

***P.T. ENERGI MEGA PERSADA Tbk***  
***AND ITS SUBSIDIARIES***

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

**AND INDEPENDENT AUDITORS' REPORT**

P.T. ENERGI MEGA PERSADA Tbk AND ITS SUBSIDIARIES  
TABLE OF CONTENTS

---

	<u>Page</u>
DIRECTORS' STATEMENT LETTER	
INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS - As of December 31, 2004 and 2003 and for the years then ended	
Consolidated Balance Sheets	2
Consolidated Statements of Income	4
Consolidated Statements of Changes in Equity	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7

## Independent Auditors' Report

No. 180405 EMP OS SA

The Stockholders and Boards of Commissioners and Directors  
P.T. Energi Mega Persada Tbk

We have audited the accompanying consolidated balance sheets of P.T. Energi Mega Persada Tbk and its subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards established by the Indonesian Institute of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of P.T. Energi Mega Persada Tbk and its subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Indonesia.

As discussed in Note 3 to the consolidated financial statements, the Company and its subsidiaries restated the 2003 consolidated financial statements in connection with the acquisition of subsidiaries from entities under common control to reflect as if the subsidiaries have been acquired from beginning of 2003. The restatement of the 2003 consolidated financial statements include the effect of the adoption of PSAK 24 (Revised 2004) on post-employment benefits, and the effect of deferred tax calculation of the subsidiaries. Note 3 to the consolidated financial statements also disclosed that Lapindo Brantas Inc., a subsidiary acquired in 2004, recorded estimated United States of America (USA) income tax amounting to US\$ 1.3 million or its equivalent of Rp 12.08 billion in 2004 and US\$ 3.1 million or its equivalent of Rp 26.24 billion in 2003, which, based on the evaluation from the subsidiary tax consultant, is the best estimate on USA tax liability that should be settled by the subsidiary.

HANS TUANAKOTTA MUSTOFA & HALIM

Osman Sitorus  
License No. 98.1.0385

April 18, 2005

*The accompanying consolidated 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 those in Indonesia. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in Indonesia.*

P.T. ENERGI MEGA PERSADA Tbk AND ITS SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2004 AND 2003

	Notes	2004 Rp'000	2003 (As restated - Note 3) Rp'000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash on hand and in banks	2f,4	10,210,049	19,321,100
Restricted time deposits	2g,5,19	67,823,810	-
Trade accounts receivable	2d,2h,6,19	67,208,793	38,737,465
Other accounts receivable	2h,7	108,067,944	24,309,177
Inventories	2i,8	99,586,951	60,962,644
Prepaid expenses	2j,9	11,383,751	6,427,322
Prepaid taxes	2p,10	3,781,286	-
Total Current Assets		<u>368,062,584</u>	<u>149,757,708</u>
<b>NONCURRENT ASSETS</b>			
Due from related parties	2d,11,32	-	973,075
Property and equipment - net of accumulated depreciation of Rp 148,728 thousand in 2004 and Rp 80,113 thousand in 2003	2k	1,152,737	238,257
Oil and gas properties - net of accumulated depreciation and amortization of Rp 499,191,228 thousand in 2004 and Rp 320,446,461 thousand in 2003	2l,12	2,028,879,880	438,077,040
Site restoration fund	34	48,302,379	30,931,466
Deferred tax assets	2p,28	8,839,134	37,669,162
Reimbursement of subsidiary's dividend tax paid	3	204,795,059	-
Other assets	13	12,995,222	5,184,313
Total Noncurrent Assets		<u>2,304,964,411</u>	<u>513,073,313</u>
<b>TOTAL ASSETS</b>		<u><u>2,673,026,995</u></u>	<u><u>662,831,021</u></u>

See accompanying notes to consolidated financial statements which are an integral part of the consolidated financial statements.

P.T. ENERGI MEGA PERSADA Tbk AND ITS SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2004 AND 2003 (Continued)

	Notes	2004 Rp'000	2003 (As restated - Note 3) Rp'000
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Short-term loan	14	140,129,487	-
Trade accounts payable	15	28,619,113	32,913,198
Accrued expenses	2e,16	104,089,113	26,551,415
Taxes payable	2p,17	110,402,153	33,775,646
Other accounts payable	18	37,182,428	16,106,236
Current maturity of long-term loan	19	173,258,416	12,697,500
Total Current Liabilities		<u>593,680,710</u>	<u>122,043,995</u>
<b>NONCURRENT LIABILITIES</b>			
Long-term loan - net of current maturity	19	706,783,237	79,401,700
Due to related parties	2d,20,32	431,143,921	704,550,218
Deferred tax liabilities	2p,28	238,340,301	139,499,645
Post-employment benefits obligation	2o,31	17,149,615	8,792,960
Site restoration obligation	34	51,112,149	30,931,466
Subsidiary's dividend tax liabilities	3	204,795,059	-
Total Noncurrent Liabilities		<u>1,649,324,282</u>	<u>963,175,989</u>
<b>MINORITY INTEREST IN NET ASSETS OF SUBSIDIARIES</b>	2b	(1,543,541)	-
<b>EQUITY (CAPITAL DEFICIENCY)</b>			
Capital stock - Rp 100 par value per share in 2004 and 2003 Authorized - 15,000,000,000 shares in 2004 and 8,008,000,000 shares in 2003 Issued and paid-up - 9,491,445,177 shares in 2004 and 2,007,777,778 shares in 2003	21	949,144,518	200,777,778
Additional paid-in capital	2m,22	158,420,946	-
Proforma equity arising from restructuring transactions of entities under common control	2b,3	-	(514,766,413)
Difference in value of restructuring transactions of entities under common control	2b,23	(793,336,425)	(107,541,921)
Translation adjustments	2c	42,186,219	(5,211,539)
Retained earnings		75,150,286	4,353,132
Total Equity (Capital Deficiency)		<u>431,565,544</u>	<u>(422,388,963)</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>2,673,026,995</u>	<u>662,831,021</u>

See accompanying notes to consolidated financial statements  
which are an integral part of the consolidated financial statements.

