

**Financial Statements
With Independent Auditors' Report
December 31, 2006
With Comparative Figures for 2005**

PT HEXINDO ADIPERKASA Tbk

These financial statements are originally issued in Indonesian language.

**PT HEXINDO ADIPERKASA Tbk
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2006
WITH COMPARATIVE FIGURES FOR 2005**

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This report is originally issued in Indonesian language.

Independent Auditors' Report

Report No. RPC-6759

The Shareholders, Boards of Commissioners and Directors PT Hexindo Adiperkasa Tbk

We have audited the balance sheet of PT Hexindo Adiperkasa Tbk (the "Company") as of December 31, 2006, and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of PT Hexindo Adiperkasa Tbk for the year ended December 31, 2005, were audited by Prasetio, Sarwoko & Sandjaja, whose report dated March 15, 2006, expressed an unqualified opinion on those statements.

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 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2006 financial statements referred to above present fairly, in all material respects, the financial position of PT Hexindo Adiperkasa Tbk as of December 31, 2006, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles in Indonesia.

Purwantono, Sarwoko & Sandjaja

Peter Surja

Public Accountant License No. 05.1.0976

March 15, 2007

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, 2006
With Comparative Figures for 2005
(Expressed in Rupiah Unless Otherwise Stated)

	Notes	2006	2005
A S S E T S			
CURRENT ASSETS			
Cash on hand and in banks	3	78,098,332,782	43,476,065,896
Trade receivables			
Third parties - net of allowance for doubtful accounts of Rp12,832,634,179 in 2006 and Rp12,975,822,536 in 2005	2b,4	232,252,671,268	160,825,888,863
Related parties	2c,5a	3,330,126,288	12,849,933,280
Other receivables		882,308,137	1,813,321,679
Inventories - net of allowance for inventories obsolescence of Rp26,560,368,430 in 2006 and Rp25,063,120,258 in 2005	2d,6	458,128,382,860	585,529,802,692
Prepaid taxes and expenses	2e	3,268,440,621	19,578,334,988
Advances		1,273,800,850	14,752,937,179
TOTAL CURRENT ASSETS		777,234,062,806	838,826,284,577
NON-CURRENT ASSETS			
Due from related parties	2c,5b	14,787,171,568	2,653,929,358
Estimated claim for tax refund	23	43,838,992,419	16,033,305,062
Deferred tax assets - net	2l,23	10,938,155,381	11,518,716,048
Property and equipment - net of accumulated depreciation of Rp144,351,614,337 in 2006 and Rp74,810,948,156 in 2005	2f,7,13	352,771,451,233	200,103,786,076
Other assets	2f	4,533,797,710	378,117,644
TOTAL NON-CURRENT ASSETS		426,869,568,311	230,687,854,188
TOTAL ASSETS		1,204,103,631,117	1,069,514,138,765

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, 2006
With Comparative Figures for 2005
(Expressed in Rupiah Unless Otherwise Stated)

	Notes	2006	2005
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Short-term bank loans	8	369,820,000,000	272,291,000,000
Trade payables			
Third parties	9	27,425,333,350	18,477,998,757
Related parties	2c,5c	211,519,336,164	216,939,177,870
Other payables		14,902,094,096	19,941,118,399
Accrued expenses	10	13,858,406,907	16,601,619,138
Taxes payable	2l,11	4,195,548,396	8,208,459,421
Current maturities of long-term liabilities:			
Other payables	7,13	57,754,969,800	22,952,263,600
Bank loan	12	-	58,980,000,000
Lease payable	2f	-	700,040,255
TOTAL CURRENT LIABILITIES		699,475,688,713	635,091,677,440
NON-CURRENT LIABILITIES			
Due to related parties	2c,5d	562,038,906	2,764,985,644
Other payables - net of current portion	7,13	148,132,248,880	79,867,678,530
Estimated liability for employees' benefits	2j,14	10,384,274,000	7,028,901,000
TOTAL NON-CURRENT LIABILITIES		159,078,561,786	89,661,565,174
EQUITY			
Share capital - par value Rp100 per share			
Authorized - 1,680,000,000 shares			
Issued and fully paid -			
840,000,000 shares	1b,15	84,000,000,000	84,000,000,000
Additional paid-in capital - net	1b,2h,16	16,711,755,375	16,711,755,375
Retained earnings			
Appropriated	17	10,000,000,000	5,000,000,000
Unappropriated		234,837,625,243	239,049,140,776
TOTAL EQUITY		345,549,380,618	344,760,896,151
TOTAL LIABILITIES AND EQUITY		1,204,103,631,117	1,069,514,138,765

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

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PT HEXINDO ADIPERKASA Tbk
STATEMENTS OF INCOME
Year Ended December 31, 2006
With Comparative Figures for 2005
(Expressed in Rupiah Unless Otherwise Stated)

	Notes	2006	2005
NET REVENUES	2c,2i,18, 25b,25c,25d	1,395,735,768,380	1,423,316,735,746
COST OF REVENUES	2c,2d,2i,5e, 5f,19,25a	(1,146,409,534,433)	(1,122,205,271,734)
GROSS PROFIT		249,326,233,947	301,111,464,012
OPERATING EXPENSES	2i,2j,20		
Selling		116,115,397,867	88,385,832,970
General and administrative		75,041,291,996	69,705,441,312
Total operating expenses		191,156,689,863	158,091,274,282
OPERATING INCOME		58,169,544,084	143,020,189,730
OTHER INCOME (CHARGES)			
Gain (loss) on foreign exchange	2k	35,324,601,688	(4,351,794,955)
Interest income	2l	1,664,085,346	594,331,702
Financing cost	2c,5g,22	(39,470,335,368)	(7,212,032,659)
Reversal of allowance (provision) for doubtful accounts	2b,4	(199,661,175)	8,519,194,786
Miscellaneous - net	2f,7	2,450,160,159	1,099,777,429
Other charges - net		(231,149,350)	(1,350,523,697)
INCOME BEFORE INCOME TAX		57,938,394,734	141,669,666,033
INCOME TAX EXPENSE	2l,23		
Current		(17,929,349,600)	(42,372,177,500)
Deferred		(580,560,667)	(1,526,398,200)
Income tax expense		(18,509,910,267)	(43,898,575,700)
NET INCOME		39,428,484,467	97,771,090,333
BASIC EARNINGS PER SHARE	2m	47	116

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

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PT HEXINDO ADIPERKASA Tbk
STATEMENTS OF CHANGES IN EQUITY
Year Ended December 31, 2006
With Comparative Figures for 2005
(Expressed in Rupiah Unless Otherwise Stated)

	Notes	Issued and Fully Paid Shares Capital	Additional Paid-in Capital - Net	Retained Earnings		Total Equity
				Appropriated	Unappropriated	
Balance, January 1, 2005		84,000,000,000	16,711,755,375	1,000,000,000	181,398,050,443	283,109,805,818
Cash dividends declared	17	-	-	-	(36,120,000,000)	(36,120,000,000)
Appropriation for general reserve	17	-	-	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
Cash dividends declared	17	-	-	-	(38,640,000,000)	(38,640,000,000)
Appropriation for general reserve	17	-	-	5,000,000,000	(5,000,000,000)	-
Net income in 2006		-	-	-	39,428,484,467	39,428,484,467
Balance, December 31, 2006		84,000,000,000	16,711,755,375	10,000,000,000	234,837,625,243	345,549,380,618

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

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PT HEXINDO ADIPERKASA Tbk
STATEMENTS OF CASH FLOWS
Year Ended December 31, 2006
With Comparative Figures for 2005
(Expressed in Rupiah Unless Otherwise Stated)

