491,807,866	4,410,272,210
Repairs and maintenance	1,683,001,606	6,506,602,979
Stationery	1,095,574,064	2,937,639,440
Entertainment and representation	348,357,966	634,545,022
Electricity and water	152,196,870	1,935,513,595
Donation	69,785,000	-
Others	30,272,068,565	32,130,716,154
<b>Total</b>	<u>223,711,118,926</u>	<u>229,243,310,676</u>

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
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**34. INTEREST EXPENSE AND BANK CHARGES**

	2 0 0 4	2 0 0 3
	Rp	Rp
Interest expense on :		
Short term loans	8,472,679,254	341,452,572,899
Obligation under capital lease	1,345,451,345	2,364,491,948
Notes payable	-	526,306,109,451
Total interest expense	<u>9,818,130,599</u>	<u>870,123,174,298</u>
Bank charges	2,471,505,247	8,446,226,597
Total	<u><u>12,289,635,846</u></u>	<u><u>878,569,400,895</u></u>

**35. INTEREST INCOME**

	2 0 0 4	2 0 0 3
	Rp	Rp
Current accounts and others	<u>105,782,515</u>	<u>251,845,489</u>

**36. EXTRAORDINARY ITEM**

On January 22 and February 28, 2003, the Company and its Subsidiary obtained a discount on lease principal obligation and interest waived on lease interest payable from PT Hanil Bakrie Finance Corporation (Note 21). The details of gain from this restructuring is as follows :

<u>2 0 0 3</u>	<u>Before</u> <u>restructuring</u> USD	<u>After</u> <u>restructuring</u> USD	<u>Rate</u> Rp	<u>Gain</u> Rp
<u>The Company :</u>				
Obligation under capital lease :				
Principal	1,550,745.54	775,372.77	8,905	6,904,694,517
Interest payable	118,122.75	17,820.20	8,905	893,194,297
Total	<u>1,668,868.29</u>	<u>793,192.97</u>		<u>7,797,888,814</u>
	<u>Before</u> <u>restructuring</u> USD	<u>After</u> <u>restructuring</u> USD	<u>Rate</u> Rp	<u>Gain</u> Rp
<u>Subsidiary (TJ) :</u>				
Obligation under capital lease :				
Principal	3,200,912.11	1,680,478.86	8,905	13,539,458,091
Interest payable	195,280.11	-	8,905	1,738,969,380
Total	<u>3,396,192.22</u>	<u>1,680,478.86</u>		<u>15,278,427,471</u>

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
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**37. NATURE AND TRANSACTION WITH RELATED PARTIES**

Nature of relationships and transaction with related parties :

<u>Name of the related parties</u>	<u>Nature of the related parties</u>	<u>Transaction</u>
PT Multikarsa Investama	Major stockholder	Loan
PT Perkasa Indobaja	Affiliated company	Loan
PT Texmaco Perkasa Engineering Tbk	Affiliated company	Sales, purchase of machinery
PT Texmaco Taman Synthetics	Affiliated company	Sales, purchase of raw materials
PT Wastra Indah	Affiliated company	Sales, purchase
PT Bima Peranan Busana	Affiliated company	Sales, purchase
PT Citra Indah Tekstil	Affiliated company	Sales, purchase of raw materials
Polysindo (UK) Ltd., England	Affiliated company	Sales
Polysindo (USA) Inc., USA	Affiliated company	Sales
Polysindo (Japan) Inc., Japan	Affiliated company	Purchase
Polysindo (Singapore) Ltd., Singapore	Affiliated company	Purchase
PT Saritex Jaya Swasthi	Affiliated company	Loan
PT Wismakarya Prasetya	Affiliated company	Sales
PT Busana Perkasa Garments	Affiliated company	Sales
PT Ungaran Sari Garments	Affiliated company	Sales
PT Citra Abadi Sejati	Affiliated company	Sales
Pacific Textiles s.a.	Affiliated company	Sales
PT Sumatex Subur	Affiliated company	Sales
PT Perkasa Heavyndo Engineering	Affiliated company	Sales
PT Bridgeport Perkasa Machine Tools	Affiliated company	Sales
Commonwealth Holdings Pte. Ltd., Singapore	Affiliated company	Sales
Norfil Ltd., England	Affiliated company	Sales
Drapper Texmaco Inc. Co.	Affiliated company	Sales
PT Raja Busana Mahameru	Affiliated company	Sales
Coastal Group Limited, South Africa	Affiliated company	Sales
PT Texmaco Mikro Indoutama	Affiliated company	Purchase of furniture and fixtures
Texmaco Mechatronics Pte. Ltd.	Affiliated company	Purchase
PT Devrindo Widya	Affiliated company	Service
PT Asuransi Prima Perkasa International	Affiliated company	Insurance
PT Wahana Perkasa Auto Jaya	Affiliated company	Loan
PT Waniaindah Busana Tbk	Affiliated company	Loan
PT Wahana Jaya Perkasa	Affiliated company	Loan
PT Supermitory Utama	Affiliated company	Loan
PT Bina Prima Perdana	Affiliated company	Loan