P.T. ENERGI MEGA PERSADA Tbk AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>Notes</u>	<u>2004</u> Rp'000	<u>2003</u> (As restated - Note 3) Rp'000
NET SALES	2n,24	855,079,977	513,102,075
COST OF GOODS SOLD	2n,25	<u>(539,973,677)</u>	<u>(331,410,350)</u>
GROSS PROFIT		315,106,300	181,691,725
OPERATING EXPENSES			
General and administrative	2n,26	<u>(59,055,718)</u>	<u>(43,170,792)</u>
INCOME FROM OPERATIONS		<u>256,050,582</u>	<u>138,520,933</u>
OTHER INCOME (CHARGES)			
Overhead cost recovery		18,800,547	8,376,670
Interest income		7,908,771	7,528,269
Gain (loss) on foreign exchange - net	2c	7,921,956	(2,853,192)
Management fee		267,840	1,114,230
Interests and financing charges	27	(51,738,900)	(18,975,021)
Allocation from administrator	34	(14,457,271)	(691,979)
Others - net		185,263	1,884,821
Other Charges - Net		<u>(31,111,794)</u>	<u>(3,616,202)</u>
INCOME BEFORE TAX		<u>224,938,788</u>	<u>134,904,731</u>
TAX EXPENSE	2p,28		
Current tax		97,828,649	44,057,823
Deferred tax		52,505,435	75,566,667
Tax Expense		<u>150,334,084</u>	<u>119,624,490</u>
INCOME BEFORE MINORITY INTEREST IN NET INCOME OF SUBSIDIARIES		74,604,704	15,280,241
MINORITY INTEREST IN NET LOSS (INCOME) OF SUBSIDIARIES		<u>(438,087)</u>	<u>79,602</u>
NET INCOME		<u>74,166,617</u>	<u>15,359,843</u>
BASIC EARNINGS PER SHARE (in full Rupiah)	2q,29	<u>8.98</u>	<u>2.31</u>

See accompanying notes to consolidated financial statements  
which are an integral part of the consolidated financial statements.

P.T. ENERGI MEGA PERSADA Tbk AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	Notes	Paid-up capital stock Rp'000	Addition paid-in capital Rp'000	Proforma equity arising from restructuring transaction of entities under common control Rp'000	Difference in value of restructuring transactions of entities under common control Rp'000	Translation adjustments Rp'000	Retained earnings Rp'000	Total equity Rp'000
Balance as of January 1, 2003		200,000	-	171,546,585	-	-	-	171,746,585
Accounting change and the subsidiaries' equity arising from restructuring transactions of entities under common control	2b,3	-	-	(686,312,998)	-	-	(11,006,711)	(697,319,709)
Conversion of promissory notes to paid-up capital	20,21	200,577,778	-	-	-	-	-	200,577,778
Difference in value of restructuring transactions of entities under common control	2b,23	-	-	-	(107,541,921)	-	-	(107,541,921)
Translation adjustment	2c	-	-	-	-	(5,211,539)	-	(5,211,539)
Net income for the year		-	-	-	-	-	15,359,843	15,359,843
Balance as of December 31, 2003 - as restated		200,777,778	-	(514,766,413)	(107,541,921)	(5,211,539)	4,353,132	(422,388,963)
Conversion of promissory notes to paid-up capital	20,21	463,623,390	-	-	-	-	-	463,623,390
Elimination of the subsidiaries' equity from restructuring transactions of entities under common control	2b	-	-	514,766,413	-	-	-	514,766,413
Difference in value from restructuring transactions of entities under common control	2b,23	-	-	-	(685,794,504)	-	-	(685,794,504)
Translation adjustments	2c	-	-	-	-	47,397,758	-	47,397,758
Initial public offering	2m,21,22	284,743,350	158,420,946	-	-	-	-	443,164,296
Dividends	30	-	-	-	-	-	(3,369,463)	(3,369,463)
Net income for the year		-	-	-	-	-	74,166,617	74,166,617
Balance as of December 31, 2004		<u>949,144,518</u>	<u>158,420,946</u>	<u>-</u>	<u>(793,336,425)</u>	<u>42,186,219</u>	<u>75,150,286</u>	<u>431,565,544</u>

See accompanying notes to consolidated financial statements which are an integral part of the consolidated financial statements.

P.T. ENERGI MEGA PERSADA Tbk AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
	Rp'000	(As Restated - Note 3) Rp'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	826,607,739	501,860,134
Cash paid to suppliers and employees	<u>(394,626,097)</u>	<u>(216,364,723)</u>
Cash generated from operations	431,981,642	285,495,411
Interest and financing charges paid	(19,677,254)	(18,975,021)
Corporate income and dividend tax paid	<u>(48,720,489)</u>	<u>(14,828,742)</u>
Net Cash Provided by Operating Activities	<u>363,583,899</u>	<u>251,691,648</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	6,088,771	7,528,269
Acquisition of subsidiaries	(872,285,301)	-
Acquisition of oil and gas properties	(309,357,244)	(150,684,274)
Acquisition of property and equipment	(1,043,780)	(317,675)
Increase in other assets	<u>(7,573,889)</u>	<u>(1,716,563)</u>
Net Cash Used in Investing Activities	<u>(1,184,171,443)</u>	<u>(145,190,243)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term and short-term loans	1,071,916,487	-
Payment of loans of acquired subsidiaries	(574,482,238)	-
Placement of restricted time deposits	(67,823,810)	-
Payments of long-term and short-term loans	(129,012,644)	(20,757,688)
Proceeds from issuance of capital stock	455,589,360	-
Payment of share issuance cost	(12,425,064)	-
Payment of dividends	(3,369,463)	-
Proceeds from (payment of) due to related parties	<u>71,083,865</u>	<u>(78,345,411)</u>
Net Cash Provided by (Used in) Financing Activities	<u>811,476,493</u>	<u>(99,103,099)</u>
NET INCREASE (DECREASE) IN CASH ON HAND AND IN BANKS	(9,111,051)	7,398,306
CASH ON HAND AND IN BANKS AT BEGINNING OF YEAR	<u>19,321,100</u>	<u>11,922,794</u>
CASH ON HAND AND IN BANKS AT END OF YEAR	<u><u>10,210,049</u></u>	<u><u>19,321,100</u></u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Non cash financing activities:		
Conversions of promissory notes into paid-up capital	463,623,390	200,577,778
Transfer of due from related parties :		
PT Brantas Indonesia (formerly PT Energi Daya Persada)	-	227,982,385
PT Kondur Indonesia (formerly PT Energi Bumi Persada)	-	243,456,854
Transfer of due to related parties :		
PT Brantas Indonesia (formerly PT Energi Daya Persada)	-	(663,654,248)
PT Kondur Indonesia (formerly PT Energi Bumi Persada)	-	(678,762,250)

See accompanying notes to consolidated financial statements  
which are an integral part of the consolidated financial statements.



P.T. ENERGI MEGA PERSADA Tbk AND ITS SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003 AND FOR THE YEARS THEN ENDED

---

1. GENERAL

a. Establishment and General Information

P.T. Energi Mega Persada (the Company) was established based on deed No. 16 dated October 16, 2001 of H. Rahkmat Syamsul Rizal, S.H. notary in Jakarta. The deed of establishment was approved by the Minister of Justice and Human Rights of the Republic of Indonesia in his decision letter No. C2-14507. HT.01.01 TH 2001 dated November 29, 2001 and was published in State Gazette No. 31, Supplement No. 3684 dated April 16, 2002. The Company's articles of association have been amended several times, most recently by notarial deed No. 28 dated July 30, 2004 of Lena Magdalena, SH, notary in Jakarta, concerning the changes in articles 17, 21 and 26 regarding the Company's year end, location and announcement of the general meeting of the stockholders and changes in the articles of association. The deed was accepted and recorded in the database of Administration System for Legal Entities Directorate General of Law Administration, Department of Justice and Human Rights of the Republic Indonesia No. C-20685.HT.01.04.TH.2004 dated August 16, 2004.

