

Financial Statements
With Report of Independent
Auditors
December 31, 2000 and 1999
PT SURYA TOTO INDONESIA Tbk

Table of Contents

	Page
Report of Independent Auditors	
Balance Sheets	1 - 2
Statements of Profit and Loss	3
Statements of Changes in Equity	4
Statements of Cash Flows	5
Notes to the Financial Statements	6 - 29

Report of Independent Auditors

The Shareholders and Board of Directors of PT Surya Toto Indonesia Tbk

We have audited the accompanying balance sheets of **PT Surya Toto Indonesia Tbk** (the "Company") as of December 31, 2000 and 1999 and the related statements of profit and loss, 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Company's management, as well as evaluating the overall financial statements 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 Surya Toto Indonesia Tbk** as of December 31, 2000 and 1999, and the results of its operations, changes in equity and its cash flows for the years then ended, in conformity with generally accepted accounting principles in Indonesia.

Note 3b to the financial statements describe the Company's policy for accounting for foreign exchange differences arising from the translation of long-term liabilities denominated in foreign currency. This foreign exchange loss has been deferred in accordance with the regulation no. VIII G.10, issued by the Capital Market Supervisory Board of Indonesia.

The accompanying financial statements have been prepared assuming that the Company will continue to operate as a going concern as more fully described in Note 2 to the financial statement, the Company has incurred a significant loss and has a working capital deficiency for the year ended December 31, 2000. The assumption of the Company's going concern is dependent upon the continued financial support from the Company's shareholders.

Note 30 to the financial statement also includes a summary of the effects that adverse economic conditions have had on the Company, as well as measures the Company has implemented or plans to implement in response to these conditions. The accompanying financial statements include the effects of the economic conditions to the extent these can be determined and estimated.

March 16, 2001

Drs. Alwi Syahri
Public Accountant License No. 98.1.01.42
Firm License No. KEP-966/KM.17/1998

The accompanying financial statements are not intended to present the financial position, results of operations, changes in equity 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.

PT Surya Toto Indonesia Tbk
Balance Sheets
December 31, 2000 and 1999
(Expressed in Rupiah)

	Notes	2000	1999
Assets			
Current assets			
Cash and cash equivalents	4	3,626,590,691	3,950,314,335
Accounts receivable, net of provision for doubtful accounts of RpNIL (1999 – RpNIL)	5	45,025,784,143	52,705,183,013
Inventories, net of provision for stock obsolescence of Rp1,147,367,056 (1999: Rp890,802,509)	6	92,081,846,793	67,708,150,538
Other current assets	7	2,923,415,510	7,155,368,782
Total current assets		143,657,637,137	131,519,016,668
Non-current assets			
Fixed assets, net of accumulated depreciation of Rp98,267,681,382 (1999 – Rp84,141,353,520)	9	248,531,672,724	251,196,089,272
Other assets	10	1,410,498,472	1,581,704,914
Total non-current assets		249,942,171,196	252,777,794,186
Total assets		393,599,808,333	384,296,810,854
Liabilities and Shareholders' Equity			
Liabilities			
Current liabilities			
Short-term borrowings	11	50,291,987,250	41,193,394,750
Trade accounts payable	12	75,965,683,870	43,255,317,644
Provision for taxes	13	4,193,369,924	2,361,586,695
Current portion of long-term borrowings	16	65,208,144,300	52,718,900,600
Current portion of lease payable	17	487,292,053	85,947,630
Accruals and other current liabilities	15	24,516,225,592	11,953,357,095
Total current liabilities		220,662,702,989	151,568,504,414
Long-term liabilities			
Long-term borrowings	16	173,446,971,030	180,647,522,430
Deferred foreign exchange losses	3b	(49,158,177,380)	(57,694,107,610)
		124,288,793,650	122,953,414,820
Lease payable	17	841,388,221	-
Deferred tax liabilities	14	15,522,791,501	12,468,259,575
Total long-term liabilities		140,652,973,372	135,421,674,395

Total liabilities	361,315,676,361	286,990,178,809
--------------------------	------------------------	------------------------

The accompanying notes form an integral part of these financial statements

PT Surya Toto Indonesia Tbk

Balance Sheets

December 31, 2000 and 1999

(Expressed in Rupiah)

	<u>Notes</u>	<u>2000</u>	<u>1999</u>
Shareholders' equity			
Share capital: par value of Rp1,000 each;			
authorized capital: 150,000,000 shares;			
issued and paid up capital :			
49,536,000 shares	18	49,536,000,000	49,536,000,000
Share capital paid in excess of par value	19	426,000,000	426,000,000
Statutory reserve	20	9,907,200,000	9,907,200,000
(Accumulated losses)/retained earnings		(27,585,068,028)	37,437,432,045
Total shareholders' equity		32,284,131,972	97,306,632,045
Total liabilities and shareholders' equity		393,599,808,333	384,296,810,854

The accompanying notes form an integral part of these financial statements

PT Surya Toto Indonesia Tbk
 Statements of Profit and Loss
 Years ended December 31, 2000 and 1999
 (Expressed in Rupiah)

	Notes	2000	1999
Net sales	22	330,989,917,737	212,048,172,263
Cost of sales	23	217,990,423,357	146,012,774,209
Gross profit		112,999,494,380	66,035,398,054
Operating expenses:			
Sales and marketing	24	23,266,923,301	17,617,370,405
General and administration	25	21,411,771,218	14,308,689,730
Total operating expenses		44,678,694,519	31,926,060,135
Operating profit		68,320,799,861	34,109,337,919
Other income/(expenses):	26		
Interest income		63,556,072	91,316,628
Interest expense		(18,669,574,266)	(14,479,951,472)
Gain on disposal of fixed assets		657,700,366	99,920,988
Foreign exchange losses - net		(101,002,453,860)	(11,654,490,614)
Others		(1,430,796,320)	(2,590,602,574)
Other expenses - net		(120,381,568,008)	(28,533,807,044)
(Loss)/profit before corporate income tax		(52,060,768,147)	5,575,530,875
Corporate income tax:	14		
Current year		-	-
Deferred tax		(3,054,531,926)	(1,903,489,120)
Net (loss)/profit		(55,115,300,073)	3,672,041,755
Profit/(loss) per share:			
Operating profit		1,379	688
Net (loss)/profit		(1,113)	74

The accompanying notes form an integral part of these financial statements

PT Surya Toto Indonesia Tbk
 Statements of Changes in Equity
 Years ended December 31, 2000 and 1999
 (Expressed in Rupiah)

	Share capital	Share capital paid in excess of par value	Statutory reserve	(Accumulated losses)/ retained earnings	Total shareholders' equity
Balance December 31, 1998	49,536,000,000	426,000,000	9,907,200,000	43,672,590,290	103,541,790,290
Net profit for the year 1999				3,672,041,755	3,672,041,755
Dividend provided for and paid				(9,907,200,000)	(9,907,200,000)
Balance December 31, 1999	49,536,000,000	426,000,000	9,907,200,000	37,437,432,045	97,306,632,045
Net loss for the year 2000				(55,115,300,073)	(55,115,300,073)
Dividend provided for and paid				(9,907,200,000)	(9,907,200,000)
Balance December 31, 2000	49,536,000,000	426,000,000	9,907,200,000	(27,585,068,028)	32,284,131,972