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**37. NATURE AND TRANSACTION WITH RELATED PARTIES (Continued)**

Nature of relationships and transaction with related parties (Continued) :

<u>Name of the related parties</u>	<u>Nature of the related parties</u>	<u>Transaction</u>
PT Sarana Daycrown Industri	Affiliated company	Loan
PT Perkasa Indosteel	Affiliated company	Loan
PT Mahkota Indah Sentosa	Affiliated company	Loan
PT Kreasi Indah Textile	Affiliated company	Loan

Related parties transaction

In the normal course of business, the Company and its subsidiaries entered into certain business and financial transactions with its related parties. These transactions are as follows :

			Percentage to total Assets/ Liabilities <u>Revenue/Expenses</u>	
	2 0 0 4 Rp	2 0 0 3 Rp	2004 %	2003 %
Trade receivables	<u>431,941,749,920</u>	<u>524,007,043,214</u>	<u>6.59</u>	<u>7.26</u>
Due from related parties	<u>576,906,741,292</u>	<u>463,963,543,631</u>	<u>8.80</u>	<u>6.43</u>
Trade payables	<u>59,456,254,206</u>	<u>54,647,646,198</u>	<u>0.34</u>	<u>0.34</u>
Due to related parties	<u>18,502,658,261</u>	<u>20,076,432,953</u>	<u>0.11</u>	<u>0.13</u>
Net sales	<u>232,730,396,332</u>	<u>299,502,007,370</u>	<u>11.81</u>	<u>15.72</u>
Other operating revenues	<u>8,013,072,563</u>	<u>12,977,487,917</u>	<u>0.41</u>	<u>0.68</u>
Manufacturing Expenses	<u>111,835,879,434</u>	<u>68,180,242,892</u>	<u>4.49</u>	<u>2.82</u>
Purchase of raw material, indirect materials, spare parts and finished goods	<u>297,441,856,110</u>	<u>403,253,290,822</u>	<u>22.85</u>	<u>43.40</u>
Purchase of fixed assets	<u>956,760,800</u>	<u>3,527,260,250</u>	<u>0.01</u>	<u>0.05</u>

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**37. NATURE AND TRANSACTION WITH RELATED PARTIES (Continued)**

Related parties transaction (Continued)

- Sales of finished goods to related parties accounted for 11.81% and 15.72% from total operating revenue for the years ended December 31, 2004 and 2003 respectively.

The details of sales to related parties are as follows :

	2 0 0 4	2 0 0 3
	Rp	Rp
PT Multikarsa Investama	221,831,751,778	146,459,515,381
PT Ungaran Sari Garments	6,100,831,821	10,710,324,659
PT Busana Perkasa Garments	2,962,004,855	3,131,499,659
Polysindo (USA) Inc., USA	1,745,515,231	-
PT Texmaco Taman Synthetics	81,250,100	60,659,589,211
PT Elokprima Mitra Busana	4,883,456	959,878,320
PT Raja Busana Mahameru	4,159,091	-
PT Mutiara Persada Inti	-	40,838,590,757
PT Wastra Indah	-	28,637,808,244
PT Bima Peranan Busana	-	4,193,514,775
PT Wismakarya Prasetya	-	1,064,794,800
PT Citra Abadi Sejati	-	1,585,519,504
PT Citra Indah Tekstil	-	1,143,447,415
PT Supermitory Utama	-	80,775,516
PT Texmaco Micro Indoutama	-	19,989,775
PT Sumatex Subur	-	13,334,354
PT Perkasa Heavyndo Engineering	-	3,200,000
PT Texmaco Perkasa Engineering Tbk	-	225,000
<b>Total</b>	<b><u><u>232,730,396,332</u></u></b>	<b><u><u>299,502,007,370</u></u></b>

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**37. NATURE AND TRANSACTION WITH RELATED PARTIES (Continued)**

Related parties transaction (Continued)

- Other operating revenue to related parties accounted for 0.41% and 0.68% from total operating revenue for the years ended December 31, 2004 and 2003 respectively.