The Company is domiciled in Jakarta and the oil and gas exploration activities of the subsidiaries are located in Riau province, Sidoarjo and Kangean Island in East Java province. The Company's head office is located at Wisma Mulia, 33<sup>th</sup> Floor, Jl. Gatot Subroto, Kav. 42, Jakarta.

In accordance with article 3 of the Company's articles of association, the scope of its activities comprises, among others; trading, services and mining, and making direct and indirect investments through its subsidiaries.

The Company started its commercial operations on February 2003. The Company had an average total number of employees of 585 in 2004 and 365 in 2003.

The Company's management at December 31, 2004 consists of the following:

President Commissioner	: Suyitno Padmosukismo
Commissioner	: Roosmania Kusmuljono
Independent Commissioner	: A. Qoyum Tjandranegara

President Director	: Rennier Abdul Rachman Latief
Directors	: Nazamudin Latief
	: Muhammad Suluhudin Noor
	: Norman Hafiz Harahap
	: Purwanto
	: Thomas Leo Soulby

Total paid remuneration of the Company's commissioners and directors amounted to Rp 4,901,478 thousand in 2004.

b. Public Offering of Shares of the Company

On May 26, 2004, the Company obtained the effective notice from the Chairman of the Capital Market Supervisory Agency (Bapepam) in his letter No. S.1480/PM/2004 for its public offering of 2,847,433,500 shares. On June 7, 2004, these shares were listed in the Jakarta Stock Exchange.

P.T. ENERGI MEGA PERSADA Tbk AND ITS SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2004 AND 2003 AND FOR THE YEARS THEN ENDED (Continued)

c. Consolidated Subsidiaries

The Company has ownership interest of more than 50%, directly and indirectly, in following subsidiaries:

Subsidiary	Domicile	Percentage of Ownership		Start of Commercial Operations	Total Assets as of December 31, 2004 Rp'000,000
		2004	2003		
RHI Corporation (RHI)	Delaware, USA	100%	100%	1984	445,981
Kondur Petroleum SA *)	Panama	100%	100%	1995	440,712
PT Imbang Tata Alam (ITA)	Indonesia	96%	96%	2001	228,029
Kalila Energy Ltd. (KEL)	Hong Kong	99.99%	99.99%	1997	381,826
Pan Asia Ltd. (PAN)	Hong Kong	100%	100%	1997	35,936
Lapindo Brantas Inc. *)	Delaware, USA	100%	100%	1999	326,614
Energi Mega Pratama, Inc. (EMP Inc)	British Virgin Islands	100%	100%	2003	1,846,893
EMP Exploration (Kangean), Ltd *)	England	100%	-	1987	803,766
EMP Kangean , Ltd *)	Delaware, USA	100%	-	1987	1,007,052

\*) Indirect ownership interest through subsidiaries

All the subsidiaries are engaged in oil and gas exploration and have working interest through Production Sharing Contracts with BP MIGAS, as follows:

Working area and maturity of contract	Owned by	Percentage ownership	
		2004 %	2003 %
Malacca PSC, 2020	Kondur Petroleum S.A. (KPSA)	34.46	34.46
	PT Imbang Tata Alam	26.03	26.03
Brantas PSC, 2020	Lapindo Brantas Inc.	50	50
Kangean PSC, 2030	EMP Exploration (Kangean) Ltd	40	-
	EMP Kangean Ltd	60	-

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidated Financial Statement Presentation

The consolidated financial statements have been prepared using accounting principles and reporting practices generally accepted in Indonesia. Such consolidated financial statements are an English translation of the Company and its subsidiaries statutory report in Indonesia and are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and reporting practices generally accepted in other countries and jurisdictions.

The consolidated financial statements, except for the consolidated statements of cash flows, are prepared under the accrual basis of accounting. The reporting currency used in the preparation of the consolidated financial statements is the Indonesian Rupiah (Rp), while the measurement basis is the historical cost, except for certain accounts which are measured on the bases described in the related accounting policies.

The consolidated statements of cash flows are prepared using the direct method with classifications of cash flows into operating, investing and financing activities.

b. Principles of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (and its subsidiaries) made up to December 31 each year. Control is achieved where the Company has the power to govern the financial and operating policies of the investee entity so as to obtain benefits from its activities. Control is presumed to exist when the Company owns directly or indirectly through subsidiaries, more than 50% of the voting rights.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill and amortized using the straight-line method over five years. When the cost of acquisition is less than the interest in the fair values of the identifiable assets and liabilities acquired as at the date of acquisition (i.e. discount on acquisition), the fair values of the acquired non-monetary assets are reduced proportionately until all the excess is eliminated. The excess remaining after reducing the fair values of non-monetary assets acquired is recognized as negative goodwill, treated as deferred revenue and recognized as revenue on a straight-line method over twenty years.

For an acquisition of a subsidiary, which represents a restructuring transaction between entities under common control, the transaction is accounted for using the pooling of interest, wherein, assets and liabilities of a subsidiary are recorded at their book values. The difference between the transfer price and the Company's interest in the subsidiary's book values, if any, is recorded as difference in value of restructuring transactions of entities under common control and presented as a separate component in the Company's equity. Accordingly, the prior year consolidated financial statements are restated, wherein the beginning balance of the 2003 equity of the subsidiary is presented separately as proforma equity arising from restructuring transactions among entities under common control.

The interest of the minority shareholders is stated at the minority's proportion of the historical cost of the net assets. The minority interest is subsequently adjusted for the minority's share of movements in equity. Any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring the accounting policies used in line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The subsidiaries use proportionate consolidation method in recording and presenting their participating shares in joint ventures under production sharing contracts.

c. Foreign Currency Transactions and Translation

The books of accounts of the Company is maintained in Indonesian Rupiah. Transactions during the year involving currencies other than Rupiah are recorded 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 reflect the rates of exchange prevailing at that date. The resulting gains or losses are credited or charged to current operations.

The books of accounts of the subsidiaries are maintained in US Dollar. For consolidation purposes, assets and liabilities of the subsidiaries at balance sheet date are translated into Rupiah using the exchange rates at balance sheet date, while revenues and expenses are translated at the average rates of exchange for the year. Resulting translation adjustments are shown as part of equity as "translation adjustment".

d. Transactions with Related Parties

Related parties consist of the following:

- 1) Companies that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company (including holding companies, subsidiaries and fellow subsidiaries);
- 2) associated companies;
- 3) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company, and close members of the family of any such individuals (close members of the family are those who can influence or can be influenced by such individuals in their transactions with the Company);
- 4) key management personnel who have the authority and responsibility for planning, directing and controlling the Company's activities, including commissioners, directors and managers of the Company and close members of their families; and
- 5) companies in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (3) or (4) or over which such a person is able to exercise significant influence. This includes companies owned by commissioners, directors or major stockholders of the Company and companies which have a common key member of management as the Company.