	Notes	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		1,326,279,961,622	1,429,477,315,652
Cash paid to:			
Suppliers		(914,777,302,518)	(1,418,667,785,894)
Operating expenses and other operations activities		(108,297,623,028)	(105,873,801,771)
Salaries, wages and benefit of employees		(93,387,134,259)	(80,328,684,397)
Net cash provided by (used in) operations		209,817,901,817	(175,392,956,410)
Payments for interest		(37,115,466,107)	(4,693,410,189)
Payments for income taxes		(49,748,947,982)	(65,155,525,624)
Net Cash Provided by (Used in) Operating Activities		122,953,487,728	(245,241,892,223)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property and equipment	7	1,188,533,908	388,756,500
Acquisitions of property and equipment	7	(75,599,937,400)	(30,152,509,020)
Net Cash Used in Investing Activities		(74,411,403,492)	(29,763,752,520)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term bank loans	8	420,460,000,000	343,230,500,000
Payment of short-term bank loans	8	(299,754,000,000)	(63,904,000,000)
Payment for cash dividends	17	(38,640,000,000)	(36,120,000,000)
Payment of lease payable		(700,040,255)	(1,291,982,738)
Payment of other payables	13	(40,565,777,095)	(1,132,690,590)
Payment of long-term bank loans	12	(54,720,000,000)	-
Net Cash Provided by (Used in) Financing Activities		(13,919,817,350)	240,781,826,672
NET INCREASE (DECREASE) IN CASH ON HAND AND IN BANKS		34,622,266,886	(34,223,818,071)
CASH ON HAND AND IN BANKS AT BEGINNING OF YEAR	3	43,476,065,896	77,699,883,967
CASH ON HAND AND IN BANKS AT END OF YEAR	3	78,098,332,782	43,476,065,896
SUPPLEMENTAL DISCLOSURES OF NON-CASH TRANSACTIONS:			
Acquisition of property and equipment through incurrence of other payables	7,13	157,743,517,930	120,094,414,880
Write-off of inventories	6	3,002,751,828	3,280,525,310
Reclassification of property and equipment to inventories	6,7	2,348,477,039	24,577,006,409
Write-off of trade receivables	4	342,849,532	598,836,925

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

PT HEXINDO ADIPERKASA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2006
With Comparative Figures for 2005
(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 of Republic Indonesia 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. 66 dated June 22, 2006 of Fathiah Helmi, S.H., Notary in Jakarta, concerning the commissioner's duties and authorities, and the procedures in the announcement of the shareholders' general meetings. These amendments were accepted and recorded in the Department of Justice and Human Rights of Republic Indonesia through its Letter No. W7-HT.01.04-800 dated September 18, 2006.

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, 2006, the Company has 10 main branches, 5 sub-branches, 7 representative offices and 6 project offices, which are all located at various places in Indonesia.

b. 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.

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 Letter No. S-1264/PM/1998 dated June 19, 1998 issued by the Chairman of BAPEPAM.

In the minutes of the Extraordinary Shareholders' Meeting of the Company held on June 12, 2000, as covered by Notarial Deed No. 12 on the same date of Fathiah Helmi, S.H., Notary in Jakarta, 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. These amendments were accepted and recorded by the Department of Justice and Human Rights of Republic Indonesia in its Letter No.C-21025 HT.01.04.Th.2000 dated September 20, 2000. On July 29, 2002, the stock split was effectively implemented.

In the minutes of the Extraordinary Shareholders' Meeting of the Company held on June 15, 2004, as covered by Notarial Deed No. 24 on the same date of Fathiah Helmi, S.H., Notary in Jakarta, 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 of Republic Indonesia in its 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
Year Ended December 31, 2006
With Comparative Figures for 2005
(Expressed in Rupiah Unless Otherwise Stated)

1. GENERAL (continued)

c. Boards of Commissioners, Directors, Audit Committee and Employees

The composition of the Company's boards of commissioners and directors as of December 31, 2006, based on the minutes of the Annual Shareholders' General Meeting of the Company held in Jakarta on June 22, 2006, as covered by Notarial Deed No. 65 on the same date of Fathiah Helmi, S.H., are as follows:

Board of Commissioners:

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

Board of Directors:

Manuntun Situmorang	-	President Director
Toshiaki Takase	-	Director
Takaaki Teranishi	-	Director
Masaaki Hirose	-	Director
Yoshiya Hamamachi	-	Director
Keiichiro Shiojima	-	Director
Tony Endroyoso	-	Director
Hiroshi Naito	-	Director
Naoki Kito	-	Director

The composition of the Company's boards of commissioners and directors as of December 31, 2005, based on the minutes of the Annual Shareholders' General Meeting of the Company held in Jakarta on June 21, 2005, as covered by Notarial Deed No. 42 on the same date of Fathiah Helmi, S.H., are as follows:

Board of Commissioners:

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

Board of 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

The composition of the Company's Audit Committee as of December 31, 2006 and 2005 are as follows:

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

PT HEXINDO ADIPERKASA Tbk
NOTES TO THE FINANCIAL STATEMENTS
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(Expressed in Rupiah Unless Otherwise Stated)

1. GENERAL (continued)

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

The salaries and other compensations benefits incurred for the Company's commissioners and directors amounted to Rp8,118,017,672 in 2006 and Rp9,472,174,771 in 2005.

As of December 31, 2006 and 2005, the Company has 824 employees and 751 employees (unaudited), respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation of the Financial Statements

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

The financial statements are 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 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. 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.

c. 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 are disclosed in the notes to the financial statements.

d. Inventories

Inventories are stated at the lower of cost or net realizable value. Heavy equipment inventories reclassified from heavy equipment previously leased out are stated at net book value at the date of reclassification, 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
Year Ended December 31, 2006
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(Expressed in Rupiah Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Prepaid Expenses

Prepaid expenses are charged to operations over the periods benefited.

f. 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 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 based on operational hours and over the term of the lease, which are in line with the related rental agreements, after considering the residual value of 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.

Costs incurred in connection with the acquisition or renewal of landrights are deferred and amortized over the lower of legal terms of the related landrights or economic lives of the land using the straight-line method. The 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 of accounting when the required capitalization criteria in accordance with PSAK No. 30, "Accounting for Lease Transactions" are met. Leases that do not meet any of the required capitalization are accounted for under the operating lease method.

In the 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 of leased assets are computed using the straight-line method based on the estimated useful lives which is same with the estimated useful lives of directly-owned property and equipment.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. 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 reclassified to the related accounts.

g. Impairment in Assets Value

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

h. Additional Paid-in Capital - Net

Additional Paid-in Capital-Net is the difference between the offering price and the par value of share capital issued, net of the costs incurred in connection with the public offering.

i. 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 repairs 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.

j. Estimated Liability for Employees' Benefits

The Company adopts PSAK No. 24 (Revised 2004), "Employee Benefits" that recognizes the accounting and disclosures of estimated liability for employees' benefits. Total estimated liability for employees' benefits is calculated in accordance with the Labor Law No. 13 Year 2003 dated March 25, 2003. Under PSAK No. 24 (Revised 2004), the defined benefit obligation, current service cost and past service cost are calculated 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 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
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(Expressed in Rupiah Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. 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 for the year.