	2000	1999
	<hr/>	<hr/>
Dividend per share	<u>200</u>	<u>200</u>

The accompanying notes form an integral part of these financial statements
PT Surya Toto Indonesia Tbk
 Statements of Cash Flows
 Years ended December 31, 2000 and 1999
 (Expressed in Rupiah)

	2000	1999
Cash flows from operating activities:		
Cash received from/(cash disbursed for):		
Cash received from sales	328,438,587,706	188,777,777,247
Interest received	63,556,072	91,316,628
Refunded income tax	2,709,971,960	4,691,285,011
Cash paid to suppliers	(150,824,849,670)	(79,478,348,336)
Cash paid to employees	(61,510,329,183)	(43,617,673,655)
Operating expenses	(19,480,392,235)	(14,785,171,402)
Income taxes paid	(1,186,171,467)	(833,902,780)
Interest paid	(17,041,611,792)	(16,283,116,805)
Others	1,001,794,995	(1,423,709,990)
Net cash provided by operating activities	82,170,556,386	37,138,455,918
Cash flows from investing activities:		
Proceeds from sale of fixed assets	1,012,751,000	272,400,000
Purchase of fixed assets	(11,905,744,624)	(6,278,701,488)
Proceeds from sale of investment	70,537,418	-
Net cash used in investing activities	(10,822,456,206)	(6,006,301,488)
Cash flows from financing activities:		
Proceeds from long-term borrowings	-	32,394,760,000
Repayment of long-term borrowings	(61,743,192,700)	(59,691,121,877)
Dividend paid	(9,842,683,494)	(9,858,900,558)
Repayment of lease payable	(85,947,630)	(288,201,304)
Net cash used in financing activities	(71,671,823,824)	(37,443,463,739)
Net decrease in cash and cash equivalents	(323,723,644)	(6,311,309,309)
Cash and cash equivalents at beginning of year	3,950,314,335	10,261,623,644
Cash and cash equivalents at end of year	3,626,590,691	3,950,314,335

The accompanying notes form an integral part of these financial statements
PT Surya Toto Indonesia Tbk
Notes to the Financial Statements
December 31, 2000 and 1999
(Expressed in Rupiah)

1. General

PT Surya Toto Indonesia Tbk (the "Company") was established on July 11, 1977, within the framework of the Foreign Capital Investment Law No. 1, 1967 by notarial deed of Kartini Mulyadi, SH No. 88, 1977. The Company's deed of establishment was approved by the Minister of Justice in his Decision Letter No. Y.A. 5/111/13, dated June 8, 1978 and was published in the State Gazette of the Republic of Indonesia No. 93 dated November 21, 1978.

The Company's article of association has been amended several times, the latest amendment being by deed of No. 33 of Public Notary Hendra Karyadi, SH dated June 17, 1997 to comply with the new corporate law No. 1/1995. This amendment was approved by the Minister of Justice in his Decision Letter No. C2-2798 HT.01.04 Th. 98 dated March 30, 1998 and was announced in the State Gazette of the Republic of Indonesia No. 46 dated June 8, 1999.

The Company was formed for the purpose of manufacturing and selling of sanitary and fitting products and its other related activities. The Company started its commercial operations in February 1979. The Company has 3,196 employees as at December 31, 2000 and the head office is located in Jakarta, Indonesia. The Company's factories are located in Serpong and Cikupa, Tangerang.

On September 22, 1990, the Capital Market Supervisory Board approved the Company to be effective in public offering of 2,687,500 shares at total nominal value of Rp2,687,500,000.

Since October 30, 1990, the Company's shares offered to public have been listed at the Jakarta Stock Exchange.

The company's Board of Commissioners and Directors as at December 31, 2000 are as follows:

Board of Commissioners

Masatoshi Shigefuchi - President Commissioner
Soejono Andy - Vice President Commissioner

Board of Directors

Mardjoeki Atmadiredja - President Director
Hirotake Akena - Vice President Director
Benny Suryanto - Director
Takao Kayamori - Director
Akihiro Iizuka - Director
Bambang Sutiyo - Director
Juliawan Sari - Director

2. Going concern

At December 31, 2000, the Company had incurred net loss amounting to Rp55,115,300,073 and had a working capital deficiency of Rp77,005,065,852. The Company's directors believe that the working capital deficiency will not prevent the Company from continuing to operate as a going concern. In addition, they also believe that the Company will be able to meet their financial obligations through generation of funds from operations, the extension of borrowing facilities, and financial support from the Company's shareholders, have confirmed its intention, to financially support the Company to continue as a going concern.

3. Summary of significant accounting policies

Set out below is a summary of the significant accounting policies adopted by the Company in the preparation of the financial statements:

a) Basis of preparation of its financial statements

The financial statements have been prepared on the basis of historical costs in accordance with generally accepted accounting principles as adopted in Indonesia, except for certain fixed assets which includes the capitalization of exchange losses as set out in note 3b.

All figures presented in the notes to the financial statements are expressed in Rupiah.

Effective from January 1, 2000, the Company has changed the method for preparation of cash flows statement from indirect to direct method, and to conform with the presentation of cash flows statement for the year ended December 31, 2000, the presentation of cash flows statement for the year ended December 31, 1999 based on indirect method has been adjusted to direct method.

Effective January 1, 2000, the Company adopted Indonesian Statement of Accounting Standard ("PSAK") No. 48 "Impairment of Assets" on a prospective basis. If an asset will potentially decrease in value, PSAK No. 48 requires the Company to determine the estimated recoverable amount of the asset. If the estimated recoverable amount is less than its carrying value, PSAK No. 48 requires the enterprise to recognize an impairment loss.

b) Foreign currency transactions and balances

The Company maintains its accounting records in Rupiah. Transactions in currencies other than Rupiah are recorded at the prevailing rates of exchange in effect on the date of the transaction.

At the balance sheet date, all foreign currency monetary assets and liabilities have been translated at the middle exchange rates at that date.

The exchange rates for the major foreign currencies used as at December 31, 2000 are Rp9,595/1USD and Rp83.57/1JPY (1999: Rp7,100/1USD and Rp69.47/1JPY) which are the middle exchange rates issued by Bank Indonesia.

The net foreign exchange gains or losses arising from the translation are recognized in the current year's Statement of Profit and Loss, except for (i) exchange differences resulting from a severe depreciation of Rupiah currency against which there was no practical means of hedging and that affected the liabilities which arise directly from the acquisition of assets settled in a foreign currency were capitalized as part of the carrying amount of the related assets; and (ii) as allowed by Capital Market Supervisory Board (Bapepam) regulations, the Company has accounted for the foreign exchange losses since December 31, 1997 until May 15, 2000 arising from the translation of long-term liabilities denominated in foreign currency as a deferred foreign exchange loss, and presented as deduction of long-term liabilities in the balance sheet. The deferred losses are amortized and charged to income in the year for which the related liabilities are accounted for as current portion, except for the foreign exchange loss relating to liabilities to be paid in 2004 will be charged to income for the year ending December 31, 2002 as it will be no longer allowed to be deferred under Bapepam regulation.