All transactions with related parties, whether or not made at similar terms and conditions as those done with third parties, are disclosed in the consolidated financial statements.

e. Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in Indonesia requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

f. Cash on Hand and in Banks

Cash on hand and in banks consist of monies on hand and all the Company and its subsidiaries' bank account balances which can be used freely to finance their operating activities.

g. Investments

Time deposits

Time deposits with maturities of three months or less which are pledged as loan collateral and time deposits with maturities of more than three months that are realizable within one year from balance sheet date are presented as temporary investments and are stated at their nominal values.

Investments in associated companies

An associate is an entity over which the Company is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Company share of the net assets of the associate, less any impairment in the value of the individual investments. Losses of the associates in excess of the Company interest in those associates are not recognized except if the Company has incurred obligations or made payments on behalf of the associates to satisfy obligations of the associates that the Company has guaranteed, in which case, additional losses are recognized to the extent of such obligations or payments.

Goodwill and negative goodwill from investments in associates are recognized and amortized in the same manner as that for acquisition of controlled entities (see accounting policy for principles of consolidation).

Other investments

Investments in shares of stock with ownership interest of less than 20% that do not have readily determinable fair values and are intended for long-term investments are stated at cost. The carrying amount of the investments is written down to recognize a permanent decline in the value of the individual investments. Any such write-down is charged directly to current operations.

h. Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided based on a review of the status of the individual receivable accounts at the end of the year.

i. Inventories

Inventories of spare parts, chemicals and fuel are valued at the lower of cost or net realizable value. Cost is determined using the weighted average method.

Allowance for obsolete and/or slow moving inventories is provided based on a review of the condition of inventories at the end of the year.

j. Prepaid Expenses

Prepaid expenses are amortized over their beneficial periods using the straight-line method.

k. Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation.

Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	<u>Years</u>
Machinery and equipment	4
Transportation and office equipment	4

The cost of maintenance and repairs is charged to operations as incurred; expenditures which extend the useful life of the asset or result in increased future economic benefits such as increase in capacity and improvement in the quality of output or standard of performance 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 current operations.

l. Oil and Gas Properties

The Company and its subsidiaries follows the full cost method of accounting in recording oil and gas properties. Accordingly, all costs associated with acquisition, exploration and development of oil and gas reserves, including directly related overhead costs, are capitalized. All costs arising from production activities are recorded at the time they are incurred.

The capitalized costs are subject to a "ceiling test", which basically limits such costs to the aggregate of the "estimated present value", discounted at a 10% interest rate of future net revenues from estimated future production of proved reserves as of the balance sheet date using prices based on current economic and operating conditions and the cost of unproved properties and major development projects not being amortized and the lower of cost or estimated fair value of unproved properties included in cost being amortized. Any excess over the cost is charged to expense and separately disclosed during the related year.

All capitalized costs of oil and gas properties, including the estimated future costs of developing proved reserves, are amortized using the unit-of-production method based on the total estimated proved reserves. Investments in unproved properties and major development projects are not amortized until proved reserves associated with the projects can be determined or until impairment occurs. If the result of an assessment indicates that the properties are impaired, the amount of the impairment is added to the costs to be amortized.

The Company and its subsidiaries have no ownership interest in the producing assets nor in the oil and gas reserves, but rather have the right to operate the assets and receive a share of production and/or revenues from the sale of oil and gas in accordance with the Production Sharing Contracts (PSC).

m. Shares Issuance Costs

Shares issuance costs are presented as part of additional paid-in capital and are not amortized.

n. Revenue and Expense Recognition

Revenue is recognized when the crude oil and gas are delivered and title has passed.

Expense is recognized when incurred.

o. Post-Employment Benefits

The Company and its subsidiaries provide defined post-employment benefits to its employees in pursuant to the terms of the Employment Work Contract/Company Policy. KPSA and ITA, subsidiaries, also provide post-employment benefits from defined contribution pension plans. The contribution charged to the subsidiaries are recognized as expense in the current year.

The cost of providing post-employment benefits is determined using the Projected Unit credit Method. The accumulated unrecognized actuarial gains and losses that exceed 10% of the greater of the present value of the Company's defined benefit obligations and the fair value of plan assets are recognized on straight-line basis over the expected average remaining working lives of the participating employees. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortize on a straight-line basis over the average period until the benefits become vested.

The benefit obligation recognized in the balance sheet represents the present value of the defined obligation, as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost and as reduced by the fair value of scheme assets.

p. Income Tax

Current tax expense of the Company is determined based on the taxable income for the year computed using prevailing tax rates. Current tax expense of subsidiaries which are domiciled and registered as tax subjects in other countries are determined based on the taxable income for the year computed using prevailing tax rates in the related countries.

Current tax expense of the subsidiaries which are engaged in exploration and production of oil and gas based on PSC is determined based on the taxable income on the related period using the prevailing tax rates as stated in PSC.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable income will be available in future periods against which the deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the statement of income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also charged or credited directly to equity.

Deferred tax assets and liabilities are offset in the balance sheet, except if these are for different legal entities, in the same manner the current tax assets and liabilities are presented.

q. Earnings per Share

Basic earnings per share is computed by dividing net income by the weighted average number of shares outstanding during the year.

r. Segment Information

Segment information is prepared using the accounting policies adopted for preparing and presenting the consolidated financial statements. The Company and its subsidiaries' primary reporting segment information is based on business segment, while its secondary reporting segment information is based on geographical segment.

A business segment is a distinguishable component of an enterprise that is engaged in providing products or service or a group of products or services and that is subject to risks and returns that are different from those of other segments.

A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

Assets and liabilities that relate jointly to two or more segments are allocated to their respective segments, if and only if, their related revenues and expenses are also allocated to those segments and the relative autonomy of those segments (Note 33).

3. ACQUISITION OF SUBSIDIARIES AND RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS

In 2004, the Company acquired equity interests in PT Imbang Tata Alam (ITA) (96%), Pan Asia Ltd (PAN), Hong Kong (100%), Kalila Energy Ltd (KEL), Hong Kong (99.99%) and Energi Mega Pratama Inc. (EMP, Inc.), British Virgin Islands (100%), from entities under common control. ITA, PAN and KEL were acquired before the Company's initial public offering of its shares. The acquisition of EMP Inc. has been approved by the independent stockholders on September 30, 2004 as stated in the Extra Ordinary Meeting of independent stockholders of the Company.