The details of other operating revenue to related parties are as follows :

	2 0 0 4	2 0 0 3
	Rp	Rp
PT Multikarsa Investama	6,167,802,488	6,456,816,033
PT Wismakarya Prasetya	1,247,458,349	-
PT Texmaco Taman Synthetics	483,265,041	5,790,996,860
PT Wastra Indah	112,249,685	169,113,810
PT Texmaco Micro Indoutama	1,922,000	-
PT Perkasa Heavyndo Engineering	375,000	-
PT Bima Peranan Busana	-	328,932,696
PT Texmaco Perkasa Engineering Tbk	-	167,616,205
PT Citra Indah Tekstil	-	44,689,940
PT Saritex Jaya Swasthi	-	18,977,373
PT Raja Busana Mahameru	-	345,000
Total	<u>8,013,072,563</u>	<u>12,977,487,917</u>

- Purchases of raw materials, indirect materials, spare parts and fixed assets from related parties accounted for 31.53% and 51.12% for the years ended December 31, 2004 and 2003, respectively of the total purchases.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**37. NATURE AND TRANSACTION WITH RELATED PARTIES (Continued)**

The details of purchases from related parties are as follows :

	2 0 0 4	2 0 0 3
	Rp	Rp
<u>Raw material, indirect material and spare parts</u>		
PT Texmaco Taman Synthetics	12,981,562,888	96,742,695,105
PT Wastra Indah	3,099,906,477	46,068,840,218
PT Multikarsa Investama	737,706,739	7,732,076,085
PT Texmaco Perkasa Engineering Tbk	141,669,895	2,944,131,960
Polysindo (Japan) Inc., Japan	134,626,122	823,426,415
PT Wisma Karya Prasetya	18,882,450	-
PT Citra Indah Tekstil	-	1,056,969,272
PT Texmaco Micro Indoutama	-	111,935,750
PT Perkasa Heavyndo Engineering	-	17,685,043
PT Perkasa Indobaja	-	14,505,073
	<u>17,114,354,571</u>	<u>155,512,264,921</u>
<u>Finished goods</u>		
PT Multikarsa Investama	279,164,781,497	218,496,192,979
PT Texmaco Taman Synthetics	1,162,720,042	25,327,214,324
PT Citra Indah Tekstil	-	3,913,411,279
PT Wastra Indah	-	4,207,319
	<u>280,327,501,539</u>	<u>247,741,025,901</u>
<u>Machinery and equipment</u>		
PT Texmaco Perkasa Engineering Tbk	555,635,000	3,332,514,250
PT Raja Busana Mahameru	401,125,800	-
	<u>956,760,800</u>	<u>3,332,514,250</u>
<u>Furniture :</u>		
PT Texmaco Micro Indoutama	-	194,746,000
<u>Others (Fabrication)</u>		
PT Wisma Karya Prasetya	108,834,219,997	68,180,242,892
PT Texmaco Jaya Tbk	1,516,831,560	-
PT Devrindo Widya	836,316,092	-
Polysindo (Japan), Ltd, Japan	619,785,751	-
PT Texmaco Taman Synthetics	21,068,876	-
PT Multikarsa Investama	7,657,158	-
	<u>111,835,879,434</u>	<u>68,180,242,892</u>
<b>Total</b>	<u><u>410,337,854,344</u></u>	<u><u>474,960,793,964</u></u>



**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**37. NATURE AND TRANSACTION WITH RELATED PARTIES (Continued)**

Compensation representing salary was given to commissioners and directors for the years ended December 31, 2004 and 2003 amounted to Rp 547,932,000 and Rp 1,050,000,000 respectively. No contribution to retirement benefits, entitlement benefits and or any other special benefits were given during the year 2004 and 2003.

