

**Financial Statements
With Independent Auditors' Report
Years ended December 31, 2005 and 2004**

PT HEXINDO ADIPERKASA Tbk

These financial statements are originally issued in Indonesian language.

**PT HEXINDO ADIPERKASA Tbk
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2005 AND 2004**

Table of Contents

	Page
Independent Auditors' Report	
Balance Sheets	1 - 2
Statements of Income.....	3
Statements of Changes in Equity	4
Statements of Cash Flows	5
Notes to the Financial Statements	6 - 37

This report is originally issued in Indonesian language.

Independent Auditors' Report

Report No. RPC-5139

The Shareholders, Commissioners and Directors PT Hexindo Adiperkasa Tbk

We have audited the accompanying balance sheets of PT Hexindo Adiperkasa Tbk (the "Company") as of December 31, 2005 and 2004, and the related statements of income, changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PT Hexindo Adiperkasa Tbk as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles in Indonesia.

Prasetio, Sarwoko & Sandjaja

Dra. Juanita Budijani
Public Accountant License No. 00.1.0714

March 15, 2006

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

These financial statements are originally issued in Indonesian language.

PT HEXINDO ADIPERKASA Tbk
BALANCE SHEETS
December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

	Notes	2005	2004
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	2b,3	43,476,065,896	77,699,883,967
Trade receivables			
Third parties - net of allowance for doubtful accounts of Rp12,975,822,536 in 2005 and Rp22,093,854,247 in 2004	2c,4	160,825,888,863	164,778,809,193
Related parties	2d,5a	12,849,933,280	3,270,324,792
Other receivables		1,813,321,679	467,151,272
Inventories - net of allowance for inventories obsolescence of Rp25,063,120,258 in 2005 and Rp22,486,611,829 in 2004	2e,6	585,529,802,692	245,558,737,684
Prepaid taxes and expenses	2f	19,578,334,988	8,220,157,258
Advances		14,752,937,179	16,768,981,694
TOTAL CURRENT ASSETS		838,826,284,577	516,764,045,860
NON-CURRENT ASSETS			
Due from related parties	2d,5b	2,653,929,358	731,939,564
Estimated claim for tax refund	24	16,033,305,062	-
Deferred tax assets - net	2n,24	11,518,716,048	13,045,114,247
Property and equipment - net of accumulated depreciation of Rp74,810,948,156 in 2005 and Rp104,386,799,515 in 2004	2g,7	200,103,786,076	105,020,982,585
Other assets	2g	378,117,644	546,472,802
TOTAL NON-CURRENT ASSETS		230,687,854,188	119,344,509,198
TOTAL ASSETS		1,069,514,138,765	636,108,555,058

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

These financial statements are originally issued in Indonesian language.

PT HEXINDO ADIPERKASA Tbk
BALANCE SHEETS (continued)
December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

	Notes	2005	2004
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Short-term bank loans	8,30	272,291,000,000	-
Trade payables			
Third parties	9	18,477,998,757	14,856,152,266
Related parties	2d,5c	216,939,177,870	227,443,913,896
Other payables		19,941,118,399	14,283,678,297
Accrued expenses	10	16,601,619,138	17,780,196,941
Taxes payable	2n,11,24	8,208,459,421	14,958,502,484
Current maturities of long-term liabilities:			
Bank loan	12,30	58,980,000,000	-
Lease payable	2g,13	700,040,255	1,291,982,738
Other payables	14,26g	22,952,263,600	-
TOTAL CURRENT LIABILITIES		635,091,677,440	290,614,426,622
NON-CURRENT LIABILITIES			
Due to related parties	2d,5d	2,764,985,644	1,195,548,363
Long-term liabilities - net of current portion:			
Bank loan	12,30	-	55,740,000,000
Lease payable	2g,13	-	700,040,255
Other payables	14,26g	79,867,678,530	-
Estimated liability for employees' benefits	2k,15	7,028,901,000	4,748,734,000
TOTAL NON-CURRENT LIABILITIES		89,661,565,174	62,384,322,618
EQUITY			
Share capital - par value			
Rp100 per share in 2005 and Rp500 per share in 2004			
Authorized - 1,680,000,000 shares in 2005 and 336,000,000 shares in 2004			
Issued and fully paid - 840,000,000 shares in 2005 and 168,000,000 shares in 2004	1b,16	84,000,000,000	84,000,000,000
Additional paid-in capital - net	1b,2i,17	16,711,755,375	16,711,755,375
Retained earnings			
Appropriated	16	5,000,000,000	1,000,000,000
Unappropriated		239,049,140,776	181,398,050,443
TOTAL EQUITY		344,760,896,151	283,109,805,818
TOTAL LIABILITIES AND EQUITY		1,069,514,138,765	636,108,555,058

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

These financial statements are originally issued in Indonesian language.

PT HEXINDO ADIPERKASA Tbk
STATEMENTS OF INCOME
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

	Notes	2005	2004
NET REVENUES	2d,2j,5a, 19,26b,26c, 26d,26e,26f	1,423,316,735,746	995,575,949,030
COST OF REVENUES	2d,2j,2k,5e, 5f,20,26a	(1,122,205,271,734)	(749,435,304,849)
GROSS PROFIT		301,111,464,012	246,140,644,181
OPERATING EXPENSES	2j,2k,2l		
Selling		88,385,832,970	66,381,842,186
General and administrative		69,705,441,312	48,237,008,587
Total operating expenses		158,091,274,282	114,618,850,773
OPERATING INCOME		143,020,189,730	131,521,793,408
OTHER INCOME (CHARGES)			
Reversal of allowance for doubtful accounts	2c,4	8,519,194,786	5,628,551,498
Interest income	22	594,331,702	2,618,680,917
Financing cost	2d,5g,23	(7,212,032,659)	(4,066,738,346)
Loss on foreign exchange and changes in fair value of derivative instrument - net	2l,2m,27	(4,351,794,955)	(5,783,745,809)
Miscellaneous - net	2g	1,099,777,429	2,184,644,072
Other income (charges) - net		(1,350,523,697)	581,392,332
INCOME BEFORE INCOME TAX BENEFIT (EXPENSE)		141,669,666,033	132,103,185,740
INCOME TAX EXPENSE	2n,24		
Current		(42,372,177,500)	(38,412,380,600)
Deferred		(1,526,398,200)	(2,272,497,325)
Income tax expense		(43,898,575,700)	(40,684,877,925)
NET INCOME		97,771,090,333	91,418,307,815
BASIC EARNINGS PER SHARE	2o	116	109

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

These financial statements are originally issued in Indonesian language.

PT HEXINDO ADIPERKASA Tbk
STATEMENTS OF CHANGES IN EQUITY
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

	Notes	Issued and Fully Paid Shares Capital	Additional Paid in Capital - Net	Retained Earning		Total Equity
				Appropriated	Unappropriated	
Balance, January 1, 2004		84,000,000,000	16,711,755,375	1,000,000,000	105,099,742,628	206,811,498,003
Cash dividends declared	18	-	-	-	(15,120,000,000)	(15,120,000,000)
Net income in 2004		-	-	-	91,418,307,815	91,418,307,815
Balance, December 31, 2004		84,000,000,000	16,711,755,375	1,000,000,000	181,398,050,443	283,109,805,818
Cash dividends declared	18	-	-	-	(36,120,000,000)	(36,120,000,000)
Appropriation for general reserve	16	-	-	4,000,000,000	(4,000,000,000)	-
Net income in 2005		-	-	-	97,771,090,333	97,771,090,333
Balance, December 31, 2005		84,000,000,000	16,711,755,375	5,000,000,000	239,049,140,776	344,760,896,151

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

These financial statements are originally issued in Indonesian language.

PT HEXINDO ADIPERKASA Tbk
STATEMENTS OF CASH FLOWS
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

	Notes	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		1,429,477,315,652	1,008,705,884,777
Cash paid to:			
Suppliers		(1,418,667,785,894)	(727,736,072,060)
Operational expenses		(105,873,801,771)	(53,262,859,421)
Salaries, wages and benefit of employees		(80,328,684,397)	(58,912,521,009)
Net cash provided by (used in) operations		(175,392,956,410)	168,794,432,287
Payments for interest		(4,693,410,189)	(4,197,200,269)
Payments for income taxes		(65,155,525,624)	(26,551,817,118)
Net Cash Provided by (Used in) Operating Activities		(245,241,892,223)	138,045,414,900
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property and equipment	7	388,756,500	411,750,400
Acquisitions of property and equipment	7	(30,152,509,020)	(18,290,089,757)
Net Cash Used in Investing Activities		(29,763,752,520)	(17,878,339,357)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term bank loans	8	343,230,500,000	-
Payment of short-term bank loans	8	(63,904,000,000)	-
Payment for cash dividends	18	(36,120,000,000)	(15,120,000,000)
Payment of lease payable	13	(1,291,982,738)	(1,216,212,742)
Payment of other payables	14	(1,132,690,590)	
Payment of long-term bank loan	12	-	(127,980,000,000)
Net Cash Provided by (Used in) Financing Activities		240,781,826,672	(144,316,212,742)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(34,223,818,071)	(24,149,137,199)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3	77,699,883,967	101,849,021,166
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	43,476,065,896	77,699,883,967
SUPPLEMENTAL DISCLOSURES OF NON-CASH TRANSACTIONS:			
Acquisition of property and equipment through other payables	7,14	120,094,414,880	-
Reclassification of property and equipment to inventories	7	24,577,006,409	-
Reclassification of construction in progress to property and equipment	7	6,778,223,828	-
Write-off of inventories	6	3,280,525,310	5,256,842,639
Write-off of trade receivables	4	598,836,925	3,620,522,371
Reclassification of equipment under capital lease to property and equipment	7	523,176,667	-

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

PT HEXINDO ADIPERKASA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

1. GENERAL

a. Establishment of the Company

PT Hexindo Adiperkasa Tbk (the "Company") was established in Indonesia on November 28, 1988 based on Notarial Deed No. 37 of Mohamad Ali, S.H. The Deed of Establishment was approved by the Ministry of Justice in its Decision Letter No. C2-4389.HT.01.01.TH.89 dated May 12, 1989, and was published in Supplement No. 1251 of the State Gazette No. 54 dated July 7, 1989. Its Articles of Association has been amended several times; the latest was amended by Notarial Deed No. 43 dated June 21, 2005 of Fathiah Helmi, S.H., Notary in Jakarta concerning the management's duties and authorities, quorum, voting right and the decision in Shareholders' Meeting of the Company. These amendments were accepted and recorded in the Department of Justice and Human Rights in its Decision Letter No. C-24817 HT.01.04.TH.2005 dated September 7, 2005.