KEL and PAN have 100% interests in Lapindo Brantas Inc (LBI), a subsidiary that is incorporated in Delaware, United States of America (USA). The subsidiary has an obligation to calculate and pay income tax in accordance with the tax law in the USA. The subsidiary has not filed its USA tax returns for its 2004 and 2003 taxable income due to certain adjustments made by the subsidiary in respect of operating expenses that were capitalized as deferred cost and amortization of the deferred cost. Through its independent tax consultants, the subsidiary has calculated estimated income tax expense amounting to US\$ 1.3 million in 2004 and US\$ 3.1 million in 2003. These amounts have been incorporated in the consolidated financial statements of the Company and its subsidiaries. The independent tax consultants estimated the income tax by assuming that USA Internal Revenue Services (IRS) would accept such recalculation. The estimated tax amount could be different, should IRS disagree with such assumption and calculation.

The acquisitions of the subsidiaries represent transaction of entities under common control. Accordingly, such transaction was treated as a restructuring transaction of entities under common control and the 2003 consolidated financial statements have been restated to reflect the business combination as if the subsidiaries had been acquired in the beginning of 2003. The subsidiaries' equity in the beginning of 2003, were recorded as "proforma equity arising from restructuring transactions of entities under common control" in the equity.

Before the Company acquired Energi Mega Pratama Inc, (EMP Inc.), EMP Inc., a company incorporated in the British Virgin Islands, acquired 100% shares of BP Exploration (Kangean) Ltd and BP Kangean Ltd from British Petroleum (BP) on August 4, 2004. Combined both companies have a 100% working interest in the Kangean Block. Acquisition cost of these companies amounted to US\$ 97,789,832. Based on the fair value assessment performed by an independent appraiser, the fair value of the purchased companies ranged from US\$ 79.59 million to US\$ 156.76 million, subject to whether the Kangean PSC can be extended or not. Subsequently, the subsidiaries obtained the extension of the Kangean PSC until 2030. BP Exploration (Kangean) Ltd and BP Kangean Ltd have now changed their names into EMP Exploration (Kangean) Ltd and EMP Kangean Ltd, respectively.



P.T. ENERGI MEGA PERSADA Tbk AND ITS SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003 AND FOR THE YEARS THEN ENDED (Continued)

For accounting purposes, the fair value of net assets were stated at acquisition cost while the difference between the net book value and its fair value was attributed to oil and gas properties. This acquisition was recorded by EMP Inc. using the purchase method based on the fair value of net assets on July 31, 2004, as follows:

	EMP Exploration (Kangean) Ltd US\$	EMP Kangean Ltd US\$	Total US\$
Cash and cash equivalent	-	6,383,135	6,383,135
Trade accounts receivable	4,293,696	7,041,688	11,335,384
Inventories	395,772	593,658	989,430
Due from related parties	168,107	-	168,107
Deferred tax assets	-	3,289,723	3,289,723
Oil and gas properties	68,663,525	80,405,923	149,069,448
Right to reimburse prior years' dividend tax	14,062,507	7,982,171	22,044,678
Tax payable	(3,800,755)	(5,667,465)	(9,468,220)
Accrued expenses	(253,252)	(343,941)	(597,193)
Deferred tax liabilities	(6,266,751)	-	(6,266,751)
Due to related parties	(21,876,791)	(32,092,365)	(53,969,156)
Prior years dividend tax payable	(14,062,507)	(7,982,171)	(22,044,678)
Other accounts payable	(692,162)	(936,457)	(1,628,619)
Post-employment benefits obligation	(1,515,456)	-	(1,515,456)
Fair value of net assets	<u>39,115,933</u>	<u>58,673,899</u>	<u>97,789,832</u>

The acquisition cost was financed by EMP Inc. through loans obtained from CMA and CSFB (Notes 14 and 19).

At the time of the acquisition, these subsidiaries has recorded dividend tax payable and penalties amounting to US\$ 22,044,678. Based on the sales and purchase agreement, EMP Inc. has a right to reimburse from BP the payment of the tax payable if paid by EMP Inc. EMP Inc. recognized this right to reimburse as an identifiable asset and was accordingly included in the value of the acquired net assets.

EMP Exploration (Kangean) Ltd and EMP Kangean Ltd contributed operating revenues of US\$ 20,284,295 or its equivalent of Rp 181.10 billion and net loss of US\$ 2,298,222 or its equivalent of Rp 20.52 billion for the 5 months ended December 31, 2004, which have been included in the consolidated financial statements of the Company and its subsidiaries.

The restatement of the 2003 consolidated financial statements include the effect of the adoption of Statement of Financial Accounting Standards (PSAK) No. 24 (Revision 2004) regarding employee benefits which was applied retroactively. The restatements also include the effect of deferred tax of subsidiaries.

P.T. ENERGI MEGA PERSADA Tbk AND ITS SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2004 AND 2003 AND FOR THE YEARS THEN ENDED (Continued)

Following is the detail of 2003 consolidated financial statements before and after the restatement:

	As restated Rp'000	As previously reported Rp'000
<b>BALANCE SHEETS</b>		
<u>ASSETS</u>		
<b>CURRENT ASSETS</b>		
Cash on hand and in banks	19,321,100	16,240,348
Trade accounts receivable	38,737,465	379,782
Other accounts receivable	24,309,177	9,874,634
Inventories	60,962,644	24,439,674
Prepaid expenses	6,427,322	3,918,296
Total Current Assets	<u>149,757,708</u>	<u>54,852,734</u>
<b>NONCURRENT ASSETS</b>		
Due from related parties	973,075	760,941
Property and equipment - net of accumulated depreciation	238,257	-
Oil and gas properties - net of accumulated depreciation and amortization	438,077,040	182,964,068
Site restoration fund	30,931,466	17,621,066
Deferred tax assets	37,669,162	425,399
Other assets	5,184,313	1,902,145
Total Noncurrent Assets	<u>513,073,313</u>	<u>203,673,619</u>
<b>TOTAL ASSETS</b>	<u><u>662,831,021</u></u>	<u><u>258,526,353</u></u>
<u>LIABILITIES AND EQUITY</u>		
<b>CURRENT LIABILITIES</b>		
Trade accounts payable	32,913,198	20,660,407
Accrued expenses	26,551,415	26,690,148
Taxes payable	33,775,646	3,821,186
Other accounts payable	16,106,236	1,533,476
Current maturity of long-term loan	12,697,500	-
Total Current Liabilities	<u>122,043,995</u>	<u>52,705,217</u>
<b>NONCURRENT LIABILITIES</b>		
Long-term loan - net of current maturity	79,401,700	-
Due to related parties	704,550,218	27,271,163
Deferred tax liabilities	139,499,645	-
Post-employment benefits obligation	8,792,960	4,290,587
Site restoration liabilities	30,931,466	-
Total Noncurrent Liabilities	<u>963,175,989</u>	<u>31,561,750</u>

(Forward)

P.T. ENERGI MEGA PERSADA Tbk AND ITS SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2004 AND 2003 AND FOR THE YEARS THEN ENDED (Continued)