As of December 31, 2006 and 2005, the rates of exchange used are based on Bank Indonesia's average selling and buying bank notes and/or transaction exchange rate on December 29, 2006 and December 30, 2005, respectively, as follows:

	<u>2006</u>	<u>2005</u>
1 Euro (EUR)	11,858	11,660
1 United States Dollar (US\$)	9,020	9,830
1 Australian Dollar (AUD)	7,133	7,207
1 Singapore Dollar (SGD)	5,879	5,907
1 Japanese Yen (JP¥)	76	83

l. 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.

m. Basic Earnings per Share

Basic earnings per share is computed by dividing the net income for the year with the weighted-average number of the shares outstanding during the year. The weighted average number of shares outstanding in 2006 and 2005 are 840,000,000 shares, respectively.

PT HEXINDO ADIPERKASA Tbk
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Segment Information

The Company classifies its segment reporting as follows:

- (i) Business segment (primary) based on the nature of its products sold such as sales and rental of heavy equipment, repairs and maintenance services and sales of spare parts of heavy equipment.
- (ii) Geographical segment (secondary) based on location of sales such as within Java island and outside Java island.

o. 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 ON HAND AND IN BANKS

This account consists of:

	2006	2005
Cash on hand	308,534,831	363,130,846
Cash in banks:		
United States Dollar accounts		
PT Bank Internasional Indonesia Tbk (US\$4,277,556 in 2006 and US\$1,049,852 in 2005)	38,583,553,857	10,320,045,946
The Bank of Tokyo-Mitsubishi UFJ, Ltd., Jakarta* (US\$1,678,574 in 2006 and US\$1,406,917 in 2005)	15,140,738,382	13,829,992,734
Citibank N.A., Jakarta (US\$546,462 in 2006 and US\$20,964 in 2005)	4,929,085,526	206,071,697
The Bank of Tokyo-Mitsubishi UFJ, Ltd., Singapore* (US\$254,365 in 2006 and US\$45,172 in 2005)	2,294,373,382	444,041,546
PT Bank Shinta (US\$139,787)	1,260,877,477	-
PT Bank Mega Tbk (US\$77,773 in 2006 and US\$1,765 in 2005)	701,517,150	17,345,133
PT Bank Resona Perdania (US\$40,840 in 2006 and US\$49,448 in 2005)	368,381,220	486,074,725
PT Bank Mizuho Indonesia (US\$35,546)	320,621,132	-
Total United States Dollar Accounts	63,599,148,126	25,303,571,781

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3. CASH ON HAND AND IN BANKS (continued)

	2006	2005
Rupiah accounts		
PT Bank Internasional Indonesia Tbk	4,785,430,869	6,484,782,148
PT Bank Mega Tbk	3,916,048,581	210,817,521
PT Bank Lippo Tbk	3,280,817,282	3,496,761,865
PT Bank Rakyat Indonesia (Persero) Tbk	615,381,069	2,716,163,854
PT Bank Resona Perdana	575,059,589	4,331,809,099
The Bank of Tokyo-Mitsubishi UFJ, Ltd., Jakarta*	454,301,936	126,822,423
PT Bank Danamon Indonesia Tbk	171,972,489	91,959,836
PT Bank Mandiri (Persero) Tbk	95,266,395	18,957,830
Citibank N.A., Jakarta	82,097,293	59,872,931
PT Bank Negara Indonesia (Persero) Tbk	80,156,299	109,797,653
PT Bank Mizuho Indonesia	9,946,179	-
Total Rupiah Accounts	14,066,477,981	17,647,745,160
Japanese Yen accounts		
PT Bank Internasional Indonesia Tbk (JP¥994,581 in 2006 and JP¥1,002,096 in 2005)	75,389,238	83,594,883
The Bank of Tokyo-Mitsubishi UFJ, Ltd., Jakarta* (JP¥ 643,570 in 2006 and JP¥935,306 in 2005)	48,782,606	78,023,226
Total Japanese Yen Accounts	124,171,844	161,618,109
Total Cash in Banks	77,789,797,951	43,112,935,050
Total Cash on Hand and in Banks	78,098,332,782	43,476,065,896

* The Bank of Tokyo-Mitsubishi UFJ, Ltd., represents the merged bank between The Bank of Tokyo-Mitsubishi Ltd., and UFJ Bank Ltd., in 2006.

4. TRADE RECEIVABLES - THIRD PARTIES

This account consists of receivables arising from:

	2006	2005
Sales and rental of heavy equipment used in:		
Plantation and logging	96,059,474,163	19,009,438,357
Mining	43,419,595,042	50,797,985,707
Government projects and constructions	1,155,919,635	7,085,250,299
Total	140,634,988,840	76,892,674,363
Repairs and maintenance services	61,832,154,393	76,881,056,756
Sales of spare parts	42,618,162,214	20,027,980,280
Total	245,085,305,447	173,801,711,399
Less allowance for doubtful accounts	12,832,634,179	12,975,822,536
Net	232,252,671,268	160,825,888,863

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4. TRADE RECEIVABLES - THIRD PARTIES (continued)

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

	2006	2005
Balance at beginning of year	12,975,822,536	22,093,854,247
Allowance (reversal of allowance) during the year	199,661,175	(8,519,194,786)
Write-off of accounts during the year	(342,849,532)	(598,836,925)
Balance at end of year	12,832,634,179	12,975,822,536

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

	2006	2005
Sales and rental of heavy equipment		
Current and less than 3 months	135,463,925,585	72,757,537,829
3 - 6 months	2,581,202,928	2,816,766,304
Over 6 months - 1 year	1,746,693,169	1,318,370,230
Over 1 year	843,167,158	-
Total receivables - sales and rental of heavy equipment	140,634,988,840	76,892,674,363
Repairs and maintenance services		
Current and less than 3 months	60,867,741,672	76,225,292,040
3 - 6 months	607,773,567	346,170,534
Over 6 months - 1 year	353,579,154	283,647,069
Over 1 year	3,060,000	25,947,113
Total receivables - repairs and maintenance services	61,832,154,393	76,881,056,756
Sales of spare parts		
Current and less than 3 months	42,056,816,302	18,910,808,580
3 - 6 months	120,062,626	834,396,099
Over 6 months - 1 year	406,897,460	239,791,501
Over 1 year	34,385,826	42,984,100
Total receivables - sales of spare parts	42,618,162,214	20,027,980,280
Total	245,085,305,447	173,801,711,399

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

	2006	2005
United States Dollar		
(US\$24,734,612 in 2006		
and US\$15,295,311 in 2005)	223,106,197,478	150,352,904,395
Rupiah	21,979,107,969	23,448,807,004
Total	245,085,305,447	173,801,711,399

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4. TRADE RECEIVABLES - THIRD PARTIES (continued)

Trade receivables from certain customers amounting to US\$354,752 and Rp2,108,779 as of December 31, 2006 and amounting to US\$78,386 and Rp2,122,158 as of December 31, 2005 were charged with interest at 4%-10% per year for receivables in US dollar and 10%-25% per year for receivables in Rupiah (Note 21).

The Company's 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 on sales transactions are as follows:

	2006	2005	Percentage to Total Assets	
			2006	2005
Hitachi Construction Machinery Asia and Pacific Pte., Ltd., formerly Hitachi Construction Machinery Pte., Ltd., Singapore (US\$258,102 in 2006 and US\$1,307,216 in 2005)	2,328,080,040	12,849,933,280	0.19	1.20
Hitachi Construction Machinery Co., Ltd., Japan (US\$110,600)	997,612,000	-	0.08	-
PT Hitachi Construction Machinery Indonesia	4,434,248	-	0.00	-
Total	3,330,126,288	12,849,933,280	0.27	1.20

Receivables from Hitachi Construction Machinery Asia and Pacific Pte., Ltd., formerly Hitachi Construction Machinery Pte., Ltd., Singapore and Hitachi Construction Machinery Co., Ltd., Japan represent receivables from commissions as sales agent unit to certain third parties (Notes 25c and 25d). Commission income earned amounting to Rp23,136,299,524 and Rp39,695,043,050 or representing 1.66% and 2.79%, respectively, from net revenues in 2006 and 2005, respectively.