3. Summary of significant accounting policies (continued)

c) Revenue recognition

Revenue from the sale of goods is recognized when all the significant risks and rewards of ownership of the goods have been passed to the buyer.

d) Cash and cash equivalents

For the purposes of the cash flows statements, cash and cash equivalents consist of cash on hand and at banks, and short-term deposits with maturity of not more than three months.

e) Provision for doubtful accounts

Provision for doubtful accounts are provided based on the review of the status and condition of the individual accounts receivable at the balance sheet date.

f) Inventories

Inventories are carried at the lower of cost and net realizable value. Cost is determined based on the average method and includes expenditure incurred in acquiring and producing the inventories and bringing them to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Allowance for stock obsolescence is determined on the basis of estimated future usage or sale of individual inventory items.

g) Fixed assets

Fixed assets except for land are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method based on the estimated useful lives. Fixed assets are first depreciated in the year of acquisition.

The estimated useful lives of the different asset classes are as follows:

	<u>Years</u>
Building and structure	10 - 30
Machinery	20
Factory Tools	5
Equipment	5
Motor vehicle	5

Assets purchased at purchase price below Rp2,000,000 per unit or set are charged as expenses. The cost of repairs and maintenance is charged to income as incurred; significant renewals and betterment are capitalized. When assets are retired or otherwise disposed of, their carrying values and the related accumulated depreciation are removed from the

accounts and any resulting gain or loss is reflected in the statement of profit and loss for the period.

3. Summary of significant accounting policies (continued)

g) Fixed assets (continued)

Construction in progress represents the accumulated cost of materials, equipment and other costs including borrowing cost relating directly to the construction of the Company's fixed assets. These costs are transferred to the relevant asset account when the work is completed and the asset is substantially ready for use.

h) Corporate income tax

Effective from January 1, 1999, the Company has adopted the Indonesian Statement of Accounting Standard ("PSAK") No. 46 "Accounting for Income Tax".

Deferred corporate tax is provided using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses to the extent that it is probable that taxable income will be available against which the deductible temporary differences and tax losses can be utilized.

i) Leases

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

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

Lease transactions that do not meet all of the criteria above are accounted for under the operating lease method.

On sale and leaseback transactions, the difference between the sales price and book value of the asset sold is initially deferred and amortized in proportion to the period of the leases.

j) Related parties

Related parties are defined as follows:

- (i) enterprises that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the Company. (This includes holding companies, subsidiaries and fellow subsidiaries.);
- (ii) associated enterprises;
- (iii) individual owning, directly or indirectly, an interest in the voting power of the Company that gives significant influence over the Company, and close members of the family of any such individuals;
- (iv) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors and officers of the companies and close members of the families of such individuals; and

2. Summary of significant accounting policies (continued)

j) Related parties (continued)

- (i) enterprise in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (iii) or (iv) or over which such a person is able to exercise significant influence; including enterprises owned by directors or major shareholders of the Company and enterprises that have a member of key management in common with the Company.

k) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in Indonesia requires management to make estimations and assumptions that affect amounts reported in therein. Due to inherent uncertainty in making estimates, actual results reported in future periods may be based on amounts which differ from those estimates.

29. Segment information

Segment information is presented based on the classification of type of products and marketing area.

m) Profit/loss per share

Profit/loss per share is calculated based on the weighted average number of shares issued and paid up during the year. Weighted average number of issued and paid up share capital for the years ended December 31, 2000 and 1999 are 49,536,000 shares and 49,536,000 shares, respectively.

29. Deferred charges

Development costs of new products and systems are capitalized and amortized over their estimated useful life using the straight-line method.

o) Reclassification

Certain 1999 account balances have been reclassified to conform with the 2000 financial statements presentation.

4. Cash and cash equivalents

	<u>2000</u>	<u>1999</u>
Cash on hand	125,403,700	164,633,650
Cash at banks:		
US dollar accounts	2,915,721,595	1,111,903,665
JPY accounts	447,864,333	1,080,948,476
Rupiah accounts	137,601,063	1,592,828,544

3,501,186,991	3,785,680,685
<u>3,626,590,691</u>	<u>3,950,314,335</u>

PT Surya Toto Indonesia Tbk
Notes to the Financial Statements
December 31, 2000 and 1999
(Expressed in Rupiah)

5. Accounts receivable

	2000	1999
Third parties	2,521,913,526	2,503,057,265
Related parties (note 8d)	40,959,306,342	49,288,939,023
	<u>43,481,219,868</u>	<u>51,791,996,288</u>
Less: Provision for doubtful accounts	-	-
Trade - net	<u>43,481,219,868</u>	<u>51,791,996,288</u>
Employee receivables	146,779,100	137,142,125
Other receivables	1,397,785,175	776,044,600
	<u>45,025,784,143</u>	<u>52,705,183,013</u>

Management believes that all receivables are collectible and consequently, no provision for doubtful accounts is considered necessary.

Trade receivables from export sales are pledged as the security for the Company's short-term borrowing (note 11).

6. Inventories

	2000	1999
Finished goods	20,690,705,338	23,007,430,516
Work in process	9,370,966,605	6,029,233,380
Raw materials	20,415,673,082	14,207,391,700
Fitting-parts	26,583,041,075	15,403,149,834
Stores and supplies	16,168,827,749	9,951,747,617
	<u>93,229,213,849</u>	<u>68,598,953,047</u>
Less : Provision for stock obsolescence	(1,147,367,056)	(890,802,509)
	<u>92,081,846,793</u>	<u>67,708,150,538</u>

Inventories are pledged as the security for the Company's short-term and long-term borrowings (note 11 and 16).

The Company's inventories are covered by insurance from any possible loss from fire and other risks and the management believes that the insurance coverage is sufficient to cover those possible losses.

PT Surya Toto Indonesia Tbk
Notes to the Financial Statements
December 31, 2000 and 1999
(Expressed in Rupiah)

7. Other current assets

	2000	1999
Prepaid taxes	1,186,171,467	3,809,581,427
Import deposit	331,397,427	285,157,809
Prepaid building expense	170,762,572	252,612,103
Prepaid interest	486,052,367	327,966,318
Advance payments	735,072,918	204,270,663
Others	13,958,759	2,275,780,462
	2,923,415,510	7,155,368,782

8. Related party transactions

The Company has transactions with related parties as defined in note 3j and consist of:

a) Technical assistance agreement with Toto Limited, Japan

Under the terms of this technical assistance agreement, the Company is required to pay a fee at a rate of 2.5% of net sales of certain products for the use of a non-transferable license to Toto Limited. Fee charged to operations during 2000 and 1999 amounted to Rp4,183,072,928 and Rp2,541,719,228, respectively. Withholding tax in relation to overseas services carried out in Indonesia has been paid.

In 2000, the Company is also required to pay an expansion project fee for 1998 of Rp3,342,800,000 in relation to drawing of factory layout, construction, production equipment, utilities equipment and specification of machineries (note 15).

b) Sales and purchase agreements with Toto Limited, Japan

Under the terms of these sales and purchase agreements, the Company is required to pay a commission at various rates for export sales to and import purchases from outside Japan of certain products and raw materials. Commission expense charged during 2000 and 1999 amounted to Rp1,370,269,139 and Rp1,254,931,684, respectively.

c) Service agreements with Toto Limited, Japan

Under the terms of this service agreement, the Company is required to pay a fee of JPY23,000 per day for the expert provided by Toto Limited. Withholding tax in relation with these services has been withheld and paid. The fee charged to operations during 2000 and 1999 amounted to Rp nil and Rp71,853,300, respectively.