The Company started its commercial operations in January 1989.

According to Article 3 of the Company's Articles of Association, its scope of activities comprises of trading and rental of heavy equipment and rendering of after-sales services. Presently, the Company acts as a distributor of certain heavy equipment and related spare parts under the trademarks of Hitachi, John Deere, and Krupp. The Company is domiciled in Jakarta and located at Kawasan Industri Pulo Gadung, Jalan Pulo Kambing II Kav. I-II No. 33, Jakarta 13930. As of December 31, 2005, the Company has 13 main branches and projects, 5 sub-branches and 5 representative offices, which are all located at various places in Indonesia.

b. The Company's Initial Public Offering

The Company's Registration Statement for its public offering of its 10 million shares (with Rp1,000 par value per share) at an offer price of Rp2,800 per share became effective in accordance with the Letter No. S-1958/PM/1994 dated December 5, 1994 issued by the Chairman of the Capital Market Supervisory Agency (BAPEPAM). All the Company's shares have been registered in the Jakarta Stock Exchange since February 13, 1995.

In 1998, the Company's Registration Statement for its first limited public offering of 42 million shares to shareholders with preemptive rights (with Rp1,000 par value per share) at an offer price of Rp1,000 per share became effective in accordance with the Letter No. S-1264/PM/1998 dated June 19, 1998 issued by the Chairman of BAPEPAM.

In 2000, based on the minutes of the Extraordinary Shareholders' Meeting of the Company held on June 12, 2000, as covered by Notarial Deed No. 12 of Fathiah Helmi, S.H., Notary in Jakarta, on the same date, the shareholders resolved to amend its Articles of Association, which include, among others, change in par value from Rp1,000 per share to Rp500 per share. This amendment was approved by Ministry of Justice and Human Rights in its Decision Letter No.C-21025 HT.01.04.Th.2000 dated September 20, 2000. On July 29, 2002, the stock split was effectively implemented.

Based on the minutes of the Extraordinary Shareholders' Meeting of the Company held on June 15, 2004, as covered by Notarial Deed No. 24 of Fathiah Helmi, S.H., Notary in Jakarta, on the same date, the shareholders resolved to change the par value from Rp500 per share to Rp100 per share. This amendment was accepted and recorded by the Department of Justice and Human Rights in its Decision Letter No.C-23337 HT.01.04.Th.2004 dated September 17, 2004. On September 1, 2005, the change of the par value was effectively implemented.

PT HEXINDO ADIPERKASA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

1. GENERAL (continued)

c. Commissioners, Directors, Audit Committee and Employees

Based on the minutes of the Shareholders' Annual Meeting of the Company held in Jakarta on June 21, 2005, as covered by Notarial Deed No. 42 of Fathiah Helmi, S.H., on the same date, Company's Commissioners and Directors as of December 31, 2005 are as follows:

Commissioners:

Kardinal Alamsyah Karim, MM.	-	President Commissioner
Gunawan Setiadi Martono	-	Commissioner
Harry Danui	-	Commissioner

Directors:

Manuntun Situmorang	-	President Director
Tamotsu Yamada	-	Director
Takaaki Teranishi	-	Director
Masaaki Hirose	-	Director
Yoshiya Hamamachi	-	Director
Keiichiro Shiojima	-	Director
Tony Endroyoso	-	Director
Mitsuhiro Tabei	-	Director
Naoki Kito	-	Director

Based on the minutes of the Shareholders' Annual Meeting of the Company held in Jakarta on June 15, 2004, as covered by Notarial Deed No. 23 of Fathiah Helmi, S.H., on the same date, Company's Commissioners and Directors as of December 31, 2004 are as follows:

Commissioners:

Kardinal Alamsyah Karim, MM.	-	President Commissioner
Gunawan Setiadi Martono	-	Commissioner
Harry Danui	-	Commissioner

Directors:

Tamotsu Yamada	-	President Director
Takaaki Teranishi	-	Director
Masayuki Sakugawa	-	Director
Masaaki Hirose	-	Director
Keiichiro Shiojima	-	Director
Tony Endroyoso	-	Director
Manuntun Situmorang	-	Director
Mitsuo Mori	-	Director
Hitoshi Manabe	-	Director

The Company's Audit Committee as of December 31, 2005 and 2004 are as follows:

Kardinal Alamsyah Karim, MM.	-	The Chairman
Katjep K. Abdoelkadir DR.	-	Member
Dedi Djuanda	-	Member

The salaries and other compensations benefits incurred for the Company's commissioners and directors amounted to Rp9,472,174,771 in 2005 and Rp7,481,111,947 in 2004.

PT HEXINDO ADIPERKASA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

1. GENERAL (continued)

c. Commissioners, Directors, Audit Committee and Employees (continued)

As of December 31, 2005 and 2004, the Company had 751 employees and 691 employees (unaudited), respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Financial Statements Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles in Indonesia, which are the Statement of Financial Accounting Standards (PSAK) and the Guidelines for Financial Statements Presentation as circulated by BAPEPAM for trading companies, which offer their shares to the public.

The financial statements have been prepared on the historical cost basis, except for inventories, which are valued at the lower of cost or net realizable value. The financial statements are prepared based on accrual basis, except for statements of cash flows.

The statements of cash flows present cash and cash equivalents receipts and payment classified into operating, investing and financing activities using the direct method.

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

b. Cash Equivalents

Time deposits with maturities of three months or less at the time of placement and not being pledged are classified as "Cash Equivalents".

c. Allowance for Doubtful Accounts

The Company provides allowance for doubtful accounts based on a review on the condition of accounts receivable at balance sheet date.

d. Transactions with Related Parties

The Company has transactions with certain related parties. Related parties are defined in accordance with Statement of Financial Accounting Standards (PSAK) No. 7, "Related Party Disclosures".

All transactions with related parties have been disclosed in the notes to financial statements.

e. Inventories

Inventories are stated at the lower of cost or net realizable value. Heavy equipment inventories transferred from heavy equipment previously leased out are stated at net book value at the date of transfer, which are generally at the end of the lease terms.

The cost of heavy equipment is determined by the specific identification method while the cost of spare parts is determined using the average method.

Allowance for inventories obsolescence is provided based on a review of the condition of the inventories at balance sheet date.

PT HEXINDO ADIPERKASA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Prepaid Expenses

Prepaid expenses are charged to operations over the periods benefited.

g. Property and Equipment

1. Direct ownership

Property and equipment are stated at cost less accumulated depreciation, except for land which is not depreciated.

Depreciation, except for heavy equipment being leased out, is computed using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>	<u>Rate</u>
Buildings	20	5%
Vehicles, office equipment, furniture and fixtures and machineries	5	20%
Tools for after-sales services	2	50%

Depreciation for heavy equipment being leased out is depreciated based on operational hours and over the term of the lease less residual value for 10%.

The cost of repairs and maintenance is charged to income as incurred. Significant renewals and betterments which extend the assets' useful lives are capitalized to the related property and equipment account. When assets are retired or otherwise disposed of, their cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the year.

All expenses incurred in connection with the acquisition and renewal of landright are deferred and amortized over the lower of legal terms or economic life of the related landrights using the straight-line method. These deferred charges are presented as part of "Other Assets" in the balance sheets.

2. Leases

Lease transactions are accounted for under the capital lease method when the required capitalization criteria in accordance with PSAK 30, "Accounting for Lease Transactions" are met. Otherwise, leases are accounted for under the operating lease method.

Based on capital lease method, the leased assets are presented in "Property and Equipment" account, and the related liability is presented as "Lease Payable".

Leased assets are recorded at the present value of all lease payments plus residual value (option price) which should be paid by the Company at the end of the lease term. Depreciation is computed using the straight-line method based on the estimated useful lives of the leased assets in line with the estimated useful lives of directly-owned property and equipment.

PT HEXINDO ADIPERKASA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Property and Equipment (continued)

3. Construction in progress

Construction in progress represents the accumulated cost of materials and other costs related to the asset under construction. When the asset is completed and ready for its intended use, these costs are transferred to the related accounts.

h. Impairment in Assets Value

At balance sheet date, asset values are reviewed by the Company for any possible impairment to fair value whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. Impairment in asset value, if any, is recognized as loss in the current year statement of income.

i. Additional Paid-in Capital - Net

Additional Paid-in Capital-Net is the difference between offering price of Company's share in initial public offering and par value of the share capital in 1995, net of the costs incurred in connection with the Company's first limited public offering.

j. Revenue and Expense Recognition

Revenue from sale of heavy equipment and spare parts are recognized when the heavy equipment and spare parts are delivered to the customers. Revenue from repair and maintenance services is recognized when the services are rendered to the customers. Revenue from rental of heavy equipment is recognized based on heavy equipment usage in accordance with the related agreement.