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

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5. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

b. Due From Related Parties

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

	2006	2005	Percentage to Total Assets	
			2006	2005
Hitachi Construction Machinery Asia and Pacific Pte., Ltd., formerly Hitachi Construction Machinery Pte., Ltd., Singapore	6,979,356,730	-	0.58	-
Hitachi Construction Machinery Co., Ltd., Japan	4,463,839,803	937,871,142	0.37	0.09
Employees	2,667,393,573	1,531,620,580	0.22	0.14
Others (below Rp500 million each)	676,581,462	184,437,636	0.06	0.02
Total	14,787,171,568	2,653,929,358	1.23	0.25

Receivables from Hitachi Construction Machinery Asia and Pacific Pte., Ltd., (HCMAP), formerly Hitachi Construction Machinery Pte., Ltd., Singapore represent claims over the spare parts inventories that were returned to HCMAP since these are obsolete, damaged or out of date inventories.

Receivables from Hitachi Construction Machinery Co., Ltd., Japan represent reimbursement claims on repairs of machineries under warranty.

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

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

	2006	2005
United States Dollar (US\$1,319,755 in 2006 and US\$20,326 in 2005)	11,904,187,613	199,800,255
Rupiah	2,882,983,955	2,454,129,103
Total	14,787,171,568	2,653,929,358

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

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5. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

c. Trade Payables

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

	2006	2005	Percentage to Total Liabilities	
			2006	2005
Hitachi Construction Machinery Asia and Pacific Pte., Ltd., formerly Hitachi Construction Machinery Pte., Ltd., Singapore	116,609,823,697	211,332,433,033	13.58	29.16
PT Hitachi Construction Machinery Indonesia (Notes 5g and 22)	93,525,852,610	5,188,171,910	10.90	0.71
Hitachi Construction Truck Manufacturing Ltd., Canada	1,131,529,936	358,150,152	0.13	0.05
Others (below Rp500 million each)	252,129,921	60,422,775	0.03	0.01
Total	211,519,336,164	216,939,177,870	24.64	29.93

Payables to Hitachi Construction Machinery Asia and Pacific Pte., Ltd., formerly Hitachi Construction Machinery Pte., Ltd., Singapore and PT Hitachi Construction Machinery Indonesia represent payables on purchases of spare parts inventories and heavy equipment machineries.

Payable to Hitachi Construction Truck Manufacturing Ltd., Canada (HCTM) represents cash collections from a HCMT's customer received in advance by the Company that are not yet remitted to HCTM.

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

	2006	2005
United States Dollar (US\$22,739,034 in 2006 and US\$22,037,962 in 2005)	205,106,089,082	216,633,166,559
Rupiah	6,159,583,387	245,588,537
Japanese Yen (JP¥3,314,253 in 2006 and JP¥724,320 in 2005)	251,220,377	60,422,774
Singapore Dollar (SGD416)	2,443,318	-
Total	211,519,336,164	216,939,177,870

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5. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

d. Due to Related Parties

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

	2006	2005	Percentage to Total Liabilities	
			2006	2005
Hitachi Construction Machinery Co., Ltd., Japan (US\$49,420 in 2006 and US\$269,190 in 2005)	445,771,106	2,646,140,944	0.05	0.36
Itochu Corporation, Japan (US\$12,890 in 2006 and US\$12,090 in 2005)	116,267,800	118,844,700	0.01	0.02
Total	562,038,906	2,764,985,644	0.06	0.38

Due to Hitachi Construction Machinery Co., Ltd., Japan (HCMJ) represents the 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:

	2006	2005	Percentage to Total Purchases	
			2006	2005
Hitachi Construction Machinery Asia and Pacific Pte., Ltd., formerly Hitachi Construction Machinery Pte., Ltd., Singapore	398,314,772,959	564,726,078,923	38.80	43.76
PT Hitachi Construction Machinery Indonesia	376,201,942,609	337,972,117,511	36.65	26.19
Total	774,516,715,568	902,698,196,434	75.45	69.95

f. Royalty Expense

Hitachi Construction Machinery Co., Ltd., Japan charged the Company with royalty for the sales of certain products amounting to Rp410,185,171 and Rp239,936,932 or representing 0.04% and 0.02% from total cost of revenues in 2006 and 2005, respectively, and recorded as part of "Cost of Revenues" in the statements of income (Note 25a).

g. Interest Expense

Interest expenses in relation to the purchase of inventory on credit from PT Hitachi Construction Machinery Indonesia amounting to Rp1,569,900,844 and Rp403,713,923 or representing 3.98% and 5.60%, respectively, from the financing cost in 2006 and 2005, respectively, are recorded as part of "Financing Cost" in the statements of income. The credits bear interest at annual rate of 2% above SIBOR (Notes 5c and 22).

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5. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

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

<u>Names of Related Parties</u>	<u>Relationship</u>
1. Hitachi Construction Machinery Co., Ltd., Japan	Shareholder
2. Hitachi Construction Machinery Asia and Pacific Pte., Ltd., formerly Hitachi Construction Machinery Pte., Ltd., Singapore	Shareholder
3. Itochu Corporation, Japan	Shareholder
4. Hitachi Construction Truck Manufacturing Ltd., Canada	Affiliate
5. PT Hitachi Construction Machinery Indonesia	Affiliate

6. INVENTORIES - NET

This account consists of:

	<u>2006</u>	<u>2005</u>
Heavy equipment	100,539,076,457	223,711,111,239
Spare parts	384,149,674,833	386,881,811,711
Total	484,688,751,290	610,592,922,950
Less allowance for inventories obsolescence	26,560,368,430	25,063,120,258
Net	<u>458,128,382,860</u>	<u>585,529,802,692</u>

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

	<u>2006</u>	<u>2005</u>
Balance at beginning of year	25,063,120,258	22,486,611,829
Provision during the year	4,500,000,000	5,857,033,739
Write-off during the year	(3,002,751,828)	(3,280,525,310)
Balance at end of year	<u>26,560,368,430</u>	<u>25,063,120,258</u>

All inventories are covered by insurance against losses from fire and other risks under blanket policies of Rp317,456,873,584 as of December 31, 2006 and Rp305,873,731,420 as of December 31, 2005, respectively, which the Company's management believes that the 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.