**38. ASSETS AND LIABILITIES IN FOREIGN CURRENCY**

The Company and its Subsidiaries had monetary assets and liabilities in foreign currencies as of December 31, 2004 and 2003 as follows :

		<u>2 0 0 4</u>		<u>2 0 0 3</u>	
		<u>Foreign</u> <u>Currency</u>	Equivalent in <u>Rupiah</u> Rp	<u>Foreign</u> <u>Currency</u>	Equivalent in <u>Rupiah</u> Rp
<u>Assets</u>					
Cash and cash equivalents	US\$	609,049	5,658,066,389	925,506	7,834,408,119
	SEK	-	-	604	708,555
	SGD	2,486	14,135,620	3,252	16,185,668
	NOK	1,108	1,701,556	-	-
Trade receivables :					
Third parties	US\$	6,809,249	63,257,919,028	8,819,500	74,657,074,285
Related parties	US\$	9,936,639	92,311,378,168	10,455,044	88,501,944,921
Other receivables :					
Third parties	US\$	155,159	1,441,427,482	182,059	1,541,125,372
Due from related parties	US\$	5,449,743	51,168,812,340	5,449,743	46,132,075,808
Restricted cash in bank	US\$	1,284,524	11,933,230,935	1,284,524	10,873,498,369
Total assets			<u>225,786,671,518</u>		<u>229,557,021,097</u>
<u>Liabilities</u>					
Trade payables :					
Third parties	US\$	17,273,799	160,473,595,771	4,529,494	38,342,170,048
	YEN	44,000	3,978,480	5,612,798	444,364,915
	SGD	89,403	508,297,984	214,636	1,068,134,404
	CHF	8,939	73,255,007	23,792	162,343,877
	GBP	8,293	148,350,923	433	6,528,589
	EUR	117,510	1,486,746,657	260,163	2,768,928,686
Related parties	YEN	-	-	1,384,970	109,644,922

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**38. ASSETS AND LIABILITIES IN FOREIGN CURRENCY (Continued)**

		<u>2 0 0 4</u>		<u>2 0 0 3</u>	
		<u>Foreign</u> <u>Currency</u>	Equivalent in <u>Rupiah</u> Rp	<u>Foreign</u> <u>Currency</u>	Equivalent in <u>Rupiah</u> Rp
<u>Liabilities (Continued)</u>					
Other current liabilities					
Third parties	US\$	1,190,060	11,055,655,422	664,903	5,628,405,165
Related parties	US\$	147,542	1,370,662,500	-	-
Accrued expenses	US\$	109,333,806	1,029,817,214,083	214,317,669	1,814,199,064,434
	GBP	-	-	3,750	56,535,675
Notes payable; guarantee	US\$	1,092,681,851	10,142,977,651,176	1,118,826,456	9,458,872,848,433
Secured and unsecured notes	YEN	3,001,711,400	270,154,026,000	-	-
Short term loans	US\$	166,670,640	1,548,370,256,879	166,238,979	1,407,212,957,235
	CHF	49,902	408,935,912	49,902	340,510,788
	EUR	14,839,132	187,746,794,184	14,839,132	157,933,151,678
Obligation under capital lease	US\$	7,788,112	72,351,562,982	8,279,681	70,087,499,070
Liabilities for purchase of fixed assets	US\$	30,476	283,124,363	30,476	257,981,456
Total liabilities			<u>(13,427,230,108,323)</u>		<u>(12,957,491,069,375)</u>
Net liabilities			<u>(13,201,443,436,805)</u>		<u>(12,727,934,048,278)</u>

**39. BUSINESS SEGMENT INFORMATION**

The Company and its Subsidiaries had classified its business into primary and secondary segments as follows :

2004 (In Thousands Rupiah)	Chemical industry and synthetic fibre Rp 000	Weaving and knitting Rp 000	Trading of Textiles Rp 000	Finance service Rp 000	<u>Elimination</u> Rp 000	<u>Total</u> Rp 000
<b><u>BUSINESS SEGMENT</u></b>						
<b><u>INFORMATION (PRIMARY)</u></b>						
SEGMENT SALES :						
External sales	1,810,089,297	146,019,075	14,224,715	-	-	1,970,333,087
Inter segment sales	99,060	300,749	-	-	(399,809)	-
Total segment sales	<u>1,810,188,357</u>	<u>146,319,824</u>	<u>14,224,715</u>	<u>-</u>	<u>(399,809)</u>	<u>1,970,333,087</u>

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**39. BUSINESS SEGMENT INFORMATION**