Commission and technical assistance fees payable to Toto Limited, Japan are presented as "Trade accounts payable - related parties" (see note 12) and the balance consist of:

	2000	1999
Commission	2,284,424,140	2,615,925,222
Technical assistance fee	7,159,862,012	3,395,425,190

PT Surya Toto Indonesia Tbk
Notes to the Financial Statements
December 31, 2000 and 1999
(Expressed in Rupiah)

9,444,286,152

6,011,350,412

8. Related party transactions (continued)

d) Sales and accounts receivable

86% of the Company's sales represent sales to Toto Group and PT Surya Pertiwi, a company owned by the Director and Commissioner of the Company.

Receivables arising from these sales are presented in "Accounts receivable - related parties" and the balance consist of

	<u>2000</u>	<u>1999</u>
PT Surya Pertiwi	29,830,420,783	37,812,506,988
Toto Group	11,128,885,559	11,476,432,035
	<u>40,959,306,342</u>	<u>49,288,939,023</u>

As of December 31, 2000, balance of accounts receivable-related parties has been deducted by cash received from PT Surya Pertiwi amounting to Rp17,500,000,000 which in accordance with the term of payment should have not been received by the Company. The cash receipt was used to support the Company's working capital.

e) Import purchase from Toto Group

In 2000 and 1999, the Company purchased material from Toto Group amounting to Rp17,223,943,660 and Rp5,981,937,527, respectively. The outstanding balance of accounts payable at December 31, 2000 and 1999 arising from these transactions amounting to Rp703,165,283 and Rp931,664,751 respectively, are presented as "Trade accounts payable - related parties" (note 12).

The Company also purchased sanitary mold from Toto Limited amounting to Rp2,513,306,728 and Rp1,466,354,837 for the years ended December 31, 2000 and 1999, respectively. The outstanding balance of payable at December 31, 2000 and 1999 arising from this transaction amounting to Rp3,979,661,565 and Rp1,466,354,837, respectively, are presented as "Other current liabilities – related parties" (note 15).

f) Guarantee fee and interest on postponed payment

Under the terms of this agreement, the Company is required to pay a guarantee fee to Toto Limited at a rate of 0.5% per annum related to outstanding borrowings of USD4,000,000 which guaranteed by Toto Limited and interest at a rate of 2.5% per annum on the amount of the postponed payment for royalty and other liabilities. Fees charged to income during 2000 and 1999 amounted to Rp432,786,401 and Rp187,110,199, respectively.

g) Rental of metal molds

Under the terms of this agreement, the Company shall pay a rental fee to Toto Limited amount of USD3 per a product manufactured by using metal molds. However, the Company

need not pay the rental fee for a product that is sold to Toto Limited. Fee charged to income during 2000 and 1999 amounted to Rp443,461,710 and Rp nil, respectively (note 15).

PT Surya Toto Indonesia Tbk
Notes to the Financial Statements
December 31, 2000 and 1999
(Expressed in Rupiah)

8. Related party transactions (continued)

h) Reimbursable of operating expenses

In 2000, the Company is required to pay reimbursable of operating expenses paid in advance by Toto Limited of Rp496,861,841 (note 15).

9. Fixed assets

	<u>Opening Balance</u>	<u>Additions</u>	<u>Disposal</u>	<u>Transfers</u>	<u>Closing Balance</u>
2000 Movements					
Cost:					
Land	11,232,204,038	-	-		11,232,204,038
Building and structure	121,189,390,648	216,200,000	-	1,382,078,812	122,787,669,460
Machinery	157,440,929,645	16,249,920	(4,654,886,348)	4,466,691,316	157,268,984,533
Factory Tools	21,423,912,623	691,203,706	-	1,460,229,980	23,575,346,309
Equipment	18,225,095,444	403,643,806	-	3,595,213,506	22,223,952,756
Motor vehicle	3,806,823,055	652,501,544	(584,391,236)	16,040,000	3,890,973,363
Leased assets	267,400,000	-	-	2,315,392,500	2,582,792,500
	<u>333,585,755,453</u>	<u>1,979,798,976</u>	<u>(5,239,277,584)</u>	<u>13,235,646,114</u>	<u>343,561,922,959</u>
Construction in progress	1,751,687,339	14,830,139,922	(108,750,000)	(13,235,646,114)	3,237,431,147
	<u>335,337,442,792</u>	<u>16,809,938,898</u>	<u>(5,348,027,584)</u>	<u>-</u>	<u>346,799,354,106</u>
Accumulated depreciation:					
Building and structure	20,338,502,518	4,618,089,291	-	-	24,956,591,809
Machinery	36,932,541,822	7,903,826,138	(4,460,359,452)	-	40,376,008,508
Factory Tools	13,870,322,133	2,760,232,866	-	-	16,630,554,999
Equipment	10,531,012,346	2,892,770,276	-	-	13,423,782,622
Motor vehicle	2,326,361,368	903,122,743	(532,617,498)	145,765,377	2,842,631,990
Leased assets	142,613,333	41,263,498	-	(145,765,377)	38,111,454
	<u>84,141,353,520</u>	<u>19,119,304,81</u>	<u>(4,992,976,950)</u>	<u>-</u>	<u>98,267,681,382</u>
		<u>2</u>			
Net book value	<u>251,196,089,272</u>				<u>248,531,672,724</u>

PT Surya Toto Indonesia Tbk
Notes to the Financial Statements
December 31, 2000 and 1999
(Expressed in Rupiah)

9. Fixed assets (continued)

	<u>Opening Balance</u>	<u>Additions</u>	<u>Disposal</u>	<u>Transfers</u>	<u>Closing Balance</u>
1999 Movements					
Cost:					
Land	11,232,204,038	-	-	-	11,232,204,038
Building and structure	121,096,703,629	56,453,731	(62,000,000)	98,233,288	121,189,390,648
Machinery	156,881,986,826	24,402,800	-	534,540,019	157,440,929,645
Factory Tools	19,299,660,909	465,401,923	-	1,658,849,791	21,423,912,623
Equipment	16,195,970,422	157,521,780	-	1,871,603,242	18,225,095,444
Motor vehicle	3,689,028,055	339,750,000	(221,955,000)	-	3,806,823,055
Leased assets	267,400,000	-	-	-	267,400,000
	<u>328,662,953,879</u>	<u>1,043,530,234</u>	<u>(283,955,000)</u>	<u>4,163,226,340</u>	<u>333,585,755,453</u>
Construction in progress	679,742,425	5,235,171,254	-	(4,163,226,340)	1,751,687,339
	<u>329,342,696,304</u>	<u>6,278,701,488</u>	<u>(283,955,000)</u>	<u>-</u>	<u>335,337,442,792</u>
Accumulated depreciation :					
Building and structure	15,809,515,667	4,535,186,843	(6,199,992)	-	20,338,502,518
Machinery	28,934,091,218	7,998,450,604	-	-	36,932,541,822
Factory Tools	10,839,306,966	3,031,015,167	-	-	13,870,322,133
Equipment	7,987,844,572	2,543,167,774	-	-	10,531,012,346
Motor vehicle	1,742,885,605	688,751,759	(105,275,996)	-	2,326,361,368
Leased assets	89,133,333	53,480,000	-	-	142,613,333
	<u>65,402,777,361</u>	<u>18,850,052,147</u>	<u>(111,475,988)</u>	<u>-</u>	<u>84,141,353,520</u>
Net book value	<u>263,939,918,943</u>				<u>251,196,089,272</u>

Foreign exchange losses arose from translation of foreign currency borrowings used to settle the acquisition of fixed assets and were capitalized to the carrying amount of related assets in 1997 amounting to Rp75,557,580,141.