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7. PROPERTY AND EQUIPMENT

This account consists of:

2006	Beginning Balance	Additions/ Reclassifications	Deductions/ Reclassifications	Ending Balance
Cost				
<u>Direct ownership</u>				
Land	20,801,764,264	-	-	20,801,764,264
Buildings	42,246,727,773	8,590,458,671	-	50,837,186,444
Vehicles	26,666,274,442	4,168,200,000	2,882,262,033	27,952,212,409
Office equipment	17,665,332,778	3,427,156,608	379,490,358	20,712,999,028
Furniture and fixtures	5,795,684,697	1,630,316,975	9,956,793	7,416,044,879
Machineries	6,002,178,502	1,633,148,580	-	7,635,327,082
Tools for after-sales services	14,963,818,829	4,119,849,913	-	19,083,668,742
Heavy equipment - rental (Note 13)	132,200,177,013	218,347,100,517	7,863,414,808	342,683,862,722
<u>Capital lease</u>				
vehicle	4,168,200,000	-	4,168,200,000	-
<u>Construction in progress</u>				
	4,404,575,934	3,829,504,852	8,234,080,786	-
Total Cost	274,914,734,232	245,745,736,116	23,537,404,778	497,123,065,570
Accumulated Depreciation				
<u>Direct ownership</u>				
Buildings	9,435,206,625	2,354,361,888	-	11,789,568,513
Vehicles	19,967,735,410	5,147,755,618	2,870,103,866	22,245,387,162
Office equipment	12,432,757,845	2,081,400,768	372,630,099	14,141,528,514
Furniture and fixtures	2,985,949,893	877,745,981	9,956,793	3,853,739,081
Machineries	3,855,555,189	787,990,439	-	4,643,545,628
Tools for after-sales services	12,856,451,638	2,770,691,112	-	15,627,142,750
Heavy equipment - rental	11,210,384,461	66,355,255,997	5,514,937,769	72,050,702,689
<u>Capital lease</u>				
Vehicle	2,066,907,095	347,350,000	2,414,257,095	-
Total Accumulated Depreciation	74,810,948,156	80,722,551,803	11,181,885,622	144,351,614,337
Net Book Value	200,103,786,076			352,771,451,233

2005	Beginning Balance	Additions/ Reclassifications	Deductions/ Reclassifications	Ending Balance
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 13)	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 service	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

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7. PROPERTY AND EQUIPMENT (continued)

<u>2005</u>	<u>Beginning Balance</u>	<u>Additions/ Reclassifications</u>	<u>Deductions/ Reclassifications</u>	<u>Ending Balance</u>
Capital lease 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

Depreciation was charged to operations as follows:

	<u>2006</u>	<u>2005</u>
Cost of rental heavy equipment	66,355,255,997	20,872,988,529
Selling (Note 20)	6,694,347,925	5,222,227,004
General and administrative (Note 20)	5,258,690,786	4,271,910,473
Total	78,308,294,708	30,367,126,006

The Company's land is under "Hak Guna Bangunan (HGB)" (non-ownership with limited duration) and "Hak Milik". As of December 31, 2006, the landrights under HGB will expire in 2 to 29 years and are 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 60 months. In 2006 and 2005, certain heavy equipment with net book value of Rp2,348,477,039 and Rp24,577,006,409, respectively, were reclassified to inventories as the related lease terms already expired.

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

	<u>Percentage of Completion</u>	<u>Accumulated Costs</u>	<u>Estimated Completion Date</u>
Building	50%	3,933,358,485	April 2006
Tools for after sales service	40%	471,217,449	March 2006
Total		4,404,575,934	

The deductions in property and equipment represents of sale and write-off of assets with details as follows:

	<u>2006</u>	<u>2005</u>
Proceeds	1,188,533,908	388,756,500
Net book value	19,018,426	219,987,995
Gain on disposals of assets	1,169,515,482	168,768,505

Property and equipment, except for land, are covered by insurance against losses by fire and other risks under blanket policies of US\$41,584,650 and Rp151,512,117,740 as of December 31, 2006 and US\$12,720,200 and Rp202,595,304,638 as of December 31, 2005, respectively, which in the Company's management believes that the insurance is adequate to cover possible losses arising from such risks.

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7. PROPERTY AND EQUIPMENT (continued)

In 2005, land and buildings, where the Company's office is occupied, located in East Jakarta, are pledged as collateral to bank loan facilities from PT Bank Resona Perdania (Note 8).

As of December 31, 2006, the Company's management believes that there is no events or conditions that may indicate impairment of assets.

8. SHORT-TERM BANK LOANS

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

	2006	2005
The Bank of Tokyo-Mitsubishi UFJ, Ltd., Jakarta* (US\$27,000,000 in 2006 and US\$16,000,000 in 2005)	243,540,000,000	157,280,000,000
The Bank of Tokyo-Mitsubishi UFJ, Ltd., Singapore* (US\$5,000,000 in 2006 and US\$10,000,000 in 2005)	45,100,000,000	98,300,000,000
PT Bank Mizuho Indonesia (US\$5,000,000)	45,100,000,000	-
Citibank, N.A., Jakarta (US\$4,000,000)	36,080,000,000	-
PT Bank Resona Perdania (US\$1,700,000)	-	16,711,000,000
Total	369,820,000,000	272,291,000,000

* The Bank of Tokyo-Mitsubishi UFJ, Ltd., represents the merged bank between The Bank of Tokyo-Mitsubishi Ltd., and UFJ Bank Ltd., in 2006.

The loans obtained from The Bank of Tokyo-Mitsubishi UFJ, Ltd., Jakarta consist of:

- Unsecured short-term loan amounting to US\$2,000,000 with a maximum credit facility of US\$2,000,000 that will expire on July 31, 2007. The loan bears interest at 0.50% above SIBOR per year and payable every 3 months.
- Multi-currency loan of US\$25,000,000 with a maximum credit facility of US\$25,000,000. On November 10, 2006, the Company paid the loan amounting to US\$20,000,000 (including the long-term bank loan of US\$6,000,000) (Note 12). On the same day, the Company obtained a new multi-currency loan facility amounting to US\$25,000,000 that will due on November 10, 2008. The loan bears interest at 0.375% above LIBOR per year, which is payable every 3 months and guaranteed by Hitachi Construction Machinery Co., Ltd., Japan, a shareholder.

The loans are payable in 3 months since date of drawdown but subject to roll-over every 3 months until the end of facility.

The Company and its related parties (i.e. Hitachi Construction Machinery Asia and Pacific Pte., Ltd., Singapore, Hitachi Construction Machinery Thailand Co., Ltd., Thailand, PT Hitachi Construction Machinery Indonesia and Hitachi Construction Machinery Sdn., Bhd., Malaysia) obtained a multi-currency loan facility from The Bank of Tokyo-Mitsubishi UFJ, Ltd., Singapore with maximum credit facility amounting to US\$30,000,000. On November 10, 2006, the maximum credit facility decreased from US\$32,000,000 to US\$30,000,000. The loan will expire on November 10, 2008 and bears interest at 0.375% above LIBOR per year, which is payable every 3 months. This loan is guaranteed by Hitachi Construction Machinery Co., Ltd., Japan, a shareholder. The loan is payable in 3 months since date of drawdown but subject to be roll-over every 3 months until the end of facility.

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8. SHORT-TERM BANK LOANS (continued)

The related loan agreements with The Bank of Tokyo-Mitsubishi UFJ, Ltd., Jakarta and The Bank of Tokyo-Mitsubishi UFJ, Ltd., Singapore, contain certain restriction on the Company, among others, change of its business, and sell, lease, transfer or otherwise dispose substantial part of its assets unless such activity is made in the ordinary course of the Company's business.

On April 21, 2006, the Company obtained a short-term working capital facility from PT Bank Mizuho Indonesia with a maximum credit facility of US\$10,000,000 and will expire on April 21, 2007. The loan bears interest at 1.25% above SIBOR per year, which is payable in 3 months. The loan contains certain restriction on the Company, among others, to consolidate with or merge into any other corporation, change of business, and sell, lease, assign, transfer and lend part of its assets.

On June 5, 2006, Company obtained a short-term working capital facility from Citibank, N.A., Jakarta with a maximum credit facility of US\$15,000,000 and will expire on June 5, 2007. The loan bears interest at 0.75% above LIBOR per year, which is payable in 3 months.