Expenses are recognized when incurred.

k. Employee Benefits

The Company recognized an unfunded employee benefit liability in accordance with Labor Law No. 13/2003 dated March 25, 2003 ("the Law").

Effective January 1, 2004, the Company adopted earlier PSAK No. 24 (Revised 2004) - Employee Benefits. Since the differences arising from the adoption of PSAK No. 24 (Revised 2004) in the periods prior to 2004 were immaterial, the Company recorded those differences in the current period financial statements.

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

PT HEXINDO ADIPERKASA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Foreign Currency Transactions and Balances

Transactions involving foreign currencies are recorded in Rupiah at the rates of exchange prevailing at the time the transactions are made. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are adjusted to Rupiah to reflect the prevailing rates of exchange as published by Bank Indonesia middle rate of that date. The resulting gains or losses are credited or charged to operations in the year in which they arise.

As of December 31, 2005 and 2004, the rates of exchange used are based on Bank Indonesia's average selling and buying bank notes and/or transaction exchange rate as of December 30, 2005 and December 31, 2004, respectively, as follows:

	<u>2005</u>	<u>2004</u>
1 Euro (EUR)	11,660	12,652
1 United States Dollar (US\$)	9,830	9,290
1 Australian Dollar (AUD)	7,207	7,242
1 Singapore Dollar (SGD)	5,907	5,685
1 Japanese Yen (JP¥)	83	90

m. Derivative Instrument

Forward exchange contract is recognized in the balance sheet as either asset or liability as measured at its fair value. Change in fair value is recognized in current earnings. The Company's forward exchange contract is not treated as hedging instrument for accounting process.

n. Corporate Income Tax

Current tax expense is provided based on the estimated taxable income for the year. Deferred tax assets and liabilities are recognized for temporary differences between the financial and the tax bases of assets and liabilities at each reporting date. Future tax benefits, such as the carry-forward of unused tax losses, are also recognized to the extent that realization of such benefits is probable.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax asset is reviewed at the balance sheet date and adjusted to the extent that it is no longer probable that part or all of that deferred income tax assets will be realized in future.

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

o. Basic Earnings per Share

Basic earnings per share is computed by dividing the net income of the year with the weighted-average number of the shares outstanding during the year after considering the retroactive effect of stock splits effect in 2005 (Note 16). The weighted average number of shares outstanding in 2005 and 2004 are 840,000,000 shares, respectively.

PT HEXINDO ADIPERKASA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p. Segment Information

The Company classifies its segment reporting as follows:

- a. Business segment (primary) based on the nature of its products sold. These products are sales and rental of heavy equipment, repairs and maintenance services and sales of spare parts of heavy equipment.
- b. Geographical segment (secondary) based on location of sales, which are within Java island and outside Java island.

q. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimations and assumptions that affect amounts reported therein. Due to inherent uncertainty in making estimates, actual results reported in future periods might be based on amounts that differ from those estimates. Any differences on the estimates and actual result is charged or credited to current operations.

3. CASH AND CASH EQUIVALENTS

This account consists of:

	2005	2004
Cash on hand and in banks:		
Cash on hand	363,130,846	239,855,532
Cash in banks:		
United States Dollar accounts		
PT Bank UFJ Indonesia (US\$1,403,336 in 2005 and US\$425,899 in 2004)	13,794,795,239	3,956,605,983
PT Bank Internasional Indonesia Tbk (US\$1,049,852 in 2005 and US\$1,910,956 in 2004)	10,320,045,946	17,752,778,918
PT Bank Resona Perdania (US\$49,448 in 2005 and US\$385,643 in 2004)	486,074,725	3,582,622,848
UFJ Bank Limited, Singapore (US\$45,172)	444,041,546	-
Citibank N.A., Jakarta (US\$20,964 in 2005 and US\$20,965 in 2004)	206,071,697	194,769,309
The Bank of Tokyo-Mitsubishi Ltd., Jakarta (US\$3,581 in 2005 and US\$253,987 in 2004)	35,197,495	2,359,536,350
PT Bank Mega Tbk (US\$1,765 in 2005 and US\$251,738 in 2004)	17,345,133	2,338,643,047
Total United States Dollar Accounts	25,303,571,781	30,184,956,455

These financial statements are originally issued in Indonesian language.

PT HEXINDO ADIPERKASA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

3. CASH AND CASH EQUIVALENTS (continued)

	2005	2004
Rupiah accounts		
PT Bank Internasional Indonesia Tbk	6,484,782,148	990,223,016
PT Bank Resona Perdania	4,331,809,099	2,399,531,500
PT Bank Lippo Tbk	3,496,761,865	1,526,997,955
PT Bank Rakyat Indonesia (Persero) Tbk	2,716,163,854	180,558,218
PT Bank Mega Tbk	210,817,521	222,684,297
PT Bank UFJ Indonesia	126,822,423	18,209,599
PT Bank Negara Indonesia (Persero) Tbk	109,797,653	58,160,090
PT Bank Danamon Indonesia Tbk	91,959,836	95,428,736
Citibank N.A., Jakarta	59,872,931	59,890,931
PT Bank Mandiri (Persero) Tbk	18,957,830	23,609,166
Total Rupiah Accounts	17,647,745,160	5,575,293,508
Japanese Yen accounts		
PT Bank Internasional Indonesia Tbk (JP¥1,002,096 in 2005 and JP¥1,009,515 in 2004)	83,594,883	91,280,395
PT Bank UFJ Indonesia (JP¥ 892,574 in 2005 and JP¥988,539 in 2004)	74,458,523	89,383,696
The Bank of Tokyo-Mitsubishi Ltd., Jakarta (JP¥42,732 in 2005 and JP¥45,503 in 2004)	3,564,703	4,114,381
Total Japanese Yen Accounts	161,618,109	184,778,472
Total Cash on Hand and in Banks	43,476,065,896	36,184,883,967
Cash Equivalents - Time Deposits:		
Rupiah accounts		
PT Bank Internasional Indonesia Tbk	-	5,500,000,000
PT Bank Mega Tbk	-	3,500,000,000
Total Rupiah Accounts	-	9,000,000,000
United States Dollar accounts		
PT Bank Resona Perdania (US\$2,000,000)	-	18,580,000,000
PT Bank UFJ Indonesia (US\$1,500,000)	-	13,935,000,000
Total United States Dollar Accounts	-	32,515,000,000
Total Cash Equivalents	-	41,515,000,000
Total Cash and Cash Equivalents	43,476,065,896	77,699,883,967

The annual interest rates for time deposits are as follows:

	2005	2004
Rupiah	5.00% - 6.00%	4.75% - 7.00%
United States Dollar	1.70%	0.25% - 1.75%

PT HEXINDO ADIPERKASA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

4. TRADE RECEIVABLES - THIRD PARTIES

This account consists of receivables arising from:

	2005	2004
Sales and rental of heavy equipment used in:		
Mining	50,797,985,707	39,202,785,211
Plantation and logging	19,009,438,357	79,207,670,554
Government projects and constructions	7,085,250,299	325,149,987
Total	76,892,674,363	118,735,605,752
Repairs and maintenance services	76,881,056,756	51,040,593,725
Sales of spare parts	20,027,980,280	17,096,463,963
Total	173,801,711,399	186,872,663,440
Allowance for doubtful accounts	12,975,822,536	22,093,854,247
Net	160,825,888,863	164,778,809,193

The movements of allowance for doubtful accounts during the year are as follows:

	2005	2004
Balance at beginning of year	22,093,854,247	31,342,928,116
Reversal of allowance during the year	(8,519,194,786)	(5,628,551,498)
Write-off of account during the year	(598,836,925)	(3,620,522,371)
Balance at end of year	12,975,822,536	22,093,854,247

The aging analysis of trade receivables based on due dates are as follows:

	2005	2004
Sales and rental of heavy equipment		
Current and less than 3 months	72,757,537,829	115,008,214,286
3 - 6 months	2,816,766,304	555,775,432
Over 6 months - 1 year	1,318,370,230	643,860,679
Over 1 year	-	2,527,755,355
Total receivables - sales and rental of heavy equipment	76,892,674,363	118,735,605,752
Repairs and maintenance services		
Current and less than 3 months	76,225,292,040	43,048,512,835
3 - 6 months	346,170,534	530,664,358
Over 6 months -1 year	283,647,069	8,800,303
Over 1 year	25,947,113	7,452,616,229
Total receivables - repairs and maintenance services	76,881,056,756	51,040,593,725

PT HEXINDO ADIPERKASA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

4. TRADE RECEIVABLES - THIRD PARTIES (continued)

	2005	2004
Sales of spare parts		
Current and less than 3 months	18,910,808,580	15,086,659,476
3 - 6 months	834,396,099	940,477,235
Over 6 months - 1 year	239,791,501	434,848,265
Over 1 year	42,984,100	634,478,987
Total receivables - sales of spare parts	20,027,980,280	17,096,463,963
Total	173,801,711,399	186,872,663,440

The details of trade receivables based on original currencies are as follows:

	2005	2004
United States Dollar		
(US\$15,295,311 in 2005		
and US\$18,589,396 in 2004)	150,352,904,395	172,695,488,561
Rupiah	23,448,807,004	14,177,174,879
Total	173,801,711,399	186,872,663,440

The management believes that the allowance for doubtful accounts is adequate to cover possible losses from uncollectible accounts.

5. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

a. Trade Receivables

The details of trade receivables from related parties from sales transactions are as follows:

	2005	2004	Percentage to Total Assets	
			2005	2004
Hitachi Construction Machinery Pte., Ltd., Singapore (US\$1,307,216 in 2005 and US\$275,342 in 2004)	12,849,933,280	2,557,927,180	1.20%	0.40%
Hitachi Construction Machinery Co., Ltd., Japan (US\$69,000)	-	641,010,000	-	0.10%
Oriental-Hitachi Construction Machinery Sdn. Bhd., Malaysia (US\$7,684)	-	71,387,612	-	0.01%
Total	12,849,933,280	3,270,324,792	1.20%	0.51%

Receivables from Hitachi Construction Machinery Pte., Ltd., Singapore (HCMS) and Hitachi Construction Machinery Pte., Ltd., Japan (HCMJ) represent receivable from commissions as agent sales unit to certain third parties (Notes 26e and 26f). Commission income earned amounted to Rp39,695,043,050 and Rp43,421,475,643 or approximately cover 2.79% and 4.36% from net revenues in 2005 and 2004, respectively.

PT HEXINDO ADIPERKASA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

5. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

a. Trade Receivables (continued)

The management believes that all trade receivables from related parties can be collected and thus no allowance for doubtful accounts were provided for.

b. Due From Related Parties

The details of due from related parties for transactions outside the Company's main business are as follows:

	2005	2004	Percentage to Total Assets	
			2005	2004
Employees	1,531,620,580	653,456,322	0.14%	0.10%
Others (each below Rp1 billion)	1,122,308,778	78,483,242	0.10%	0.01%
Total	2,653,929,358	731,939,564	0.24%	0.11%

Receivables from employees mainly represent housing allowance and non-interest vehicles loans that are collectible through monthly payroll deductions.

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

	2005	2004
Rupiah	2,454,129,103	653,456,322
United States Dollar (US\$20,326 in 2005 and US\$7,037 in 2004)	199,800,255	65,371,965
Japanese Yen (JP¥145,000)	-	13,111,277
Total	2,653,929,358	731,939,564

The management believes that all due from related parties can be collected, and thus no allowance for doubtful accounts were provided for.

c. Trade Payables

The details of accounts payable trade to related parties from the purchase of inventories are as follows:

	2005	2004	Percentage to Total Liabilities	
			2005	2004
Hitachi Construction Machinery Pte., Ltd., Singapore	211,332,433,033	133,022,093,132	29.16%	37.68%
PT Hitachi Construction Machinery Indonesia (Notes 5g and 23)	5,188,171,910	92,972,523,429	0.72%	26.34%
Others (below Rp1 billion each)	418,572,927	1,449,297,335	0.05%	0.41%
Total	216,939,177,870	227,443,913,896	29.93%	64.43%

PT HEXINDO ADIPERKASA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

5. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

c. Trade Payables (continued)

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

	2005	2004
United States Dollar (US\$22,037,962 in 2005 and US\$23,877,982 in 2004)	216,633,166,559	221,826,451,479
Rupiah	245,588,537	5,604,902,206
Japanese Yen (JP¥724,320)	60,422,774	-
Singapore Dollar (SGD1,532)	-	8,709,768
Australian Dollar (AUD532)	-	3,850,443
Total	216,939,177,870	227,443,913,896

d. Due to Related Parties

The details of due to related parties from transactions outside the Company's main business are as follows:

	2005	2004	Percentage to Total Liabilities	
			2005	2004
Hitachi Construction Machinery Co., Ltd., Japan (US\$269,190 in 2005 and US\$110,154 in 2004)	2,646,140,944	1,023,326,572	0.36%	0.29%
Itochu Corporation, Japan (US\$12,090 in 2005 and US\$12,022 in 2004)	118,844,700	111,682,058	0.02%	0.03%
Others (below US\$6,000 each)	-	60,539,733	-	0.02%
Total	2,764,985,644	1,195,548,363	0.38%	0.34%

Due to Hitachi Construction Machinery Co.,Ltd.,Japan (HCMJ) represents Company's expenses that were paid in advance by HCMJ.

e. Purchases

The details of purchases of heavy equipment and spare parts from related parties are as follows:

	2005	2004	Percentage to Total Purchases	
			2005	2004
Hitachi Construction Machinery Pte., Ltd., Singapore	564,726,078,923	274,882,064,605	43.76%	36.89%
PT Hitachi Construction Machinery Indonesia	337,972,117,511	339,675,733,514	26.19%	45.59%
Itochu Corporation, Japan	-	8,002,155,000	-	1.07%

PT HEXINDO ADIPERKASA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

5. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

e. Purchases (continued)

	2005	2004	Percentage to Total Purchases	
			2005	2004
Hitachi Construction Truck Manufacturing Ltd., Canada (formerly Euclid - Hitachi Heavy Equipment Ltd., Canada)	-	754,348,000	-	0.10%
Total	902,698,196,434	623,314,301,119	69.95%	83.65%

f. Royalty Expense

Hitachi Construction Machinery Co., Ltd., Japan charged the Company with royalty for the sales of certain products amounting to Rp239,936,932 and Rp162,640,079 which approximately cover 0.02% from total cost of revenues in 2005 and 2004, respectively, and recorded as part of "Cost of Revenues" in the statements of income (Note 26a).

g. Interest Expense

Interest expense in relation to the purchase of inventory on credit from PT Hitachi Construction Machinery Indonesia amounted to Rp403,713,923 and Rp1,138,287,203 approximately cover 5.60% and 28.00% from financing cost in 2005 and 2004, respectively, are recorded as part of "Financing Cost" in the statements of income. The credits bear interest at annual rate of 2% over SIBOR (Notes 5c and 23).

The nature of relationship of the related parties with the Company are as follows:

<u>Names of Related Parties</u>	<u>Relationship</u>
1. Hitachi Construction Machinery Co., Ltd., Japan	Shareholder
2. Hitachi Construction Machinery Pte., Ltd., Singapore	Shareholder
3. Itochu Corporation, Japan	Shareholder
4. Hitachi Construction Truck Manufacturing Ltd., Canada (formerly Euclid - Hitachi Heavy Equipment Ltd., Canada)	Affiliate
5. Oriental-Hitachi Construction Machinery Sdn., Bhd., Malaysia	Affiliate
6. PT Hitachi Construction Machinery Indonesia	Affiliate

6. INVENTORIES - NET

This account consists of:

	2005	2004
Heavy equipment	223,711,111,239	82,964,222,068
Spare parts	386,881,811,711	185,081,127,445
Total	610,592,922,950	268,045,349,513
Allowance for inventories obsolescence	25,063,120,258	22,486,611,829
Net	585,529,802,692	245,558,737,684

PT HEXINDO ADIPERKASA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

6. INVENTORIES - NET (continued)

The movements of allowance for inventories obsolescence during the year are as follows:

	2005	2004
Balance at beginning of year	22,486,611,829	27,787,846,281
Provision (reversal of allowance) during the year	5,857,033,739	(44,391,813)
Write-off of account during the year	(3,280,525,310)	(5,256,842,639)
Balance at end of year	25,063,120,258	22,486,611,829

All inventories are covered by insurance against losses from fire and other risks under blanket policies of Rp305,873,731,420 as of December 31, 2005, and US\$4,116,892 and Rp226,587,000,000 as of December 31, 2004, respectively, which in the Company's management believes that insurance coverage is adequate to cover possible losses arising from such risk.

The management believes that the allowance for inventories obsolescence is adequate to cover possible losses from inventories obsolescence.

7. PROPERTY AND EQUIPMENT

This account consists of:

	Beginning Balance	Additions/ Reclassifications	Deductions/ Reclassifications	Ending Balance
2005				
Cost				
<u>Direct ownership</u>				
Land	20,801,764,264	-	-	20,801,764,264
Buildings	32,896,655,637	9,350,072,136	-	42,246,727,773
Vehicles	23,052,017,231	5,957,673,615	2,343,416,404	26,666,274,442
Office equipment	15,045,573,540	3,863,749,505	1,243,990,267	17,665,332,778
Furniture and fixtures	3,871,260,726	2,111,840,460	187,416,489	5,795,684,697
Machineries	4,637,988,147	1,535,272,104	171,081,749	6,002,178,502
Tools for after-sales services	14,031,273,752	2,155,785,681	1,223,240,604	14,963,818,829
Heavy equipment - Rental (Note 14)	86,823,209,715	124,947,793,553	79,570,826,255	132,200,177,013
<u>Capital lease</u>				
Vehicle	5,369,600,000	-	1,201,400,000	4,168,200,000
<u>Construction in progress</u>	2,878,439,088	8,304,360,674	6,778,223,828	4,404,575,934
Total Cost	209,407,782,100	158,226,547,728	92,719,595,596	274,914,734,232
Accumulated Depreciation				
<u>Direct ownership</u>				
Buildings	7,566,888,478	1,868,318,147	-	9,435,206,625
Vehicles	19,541,731,789	2,741,029,792	2,315,026,171	19,967,735,410
Office equipment	11,547,408,157	1,980,153,394	1,094,803,706	12,432,757,845
Furniture and fixtures	2,588,362,954	558,729,749	161,142,810	2,985,949,893
Machineries	3,434,335,000	592,025,305	170,805,116	3,855,555,189
Tools for after-sales services	12,585,506,921	1,478,324,433	1,207,379,716	12,856,451,638
Heavy equipment - Rental	45,331,215,778	20,872,988,529	54,993,819,846	11,210,384,461
<u>Capital lease</u>				
Vehicle	1,791,350,438	953,779,990	678,223,333	2,066,907,095
Total Accumulated Depreciation	104,386,799,515	31,045,349,339	60,621,200,698	74,810,948,156
Net Book Value	105,020,982,585			200,103,786,076