	As restated Rp'000	As previously reported Rp'000
<b>EQUITY</b>		
Capital stock, issued and paid-up	200,777,778	200,777,778
Proforma equity arising from restructuring transactions among entities under common control	(514,766,413)	-
Difference in value of restructuring transactions among entities under common control	(107,541,921)	(28,453,415)
Translation adjustment	(5,211,539)	(9,319,125)
Retained earnings	4,353,132	11,254,148
Total Equity (Capital Deficiency)	<u>(422,388,963)</u>	<u>174,259,386</u>
<b>TOTAL LIABILITIES AND EQUITY (CAPITAL DEFICIENCY)</b>	<u><u>662,831,021</u></u>	<u><u>258,526,353</u></u>
<b>STATEMENTS OF INCOME</b>		
Net sales	513,102,075	195,223,415
Cost of goods sold	(331,410,350)	(152,252,338)
Gross profit	<u>181,691,725</u>	<u>42,971,077</u>
Operating expenses	(43,170,792)	(24,165,098)
Income from operations	<u>138,520,933</u>	<u>18,805,979</u>
Other income (charges)	(3,616,202)	2,226,794
Income before tax	<u>134,904,731</u>	<u>21,032,773</u>
Tax expenses	(119,624,490)	(9,778,625)
Income before minority interest	<u>15,280,241</u>	<u>11,254,148</u>
Minority interest	79,602	-
Net income	<u><u>15,359,843</u></u>	<u><u>11,254,148</u></u>
Earnings per share (in full Rupiah)	2.31	6.40

P.T. ENERGI MEGA PERSADA Tbk AND ITS SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2004 AND 2003 AND FOR THE YEARS THEN ENDED (Continued)

4. CASH ON HAND AND IN BANKS

	2004	2003
	Rp'000	As restate - Note 3) Rp'000
Cash on hand	351,994	188,279
Cash in banks		
Rupiah		
Citibank N.A.	840,453	4,183,158
Bank Mandiri	368,652	188,677
Bank Internasional Indonesia	284,807	-
Bank Mega	139,853	-
Bank Pan Indonesia	115,456	27,291
Bank Danamon	33,156	641,198
Bank Negara Indonesia	23,773	151,574
Standard Chartered Bank	5,936	-
Bank Global	-	17,480
U. S. Dollar		
Citibank N.A.	3,044,412	12,281,919
Bank Internasional Indonesia	1,545,895	62,463
Bank Mandiri	1,465,386	1,309,324
Bank Danamon	874,988	194,187
Bank Mega	726,251	-
Standard Chartered Bank	383,946	39,726
Hongkong Dollar		
Citibank N.A.	5,091	35,824
Total	<u>10,210,049</u>	<u>19,321,100</u>

5. RESTRICTED TIME DEPOSITS

This account represents time deposits placed in Credit Suisse First Boston (CSFB), pursuant to the cash and accounts management agreement between Energi Mega Pratama Inc., a subsidiary, and CSFB, which will serve as collateral as required in the credit facility agreement dated August 3, 2004 (Note 19). Time deposits mature on a monthly basis with interest rate at LIBOR less 0.25% or zero, whichever is higher.

6. TRADE ACCOUNTS RECEIVABLE

a. By Debtor - Third Parties

	2004	2003
	Rp'000	(As restated - Note 3) Rp'000
Local debtors		
PT Perusahaan Gas Negara (Persero) Tbk	34,573,952	18,189,448
PT Petrokimia Gresik	22,563,069	-
Perusahaan Listrik Negara	9,901,654	-
Pertamina	-	4,026,242
Others	-	658,416
Foreign debtor		
Itochu Petroleum Co (S) Pte Ltd	170,118	15,863,359
Total	<u>67,208,793</u>	<u>38,737,465</u>

P.T. ENERGI MEGA PERSADA Tbk AND ITS SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2004 AND 2003 AND FOR THE YEARS THEN ENDED (Continued)

b. By Age Category

	2004	2003 (As restated - Note 3)
	Rp'000	Rp'000
Under 30 days past due	67,208,793	4,164,204
31 - 60 days past due	-	34,573,261
Total	<u>67,208,793</u>	<u>38,737,465</u>

All trade accounts receivable are in US Dollar. The Company and its subsidiaries did not provide allowance for doubtful accounts as management believes that the accounts receivable are collectible. Management also believes that there are no significant concentrations of credit risk in third party receivables.

The receivables of EMP Inc., KPSA and ITA are pledged as collateral for the bank loan (Note 19).

7. OTHER ACCOUNTS RECEIVABLE

	2004	2003 (As restated - Note 3)
	Rp'000	Rp'000
Reimbursable value added tax	32,536,228	16,143,161
Receivable from supplier	30,617,425	780,820
Employee receivable	13,014,089	1,873,042
Overhead receivable	11,293,834	3,120,318
Interest	1,820,000	-
Pertamina	-	573,148
Others	18,786,368	1,818,688
Total	<u>108,067,944</u>	<u>24,309,177</u>

8. INVENTORIES

	2004	2003 (As restated - Note 3)
	Rp'000	Rp'000
Spareparts	93,708,908	56,893,959
Chemicals	1,866,249	1,127,284
Fuel	4,011,794	2,941,401
Total	<u>99,586,951</u>	<u>60,962,644</u>

At December 31, 2004, the subsidiaries inventories were insured to PT Tugu Pratama Indonesia against risk of damage (Note 12).

P.T. ENERGI MEGA PERSADA Tbk AND ITS SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2004 AND 2003 AND FOR THE YEARS THEN ENDED (Continued)

9. PREPAID EXPENSES

	2004	2003 (As restated - Note 3)
	Rp'000	Rp'000
Advances	5,429,647	924,010
Rental	2,221,480	1,787,136
Project	1,059,515	3,157,392
Travelling	581,860	-
Insurance	245,275	112,937
Others	1,845,974	445,847
Total	<u>11,383,751</u>	<u>6,427,322</u>

10. PREPAID TAXES

This account represents value added tax and corporate income tax article 26 amounting to Rp 3,724,338 thousand and Rp 56,948 thousand, respectively.

11. DUE FROM RELATED PARTIES

	2004	2003 (As restated - Note 3)
	Rp'000	Rp'000
Indra U Bakrie	-	240,948
Julianto Benhayudi	-	160,000
Kalila Energy Hijau Ltd. (KEH Ltd)	-	132,655
Others (below Rp 100 million each)	-	439,472
Total	<u>-</u>	<u>973,075</u>

Due from related parties represent receivable of KEL, a subsidiary acquired in 2004.