The loan obtained from PT Bank Resona Perdania is from the promissory note loan facility with a maximum credit of US\$2,000,000. The loan amounting to US\$1,700,000,000 was paid on August 31, 2006. The related loan facility will expire on May 18, 2007 and bears interest at annual rate of 1.25% above SIBOR which is payable monthly. 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:

	2006	2005
Spare parts	17,214,137,622	5,774,928,169
Repairs and maintenance	7,811,592,498	7,953,708,703
Heavy equipment	103,337,454	1,138,344,012
Others	2,296,265,776	3,611,017,873
Total	27,425,333,350	18,477,998,757

Currently, the Company can not present the aging schedule of trade payables, because the Company's accounting system can not generate such information.

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10. ACCRUED EXPENSES

This account consists of accruals for:

	<u>2006</u>	<u>2005</u>
Interest	5,075,680,777	2,720,811,516
Salaries and employee benefits	4,128,396,971	6,567,770,921
Sales of heavy equipment	2,408,961,235	4,318,711,241
Repairs and maintenance services	-	1,241,245,572
Others	2,245,367,924	1,753,079,888
Total	13,858,406,907	16,601,619,138

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

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

11. TAXES PAYABLE

Taxes payable represents income taxes payable on:

	<u>2006</u>	<u>2005</u>
Article 21	2,920,981,072	6,197,502,794
Article 23	624,567,324	518,631,131
Article 25 - December	650,000,000	1,492,325,496
Total	4,195,548,396	8,208,459,421

12. LONG-TERM BANK LOAN

On December 31, 2005, this account represents long-term bank loan obtained from PT Bank UFJ Indonesia, Jakarta amounting to US\$6,000,000 and has been fully paid on November 10, 2006 (Note 8). The loan bears interest at 0.375% above LIBOR per year payable in quarterly installments. This loan was secured by a corporate guarantee from Hitachi Construction Machinery Co., Ltd., Japan, a shareholder.

13. OTHER PAYABLES

This account represents long-term payables to Mitsubishi Corporation in US dollar currency to purchase 14 units of equipment that will be rented out to PT Kaltim Prima Coal. The loan is payable in quarterly installment on 4 years and bears interest at an average of 8.50% per year. The payables are guaranteed by certain heavy equipment rented out with net book value amounting to Rp238,637,806,000 and Rp118,570,463,231 as of December 31, 2006 and 2005, respectively, (Note 7). The future installment payment of these payables are as follows:

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13. OTHER PAYABLES (continued)

<u>Year</u>	<u>2006</u>	<u>2005</u>
2006	-	30,826,604,760
2007	73,681,421,440	30,826,604,760
2008	73,681,421,440	30,826,604,760
2009	72,269,439,660	29,287,826,390
2010	18,846,911,160	-
Total	238,479,193,700	121,767,640,670
Less interest	32,591,975,020	18,947,698,540
Net	205,887,218,680	102,819,942,130
Current maturities	(57,754,969,800)	(22,952,263,600)
Long-term portion	148,132,248,880	79,867,678,530

14. ESTIMATED LIABILITY FOR EMPLOYEES' BENEFITS

The Company provides benefits for its employees 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 employees' benefits liability as determined by PT Biro Pusat Aktuaria, an independent actuary, in its reports dated February 26, 2007 and March 9, 2006 for 2006 and 2005, respectively.

a. Net employee benefit expense

	<u>2006</u>	<u>2005</u>
Current service cost	1,498,315,000	1,272,976,000
Interest cost	1,513,992,000	1,198,849,000
Others	816,192,000	894,695,000
Net employee benefit expense	3,828,499,000	3,366,520,000

b. Employees' benefit liability

	<u>2006</u>	<u>2005</u>
Present value of benefit obligation	15,632,353,000	13,763,556,000
Unamortized past service cost	(3,675,300,000)	(3,883,052,000)
Unrecognized actuarial losses	(1,572,779,000)	(2,851,603,000)
Employees' benefit liability	10,384,274,000	7,028,901,000

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14. ESTIMATED LIABILITY FOR EMPLOYEES' BENEFITS (continued)

The movements in the employees' benefits liability during the years are as follows:

	2006	2005
Beginning balance	7,028,901,000	4,748,734,000
Benefit costs during the year	3,828,499,000	3,366,520,000
Payment during the year	(473,126,000)	(1,086,353,000)
Ending balance	10,384,274,000	7,028,901,000

The principal assumptions used in determining the employee benefits liability as of December 31, 2006 and 2005 are as follows:

Discount rate	: 11% a year in 2006 and 12% a year in 2005
Wages and salary increase	: 8% a year in 2006 and 10% a year in 2005
Retirement age	: 55 years old
Mortality rate	: Indonesian Mortality Table 1999 (TMI '99)

15. SHARE CAPITAL

The share ownership as of December 31, 2006 and 2005 based on the report from PT Sirca Datapro Perdana, the shares administrator bureau, are as follows:

Shareholders	2006		
	Number of Shares Issued and Fully Paid	Percentage of Ownership	Amount
Local			
Director			
- Tony Endroyoso	50,000	0.01	5,000,000
Public (below 5% ownership each)	120,399,000	14.33	12,039,900,000
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 Asia and Pacific Pte., Ltd., formerly Hitachi Construction Machinery Pte., Ltd., Singapore	42,620,000	5.07	4,262,000,000
Public (below 5% ownership each)	79,351,000	9.45	7,935,100,000
Total	840,000,000	100.00	84,000,000,000

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15. SHARE CAPITAL (continued)

Shareholders	2005		
	Number of Shares Issued and Fully Paid	Percentage of Ownership	Amount
Local			
Drs. Rustam Efendi	42,620,000	5.07	4,262,000,000
Director			
- Tony Endroyoso	50,000	0.01	5,000,000
Public (below 5% ownership each)	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 (below 5% ownership each)	82,678,000	9.85	8,267,800,000
Total	840,000,000	100.00	84,000,000,000

In the minutes of the Extraordinary Shareholders' Meeting of the Company held on June 15, 2004, as covered by Notarial Deed No. 24 on the same date, of Fathiah Helmi, S.H., Notary in Jakarta, the shareholders resolved to, among others, change the par value of share capital from Rp500 per share to Rp100 per share, and accordingly the number of shares 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 Letter No.C-23337.HT.01.04.Th.2004 dated September 17, 2004 and was effectively implemented on September 1, 2005.

16. 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

17. CASH DIVIDENDS AND GENERAL RESERVE

In the minutes of the Annual Shareholders' Meeting of the Company held on June 22, 2006, as covered by Notarial Deed No. 65 on the same date of Fathiah Helmi, S.H., Notary in Jakarta, the shareholders resolved to declare cash dividends totaling Rp38,640,000,000 for the 840,000,000 shares or Rp46 per share, and to appropriate for general reserve from retained earning amounting to Rp5,000,000,000. The distribution of cash dividends to the shareholders were paid in 2006.

In the minutes of the Annual Shareholders' Meeting of the Company held on June 21, 2005, as covered by Notarial Deed No. 42 on the same date of Fathiah Helmi, S.H., Notary in Jakarta, the shareholders resolved to declare cash dividends totaling Rp36,120,000,000 for the 168,000,000 shares or Rp215 per share, and to appropriate for general reserve from retained earning amounting to Rp4,000,000,000. The distribution of cash dividends to the shareholders were paid in 2005.