PT HEXINDO ADIPERKASA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

7. PROPERTY AND EQUIPMENT (continued)

2004	Beginning Balance	Additions/ Reclassifications	Deductions/ Reclassifications	Ending Balance
Cost				
<u>Direct ownership</u>				
Land	19,192,759,264	1,609,005,000	-	20,801,764,264
Buildings	23,929,566,462	8,967,089,175	-	32,896,655,637
Vehicles	22,235,855,002	1,864,850,000	1,048,687,771	23,052,017,231
Office equipment	13,952,851,425	1,312,777,779	220,055,664	15,045,573,540
Furniture and fixtures	3,323,304,801	588,098,020	40,142,095	3,871,260,726
Machineries	4,045,828,035	592,160,112	-	4,637,988,147
Tools for after-sales services	12,983,809,025	1,112,233,543	64,768,816	14,031,273,752
Heavy equipment - Rental	86,823,209,715	-	-	86,823,209,715
<u>Capital lease</u>				
Vehicle	5,369,600,000	-	-	5,369,600,000
<u>Construction in progress</u>				
	634,562,960	11,417,070,104	9,173,193,976	2,878,439,088
Total Cost	192,491,346,689	27,463,283,733	10,546,848,322	209,407,782,100
Accumulated Depreciation				
<u>Direct ownership</u>				
Buildings	6,276,674,422	1,290,214,056	-	7,566,888,478
Vehicles	18,857,303,953	1,655,440,607	971,012,771	19,541,731,789
Office equipment	9,701,923,378	2,052,637,218	207,152,439	11,547,408,157
Furniture and fixtures	2,345,410,533	278,099,849	35,147,428	2,588,362,954
Machineries	3,032,659,908	401,675,092	-	3,434,335,000
Tools for after-sales services	10,903,889,702	1,746,386,035	64,768,816	12,585,506,921
Heavy equipment - Rental	26,975,109,096	18,356,106,682	-	45,331,215,778
<u>Capital lease</u>				
Vehicle	717,430,438	1,073,920,000	-	1,791,350,438
Total Accumulated Depreciation	78,810,401,430	26,854,479,539	1,278,081,454	104,386,799,515
Net Book Value	113,680,945,259			105,020,982,585

Depreciation was charged to operations as follows:

	2005	2004
Cost of rental heavy equipment	20,872,988,529	18,356,106,682
Selling (Note 21)	5,222,227,004	4,674,106,185
General and administrative (Note 21)	4,271,910,473	3,824,266,672
Total	30,367,126,006	26,854,479,539

The Company's land is under "Hak Guna Bangunan (HGB)" (non-ownership with limited duration) and "Hak Milik". As of December 31, 2005, the related landrights under HGB will expire in 3 to 30 years and will be renewable upon their expiry.

Heavy equipment - Rental represents assets that are leased out by the Company to third parties with leased terms ranging from 42 months to 48 months (Note 26c). In 2005, certain heavy equipment with net book value of Rp24,577,006,409 were transferred to inventories as the related lease terms already expired.

PT HEXINDO ADIPERKASA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

7. PROPERTY AND EQUIPMENT (continued)

The details of construction in progress as of December 31, 2005 and 2004 are as follows:

Description	Percentage of Completion	Accumulated Costs	Estimated Completion Date
2005			
Building	50%	3,933,358,485	April 2006
Tools for after sales service	40%	471,217,449	March 2006
Total		4,404,575,934	
2004			
Building	30%	2,675,183,339	June 2005
Tools for after sales service	40%	203,255,749	April 2005
Total		2,878,439,088	

Deduction in property and equipment consist of sales and disposal on assets with details as follows:

	2005	2004
Net book value	219,987,995	95,572,892
Selling price	388,756,500	411,750,400
Gain on Sales or Disposal of Assets	168,768,505	316,177,508

Property and equipment, except for land, are covered by insurance against losses by fire and other risks under blanket policies of US\$12,720,200 and Rp202,595,304,638 as of December 31, 2005 and US\$5,108,996 and Rp256,562,609,086 as of December 31, 2004, respectively, which in the Company's management believes that the insurance is adequate to cover possible losses arising from such risks.

Land and buildings located in East Jakarta, where the Company's office is occupied, are pledged as collateral to bank loan facilities from PT Bank Resona Perdania (Note 8).

As of December 31, 2005, the management believes that there is no events or conditions that may indicate impairment of asset.

8. SHORT-TERM BANK LOANS

This account represents short-term bank loan obtained from the following banks:

	2005	2004
PT Bank UFJ Indonesia (US\$16,000,000)	157,280,000,000	-
UFJ Bank Limited Singapore (US\$10,000,000)	98,300,000,000	-
PT Bank Resona Perdania (US\$1,700,000)	16,711,000,000	-
Total	272,291,000,000	-

PT HEXINDO ADIPERKASA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

8. SHORT-TERM BANK LOANS (continued)

The loans obtained from PT Bank UFJ Indonesia consist of:

- Amounting to US\$2,000,000 from unsecured short-term loan facility with a maximum loan credit of US\$2,000,000 that will expire on July 31, 2006. The loan bears interest at annual rate of 0.50% above SIBOR, payable for each 3 months (Note 30).
- Amounting to US\$14,000,000 from multi-currency loan facility with a maximum loan credit equivalent to US\$20,000,000 (Note 12) that is drawdown in 2005.

The Company and related parties (Hitachi Construction Machinery Singapore Pte. Ltd., Hitachi Construction Machinery Thailand Co., Ltd., PT Hitachi Construction Machinery Indonesia and Oriental - Hitachi Construction Machinery Sdn., Bhd., Malaysia) obtained a multi currency loan facility from UFJ Bank Limited, Singapore ("UFJ Singapore"), with an aggregate amount equivalent to US\$32,000,000 which will be expired on November 12, 2006. The loan bears interest at 0.375% above LIBOR per year, payable in quarterly installments and is guaranteed by Hitachi Construction Machinery Company Limited Japan, a shareholder.

The loan obtained from PT Bank Resona Perdania with a maximum loan credit facility of US\$2,000,000 is payable on May 19, 2006 and bears interest at annual rate of 1.25% above SIBOR, which is payable for each month. The loan is secured by land and buildings located in East Jakarta (Note 7).

9. TRADE PAYABLES - THIRD PARTIES

The details of trade payables - third parties in relation to the purchases of goods and services are as follows:

	2005	2004
Repairs and maintenance	7,953,708,703	979,072,251
Spare parts	5,774,928,169	10,684,194,720
Heavy equipment	1,138,344,012	1,322,327,388
Others	3,611,017,873	1,870,557,907
Total	18,477,998,757	14,856,152,266

Based on letter from the Chairman of the Capital Market Supervisory Agency No. SE-02/PM/2002 dated December 27, 2002 requiring the Company to prepare aging schedule for payable balance. As of December 31, 2005 and 2004, the Company can not provide the information on aging schedule of the trade payables, because the accounting system of the Company can not generate such information.

10. ACCRUED EXPENSES

This account consists of accruals for:

	2005	2004
Salaries and employee benefits	6,567,770,921	4,206,347,727
Sales of heavy equipment	4,318,711,241	6,714,254,669
Interest	2,720,811,516	202,189,046
Repairs and maintenance services	1,241,245,572	5,422,290,596
Others	1,753,079,888	1,235,114,903
Total	16,601,619,138	17,780,196,941

These financial statements are originally issued in Indonesian language.

PT HEXINDO ADIPERKASA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

PT HEXINDO ADIPERKASA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

10. ACCRUED EXPENSES (continued)

Accruals for sales of heavy equipment mainly represent accrual for, among others, incentives paid to salesman and other third parties and cost incurred in training and maintenance costs during the warranty period in connection with the Company's sales of heavy equipment.

Accruals for repairs and maintenance services mainly represent accrual for cost incurred in, among others, establishing full maintenance site support in connection with repairs and maintenance services.

11. TAXES PAYABLE

Taxes payable consist of:

	2005	2004
Income taxes payable, net of prepaid income taxes of Rp58,405,482,562 in 2005 and Rp28,329,231,837 in 2004 (Note 24)	-	10,083,148,763
Other taxes payable:		
Income taxes		
Article 21	6,197,502,794	3,970,281,322
Article 23	518,631,131	255,764,221
Article 25 - December	1,492,325,496	649,308,178
Total	8,208,459,421	14,958,502,484

In June 2004, the Company received tax assessment letters ("SKPs") for underpayments including penalties of taxes amounting to Rp316,782,977, for value added tax and income tax under Article 29 for 2001. Such underpayments were paid by the Company in July 2004 and were charged to "Operating Expenses - Taxes and Licenses" account in 2004 statement of income.