12. OIL AND GAS PROPERTIES

	January 1, 2004	Acquisitions	Additions	Deductions	Translation adjustment	December 31, 2004
	Rp'000	Rp'000	Rp'000	Rp'000	Rp'000	Rp'000
Cost	758,523,501	1,330,892,032	309,357,244	(10,700,137)	139,998,468	2,528,071,108
Accumulated depreciation and amortization	320,446,461	-	173,924,168	(32,468,172)	37,288,771	499,191,228
Net Book Value	<u>438,077,040</u>	<u>-</u>	<u>135,433,076</u>	<u>(32,468,172)</u>	<u>102,709,697</u>	<u>2,028,879,880</u>

P.T. ENERGI MEGA PERSADA Tbk AND ITS SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2004 AND 2003 AND FOR THE YEARS THEN ENDED (Continued)

	As restated - Note 3					December 31, 2003 Rp'000
	January 1, 2003 Rp'000	Acquisitions	Additions Rp'000	Deductions Rp'000	Translation adjustment Rp'000	
Cost	1,067,135,813	-	150,684,273	(405,752,031)	(53,544,554)	758,523,501
Accumulated depreciation and amortization	423,655,604	-	95,229,433	(176,939,441)	(21,499,135)	320,446,461
Net Book Value	<u>643,480,209</u>		<u>95,229,433</u>	<u>(176,939,441)</u>	<u>(21,499,135)</u>	<u>438,077,040</u>

Depreciation and amortization in 2004 and 2003 amounting to Rp 173,924,168 thousand and Rp 95,229,433 thousand, respectively, were charged to cost of goods sold.

Management believes that the net book value of oil and gas properties do not exceed their estimated recoverable value, therefore, no impairment of assets was provided.

At December 31, 2004, oil and gas properties and inventories were insured to PT Tugu Pratama Indonesia and PT Asuransi Sinar Mas against loss and damage for US\$ 155,103,274. Management believes that the insurance coverage is adequate to cover possible risk of losses.

13. OTHER ASSETS

	2004 Rp'000	2003 (As restated - Note 3) Rp'000
Employees' cooperation	4,262,458	-
Security deposits	2,483,612	2,727,525
Others	6,249,152	2,456,788
Total	<u>12,995,222</u>	<u>5,184,313</u>

14. SHORT-TERM LOAN

	2004 Rp'000	2003 Rp'000
Capital Manager Asia Pte. Ltd. (CMA) (US\$ 13,384 thousand)	124,336,487	-
Suisse Charter Investment (US\$ 1,700 thousand)	15,793,000	-
Total	<u>140,129,487</u>	<u>-</u>

On August 4, 2004, EMP Inc. obtained an unsecured short-term loan from CMA, a related party, amounting to US\$ 14.85 million to finance the acquisition of 100% shares in EMP Exploration Kangean Ltd and EMP Kangean Ltd.. The loan bears interest rate of 15.5% per annum, which was initially due in 3 months after availment that can be extended for a maximum of 3 years.

On November 3, 2004, EMP Inc. obtained a loan from Suisse Charter Investment amounting to US\$ 3 million with interest rate at 8.25% per annum. The loan is due on February 11, 2005. In 2004, EMP Inc. partially paid US\$ 1.3 million of the loan balance.

P.T. ENERGI MEGA PERSADA Tbk AND ITS SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2004 AND 2003 AND FOR THE YEARS THEN ENDED (Continued)

15. TRADE ACCOUNTS PAYABLE

a. By Creditors

	2004	2003
	Rp'000	(As restated - Note 3) Rp'000
Related Parties		
PT Jaya Wijaya Raya	909,157	57,888
PT Jasa Karya Utama	883,832	-
Sub total	<u>1,792,989</u>	<u>57,888</u>
Third Parties		
PT Kriya Eka Tama	3,053,744	-
PT Patra Dinamika	2,537,322	-
PT Geoprolog Intiwijaya	1,857,099	-
PT Halliburton Logging Service Indonesia	1,100,493	419,449
PT Perdana Karya	1,084,366	-
PT Airfast Indonesia	1,075,903	-
PT Sinopun Perkasa	961,283	797,301
PT Dowell Anadrill Schlumberger	911,860	-
Koperasi karyawan MS Sejahtera	731,996	-
PT Duta Energi Semesta	653,877	-
PT Sanggar Cipta Kreasitama	632,538	-
United World Limited	580,625	-
PT Baker Atlas Indonesia	552,681	-
PT Reda Pump Indonesia	552,058	-
Kavindo Raya Semesta	533,748	-
Pertamina Trading Ltd.	-	23,358,804
Others (below Rp 500 million each)	10,006,531	8,279,756
Sub total	<u>26,826,124</u>	<u>32,855,310</u>
Total	<u><u>28,619,113</u></u>	<u><u>32,913,198</u></u>

b. By Age Category

	2004	2003
	Rp'000	(As restated - Note 3) Rp'000
Under 30 days past due	23,726,340	32,824,781
31 - 60 days past due	2,809,240	8,812
More 60 days past due	2,083,533	79,605
Total	<u>28,619,113</u>	<u>32,913,198</u>

c. By Currency

	2004	2003
	Rp'000	(As restated - Note 3) Rp'000
U.S. Dollar	22,334,515	30,167,008
Rupiah	6,284,598	2,746,190
Total	<u>28,619,113</u>	<u>32,913,198</u>

Credit terms for the purchase of goods and services, both from local and foreign suppliers, range between 30 - 90 days.



P.T. ENERGI MEGA PERSADA Tbk AND ITS SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2004 AND 2003 AND FOR THE YEARS THEN ENDED (Continued)

16. ACCRUED EXPENSES

	2004	2003 (As restated - Note 3)
	Rp'000	Rp'000
Interest and financing cost	31,638,256	-
Support cost	29,545,204	5,350,802
Employee salaries and benefit	14,462,495	-
Drilling	12,036,616	9,262,781
Production	10,480,486	4,911,068
Professional	2,630,143	977,533
Project	1,977,655	1,149,792
Geological and geophysical	445,084	1,467,616
Others	873,174	3,431,823
Total	<u>104,089,113</u>	<u>26,551,415</u>

17. TAXES PAYABLE

	2004	2003 (As restated - Note 3)
	Rp'000	Rp'000
Corporate income and dividend tax	101,875,459	29,124,586
Income tax		
Article 4	928,032	-
Article 21	3,596,010	825,337
Article 23	4,002,113	1,052,606
Value added tax	539	2,773,117
Total	<u>110,402,153</u>	<u>33,775,646</u>

18. OTHER ACCOUNTS PAYABLE

	2004	2003 (As restated - Note 3)
	Rp'000	Rp'000
Take or pay	28,887,236	-
Over lifting	3,190,651	966,517
Marketing agent	-	13,956,660
Others	5,104,541	1,183,059
Total	<u>37,182,428</u>	<u>16,106,236</u>

P.T. ENERGI MEGA PERSADA Tbk AND ITS SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2004 AND 2003 AND FOR THE YEARS THEN ENDED (Continued)

19. LONG-TERM LOAN

	<u>2004</u>	<u>2003</u> (As restated - Note 3)
	Rp'000	Rp'000
Credit Suisse First Boston (US\$ 85,350 thousand)	792,901,453	-
Bank Mandiri (US\$ 9,380 thousand in 2004 and US\$ 10,880 thousand in 2003)	<u>87,140,200</u>	<u>92,099,200</u>
Total	880,041,653	92,099,200
Current maturities	<u>(173,258,416)</u>	<u>(12,697,500)</u>
Long-term Loan - Net	<u><u>706,783,237</u></u>	<u><u>79,401,700</u></u>

Credit Suisse First Boston (CSFB)

On August 3, 2004, EMP Inc. obtained a credit facility amounting to US\$ 95 million from CSFB to finance the acquisition of 100% shares in BP Exploration (Kangean) Ltd and BP Kangean Ltd (Note 3).