Charges over fixed assets

Fixed assets are pledged as security for the Company's short-term and long-term borrowings (note 11 and 16).

Depreciation expense

Depreciation expense charged to manufacturing cost and operating expenses was Rp17,488,509,749 and Rp1,630,795,063 (1999: Rp16,915,436,610 and Rp1,934,615,537), respectively.

The Company's fixed assets are covered by insurance from any possible loss from fire and other risks and the management believes the insurance coverage is sufficient to cover those possible losses.

PT Surya Toto Indonesia Tbk
Notes to the Financial Statements
December 31, 2000 and 1999
(Expressed in Rupiah)

10. Other assets

	<u>2000</u>	<u>1999</u>
Long term investments	646,500,000	717,037,418
Guarantee deposits	90,757,400	90,757,400
Employee receivables	13,484,300	116,559,400
Deferred charges	659,756,772	657,350,696
	<u>1,410,498,472</u>	<u>1,581,704,914</u>

11. Short-term borrowings

The details of this account are as follows:

	<u>2000</u>		<u>1999</u>	
	<u>Original Currency</u>	<u>Rp</u>	<u>Original Currency</u>	<u>Rp</u>
The Daiwa Bank Ltd., Tokyo	JPY389,500,000	32,550,515,000	JPY389,500,000	27,058,565,000
PT Bank Daiwa Perdania, Jakarta	USD700,000	6,716,500,000	USD700,000	4,970,000,000
The Bank of Tokyo - Mitsubishi Ltd., Singapore	JPY131,925,000	11,024,972,250	JPY131,925,000	9,164,829,750
Total short-term borrowings		<u>50,291,987,250</u>		<u>41,193,394,750</u>

The Daiwa Bank Ltd., Tokyo

The borrowings from the Daiwa Bank Ltd., Tokyo represents roll over borrowing facilities amounting to JPY200,900,000 and JPY188,600,000. The borrowing is secured by first mortgage over the Company's land, building and machines. These borrowings bear interest at a rate of 0.5% above SIBOR per annum and are repayable on May 17, 2001.

PT Bank Daiwa Perdania, Jakarta

The borrowing from PT Daiwa Perdania, Jakarta represents a roll over export credit facility amounting to USD700,000. This borrowing bears interest at a rate of 0.5% above SIBOR per annum, is repayable on June 24, 2001 and is secured by the Company's inventories and receivables from export sales.

The Bank of Tokyo - Mitsubishi Ltd., Singapore

The borrowing from The Bank of Tokyo – Mitsubishi Ltd., Singapore represents a roll over borrowing facility amounting to JPY131,925,000. This borrowing bears interest at a rate of 0.5% above SIBOR per annum, is repayable on March 31, 2001 and is secured by Company's showroom.

PT Surya Toto Indonesia Tbk
Notes to the Financial Statements
December 31, 2000 and 1999
(Expressed in Rupiah)

12. Trade accounts payable

	<u>2000</u>	<u>1999</u>
Third parties:		
Trade	19,722,981,331	11,207,128,474
Commission	2,484,461,271	1,645,157,472
Usance Letter of Credit	43,610,789,833	23,460,016,535
Related parties:		
Trade (note 8e)	703,165,283	931,664,751
Commission (note 8c)	2,284,424,140	2,615,925,222
Technical assistance fee (note 8c)	7,159,862,012	3,395,425,190
	<u>75,965,683,870</u>	<u>43,255,317,644</u>

13. Provision for taxes

	<u>2000</u>	<u>1999</u>
Employee income tax	3,005,391,277	1,239,431,646
Withholding income tax	1,125,195,936	727,222,082
Value added tax	62,782,711	394,932,967
	<u>4,193,369,924</u>	<u>2,361,586,695</u>

14. Taxation

Reconciliation of (loss)/profit before tax and the estimated corporate income tax for the years ended December 31, 2000 and 1999 are as follows:

	<u>2000</u>	<u>1999</u>
(Loss)/profit before corporate income tax	(52,060,768,147)	5,575,530,875
Add permanent differences:		
Non-allowable expenses	1,218,800,382	769,432,858

	(50,841,967,765)	6,344,963,733
Add/(deduct) temporary differences:		
Depreciation of fixed assets for tax purpose in excess of accounting depreciation	(5,666,092,232)	(8,958,231,623)
Deferred foreign exchange loss	8,535,930,230	39,574,915,313
Provision for obsolete stock	256,564,547	422,939,139
	<hr/>	<hr/>
Taxable income/(loss)	(47,715,565,220)	37,384,586,562

PT Surya Toto Indonesia Tbk
Notes to the Financial Statements
December 31, 2000 and 1999
(Expressed in Rupiah)

14. Taxation (continued)

Taxable income/(loss)	(47,715,565,220)	37,384,586,562
Carried forward tax losses available	(92,196,612,370)	(129,581,198,932)
Fiscal correction year 1999	4,772,245,403	-
	<hr/>	<hr/>
Tax losses carried forward	(135,139,932,187)	(92,196,612,370)
Income tax thereon-current	-	-
Movement of deferred tax during the year (tax effect of temporary differences at maximum tax rate of 30%):		
Benefit/(utilization) of tax losses	14,314,669,566	(11,215,375,969)
Fiscal correction year 1999	(1,431,673,621)	-
Depreciation of fixed assets	(1,699,827,669)	(2,687,469,487)
Deferred foreign exchange losses	2,560,779,069	11,872,474,594
Provision for obsolete stock	76,969,364	126,881,742
Valuation allowance for deferred tax assets	(16,875,448,635)	-
	<hr/>	<hr/>
Total movement of deferred tax	(3,054,531,926)	(1,903,489,120)
	<hr/>	<hr/>
Total income tax expense	(3,054,531,926)	(1,903,489,120)

Calculation of overpayment of income tax:

	2000	1999
	<hr/>	<hr/>
Payment of income tax art 22 during the year	1,186,171,467	833,902,780
Less: Income tax payable – current	-	-
	<hr/>	<hr/>
Overpayment of income tax	1,186,171,467	833,902,780

The Company's corporate income taxes for the year ended December 31, 1999 have been audited by the tax authority and the Company received tax assessments dated August 15, 2000 indicating that Company's taxable profit was Rp42,156,831,965. This assessment differs with the Company's income tax shown in the Company's tax return of Rp37,384,586,562 and the difference of Rp4,772,245,403 has been adjusted in the calculation of the Company's accumulated tax loss as of December 31, 2000.

