



KANTOR AKUNTAN
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Registered Public Accountants
A Member of **NEXIA INTERNATIONAL**
License No. : KEP-426/KM.6/2004



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INDEPENDENT AUDITOR'S REPORT

Report No. 501/06-A3

The Members of
THE SMERU RESEARCH INSTITUTE

We have audited the accompanying Statements of Financial Positions of **The SMERU Research Institute** for the years ended December 31, 2005 and 2004, and the related Statements of Activities and Fund Balances and Statements of Cash Flows for the years then ended. These Financial Statements are the responsibility of **The SMERU Research Institute'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 management, as well as evaluating the overall Financial Statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 3a, these Financial Statements were prepared based on the Modified Cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles applied in Indonesia.

In our opinion, the Financial Statements referred to above present fairly, in all material respects, the Financial Positions of **The SMERU Research Institute** as of December 31, 2005 and 2004, and the Changes in its Fund Balances and its Cash Flows for the years then ended, in conformity with the basis of accounting described in Note 3a.

Our audits were made for the purpose of forming an opinion on the basic Financial Statements taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic Financial Statements. Such information has been subjected to the procedures applied in the audits of the basic Financial Statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic Financial Statements taken as a whole.

JOHAN MALONDA ASTIKA & REKAN
Licence No. KEP-426/KM.6/2004

Drs. Johan Yoranouw
Public Accountant Licence No. 98.1.0026

May 1, 2006

THE SMERU RESEARCH INSTITUTE
STATEMENTS OF FINANCIAL POSITIONS
DECEMBER 31, 2005 AND 2004

| | <u>Notes</u> | <u>2 0 0 5</u> Rp | <u>2 0 0 4</u> Rp |
|---|--------------|------------------------------|-----------------------------|
| A S S E T S | | | |
| CURRENT ASSETS | | | |
| Cash and Cash Equivalents | 4 | 11,989,121,147 | 8,296,320,775 |
| Employee Receivables | | 9,000,000 | 9,950,000 |
| Prepaid Expenses and Advance | 5 | 1,009,130,935 | 38,650,000 |
| Total Current Assets | | <u>13,007,252,082</u> | <u>8,344,920,775</u> |
| NON CURRENT ASSETS | | | |
| Equipment - Net of Accumulated Depreciation | 6 | <u>349,155,721</u> | <u>465,824,940</u> |
| TOTAL ASSETS | | <u><u>13,356,407,803</u></u> | <u><u>8,810,745,715</u></u> |
| LIABILITIES AND NET ASSETS | | | |
| LIABILITIES | | | |
| Tax Payable | 7 | 30,488,849 | 35,634,455 |
| Accrued Expenses | | 12,464,648 | - |
| Other Payables | | 96,773,007 | - |
| Total Liabilities | | <u>139,726,504</u> | <u>35,634,455</u> |
| NET ASSETS | | | |
| Donated Capital | 8 | <u>380,457,675</u> | <u>380,457,675</u> |
| Fund Balances : | 3d | | |
| Restricted | | 1,532,199,358 | 547,224,640 |
| Unrestricted | | <u>11,304,024,266</u> | <u>7,847,428,945</u> |
| Total Fund Balances | | <u>12,836,223,624</u> | <u>8,394,653,585</u> |
| Total Net Assets | | <u>13,216,681,299</u> | <u>8,775,111,260</u> |
| TOTAL LIABILITIES AND NET ASSETS | | <u><u>13,356,407,803</u></u> | <u><u>8,810,745,715</u></u> |

See accompanying Notes to Financial Statements
which are an integral part of these Statements

THE SMERU RESEARCH INSTITUTE
STATEMENTS OF ACTIVITIES AND FUND BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

| | Notes | 2 0 0 5 | | 2 0 0 4 | |
|---|-------|--------------------|------------------|----------------|---------------|
| | | Unrestricted Rp | Restricted Rp | Total Rp | Total Rp |
| R E V E N U E S | | | | | |
| Grants | 9 | 4,446,818,250 | 4,493,021,458 | 8,939,839,708 | 6,627,079,312 |
| Consultant Fees | 10 | 2,206,290,494 | - | 2,206,290,494 | 1,221,253,624 |
| Interest on Bank Current Accounts and Time Deposits | | 58,118,947 | - | 58,118,947 | 21,053,676 |
| Exchange Rate Difference | | 475,979,044 | - | 475,979,044 | 481,297,170 |
| Others | 11 | - | - | - | 233,579,060 |
| Total Revenues | | 7,187,206,735 | 4,493,021,458 | 11,680,228,193 | 8,584,262,842 |
| E X P E N D I T U R E S | | | | | |
| The Ford Foundation | | - | 1,569,688,536 | 1,569,688,536 | 650,741,334 |
| The Department For International Development | | - | 1,938,358,204 | 1,938,358,204 | 2,103,068,450 |
| The Government of Australia (GOA) - AusAID | | 3,386,319,366 | - | 3,386,319,366 | 3,388,763,271 |
| Depreciation | | 229,030,552 | - | 229,030,552 | 208,503,102 |
| Exchange Rate Difference | | - | - | - | - |
| Total Expenditures | | 3,615,349,918 | 3,508,046,740 | 7,123,396,658 | 6,351,076,157 |
| EXCESS OF REVENUES OVER EXPENDITURES | | 3,571,856,817 | 984,974,718 | 4,556,831,535 | 2,233,186,685 |
| FUND BALANCE, BEGINNING | | 7,847,428,945 | 547,224,640 | 8,394,653,585 | 6,161,466,900 |
| C O R R E C T I O N | 12 | (115,261,496) | - | (115,261,496) | - |
| FUND BALANCE, ENDING | | 11,304,024,266 | 1,532,199,358 | 12,836,223,624 | 8,394,653,585 |

See accompanying Notes to Financial Statements
which are an integral part of these Statements

THE SMERU RESEARCH INSTITUTE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

| | <u>2 0 0 5</u> | <u>2 0 0 4</u> |
|--|------------------------------|-----------------------------|
| | Rp | Rp |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Excess of Revenues over Expenditures | 4,556,831,535 | 2,233,186,685 |
| Adjustments to Reconcile Excess of Revenues over Expenditure to Net Cash Provided by Operating Activities : | | |
| Depreciation | 229,030,552 | 208,503,102 |
| Correction | (115,261,496) | - |
| Decrease (Increase) in : | | |
| Employees Receivable | 950,000 | (6,950,000) |
| Prepaid Expenses and Advance | (970,480,935) | (38,650,000) |
| Payable on Purchase of Equipment | - | (54,545,000) |
| Increase (Decrease) in : | | |
| Tax Payable | (5,145,606) | (31,898,545) |
| Accrued Expenses | 12,464,648 | - |
| Others Payable | 96,773,007 | - |
| Net Cash Provided by Operating Activities | <u>3,805,161,705</u> | <u>2,309,646,242</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of Equipment | <u>(112,361,333)</u> | <u>(23,287,000)</u> |
| NET INCREASE IN CASH | 3,692,800,372 | 2,286,359,242 |
| CASH AND CASH EQUIVALENTS, BEGINNING | <u>8,296,320,775</u> | <u>6,009,961,533</u> |
| CASH AND CASH EQUIVALENTS, ENDING | <u><u>11,989,121,147</u></u> | <u><u>8,296,320,775</u></u> |

See accompanying Notes to Financial Statements
which are an integral part of these Statements