12. LONG-TERM BANK LOAN

This account represents long-term bank loan obtained from PT Bank UFJ Indonesia, Jakarta as follows:

	2005	2004
PT Bank UFJ Indonesia, Jakarta (US\$6,000,000)	58,980,000,000	55,740,000,000
Current maturity (US\$6,000,000)	(58,980,000,000)	-
Long-term portion	-	55,740,000,000

The loan credit facility from PT Bank UFJ Indonesia, Jakarta is part of the loan credit in multi-currency with a maximum facility equivalent to US\$20,000,000 obtained in 2002 and will expire on November 12, 2006 (Note 8). The loan bears interest at 0.375% over LIBOR per year payable in quarterly installments. This loan is secured by a corporate guarantee from Hitachi Construction Machinery Co., Ltd., Japan, a shareholder (Notes 8 and 30).

PT HEXINDO ADIPERKASA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

13. LEASE PAYABLE

Lease payable represents lease obligation to PT Orix Indonesia Finance and PT Primus Financial Services on acquisition of vehicles. The leased assets are pledged against the related lease obligation (Note 7).

The future minimum lease payment required under the lease agreements as of December 31, 2005 and 2004 are as follow:

<u>Years</u>	<u>2005</u>	<u>2004</u>
2005	-	1,549,230,000
2006	742,658,000	742,658,000
Total	742,658,000	2,291,888,000
Less amount applicable to interest	(42,617,745)	(299,865,007)
Present value of minimum lease payments	700,040,255	1,992,022,993
Current maturities	(700,040,255)	(1,291,982,738)
Long-term portion	-	700,040,255

14. OTHER PAYABLES

This account represent loan to Mitsubishi Corporation to purchase unit of equipment (Note 26g). The loan will be paid by quarterly installment and bear interest at average interest of 8.5% annually as follows:

	<u>Total</u>
2006	30,826,604,760
2007	30,826,604,760
2008	30,826,604,760
2009	29,287,826,390
Total	121,767,640,670
Less interest	(18,947,698,540)
Net	102,819,942,130
Current maturities	(22,952,263,600)
Long-term portion	79,867,678,530

15. ESTIMATED LIABILITY FOR EMPLOYEE BENEFITS

The Company provides benefits for its employees who achieve the retirement period based on the provisions of Labor Law No. 13/2003 dated March 25, 2003. The benefits are unfunded.

The following tables summarize the components of net employee benefit expense recognized in the statements of income and amounts recognized in the balance sheets for the employee benefit liability as determined by an independent actuary, PT Sentra Jasa Aktuaria, in its reports dated March 9, 2006 and February 24, 2005.

PT HEXINDO ADIPERKASA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

15. ESTIMATED LIABILITY FOR EMPLOYEE BENEFITS (continued)

a. Net employee benefit expense

	2005	2004
Current service cost	1,272,976,000	968,061,000
Interest cost	1,198,849,000	1,011,580,000
Others (including effect on change in accounting principle)	894,695,000	151,185,000
Net employee benefit expense	3,366,520,000	2,130,826,000

b. Employee benefit liability

	2005	2004
Present value of benefit obligation	13,763,556,000	9,990,410,000
Unamortized past service cost	(3,883,052,000)	(4,090,804,000)
Unrecognized actuarial losses	(2,851,603,000)	(1,150,872,000)
Employees' benefit liabilities	7,028,901,000	4,748,734,000

The movements in the benefit liability during the years are as follows:

	2005	2004
Beginning balance	4,748,734,000	3,929,264,000
Benefit costs during the year	3,366,520,000	2,130,826,000
Payment during the year	(1,086,353,000)	(1,311,356,000)
Ending balance	7,028,901,000	4,748,734,000

The principal assumptions used in determining employee benefits liability as of December 31, 2005 and 2004 are as follows:

Discount rate	: 12% a year in 2005 and 11% a year in 2004
Wages and salary increase	: 10% a year in 2005 and 9% a year in 2004
Retirement age	: 55 years old
Mortality rate	: Mortalita Table Indonesia 1999 (TMI '99)

PT HEXINDO ADIPERKASA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

16. SHARE CAPITAL

The share ownership as of December 31, 2005 and 2004 based on the report from PT Sirca Datapro Perdana, shares administrator, are as follows:

Shareholders	2005		
	Number of Shares Issued and Fully Paid	Percentage of Ownership	Amount
Local			
Drs. Rustam Efendi Director	42,620,000	5.07%	4,262,000,000
- Tony Endroyoso	50,000	0.01%	5,000,000
Public (each below 5% ownership)	74,452,000	8.86%	7,445,200,000
Foreign			
Hitachi Construction Machinery Co., Ltd., Japan	408,180,000	48.59%	40,818,000,000
Itochu Corporation, Japan	189,400,000	22.55%	18,940,000,000
Hitachi Construction Machinery Pte., Ltd., Singapore	42,620,000	5.07%	4,262,000,000
Public (each below 5% ownership)	82,678,000	9.85%	8,267,800,000
Total	840,000,000	100.00%	84,000,000,000

Shareholders	2004		
	Number of Shares Issued and Fully Paid	Percentage of Ownership	Amount
Local			
PT Namalatu Cakrawala Securities Director	8,524,000	5.07%	4,262,000,000
- Tony Endroyoso	10,000	0.01%	5,000,000
Public (each below 5% ownership)	17,972,000	10.70%	8,986,000,000
Foreign			
Hitachi Construction Machinery Co., Ltd., Japan	81,636,000	48.59%	40,818,000,000
Itochu Corporation, Japan	37,880,000	22.55%	18,940,000,000
Hitachi Construction Machinery Pte., Ltd., Singapore	8,524,000	5.07%	4,262,000,000
Public (each below 5% ownership)	13,454,000	8.01%	6,727,000,000
Total	168,000,000	100.00%	84,000,000,000

PT HEXINDO ADIPERKASA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

16. SHARE CAPITAL (continued)

Change in Par Value

Based on the minutes of the Extraordinary Shareholders' Meeting of the Company held on June 15, 2004, as covered by Notarial Deed No. 24 of Fathiah Helmi, S.H., Notary in Jakarta, on the same date, the shareholders resolved to amend, among others, change in par value from Rp500 per share to Rp100 per share, and accordingly the number of shares has increased from 168,000,000 shares to 840,000,000 shares. This amendment was accepted and recorded by the Department of Justice and Human Rights in its Decision Letter No.C-23337 HT.01.04.Th.2004 dated September 17, 2004 and was effectively implemented since September 1, 2005.

Appropriation for General Reserve

Based on the minutes of the Annual Shareholders' Meeting of the Company held on June 21, 2005, as covered by Notarial Deed No. 42 of Fathiah Helmi, S.H., Notary in Jakarta, the shareholders decided, among others, to appropriate Rp4,000,000,000 for general reserve from retained earnings to comply with Indonesian Corporate Law "Article 61".

17. ADDITIONAL PAID-IN CAPITAL - NET

This account consists of:

	Amount
Additional paid-in capital	18,000,000,000
Stock issuance costs	(1,288,244,625)
Net	16,711,755,375

Additional paid-in capital is the difference between the offering price with the par value of the Company's share in the initial public offering in 1995.

Stock issuance costs represent expenses incurred in connection with the first limited public offering to shareholders in 1998 amounting to Rp1,288,244,625. The stock issuance costs for the initial public offering were fully amortized in 1997.

18. CASH DIVIDENDS

Based on the minutes of the Annual Shareholders' Meeting of the Company, as covered by Notarial Deed No. 42 of Fathiah Helmi, S.H., Notary in Jakarta, held on June 21, 2005, the shareholders resolved to declare cash dividends totaling Rp36,120,000,000 for the 168,000,000 shares or Rp215 per share. The distribution of cash dividends to the shareholders were paid starting from July 2005.

Based on the minutes of the Annual Shareholders' Meeting of the Company, as covered by Notarial Deed No. 21 of Fathiah Helmi, S.H., Notary in Jakarta, held on June 15, 2004, the shareholders resolved to declare cash dividends totaling Rp15,120,000,000 for the 168,000,000 shares or Rp90 per share. The distribution of cash dividends to the shareholders were paid starting from July 2004.

These financial statements are originally issued in Indonesian language.

PT HEXINDO ADIPERKASA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

19. NET REVENUES

The details of net revenues are as follows:

	2005	2004
Sales and rental of heavy equipment		
- Third parties	982,697,077,275	649,378,869,650
- Related parties	39,695,043,050	43,421,475,643
Repairs and maintenance services		
- Third parties	281,082,728,567	219,668,657,064
- Related parties	-	411,526,533
Sales of spare parts		
- Third parties	119,841,886,854	82,624,032,528
- Related parties	-	71,387,612
Total	1,423,316,735,746	995,575,949,030

The details of sales to customers with total sales of more than 10% of total net revenues are as follow:

	2005	2004	Percentage to Net Revenues	
			2005	2004
PT Kaltim Prima Coal	117,799,622,021	106,399,600,078	8.28%	10.69%
PT Pamapersada Nusantara	105,069,487,746	102,400,916,808	7.38%	10.28%
Total	222,869,109,767	208,800,516,886	15.66%	20.97%

20. COST OF REVENUES

The details of cost of revenues are as follows:

	2005	2004
Cost of Revenues - Heavy Equipment Sales and Rental	858,369,383,721	566,391,697,102
Cost of Repairs and Maintenance Services	188,017,053,480	131,850,688,037
Cost of Revenues - Spare Parts Sales	75,818,834,533	51,192,919,710
Total	1,122,205,271,734	749,435,304,849

The details purchases with amount more than 10% from total purchase conducted by the Company are described in Note 5e.