PT Surya Toto Indonesia Tbk
Notes to the Financial Statements
December 31, 2000 and 1999
(Expressed in Rupiah)

14. Taxation (continued)

Tax effect of significant temporary differences between accounting and tax bases at December 31, 2000 and 1999 are as follows:

	<u>2000</u>	<u>1999</u>
Deferred tax assets:		
Carried forward tax losses	40,541,979,656	27,658,983,711
Provisions for obsolete stock	344,210,117	267,240,753
Valuation allowance for tax loss benefit	(16,875,448,635)	-
Total deferred tax assets	<u>24,010,741,138</u>	<u>27,926,224,464</u>
Deferred tax liabilities:		
Depreciation of fixed assets	24,786,079,425	23,086,251,756
Deferred foreign exchange losses	14,747,453,214	17,308,232,283
Total deferred tax liabilities	<u>39,533,532,639</u>	<u>40,394,484,039</u>
Deferred tax liabilities – net	<u>15,522,791,501</u>	<u>12,468,259,575</u>

15. Accruals and other current liabilities

	<u>2000</u>	<u>1999</u>
Accruals:		
Salaries and wages	8,248,650,159	5,368,071,316
Interest	4,721,129,812	3,333,528,029
Electricity and LNG	1,489,702,110	1,165,180,815
Professional fees	144,000,000	67,680,000
Others	1,649,958,395	552,542,098
	<u>16,253,440,476</u>	<u>10,487,002,258</u>

Other current liabilities – related parties:		
Expansion project charges (note 8a)	3,342,800,000	-
Sanitary mold purchase (note 8e)	3,979,661,565	1,466,354,837
Rental of metal molds (note 8g)	443,461,710	-
Reimbursable of operating expenses (note 8h)	496,861,841	
	<u>8,262,785,116</u>	<u>1,466,354,837</u>
	<u>24,516,225,592</u>	<u>11,953,357,095</u>

PT Surya Toto Indonesia Tbk
Notes to the Financial Statements
December 31, 2000 and 1999
(Expressed in Rupiah)

16. Long-term borrowings

	2000		1999	
	Original Currency	Rp	Original Currency	Rp
The Bank of Tokyo - Mitsubishi, Jakarta	USD13,800,000	132,411,000,000	USD17,400,000	123,540,000,000
The Daiwa Bank Ltd., Tokyo	JPY512,779,000 USD1,160,000	53,983,141,030	JPY683,779,000 USD1,160,000	55,738,127,130
Sumitomo Niaga Tokyo, Jakarta	USD2,770,000	26,578,150,000	USD3,870,000	27,477,000,000
PT Dai-Ichi Kangyo Bank, Jakarta	JPY17,990,000 USD2,520,000	25,682,824,300	JPY53,970,000 USD3,220,000	26,611,295,900
		<u>238,655,115,330</u>		<u>233,366,423,030</u>
Less current portion of long- term borrowings:				
The Bank of Tokyo - Mitsubishi, Jakarta	USD3,600,000	34,542,000,000	USD3,600,000	25,560,000,000
The Daiwa Bank Ltd., Tokyo	JPY171,000,000	14,290,470,000	JPY171,000,000	11,879,370,000
Sumitomo Niaga Tokyo, Jakarta	USD850,000	8,155,750,000	USD1,100,000	7,810,000,000
PT Dai-Ichi Kangyo Bank, Jakarta	JPY17,990,000 USD700,000	8,219,924,300	JPY35,980,000 USD700,000	7,469,530,600
Total current portion of long-term borrowings		<u>65,208,144,300</u>		<u>52,718,900,600</u>
Total long-term borrowings		<u>173,446,971,030</u>		<u>180,647,522,430</u>

The Bank of Tokyo – Mitsubishi, Jakarta

The borrowings represent long-term borrowings of USD11,800,000 and USD2,000,000 (1999: USD15,400,000 and USD2,000,000). The borrowing of USD11,800,000 (1999: USD15,400,000)

bears interest at a rate of 0.5% above SIBOR per annum. This borrowing is repayable in eleven half-yearly installments from 1999 to 2004. This borrowing is secured by fiduciary transfer over the Company's land, building, machines and inventories based on the Security Sharing agreement between the Company and syndicated banks. The borrowing of USD2,000,000 (1999: USD2,000,000) is a working capital borrowing and bears interest at a rate of 1.25% above SIBOR per annum. This borrowing is repayable on January 26, 2004 and is secured by corporate guarantee from Toto Limited, Japan.

The Daiwa Bank Ltd., Tokyo

The borrowings represent long-term borrowings of JPY512,779,000 and USD1,160,000 (1999: JPY683,779,000 and USD1,160,000). The terms of the borrowings are set out below:

The borrowing of JPY512,779,000 (1999: JPY683,779,000) is repayable in five yearly installments from October 17, 1999 to October 17, 2003 and is secured by the Company's machines at Serpong factory. The borrowing bears interest at a rate of 0.5% above SIBOR per annum.

PT Surya Toto Indonesia Tbk

Notes to the Financial Statements

December 31, 2000 and 1999

(Expressed in Rupiah)

16. Long-term borrowings (continued)

The Daiwa Bank Ltd., Tokyo (continued)

The borrowing of USD1,160,000 (1999: USD1,160,000) is a working capital borrowing and bears interest at a rate of 1.25% above SIBOR per annum. This borrowing is repayable on July 26, 2004 and is secured by corporate guarantee from Toto Limited, Japan.

Sumitomo Niaga Tokyo, Jakarta

The borrowing represents balance of long term borrowings of USD2,770,000 (1999: USD3,870,000). The terms of borrowings are as follows:

The borrowing of USD250,000 (1999: USD750,000) is repayable in ten half-yearly installments from 1997 to 2001 and is secured by fiduciary transfer over the Company's land, building, machines and inventories based on the Security Sharing agreement between the Company and syndicated banks. The borrowing bears interest at a rate of 0.5% above SIBOR per annum.

The borrowing of USD2,100,000 (1999: USD2,700,000) is repayable in ten half-yearly installments from 1999 to 2003 and is secured by fiduciary transfer over the Company's land, building, machines and inventories based on the Security Sharing agreement between the Company and syndicated banks. The borrowing bears interest at a rate of 0.5% above SIBOR per annum.

The borrowings of USD170,000 and USD250,000 (1999: USD170,000 and USD250,000) are working capital borrowings and are repayable on December 10, 2004 and June 29, 2004, respectively. These borrowings bear interest at a rate of 1.25% above SIBOR per annum and are secured by corporate guarantee from Toto Limited, Japan.

PT Dai-Ichi Kangyo Bank, Jakarta

The borrowings represent balance of long term borrowings of JPY17,990,000 and USD2,520,000 (1999: JPY53,970,000 and USD3,220,000).

The borrowing of JPY17,990,000 (1999: JPY53,970,000) is repayable in ten half-yearly installments from 1997 up to 2001 and is secured by fiduciary transfer over the Company's land, building, machines and inventories based on the Security Sharing Agreement between the Company and syndicated banks. The borrowing bears interest at a rate of 0.5% above SIBOR per annum.

The borrowings of USD2,520,000 (1999: USD3,220,000) consist of the borrowing of USD2,100,000 and USD420,000 (1999: USD2,800,000 and USD420,000).

The borrowing of USD2,100,000 (1999: USD2,800,000) is repayable in ten half-yearly installments from June 1999 up to December 2003 and is secured by fiduciary transfer over the Company's land, building, machines and inventories based on the Security Sharing agreement between the Company and syndicated banks. The borrowing bears interest at a rate of 0.5% above SIBOR per annum.

The borrowing of USD420,000 (1999: USD420,000) is a working capital borrowing and bears interest at a rate of 1.25% above SIBOR per annum. This borrowing is repayable on June 9, 2004 and is secured by corporate guarantee from Toto Limited, Japan.

PT Surya Toto Indonesia Tbk
Notes to the Financial Statements
December 31, 2000 and 1999
(Expressed in Rupiah)

17. Lease payable

The Company leases cars under various non-cancelable leases for a period of 36 months and subject to interest at a rate between 20% - 23% per annum, over the period of the leases, between 2000 to 2003. The net present value of future minimum lease payments under the leases is Rp1,328,680,274 (1999: Rp85,947,630). In 1999, the interest rate of the lease was 8.0625% as the Company's lease obligation was in US dollar.