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18. NET REVENUES

The details of net revenues are as follows:

	2006	2005
Sales and rental of heavy equipment		
- Third parties	853,155,845,735	982,697,077,275
- Related parties	23,136,299,524	39,695,043,050
Repairs and maintenance services		
- Third parties	330,706,683,471	281,082,728,567
Sales of spare parts		
- Third parties	188,736,939,650	119,841,886,854
Total	1,395,735,768,380	1,423,316,735,746

The detail of sales to customer with total sales of more than 10% of total net revenues is as follow:

	2006	2005	Percentage to Net Revenues	
			2006	2005
PT Kaltim Prima Coal	161,431,355,471	117,799,622,021	11.57	8.28

19. COST OF REVENUES

The details of cost of revenues are as follows:

	2006	2005
Cost of Revenues - Heavy Equipment Sales and Rental	734,671,627,653	858,369,383,721
Cost of Repairs and Maintenance Services	295,640,336,576	188,017,053,480
Cost of Revenues - Spare Parts Sales	116,097,570,204	75,818,834,533
Total	1,146,409,534,433	1,122,205,271,734

The details of purchases from suppliers with amount of more than 10% from total purchases are described in Note 5e.

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20. OPERATING EXPENSES

The details of operating expenses are as follows:

	2006	2005
Selling:		
Salaries, wages and employee benefits (Note 14)	43,575,644,011	33,562,072,084
Rental	17,811,597,580	6,990,620,643
Travelling	17,303,756,892	13,408,220,848
Depreciation (Note 7)	6,694,347,925	5,222,227,004
Repairs and maintenance	6,487,085,909	5,184,197,105
Communication	4,426,850,351	4,101,391,378
Warehousing and shipping	2,902,585,001	2,655,326,384
Training and education	2,664,670,754	2,556,721,433
Insurance	2,331,555,230	1,992,608,351
Entertainment	1,771,832,981	1,817,358,693
Professional fees	1,627,325,871	1,063,130,690
Repairs and maintenance	1,497,516,573	1,358,714,385
Water, gas and electricity	1,442,791,049	1,288,401,732
Sales and promotion	1,440,878,001	2,325,742,343
Others (less than Rp1 billion each)	4,136,959,739	4,859,099,897
Total Selling	116,115,397,867	88,385,832,970
General and Administrative:		
Salaries, wages and employee benefits (Note 14)	40,814,072,324	39,136,579,596
Stationery and office supplies	13,453,042,396	11,892,822,584
Depreciation (Note 7)	5,258,690,786	4,271,910,473
Repairs and maintenance	5,169,659,317	4,262,153,406
Communication	3,771,020,670	3,355,683,855
Insurance	1,907,636,097	1,630,315,923
Professional fees	1,331,448,440	869,834,201
Water, gas and electricity	1,180,465,404	1,054,146,871
Others (less than Rp1 billion each)	2,155,256,562	3,231,994,403
Total General and Administrative	75,041,291,996	69,705,441,312
Total Operating Expenses	191,156,689,863	158,091,274,282

21. INTEREST INCOME

This account represents interest income from:

	2006	2005
Trade receivables (Note 4)	1,279,717,616	330,849,823
Current accounts	384,367,730	241,221,742
Time deposits	-	22,260,137
Total	1,664,085,346	594,331,702

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22. FINANCING COST

This account represents interest expense on:

	2006	2005
Bank loan	21,511,728,644	4,971,533,280
Other payables (Note 13)	16,321,990,135	1,579,538,194
Trade payables (Notes 5c and 5g)	1,569,900,844	403,713,923
Leases	66,715,745	257,247,262
Total	39,470,335,368	7,212,032,659

23. INCOME TAX EXPENSE AND DEFERRED TAX ASSETS

Income Tax Expense - Current

The reconciliation between income before income tax, as shown in the statements of income and estimated taxable income for the years ended December 31, 2006 and 2005, are as follows:

	2006	2005
Income before income tax expense per statements of income	57,938,394,734	141,669,666,033
Add (deduct) temporary differences:		
Provision for inventories obsolescence	4,500,000,000	5,857,033,739
Provision for employee benefits - net	3,828,499,000	3,366,520,000
Depreciation of leased assets	347,350,000	953,779,990
Provision (reversal of allowance) for doubtful accounts	199,661,175	(8,519,194,786)
Depreciation of property and equipment	(7,827,639,418)	5,968,680,373
Inventories written-off	(3,002,751,828)	(3,280,525,310)
Lease payments	(700,040,255)	(1,291,982,738)
Payment of employee benefit liability	(473,126,000)	(1,086,353,000)
Gain on sale of property and equipment	(25,434,477)	(7,055,952,268)
Total temporary differences	(3,153,481,803)	(5,087,994,000)
Add (deduct) permanent differences:		
Entertainment	1,124,778,514	1,305,648,860
Taxes and licenses	475,999,553	433,462,044
Donation	205,289,850	234,942,110
Interest income already subject to final tax	(384,367,730)	(263,481,879)
Others expenses	3,616,219,879	3,006,682,446
Total permanent differences	5,037,920,066	4,717,253,581
Taxable income	59,822,832,997	141,298,925,614

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

The computations of income tax expense and estimated claim for tax refund for the years ended December 31, 2006 and 2005, are as follows:

	2006	2005
Taxable income (rounded-off)	59,822,832,000	141,298,925,000
Income tax expense - current	17,929,349,600	42,372,177,500
Less:		
Prepayment of income taxes:		
Article 22	8,974,661,369	20,846,918,881
Article 23	25,216,152,062	21,273,692,364
Article 25	10,608,265,839	16,284,871,317
Total prepayment of income taxes	44,799,079,270	58,405,482,562
Estimated claim for tax refund – current year	(26,869,729,670)	(16,033,305,062)

The taxable income in 2005 conform with amounts as reported in the 2005 annual tax return by the Company to the Tax Office. As of March 15, 2007, the Company has not yet submitted its 2006 annual tax return to the Tax Office.

Income Tax Deferred

The computations of income tax expense-deferred for the years ended December 31, 2006 and 2005 on significant temporary differences between commercial and tax reporting purposes using the maximum tax rate of 30% are as follows:

	2006	2005
Provision for inventories obsolescence	1,350,000,000	1,757,110,121
Provision for employee benefits - net	1,006,611,900	684,050,100
Leased assets	259,676,796	(101,460,824)
Provision (Reversal of allowance) for doubtful accounts	59,898,353	(2,555,758,436)
Inventories written-off	(900,825,548)	(984,157,592)
Depreciation and gain on sale of property and equipment	(2,355,922,168)	(326,181,569)
Income tax expense- deferred	580,560,667	1,526,398,200

The reconciliation between income tax expense calculated by using applicable tax rate from income before income tax and income tax expense presented in the statements of income for the years ended December 31, 2006 and 2005 are as follows:

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

	2006	2005
Income before income tax	57,938,394,734	141,669,666,033
Tax expense (applicable tax rate)	17,364,018,120	42,483,399,626
Tax effect on permanent differences	1,511,376,020	1,415,176,074
Deferred tax asset adjustments	(365,483,873)	-
Income tax expense - net per statements of income	18,509,910,267	43,898,575,700

The deferred tax assets and liabilities as of December 31, 2006 and 2005 are as follows:

	2006	2005
Deferred tax assets		
Allowance for inventories obsolescence	7,968,110,530	7,518,936,078
Allowance for doubtful accounts	4,260,133,607	4,200,235,254
Estimated liability for employee benefits	3,115,282,200	2,108,670,300
Depreciation of leased assets	-	823,539,128
Total deferred tax assets	15,343,526,337	14,651,380,760
Deferred tax liabilities		
Depreciation of property and equipment	4,405,370,956	2,049,448,788
Lease payment	-	1,083,215,924
Total deferred tax liabilities	4,405,370,956	3,132,664,712
Deferred tax assets - net	10,938,155,381	11,518,716,048

In 2006, the Company received the result of the tax examination for 2003 income taxes, based on several Letters of Tax Under Payment (SKPKB) for income taxes under Articles 29, 21, 23, and 4(2), and value added tax amounted to Rp451,115,202 and recorded as part of "Operating expenses" account in the 2006 statement of income.

