



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. 472/07-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, 2006 and 2005, 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, 2006 and 2005, 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

April 19, 2007

THE SMERU RESEARCH INSTITUTE
STATEMENTS OF FINANCIAL POSITIONS
AS OF DECEMBER 31, 2006 AND 2005

A S S E T S

	<u>Notes</u>	<u>2 0 0 6</u> Rp	<u>2 0 0 5</u> Rp
CURRENT ASSETS			
Cash and Cash Equivalents	4	15,756,459,392	11,989,121,147
Employee Receivables		6,900,000	9,000,000
Prepaid Expenses	5	604,298,176	1,009,130,935
Total Current Assets		<u>16,367,657,568</u>	<u>13,007,252,082</u>
NON CURRENT ASSETS			
Equipment - Net of Accumulated Depreciation	6	<u>241,585,170</u>	<u>349,155,721</u>
TOTAL ASSETS		<u><u>16,609,242,738</u></u>	<u><u>13,356,407,803</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES			
Tax Payable	7	30,099,171	30,488,849
Accrued Expenses		43,382,083	12,464,648
Other Payables		42,305,939	96,773,007
Total Liabilities		<u>115,787,193</u>	<u>139,726,504</u>
NET ASSETS			
Donated Capital	8	<u>380,457,675</u>	<u>380,457,675</u>
Fund Balances :	3d		
Restricted		1,217,569,455	1,532,199,358
Unrestricted		14,895,428,415	11,304,024,266
Total Fund Balances		<u>16,112,997,870</u>	<u>12,836,223,624</u>
Total Net Assets		<u>16,493,455,545</u>	<u>13,216,681,299</u>
TOTAL LIABILITIES AND NET ASSETS		<u><u>16,609,242,738</u></u>	<u><u>13,356,407,803</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, 2006 AND 2005

	Notes	2 0 0 6			2 0 0 5
		Unrestricted	Restricted	Total	Total
		Rp	Rp	Rp	Rp
REVENUES					
Grants	9	4,165,613,141	4,367,500,000	8,533,113,141	8,939,839,708
Consultant Fees	10	3,401,272,231	-	3,401,272,231	2,206,290,494
Interests on Bank Current Accounts and Time Deposits		128,870,853	-	128,870,853	58,118,947
Exchange Rate Difference		-	-	-	475,979,044
Others		1,068,099	-	1,068,099	-
Total Revenues		<u>7,696,824,324</u>	<u>4,367,500,000</u>	<u>12,064,324,324</u>	<u>11,680,228,193</u>
EXPENDITURES					
The Ford Foundation		-	4,682,129,903	4,682,129,903	1,569,688,536
The Government of Australia (GOA) - AusAID		3,121,419,935	-	3,121,419,935	3,386,319,366
The Department For International Development		-	-	-	1,938,358,204
Depreciation		140,249,315	-	140,249,315	229,030,552
Exchange Rate Difference		843,750,925	-	843,750,925	-
Total Expenditures		<u>4,105,420,175</u>	<u>4,682,129,903</u>	<u>8,787,550,078</u>	<u>7,123,396,658</u>
EXCESS OF REVENUES OVER EXPENDITURES (EXPENDITURES OVER REVENUES)		3,591,404,149	(314,629,903)	3,276,774,246	4,556,831,535
FUND BALANCE, BEGINNING		11,304,024,266	1,532,199,358	12,836,223,624	8,394,653,585
CORRECTION	11	-	-	-	(115,261,496)
FUND BALANCE, ENDING		<u>14,895,428,415</u>	<u>1,217,569,455</u>	<u>16,112,997,870</u>	<u>12,836,223,624</u>

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, 2006 AND 2005

	<u>2 0 0 6</u>	<u>2 0 0 5</u>
	Rp	Rp
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of Revenues over Expenditures	3,276,774,246	4,556,831,535
Adjustments to Reconcile Excess of Revenues over Expenditures to Net Cash Provided by Operating Activities :		
Depreciation	140,249,315	229,030,552
Correction	-	(115,261,496)
Decrease (Increase) in :		
Employees Receivable	2,100,000	950,000
Prepaid Expenses	404,832,759	(970,480,935)
Increase (Decrease) in :		
Tax Payable	(389,678)	(5,145,606)
Accrued Expenses	30,917,435	12,464,648
Other Payables	(54,467,068)	96,773,007
Net Cash Provided by Operating Activities	<u>3,800,017,009</u>	<u>3,805,161,705</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Equipment	<u>(32,678,764)</u>	<u>(112,361,333)</u>
NET INCREASE IN CASH	3,767,338,245	3,692,800,372
CASH AND CASH EQUIVALENTS, BEGINNING	<u>11,989,121,147</u>	<u>8,296,320,775</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>15,756,459,392</u></u>	<u><u>11,989,121,147</u></u>

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