The net present value of future minimum lease payments under the leases is as follows:

	2000	1999
Future minimum lease payments	1,702,384,900	87,415,200
Less: interest	373,704,626	1,467,570
Outstanding lease payable	1,328,680,274	85,947,630
Maturity within one year	487,292,053	85,947,630
Maturity within one to two years	841,388,221	-
	<u>1,328,680,274</u>	<u>85,947,630</u>

18. Share capital

The composition of the Company's shareholders, shares, issued and paid up capital are as follows:

Shareholders	Number of Shares		Percentage of Ownership	Issued and paid up capital Rupiah	
	2000	1999	1999	2000	1999

Toto Limited	19,207,734	19,207,734	38.8	38.8	19,207,734,000	19,207,734,000
PT Suryaparamitra						
Abadi	12,433,536	12,433,536	25.1	25.1	12,433,536,000	12,433,536,000
PT Multifortuna						
Asindo	12,433,536	12,433,536	25.1	25.1	12,433,536,000	12,433,536,000
PT Intimitra	809,348	809,348	1.6	1.6	809,348,000	809,348,000
Sejahtera						
Public	4,651,846	4,651,846	9.4	9.4	4,651,846,000	4,651,846,000
Total	<u>49,536,000</u>	<u>49,536,000</u>	<u>100.0</u>	<u>100.0</u>	<u>49,536,000,000</u>	<u>49,536,000,000</u>

The Company's issued and paid up capital is 49,536,000 shares and these shares are listed at the Jakarta Stock Exchange.

19. Share capital paid in excess of par value

This represents the balance of the difference between the offered price and par value of shares issued less amounts capitalized to share capital and the detail is as follows:

Total excess payment of shares over its par value	Rp 28,462,000,000
Less: Amount capitalized to share capital	Rp 28,036,000,000
	<u>Rp 426,000,000</u>

PT Surya Toto Indonesia Tbk

Notes to the Financial Statements

December 31, 2000 and 1999

(Expressed in Rupiah)

20. Statutory reserve

Under Indonesian new corporate law No. 1/1995, the Company is obligated to annually allocate a certain amount from net income, to a statutory reserve fund until such statutory reserve fund reach at least 20% of issued capital. At December 31, 2000 and 1999, the Company has appropriated Rp9,907,200,000 of retained earnings to the statutory reserve. The statutory reserve shall be used to cover future losses not otherwise absorbed by retained earnings.

21. Dividends

In accordance to the minutes of the shareholders' meeting dated May 1, 2000, the Company has been authorized to pay a cash dividend of Rp9,907,200,000 deducted from the Company's retained earnings as of December 31, 1999.

29. Net sales

Net sales are comprised of:

	<u>2000</u>	<u>1999</u>
Sanitary:		
Third parties	25,267,590,681	14,906,063,149
Related parties:		
PT Surya Pertiwi	60,270,984,694	32,350,484,145
Toto Group	101,974,245,711	77,414,795,417

	187,512,821,086	124,671,342,711
Fitting:		
Third parties	20,918,735,219	13,435,688,575
Related parties:		
PT Surya Pertiwi	88,872,507,775	48,158,035,853
Toto Group	33,685,853,657	25,783,105,124
	143,477,096,651	87,376,829,552
Total	<u>330,989,917,737</u>	<u>212,048,172,263</u>
Sale transactions in large amounts (more than 10% of total sales):		
Sanitary:		
PT Surya Pertiwi	60,270,984,694	32,350,484,145
Toto USA, Inc.	52,459,429,467	39,365,433,694
Toto Limited, Japan	34,967,698,612	22,831,499,303
	<u>147,698,112,773</u>	<u>94,547,417,142</u>
Fitting:		
PT Surya Pertiwi	88,872,507,725	48,158,035,853
Toto Limited, Japan	15,753,161,428	12,264,205,054
	<u>104,625,669,153</u>	<u>60,422,240,907</u>

PT Surya Toto Indonesia Tbk
Notes to the Financial Statements
December 31, 2000 and 1999
(Expressed in Rupiah)

23. Cost of sales

	<u>2000</u>	<u>1999</u>
Raw materials and parts consumed		
Inventory at beginning of the year	39,562,289,151	43,861,669,912
Purchases during the year	123,527,475,043	58,044,236,992
	<u>163,089,764,194</u>	<u>101,905,906,904</u>
Less: Inventory at end of the year	(63,167,541,906)	(39,562,289,151)
	<u>99,922,222,288</u>	<u>62,343,617,753</u>
Raw materials and parts consumed	44,598,497,450	28,439,183,197
Direct labor		
	<u>144,520,719,738</u>	<u>90,782,800,950</u>
Manufacturing expenses:		
Factory supplies	20,318,273,430	10,754,937,517
Depreciation	17,488,509,749	16,915,436,610
Indirect labor	10,994,851,695	7,884,694,881
Fuel and oil	10,853,402,251	9,340,376,844
Repair and maintenance	9,210,359,025	8,894,364,631
Plaster and plaster mold consumed	5,428,824,863	5,707,233,621
Telephone, water and electricity	3,881,129,807	2,626,165,698
Tools and moulds	2,185,953,849	1,077,262,919
Permits, public duties and insurance	588,908,763	550,056,690

Refractory for kiln	545,884,014	264,818,025
Education and training	374,322,450	569,303,201
Packing	190,635,413	402,392,834
Rental	132,866,580	46,810,300
Traveling, carriage and parking	76,923,306	320,567,713
Literature of technical production	16,507,700	11,281,628
Entertainment	14,876,600	18,142,200
Sales of scrap	(3,712,801,425)	(1,967,937,263)
Miscellaneous	1,354,879,904	831,676,133
	<hr/>	<hr/>
Total manufacturing expenses	79,944,307,974	64,247,584,182
Total production cost	224,465,027,712	155,030,385,132
Add: Work in process inventory at beginning of the year	6,029,233,380	4,182,163,663
	<hr/>	<hr/>
Work in process available to be manufactured	230,494,261,092	159,212,548,795
Less: Work in process inventory at the end of the year	(9,370,966,605)	(6,029,233,380)
	<hr/>	<hr/>
Cost of goods manufactured	221,123,294,487	153,183,315,415

PT Surya Toto Indonesia Tbk
Notes to the Financial Statements
December 31, 2000 and 1999
(Expressed in Rupiah)

23. Cost of sales (continued)

Cost of goods manufactured	221,123,294,487	153,183,315,415
Add: Finished goods inventory at beginning of the year	23,007,430,516	19,195,965,158
Purchases during the year	1,222,033,152	217,372,081
	<hr/>	<hr/>
	245,352,758,155	172,596,652,654
Less: Cost of defective goods and others	(6,671,629,460)	(3,576,447,929)
	<hr/>	<hr/>
Finished goods available to be sold	238,681,128,695	169,020,204,725
Less: Finished goods inventory at end of the year	(20,690,705,338)	(23,007,430,516)
	<hr/>	<hr/>
Cost of sales	217,990,423,357	146,012,774,209

Purchase in large amounts (more than 10% of total purchase):

TOTO Limited	19,737,250,388	7,448,292,364
--------------	----------------	---------------