The Company also received the result of the tax examination for 2005 value added tax based on Letter of Tax Over Payment (SKPLB) No. 00051/407/05/054/06 dated September 29, 2006 amounted to Rp15,503,353,960. The Company did not agree with the assessment and sent an objection letter No. 002/HAP-TAX/III/2007 dated March 14, 2007 stating that the overpayment should be Rp16,439,311,647. On November 2, 2006, the Company received the refund for the overpayment and the difference between the cash refund of the SKPLB and Company's calculation is recorded as part of "Estimated Claim for Tax Refund" account in the 2006 balance sheet.

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

The estimated claim for tax refund represents claim for:

	<u>2006</u>	<u>2005</u>
Income tax		
- 2006	26,869,729,670	-
- 2005	16,033,305,062	16,033,305,062
Value Added Tax	935,957,687	-
Total estimated claim for tax refund	<u>43,838,992,419</u>	<u>16,033,305,062</u>

24. MONETARY ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

As of December 31, 2006, the Company has monetary assets and liabilities denominated in foreign currencies, as follows:

	<u>Amount</u>
<u>Assets</u>	
Cash and Bank	
US\$7,050,903	63,599,148,126
JP¥1,638,151	124,171,844
Trade receivables - third parties - US\$24,734,612	223,106,197,478
Trade receivables - related parties - US\$368,702	3,325,692,040
Other receivable - US\$16,040	144,679,447
Due from related parties - US\$1,319,755	11,904,187,613
Total Assets	<u>302,204,076,548</u>
<u>Liabilities</u>	
Short-term bank loan - US\$41,000,000	369,820,000,000
Trade payables - third parties	
US\$2,071,663	18,686,404,648
EUR3,832	45,436,280
AUD1,415	10,095,444
Trade payables - related parties	
US\$22,739,034	205,106,089,082
JP¥3,314,253	251,220,377
SGD416	2,443,318
Other payables	
US\$1,285,472	11,594,950,618
JP¥2,300,000	174,340,000
Accrued expenses - US\$978,422	8,825,366,741
Due to related parties - US\$62,310	562,038,906
Long-term other payables - US\$22,825,634	205,887,218,680
Total liabilities	<u>820,965,604,094</u>
Net monetary liabilities	<u>518,761,527,546</u>

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24. MONETARY ASSETS AND LIABILITIES IN FOREIGN CURRENCIES (continued)

As of March 15, 2007 the average selling and buying bank notes and/or transaction exchange rates published by Bank Indonesia were Rp9,210 to US\$1, Rp79 to JP¥1, Rp12,182 to EUR1, Rp6,010 to SGD1 and Rp7,244 to AUD1. If the net position of net monetary assets and liabilities in foreign currencies as of December 31, 2006 are reflected using the middle rates of exchange as of March 15, 2007, the net monetary liabilities will increase by Rp10,933,954,882.

25. 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 the 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).

b. Distributorship Agreements

The Company has several distributorship agreements in relation to the sale of certain heavy equipment and its spare parts with several licensed companies, such as HCMJ, Hitachi Construction Machinery Asia and Pacific Pte., Ltd., (HCMAP) (formerly Hitachi Construction Machinery Pte., Ltd.) Singapore, PT Hitachi Construction Machinery Indonesia, and Atlas Copco Indonesia.

The above 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. Three Parties Sales and Purchase Agreement

The Company entered into three parties Sales and Purchase Agreements with HCMAP and certain customer, whereby the Company was appointed as a sales agent on sales of heavy equipments from HCMAP 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 HCMAP for any due customer's receivables.

As compensation, the Company received from HCMAP commission fee and administration income from collection of receivable based on the 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 (Note 5a).

d. Commission Agreement

The Company entered into Commission Agreement with HCMJ, whereby the Company receives commission fee from HCMJ based on the 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 (Note 5a).

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26. SEGMENT INFORMATION

The following tables present certain information regarding the business and geographical segments as of December 31, 2006 and 2005:

2006	Heavy Equipment and Rental	Repairs and Maintenance	Spare parts	Unallocated	Total
Business Segment Information (Primary)					
Segment Revenues	876,292,145,259	330,706,683,471	188,736,939,650	-	1,395,735,768,380
Segment Gross Profit	141,620,517,606	35,066,346,895	72,639,369,446	-	249,326,233,947
Segment Operating Income	<u>120,535,398,562</u>	<u>(28,665,919,853)</u>	<u>64,364,763,651</u>	<u>(98,064,694,276)</u>	<u>58,169,548,084</u>
Segment Assets	<u>230,175,190,792</u>	<u>91,094,469,303</u>	<u>369,111,394,032</u>	<u>513,722,576,990</u>	<u>1,204,103,631,117</u>
Segment Liabilities	<u>141,269,660,856</u>	<u>17,423,728,337</u>	<u>80,251,280,321</u>	<u>619,609,580,985</u>	<u>858,554,250,499</u>
Geographical Segment Information (Secondary)					
Segment Revenues					
Java	166,314,691,051	2,537,193,575	6,247,464,720	-	175,099,349,346
Outside Java	709,977,454,208	328,169,489,896	182,489,474,930	-	1,220,636,419,034
Total Segment Revenues	<u>876,292,145,259</u>	<u>330,706,683,471</u>	<u>188,736,939,650</u>	<u>-</u>	<u>1,395,735,768,380</u>
Segment Gross Profit					
Java	16,170,064,623	1,342,721,760	3,517,175,662	-	21,029,962,045
Outside Java	125,450,452,983	33,723,625,135	69,122,193,784	-	228,296,271,902
Segment Gross Profit	<u>141,620,517,606</u>	<u>35,066,346,895</u>	<u>72,639,369,446</u>	<u>-</u>	<u>249,326,233,947</u>
Operating Income					
Java	12,377,348,446	(506,990,817)	2,800,437,581	(2,052,303,688)	12,618,491,522
Outside Java	108,158,050,116	(28,158,929,036)	61,564,326,070	(96,012,390,588)	45,551,056,562
Segment Operating Income	<u>120,535,398,562</u>	<u>(28,665,919,853)</u>	<u>64,364,763,651</u>	<u>(98,064,694,276)</u>	<u>58,169,548,084</u>
2005					
	Heavy Equipment and Rental	Repairs 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>
Segment Assets	<u>288,889,553,147</u>	<u>102,019,307,775</u>	<u>355,446,830,633</u>	<u>323,158,447,210</u>	<u>1,069,514,138,765</u>
Segment Liabilities	<u>137,136,256,407</u>	<u>10,614,528,587</u>	<u>87,666,391,633</u>	<u>489,336,065,987</u>	<u>724,753,242,614</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>

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27. ECONOMIC CONDITION

The economic conditions of Indonesia continue and may continue to be affected by the uncertainties in the domestic social and political conditions. Although there are positive improvements to some major economic indicators, such as increase in economic activity, improvement in liquidity, lowered interest rate, and stable exchange rate of Rupiah against US Dollar currency.

The accompanying financial statements include the effects of the economic conditions to the extent they can be determined and estimated. Recovery of the economy depends on the fiscal, monetary and other measures that have been and will be undertaken by the Indonesian government, actions which are beyond the Company's control. It is not possible to determine the future effects of the economic conditions may have on the Company's liquidity and earnings.

28. 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, 2007.