<u>2004 (Continued)</u> (In Thousands Rupiah)	<u>Chemical industry and synthetic fibre</u> Rp 000	<u>Weaving and knitting</u> Rp 000	<u>Trading of textiles</u> Rp 000	<u>Finance service</u> Rp 000	<u>Elimination</u> Rp 000	<u>Total</u> Rp 000
<b>RESULT</b>						
Segment result	(377,295,073)	(148,745,255)	3,988,848	-	-	(522,051,480)
Unallocated operating expenses						(297,212,697)
Loss from operations						<u>(819,264,177)</u>
Other charges, net						<u>(1,269,324,357)</u>
Loss before income tax						(2,088,588,534)
Tax expense						(40,697,258)
Loss from ordinary activities						(2,047,891,276)
Extraordinary item						-
Net loss						<u>(2,047,891,276)</u>
<b>BALANCE SHEET :</b>						
Segment assets	<u>6,978,973,147</u>	<u>602,251,125</u>	<u>6,611,382</u>	<u>7,053,136,391</u>	<u>(8,085,487,693)</u>	<u>6,555,484,352</u>
Segment liabilities	<u>16,482,094,763</u>	<u>2,018,097,326</u>	<u>13,110,260</u>	<u>7,041,260,919</u>	<u>(8,157,324,047)</u>	<u>17,397,239,221</u>
<b>OTHER INFORMATION :</b>						
Capital expenditures	<u>994,514</u>	<u>1,038,261</u>	<u>1,269,352</u>	<u>-</u>	<u>-</u>	<u>3,302,127</u>
Depreciation and amortization	<u>534,204,386</u>	<u>78,513,500</u>	<u>975,367</u>	<u>-</u>	<u>-</u>	<u>613,693,253</u>
<b><u>GEOGRAPHIC SEGMENT INFORMATION (SECONDARY)</u></b>						
<b>SEGMENT SALES :</b>						
Local	832,237,640	55,183,758	13,209,335	-	(399,809)	900,230,924
Export	977,950,717	91,136,066	1,015,380	-	-	1,070,102,163
Total	<u>1,810,188,357</u>	<u>146,319,824</u>	<u>14,224,715</u>	<u>-</u>	<u>(399,809)</u>	<u>1,970,333,087</u>
<b>SEGMENT ASSETS :</b>						
Local	6,867,991,137	569,021,283	6,510,695	-	(8,085,487,693)	(641,964,578)
Export	110,982,010	33,229,842	100,687	7,053,136,391	-	7,197,448,930
Total	<u>6,978,973,147</u>	<u>602,251,125</u>	<u>6,611,382</u>	<u>7,053,136,391</u>	<u>(8,085,487,693)</u>	<u>6,555,484,352</u>
<b>CAPITAL EXPENDITURES :</b>						
Local	<u>994,514</u>	<u>1,038,261</u>	<u>1,269,352</u>	<u>-</u>	<u>-</u>	<u>3,302,127</u>

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**39. BUSINESS SEGMENT INFORMATION (Continued)**