PT HEXINDO ADIPERKASA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

21. OPERATING EXPENSES

The details of operating expenses are as follows:

	2005	2004
Selling:		
Salaries, wages and employee benefits	33,562,072,084	28,528,127,197
Travelling	13,408,220,848	9,233,282,041
Repairs and maintenance for vehicles	11,051,893,616	7,166,869,178
Depreciation (Note 7)	5,222,227,004	4,674,106,185
Communication	4,101,391,378	3,506,744,463
Warehousing and shipping	2,655,326,384	2,484,412,580
Training and education	2,556,721,433	755,939,266
Sales and promotion	2,325,742,343	1,665,523,936
Insurance	1,992,608,351	1,341,367,380
Entertainment	1,817,358,693	1,191,337,825
Repair and maintenance for machinery	1,358,714,385	1,005,467,989
Water, gas and electricity	1,288,401,732	1,146,511,335
Rental	1,122,924,132	765,952,153
Professional fees	1,063,130,690	1,224,737,080
Taxes and licenses	770,443,440	536,493,286
Bank charges	397,591,902	293,142,852
Others	3,691,064,555	861,827,440
Total Selling	88,385,832,970	66,381,842,186
General and Administrative:		
Salaries, wages and employee benefits	39,136,579,596	23,341,194,979
Stationery and office supplies	11,892,822,584	8,323,826,975
Repairs and maintenance for office	4,262,153,406	4,254,382,320
Depreciation (Note 7)	4,271,910,473	3,824,266,672
Communication	3,355,683,855	2,869,154,561
Insurance	1,630,315,923	1,097,482,402
Water, gas and electricity	1,054,146,871	938,054,728
Professional fees	869,834,201	1,002,057,611
Taxes and licenses	630,362,815	438,949,053
Bank charges	325,302,465	239,844,151
Donation	234,942,110	130,859,594
Others	2,041,387,013	1,776,935,541
Total General and Administrative	69,705,441,312	48,237,008,587
Total Operating Expenses	158,091,274,282	114,618,850,773

PT HEXINDO ADIPERKASA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

22. INTEREST INCOME

This account represents interest income from:

	<u>2005</u>	<u>2004</u>
Trade receivables	330,849,823	1,288,554,444
Current accounts	241,221,742	356,437,028
Time deposits	22,260,137	973,689,445
Total	<u>594,331,702</u>	<u>2,618,680,917</u>

23. FINANCING COST

This account consists of interest expense on:

	<u>2005</u>	<u>2004</u>
Bank loan	4,971,533,280	2,458,739,885
Other payables (Note 14)	1,579,538,194	-
Suppliers (Notes 5c and 5g)	403,713,923	1,138,287,203
Leases (Note 13)	257,247,262	469,711,258
Total	<u>7,212,032,659</u>	<u>4,066,738,346</u>

24. INCOME TAX EXPENSE AND DEFERRED TAX ASSETS

Income Tax Expense - Current

The reconciliation between income before income tax benefit (expense), as shown in the statements of income, and estimated taxable income for the years ended December 31, 2005 and 2004, are as follows:

	<u>2005</u>	<u>2004</u>
Income before income tax expense per statements of income	141,669,666,033	132,103,185,740
Add (deduct) temporary differences:		
Depreciation of property and equipment	5,968,680,373	5,756,270,465
Provision (reversal of allowance) for inventories obsolescence	5,857,033,739	(44,391,813)
Provision for employee benefits - net	3,366,520,000	2,130,826,000
Depreciation of leased assets	953,779,990	1,073,920,000
Reversal of allowance for doubtful accounts	(8,519,194,786)	(5,628,551,498)
Gain on sale of property and equipment	(7,055,952,268)	18,823,272
Inventories written-off	(3,280,525,310)	(5,256,842,639)
Lease payments	(1,291,982,738)	(1,216,212,742)
Payment of employee benefit liability	(1,086,353,000)	(1,311,356,000)
Trade receivables written-off	-	(3,194,397,656)
Total temporary differences	<u>(5,087,994,000)</u>	<u>(7,671,912,611)</u>

PT HEXINDO ADIPERKASA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

24. INCOME TAX EXPENSE AND DEFERRED TAX ASSETS (continued)

Income Tax Expense - Current (continued)

	2005	2004
Add (deduct) permanent differences:		
Entertainment	1,305,648,860	901,400,829
Taxes and licenses	433,462,044	391,110,114
Donation	234,942,110	130,859,594
Interest income already subject to final tax	(263,481,879)	(1,330,126,473)
Interest expense	-	1,219,177,863
Others expenses	3,006,682,446	2,355,906,956
Total permanent differences	4,717,253,581	3,668,328,883
Taxable income	141,298,925,614	128,099,602,012

The computation of income tax expense and income taxes payable for the years ended December 31, 2005 and 2004, are as follows:

	2005	2004
Taxable income (rounded-off)	141,298,925,000	128,099,602,000
Income tax expense - current	42,372,177,500	38,412,380,600
Less:		
Prepayment of income taxes:		
Article 22	20,846,918,881	6,576,164,491
Article 23	21,273,692,364	13,928,310,158
Article 25	16,284,871,317	7,824,757,188
Total prepayment of income taxes	58,405,482,562	28,329,231,837
Income Taxes Payable (Claim for Tax Refund)	(16,033,305,062)	10,083,148,763

The amount of taxable income in 2004 and income tax payable as of December 31, 2004, conform with related amounts as reported in annual tax return by the Company to the Tax Office. As of March 15, 2006, the Company has not submitted its 2005 annual tax return to the Tax Office.

Income Tax Deferred

The computation of income tax expense-deferred for the years ended December 31, 2005 and 2004 on significant temporary differences between commercial and tax reporting purposes using the maximum tax rate of 30% are as follows:

	2005	2004
Provision (reversal of allowance) for inventories obsolescence	1,757,110,121	(13,317,544)
Provision for employee benefits - net	684,050,100	245,841,000
Depreciation of leased assets	286,133,997	322,176,000
Reversal of allowance for doubtful accounts	(2,555,758,436)	(1,688,565,449)

PT HEXINDO ADIPERKASA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

24. INCOME TAX EXPENSE AND DEFERRED TAX ASSETS (continued)

Income Tax Deferred (continued)

	2005	2004
Inventories written-off	(984,157,592)	(1,577,052,791)
Lease payment	(387,594,821)	(364,863,823)
Depreciation and gain on sale of property and equipment	(326,181,569)	1,732,528,121
Trade receivable written-off	-	(958,319,297)
Total	(1,526,398,200)	(2,301,573,783)
Deferred tax assets adjustment	-	29,076,458
Income tax expense- deferred	(1,526,398,200)	(2,272,497,325)

The reconciliation between income tax expense calculated by using applicable tax rate from income before income tax benefit (expense) and income tax expense presented in the statements of income for the years ended December 31, 2005 and 2004 are as follows:

	2005	2004
Income before income tax benefit (expense)	141,669,666,033	132,103,185,740
Tax expense (applicable tax rate)	42,483,399,626	39,613,455,718
Tax effect on permanent differences	1,415,176,074	1,100,498,665
Deferred tax assets adjustment	-	(29,076,458)
Income tax expense - net per statements of income	43,898,575,700	40,684,877,925

The deferred tax assets and liabilities as of December 31, 2005 and 2004 are as follows:

	2005	2004
Deferred tax assets		
Allowance for inventories obsolescence	7,518,936,078	6,745,983,549
Allowance for doubtful accounts	4,200,235,254	6,755,993,690
Estimated liability for employee benefits	2,108,670,300	1,424,620,200
Depreciation of leased assets	823,539,128	537,405,131
Total deferred tax assets	14,651,380,760	15,464,002,570
Deferred tax liabilities		
Depreciation of property and equipment	2,049,448,788	1,723,267,220
Lease payment	1,083,215,924	695,621,103
Total deferred tax liabilities	3,132,664,712	2,418,888,323
Deferred tax assets - net	11,518,716,048	13,045,114,247

The management believes that deferred tax assets can be realized in the future.

PT HEXINDO ADIPERKASA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

25. MONETARY ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

As of December 31, 2005, the Company has monetary assets and liabilities denominated in foreign currencies, as follows:

	Amount
<u>Assets</u>	
Cash and cash equivalents	
US\$2,574,118	25,303,571,781
JP¥1,937,402	161,618,109
Trade receivables - third parties - US\$15,295,311	150,352,904,395
Trade receivables - related parties - US\$1,307,216	12,849,933,280
Due from related parties - US\$20,326	199,800,255
Total Assets	188,867,827,820
<u>Liabilities</u>	
Short-term bank loan - US\$27,700,000	272,291,000,000
Trade payables - third parties	
US\$1,280,378	12,586,120,164
EUR10,119	117,986,924
SGD5,450	32,189,625
AUD2,364	17,037,064
Trade payables - related parties	
US\$22,037,962	216,633,166,559
JP¥724,320	60,422,774
Other payables - US\$1,669,515	16,411,332,057
Accrued interest - US\$276,787	2,720,811,516
Due to related parties - US\$281,280	2,764,985,644
Long-term loans - US\$16,459,811	161,799,942,130
Total liabilities	685,434,994,457
Net monetary liabilities	496,567,166,637

As of March 15, 2006 the average selling and buying bank notes and/or transaction exchange rate published by Bank Indonesia was Rp9,143 to US\$1, Rp78 to JP¥1, Rp10,995 to EUR1, Rp5,636 to SGD1 and Rp6,758 to AUD1. If the net position of net monetary assets and liabilities in foreign currencies as of December 31, 2005 are reflected using the middle rates of exchange as of March 15, 2006, the net monetary liabilities of the Company will decrease by Rp34,701,963,123.