24. Sales and marketing expenses

	<u>2000</u>	<u>1999</u>
Packing materials	9,870,791,840	5,455,606,122
Export charges	5,904,076,462	6,375,167,000
Royalty	4,183,072,928	2,541,719,228
Advertising, promotion and agents' fee	1,008,579,557	1,462,745,015
Printing matters	859,751,310	792,303,850
Defective finished goods	725,716,920	481,001,760
Overseas traveling	714,934,284	508,827,430
	<u>23,266,923,301</u>	<u>17,617,370,405</u>

25. General and administration expenses

	<u>2000</u>	<u>1999</u>
Salaries	12,940,126,796	7,407,824,166
Office supplies	2,144,735,631	1,164,596,659
Depreciation	1,630,795,063	1,934,615,537
Repairs and maintenance	931,076,214	1,008,192,328
Entertainment	609,156,621	467,184,163
Telephone, water, and electricity	473,467,088	446,872,034
Traveling, carriage, and parking	459,141,149	475,308,335
Education and training	310,679,823	200,150,883
Professional fees	164,557,173	137,822,898
Literature	141,863,967	123,557,617
Rental	10,790,000	29,264,429
Other fees	725,128,359	399,216,473
Miscellaneous	870,253,334	514,084,208
	<u>21,411,771,218</u>	<u>14,308,689,730</u>

PT Surya Toto Indonesia Tbk
Notes to the Financial Statements
December 31, 2000 and 1999
(Expressed in Rupiah)

26. Other income/(expenses)

	<u>2000</u>	<u>1999</u>
Other income:		
Gain on foreign exchange	-	3,216,377,654
Interest income	63,556,072	91,316,628
Disposal of fixed assets	657,700,366	99,920,988
Others	668,995,889	283,425,541
	<u>1,390,252,327</u>	<u>3,691,040,811</u>
Other expenses:		
Loss on foreign exchange	(101,002,453,860)	(14,870,868,268)
Interest expense	(18,669,574,266)	(14,479,951,472)
Tax expense	(1,099,609,467)	(743,953,445)
Obsolete stock	(256,564,547)	(422,939,139)
Others	(743,618,195)	(1,707,135,531)
	<u>(121,771,820,335)</u>	<u>(32,224,847,855)</u>

Total other expenses - net	<u>(120,381,568,008)</u>	<u>(28,533,807,044)</u>
-----------------------------------	---------------------------------	--------------------------------

27. Segment information

	2000	1999
<u>Information based on marketing area</u>		
<u>Net sales:</u>		
Export	181,081,437,866	130,836,792,062
Domestic	149,908,479,871	81,211,380,201
Total	<u>330,989,917,737</u>	<u>212,048,172,263</u>
<u>Information based on type of products</u>		
<u>Net sales:</u>		
Sanitary	187,512,821,086	124,671,342,711
Fitting	143,477,096,651	87,376,829,552
Total	<u>330,989,917,737</u>	<u>212,048,172,263</u>
<u>Cost of sales:</u>		
Sanitary	114,834,103,933	81,864,900,460
Fitting	103,156,319,424	64,147,873,749
Total	<u>217,990,423,357</u>	<u>146,012,774,209</u>
<u>Gross profit:</u>		
Sanitary	72,678,717,153	42,806,442,251
Fitting	40,320,777,227	23,228,955,803
Total	<u>112,999,494,380</u>	<u>66,035,398,054</u>

PT Surya Toto Indonesia Tbk
Notes to the Financial Statements
December 31, 2000 and 1999
(Expressed in Rupiah)

28. Assets and liabilities in foreign currencies

	2000	
	Foreign currency	Equivalent Rupiah
<u>Assets</u>		
Cash and cash equivalents	JPY 5,359,152	447,864,333
	USD 303,879	2,915,721,595
Accounts receivable:		
Third parties	JPY 78,423	6,553,810
	USD 236,575	2,269,937,701
Related parties	JPY 42,059,497	3,514,912,164
	USD 793,728	7,615,821,607

Total assets			16,770,811,210
Liabilities			
Short-term borrowings	JPY	521,425,000	43,575,487,250
	USD	700,000	6,716,500,000
Trade accounts payable:			
Third parties	JPY	148,791,301	12,434,489,025
	USD	2,756,247	26,446,193,515
	CHF	627,077	3,674,386,223
	EUR	75,215	670,300,609
	DEM	122,275	557,164,029
	GBP	267,350	3,822,964,038
Related parties	JPY	87,802,007	7,337,613,731
	USD	337,766	3,240,861,799
Accruals and other current liabilities:			
Third parties	JPY	1,478,525	123,560,334
	USD	475,100	4,597,569,478
Related parties	JPY	93,566,153	7,819,323,406
	USD	46,218	443,461,710
Long-term borrowings	JPY	530,769,000	44,356,365,330
	USD	20,250,000	194,298,750,000
Total liabilities			360,114,990,477
Liabilities position - net			(343,344,179,267)

PT Surya Toto Indonesia Tbk
Notes to the Financial Statements
December 31, 1999 and 1998
(Expressed in Rupiah)

29. Assets and liabilities in foreign currencies (continued)

	1999	
	Foreign currency	Equivalent Rupiah
Assets		
Cash and cash equivalents	JPY 15,559,932	1,080,948,476
	USD 156,606	1,111,903,665
Accounts receivable:		
Third parties	USD 303,177	2,152,560,037
Related parties	JPY 57,018,178	3,961,052,826

	USD	1,053,603	7,480,583,998
Total assets			<u>15,787,049,002</u>
Liabilities			
Short-term borrowings	JPY	521,425,000	36,223,394,750
	USD	700,000	4,970,000,000
Trade accounts payable:			
Third parties	JPY	81,785,958	5,681,670,502
	USD	2,823,484	20,046,736,400
	CHF	159,616	710,272,046
	EUR	47,163	337,101,787
Related parties	JPY	4,990,936	346,720,324
	USD	450,826	3,200,864,600
Accruals and other current liabilities:			
Third parties	JPY	1,290,334	89,639,503
	USD	250,767	1,777,446,763
Related parties	JPY	206,529	1,466,354,837
Long-term borrowings	JPY	737,749,000	51,251,423,030
	USD	25,650,000	182,115,000,000
Total liabilities			<u>308,216,624,542</u>
Liabilities position - net			<u>(292,429,575,540)</u>

29. Commitments and contingencies

At December 31, 2000, the Company has open LC commitment to Daiwa Perdania Bank and Dai-ichi Kangyo Bank of Rp14,672,496,740 (USD1,529,181) and Rp1,379,607,480 (USD143,784), respectively.

At December 31, 2000 and 1999, the Company had no significant contingencies.

PT Surya Toto Indonesia Tbk

Notes to the Financial Statements

December 31, 1999 and 1998

(Expressed in Rupiah)

30. Current economic conditions

Many Asia Pacific countries, including Indonesia, have experienced severe economic difficulties related to currency devaluations, volatile stock markets and slow downs in growth or even negative economic growth. Some economic improvements or indications of recovery have been achieved in recent months but continuation of the economic improvements and 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. The Company's future operations may be significantly affected by the continuation of these economic conditions. At the date of these financial statements, the adverse economic conditions has no significant effect to the Company's operation and financial condition as approximately 55% of the Company's revenue are from export sales and the Company is

continuing its effort to increase efficiency of their operation, developing a new low cost product for its local market and broadening the overseas sales network to Australia and Europe.