2003 (In Thousands Rupiah)	Chemical industry and synthetic fibre Rp 000	Weaving and knitting Rp 000	Trading of Textiles Rp 000	Finance service Rp 000	Elimination Rp 000	Total Rp 000
<b><u>BUSINESS SEGMENT INFORMATION (PRIMARY)</u></b>						
SEGMENT SALES :						
External sales	1,376,677,131	500,944,952	28,307,408	-	-	1,905,929,491
Inter segment sales	43,004,387	4,665,986	-	-	(47,670,373)	-
Total segment sales	<u>1,419,681,518</u>	<u>505,610,938</u>	<u>28,307,408</u>	<u>-</u>	<u>(47,670,373)</u>	<u>1,905,929,491</u>
RESULT						
Segment result	(390,800,764)	(135,230,312)	11,099,691	-	(729,131)	(515,660,516)
Unallocated operating expenses						(398,441,935)
Loss from operations						<u>(914,102,451)</u>
Other charges, net						<u>(254,203,975)</u>
Loss before income tax						(1,168,306,426)
Tax expense						(727,251)
Loss from ordinary activities						(1,169,033,677)
Extraordinary item						<u>25,222,853</u>
Net loss						<u>(1,143,810,824)</u>
BALANCE SHEET :						
Segment assets	<u>7,421,078,866</u>	<u>832,277,306</u>	<u>22,324,944</u>	<u>6,426,781,437</u>	<u>(7,490,131,103)</u>	<u>7,212,331,450</u>
Segment liabilities	<u>15,199,049,447</u>	<u>1,902,809,085</u>	<u>17,470,592</u>	<u>6,415,917,278</u>	<u>(7,527,964,727)</u>	<u>16,007,281,675</u>
OTHER INFORMATION :						
Capital expenditures	<u>3,756,398</u>	<u>1,698,278</u>	<u>1,269,353</u>	<u>-</u>	<u>-</u>	<u>6,724,029</u>
Depreciation and amortization	<u>522,059,486</u>	<u>80,336,141</u>	<u>909,089</u>	<u>-</u>	<u>-</u>	<u>603,304,716</u>
<b><u>GEOGRAPHIC SEGMENT INFORMATION (SECONDARY)</u></b>						
SEGMENT SALES :						
Local	1,023,607,218	129,570,556	27,165,466	-	(47,670,373)	1,132,672,867
Export	396,074,300	376,040,382	1,141,942	-	-	773,256,624
Total	<u>1,419,681,518</u>	<u>505,610,938</u>	<u>28,307,408</u>	<u>-</u>	<u>(47,670,373)</u>	<u>1,905,929,491</u>
SEGMENT ASSETS :						
Local	7,301,997,725	775,278,697	22,206,381	-	(7,490,131,103)	609,351,700
Export	119,081,141	56,998,609	118,563	6,426,781,437	-	6,602,979,750
Total	<u>7,421,078,866</u>	<u>832,277,306</u>	<u>22,324,944</u>	<u>6,426,781,437</u>	<u>(7,490,131,103)</u>	<u>7,212,331,450</u>
CAPITAL EXPENDITURES :						
Local	<u>3,756,398</u>	<u>1,698,278</u>	<u>1,269,353</u>	<u>-</u>	<u>-</u>	<u>6,724,029</u>

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**40. COMMITMENTS AND CONTINGENCIES**

- On November 1, 2003, the Subsidiary (TGB) had entered into an agreement with PT Hantaran Prima Bisnisindo Consulting Group for Business Improvement Program. To streamline the Subsidiary's business process and systems, and put together a system and structure in the Subsidiary to increase market share and product contribution, as well as cost reduction are the objectives of the program. The Subsidiary will pay One Hundred Twenty Thousand US Dollar (US\$ 120,000) and not more than One Hundred Sixty Eight Thousand US Dollar (US\$ 168,000) net of tax for the total payment fee, which is based on cost plus achievable results accepted by both parties. The duration of this management contract is one year, effective from November 1, 2003. The agreement has been terminated due to the Subsidiary has stopped its production activities and operations.
- The Company signed a Memorandum of Understanding, dated May 14, 1990, with Eastman Kodak Company, USA, to establish a joint venture company to manufacture certain special types of polyester chips and fiber in Indonesia with the name of PT Eastindo Polymertama. This joint venture company was established based on the notarial deed No. 68 of Esther Daniar Iskandar, SH, notary in Jakarta, dated October 17, 1991 as approved by the Minister of Justice of the Republic of Indonesia in his decision letter No. C2-1990.HT.01.01.TH.92 dated February 28, 1992. The Company along with Eastman Kodak Company, USA decided to postpone the commencement of the operations of PT Eastindo Polymertama to a later date. Such date, as well as the commercial terms would be mutually agreed upon by both parties. Until then, both the subscribers have decided to postpone paying on their unpaid subscriptions.

**41. LITIGATION CASES AND CLAIMS**

Litigation currently involving the Company is as follows :

- Coal Planning & Mining Corporation, Colombia had filed a claim with Pengadilan Negeri Jakarta Selatan for US\$ 2.4 million in respect of unsecured short-term notes payable due to them. In relation to this case, the Company is taking active steps to restructure all their debts including all the unsecured creditors ( Note 2c).
- The Company has received a claims from Bea Cukai for Rp 34.317.565.790 towards the payment of VAT Import (PPN Impor) and Custom Duty (Bea Masuk). The Company has imported raw materials using Bapeksta facility but could not achieve the requisite export quantity to set-off the imports. Hence Bea Cukai has raised a claim on the Company for the above mentioned amount. The Company will issue a promissory letter to pay the liability on 12 monthly installments basis and custom bond.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**42. RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS**

Persuant to the debt settlement agreement between Bangkok Bank Jakarta Branch and the Company dated on August 29, 2003, both parties agreed that the Company only have to pay its loan of USD 100,000 or equivalent Rp 847,000,000 for full settlement of the outstanding principal and interest. The remaining of USD 353,577.67 or equivalent Rp 2,146,536,774 was waived and recorded as extraordinary gain. The payments on loan to Bangkok Bank were made directly by PT Texmaco Jaya Tbk on September 1, 2003 of Rp 423,500,000; September 18, 2003 of Rp 211,750,000 and October 20, 2003 of Rp 211,750,000, and these informations were known by the Company in 2004.