26. SIGNIFICANT AGREEMENTS AND COMMITMENTS

a. Royalty Agreement

In May 1999, the Company entered into a royalty agreement with Hitachi Construction Machinery Co., Ltd., Japan (HCMJ), a shareholder, whereby the latter agreed to furnish the Company with license, technical information and training in order to remanufacture heavy equipment components. As compensation, the Company shall pay HCMJ royalty fee for license at 1% of certain product sales and technical assistance services related to heavy equipment component remanufacturing. This agreement will expire on March 31, 2009 (Note 5f).

PT HEXINDO ADIPERKASA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

26. SIGNIFICANT AGREEMENTS AND COMMITMENTS (continued)

b. Distributorship Agreements

The Company has several distributorship agreements for the sale of certain heavy equipment and its spare parts with licensed companies, such as Hitachi Construction Machinery Co., Ltd., Japan; Hitachi Construction Machinery Pte., Ltd., Singapore (HCMS); PT Hitachi Construction Machinery Indonesia; and Atlas Copco Indonesia.

These agreements generally cover a period of 1 to 3 years and can be amended from time to time as agreed with the above companies. The agreements require the Company to achieve certain sales targets and provide after sales service on the heavy equipment sold.

c. Rental Agreements

The Company entered into "Rental Agreements" with customers to lease certain heavy equipment with terms ranging from 42 to 48 months. Revenue from rental of heavy equipment of Rp48,607,449,937 and Rp49,875,720,377 in 2005 and 2004, respectively, are recorded as part of "Net Revenues" in the statements of income.

d. Full Maintenance Agreements

The Company entered into a "Full Maintenance Agreements" ("Agreements") with customers with term of 42 until 96 months. The maintenance rate is determined based on operational hours of heavy equipment unit.

Revenue from Full Maintenance Agreements of Rp225,080,751,641 and Rp189,374,811,029 in 2005 and 2004, respectively, are recorded as part of "Net Revenues" in the statements of income.

e. Three Parties Sales and Purchase Agreement

The Company entered into three parties Sales and Purchase Agreements with HCMS and certain customer, whereby the Company was appointed as a sales agent on sales of heavy equipments from HCMS to that certain customer in Indonesia. Based on agreements, the Company is responsible to provide service warranty and maintenance support to the heavy equipments and administer and fully responsible for collection of any payment incurred from the transaction. The Company is responsible to pay in advance to HCMS for any due customer's receivables.

As compensation, the Company received from HCMS commission fee and administration income from collection of receivable amounting to a certain percentage of the sales price of heavy equipment and collected receivables and recorded as part of the "Net Revenues" in the statements of income. The not due receivables balance from customers to HCMS related to those sales transaction amounting to US\$7,405,900 as of December 31, 2005.

f. Commission Agreement

The Company entered into Commission Agreement with HCMJ, whereby the Company receives from HCMJ commission fee amounting to a certain percentage of the sales price of heavy equipments sales to certain third parties. As compensation, the Company is responsible to provide the technical assistance of assembling system, perform periodically inspection during the warranty time and provide the training to certain third parties. The commission revenue received by the company is recorded as part of "Net Revenues" in the statements of income.

PT HEXINDO ADIPERKASA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

26. SIGNIFICANT AGREEMENTS AND COMMITMENTS (continued)

g. Equipment Purchase Agreement

In 2005, the Company entered into a purchase agreement, to buy 14 units of equipments from a certain vendor at total contract amounted to US\$27,215,822 which will be paid by quarterly installment for 4 years. The equipment will be rented out to a customer in Indonesia with terms of 4 years. Based on the agreement, if the customer breaches the contract (terminate the contract earlier) then the customer must continue to perform its obligation until the end of the lease term.

As of December 31, 2005, the Company already received some of the equipments and the rest of the equipments will be received in 2006 (Note 14).

27. FORWARD EXCHANGE CONTRACT FACILITY

The Company entered into forward exchange contract facility with PT Bank UFJ Indonesia amounted to US\$640,000 which expires on July 31, 2006. As of December 31, 2005, the Company has not yet used this facility. The Company does not engage in any speculative derivative transactions.

28. SEGMENT INFORMATION

The following tables present certain information regarding the business and geographical segments as of December 31, 2005 and 2004 as follows:

2005	Heavy Equipment and Rental	Repair and Maintenance	Spare parts	Unallocated	Total
Business Segment Information (Primary)					
Segment Revenues	1,022,392,120,325	281,082,728,567	119,841,886,854	-	1,423,316,735,746
Segment Gross Profit	164,022,736,604	93,065,675,087	44,023,052,321	-	301,111,464,012
Segment Operating Income	<u>143,227,766,789</u>	<u>53,427,465,031</u>	<u>40,437,817,665</u>	<u>(94,072,859,755)</u>	<u>143,020,189,730</u>
Geographical Segment Information (Secondary)					
Segment Revenues					
Java	547,216,399,140	3,251,571,253	8,897,789,201	-	559,365,759,594
Outside Java	475,175,721,185	277,831,157,314	110,944,097,653	-	863,950,976,152
Total Segment Revenues	<u>1,022,392,120,325</u>	<u>281,082,728,567</u>	<u>119,841,886,854</u>	<u>-</u>	<u>1,423,316,735,746</u>
Segment Gross Profit					
Java	85,435,040,921	1,340,550,253	744,898,374	-	87,520,489,548
Outside Java	78,587,695,683	91,725,124,834	43,278,153,947	-	213,590,974,464
Segment Gross Profit	<u>164,022,736,604</u>	<u>93,065,675,087</u>	<u>44,023,052,321</u>	<u>-</u>	<u>301,111,464,012</u>
Operating Income					
Java	77,294,785,744	618,692,984	258,620,998	(2,084,205,547)	76,087,894,179
Outside Java	65,932,981,045	52,808,772,047	40,179,196,667	(91,988,654,208)	66,932,295,551
Segment Operating Income	<u>143,227,766,789</u>	<u>53,427,465,031</u>	<u>40,437,817,665</u>	<u>(94,072,859,755)</u>	<u>143,020,189,730</u>

PT HEXINDO ADIPERKASA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)

28. SEGMENT INFORMATION (continued)

2004	Heavy Equipment and Rental	Repair and Maintenance	Spare parts	Unallocated	Total
Business Segment Information (Primary)					
Segment Revenues	692,800,345,293	220,080,183,597	82,695,420,140	-	995,575,949,030
Segment Operating Income	126,408,648,191	88,229,495,560	31,502,500,430	-	246,140,644,181
Segment Result	<u>98,726,983,276</u>	<u>56,561,708,842</u>	<u>27,795,228,491</u>	<u>(51,562,127,201)</u>	<u>131,521,793,408</u>
Geographical Segment Information (Secondary)					
Segment Revenues					
Java	345,142,255,287	2,485,086,799	7,974,500,859	-	355,601,842,945
Outside Java	347,658,090,006	217,595,096,798	74,720,919,281	-	639,974,106,085
Total segment Revenues	<u>692,800,345,293</u>	<u>220,080,183,597</u>	<u>82,695,420,140</u>	<u>-</u>	<u>995,575,949,030</u>
Segment Gross Profit					
Java	68,500,787,393	1,155,081,101	3,444,922,855	-	73,100,791,349
Outside Java	57,907,860,798	87,074,414,459	28,057,577,575	-	173,039,852,832
Segment Gross Profit	<u>126,408,648,191</u>	<u>88,229,495,560</u>	<u>31,502,500,430</u>	<u>-</u>	<u>246,140,644,181</u>
Operating Income					
Java	49,529,255,254	308,089,801	2,423,848,651	(1,616,509,644)	50,644,684,062
Outside Java	49,197,728,022	56,253,619,041	25,371,379,840	(49,945,617,557)	80,877,109,346
Segment Operating Income	<u>98,726,983,276</u>	<u>56,561,708,842</u>	<u>27,795,228,491</u>	<u>(51,562,127,201)</u>	<u>131,521,793,408</u>

In accordance with the revised PSAK No. 5 (Revised 2000), "Segment Reporting", the Company is required to disclose segment information and non cash expenses such as depreciation and amortization, cash flows from operating, assets, liability and capital expenditures. The Company was not able to fully present this information since the Company's records do not permit to do so. Currently, the Company's management is improving its accounting system to present the above information and the management believes that the Company will fully disclose the required segment reporting in the future.

29. ECONOMIC CONDITION

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

30. SUBSEQUENT EVENT

On December 20, 2005, the Company had available loan credit facilities from The Bank of Tokyo Mitsubishi Ltd., Jakarta branch (BOTMJ), with maximum loan credit facility of US\$2,000,000. The loan facility bears interest at annual rate of 0.50% over SIBOR and will expire on January 31, 2007. In January 2006, the proceeds of the loan have been used to pay all the Company's loan obtained from PT Bank UFJ Indonesia (UFJI) amounted to US\$2,000,000.

Based on the Notice of Assignment Letter dated February 28, 2006, from UFJI and BOTMJ, the outstanding loan credit of US\$20,000,000 obtained from UFJI had been transferred to BOTMJ.

These financial statements are originally issued in Indonesian language.

**PT HEXINDO ADIPERKASA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2005 and 2004
(Expressed in Rupiah, unless otherwise stated)**

31. COMPLETION OF THE FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation of these financial statements that were completed on March 15, 2006.