<u>2 0 0 3</u>	<u>Before restructuring USD</u>	<u>After restructuring USD</u>	<u>Rate Rp</u>	<u>Gain Rp</u>
<u>The Company :</u>				
Short term loans :				
Principal	338,067.00	100,000	8,465	2,015,238,934
Interest payable	15,510.67	-	8,465	131,297,840
Total	<u>353,577.67</u>	<u>100,000</u>		<u>2,146,536,774</u>

The Company had restated the prior year consolidated financial statements on a retrospective basis to reflect the influence of the changes in the following accounts :

	<u>Prior year report Rp</u>	<u>2 0 0 3 As Restated Rp</u>
<u>Consolidated Balance Sheet</u>		
Due from related parties	464,810,543,631	463,963,543,631
Short term loans	3,045,324,395,243	3,042,462,656,311
Accrued expenses	2,477,374,670,959	2,477,243,373,119
Accumulated deficit – Unappropriated	(11,020,784,263,662)	(11,018,638,226,890)
<u>Consolidated Statements of Income</u>		
Gain (loss) on foreign exchange, net	608,981,701,323	608,981,201,321
Extraordinary item	23,076,316,285	25,222,853,059
Net loss	(1,145,956,860,615)	(1,143,810,823,843)
<u>Consolidated Statements of Changes in Equity</u>		
Net loss for the period	(1,145,956,860,615)	(1,143,810,823,843)
Balance as of December 31, 2003	(11,020,784,263,662)	(11,018,638,226,890)

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**43. PRONOUNCEMENT OF NEW ACCOUNTING STANDARD**

In July 2004, the Indonesian Institute of Accountants issued SFAS No. 24 (revised 2004) "Employee Benefits" which arrange accounting and disclosure for Employee Benefits. SFAS 24 (revised 2004) replaced SFAS No. 24, "Accounting for Retirement Benefit Cost" which was issued in 1994.

The first implementation of this accounting pronouncement should be applied retroactively which requires restatement against the beginning balance of retained earnings of the earliest period. This standard will become effective for financial statement covering the periods beginning on or after July 1, 2004.

The management is currently evaluating the effects of the new revised SFAS and the company has not determined the effects of this revised SFAS on financial positions, results of operation, changes in shareholders' equity and cash flow of the company.

**44. BANKRUPTCY PROCESS**

The Company has several meetings with its unsecured creditors to discuss the Restructure Proposal. The Company has submitted the final Restructure Proposal to its creditors vide No. 167-A/Pailit-Dir/X/2005. This was taken up for voting by the unsecured creditors on October 20, 2005. The majority unsecured creditors valuing around 85.7% voted in favour of the restructure proposal submitted by the company for the unsecured creditors. The ratification of the voting and the results will be given by the Court in November 2005. With this the Company will be out of bankruptcy. The investors have also shown interest in providing funds into the Company for the working capital in order that the Company can improve the capacity utilization and hence the profitability. The Company is also actively involved in the discussions with its secured creditors for the restructure of its secured debts.

The following are the Salient features of the "Unsecured Restructure Proposal" of the Company :

- (i) Principal amount to be restructured to 2.961%.
- (ii) Interest and penalty will be waived.
- (iii) The restructured principle amount will be repaid over a period of 9 years.
- (iv) The unsecured creditors will get on equity of 19.2% of diluted equity shares of the Company.
- (v) The rate of interest will be 2% p.a. and going up to 4% p.a.

**PT POLYSINDO EKA PERKASA Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2004 and 2003**

**45. RECLASSIFICATION OF ACCOUNTS**

Certain account in the 2003 consolidated financial statements have been reclassified in line with the presentation of the 2004 consolidated financial statements. The detail of the account is as follows :

<u>Previous Report</u>	<u>Restated</u>	<u>Amount</u> Rp	<u>Description</u>
Due from related parties	Other receivables	679,520,000	For more appropriate presentation