The loan is secured by the shares and receivables of the subsidiary. The loan bears interest at 6% above LIBOR per annum and shall be repaid on a monthly basis within sixty months from the date of availment.

In relation to the credit facility agreement with CSFB, on August 3, 2004, EMP Inc entered into a Cash and Accounts Management Agreement (CAMA) and a Charge Over Transaction Accounts Agreement (COTA) with CSFB Singapore Branch as the facility agent.

Under such CAMA, the subsidiary agreed to implement certain account administration and cash management procedures in relation to the subsidiary's revenue and payments to be made for the loans obtained from CSFB.

Under the COTA, EMP Inc agreed that right, title, benefits and interest to or all money (including interest) in:

- Distribution Account
- Debt Service Reserve Account, and
- Reserve Depletion Account

are to be directly, all or any monies standing to the credit of any or all of the above accounts to pay the facility agent in accordance with the CAMA.

P.T. ENERGI MEGA PERSADA Tbk AND ITS SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2004 AND 2003 AND FOR THE YEARS THEN ENDED (Continued)

The credit facility contains a number of covenants including:

- Submission of the subsidiary and guarantor's consolidated financial statements within 180 days after closing date of the related financial statement;
- The subsidiary must guarantee the financial condition of BP Exploration (Kangean) Ltd., and BP Kangean Ltd.;
- The subsidiary shall procure that BP Exploration (Kangean) Ltd., and BP Kangean Ltd maintain their corporate existence under the laws of the jurisdiction of their incorporation;
- The subsidiary shall not obtain any loan or other financial accommodation without prior written consent of the lender;
- The subsidiary shall ensure that all amounts due and owed by BP Exploration (Kangean) Ltd. and BP Kangean Ltd., under contracts relating to the supply of goods and services necessary for the conduct of their business, are paid on a current basis;
- The subsidiary shall obtain the extension of Kangean PSC at least 6 months after the credit facility utilization date. The Kangean PSC which will expire on November 10, 2010, could be extended to allow the production of gas reserves which have been identified in the Kangean concession area until at least 2020.

Bank Mandiri

In 2002, PT Imbang Tata Alam (ITA), obtained a credit facility from Bank Mandiri with maximum credit of US\$ 12.15 million which was used to take over the working interest of Novus Petroleum in Block Mallaca Straits. The loan bears interest rate per annum at 9% in 2004 and 11% in 2003, and collateralized by the working interest of ITA and KPSA in Mallaca Straits Block, sales of oil and gas and personal guarantee by Mr. Rennie Abdul Rachman Latief and Mr. Julianto Benhayudi who are director and president commissioner, respectively, of the subsidiary. Based on the letter from Bank Mandiri dated February 28, 2003, the maximum credit has been changed to US\$ 11.88 million. The loan is payable in quarterly installments and will be due on December 31, 2007.

The loan has covenants that ITA shall not obtain other working capital or investment loan, provide a loan to other parties except in relation to operational transactions, conduct merger or acquisition, change its articles of association and its structure of directors, commissioners and stockholders.

20. DUE TO RELATED PARTIES

	2004	2003
	Rp'000	(As restated - Note 3) Rp'000
PT Brantas Indonesia (BI), formerly PT Energi Daya Persada	180,287,658	352,427,095
PT Kondur Indonesia (KI), formerly PT Energi Bumi Persada	179,772,397	352,060,603
PT Energi Timur Jauh (ETJ)	64,374,033	-
PT Ladinda Petroindo (LP)	6,709,833	41,733
Others	-	20,787
Total	<u>431,143,921</u>	<u>704,550,218</u>

P.T. ENERGI MEGA PERSADA Tbk AND ITS SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2004 AND 2003 AND FOR THE YEARS THEN ENDED (Continued)

- a) Amounts due to BI and KI, the Company's stockholders, represent net of due from and due to related parties that was transferred in 2003 in accordance with the acquisition of subsidiaries under common control.

On March 1, 2004, part of the due to BI and KI amounting to Rp 174.5 billion each were converted to promissory notes with interest rates at 9% per annum. On May 7, 2004, those promissory notes (including interest) were converted to paid-in capital (Note 21).

- b) Due to ETJ represents loan of KPSA, a subsidiary, to ETJ as KPSA's cash manager (Note 34).  
 c) Due to LP represents loan of subsidiary arising from non-interest current account transactions.

21. CAPITAL STOCK

Name of Stockholder	2004		
	Number of Shares	Percentage of Ownership	Total Paid-up Capital Rp'000
PT Kondur Indonesia (formerly PT Energi Bumi Persada)	2,941,355,362	30.99%	294,135,536
PT Brantas Indonesia (formerly PT Energi Daya Persada)	2,941,355,362	30.99%	294,135,536
Julianto Benhayudi	314,388,667	3.31%	31,438,867
Rennier Abdul Rachman Latief (President Director)	446,912,286	4.71%	44,691,229
Public:			
Above 5%			
CSFB Singapore	1,400,000,000	14.75%	140,000,000
Below 5%	1,447,433,500	15.25%	144,743,350
Total	<u>9,491,445,177</u>	<u>100.00%</u>	<u>949,144,518</u>

Name of Stockholder	2003		
	Number of Shares	Percentage of Ownership	Total Paid-up Capital Rp'000
PT Energi Bumi Persada (EBP)	1,002,888,889	49.95%	100,288,889
PT Energi Daya Persada (EDP)	1,002,888,889	49.95%	100,288,889
Julianto Benhayudi (JB)	1,600,000	0.08%	160,000
Rennier Abdul Rachman Latief (RARL)	400,000	0.02%	40,000
Total	<u>2,007,777,778</u>	<u>100.00%</u>	<u>200,777,778</u>

Based on Extraordinary General Stockholders Meeting dated February 6, 2003, the stockholders approved the purchase and transfer of the 1,000 shares of RHI Corporation which were owned by Kaliila Energi Limited (KEL), to the Company through the issuance of Promissory Notes (PN) to KEL. Furthermore, based on Extraordinary General Stockholders' Meeting dated February 10, 2003, the stockholders approved the transfer of the PN of KEL No.001/PN/EMP-KEL/II/03 dated February 6, 2003 with nominal value of Rp 100 billion to PT Kondur Indonesia and the PN No.002/PN/EMP-KEL/II/03 dated February 6, 2003 with nominal value of Rp 100 billion to PT Brantas Indonesia.

P.T. ENERGI MEGA PERSADA Tbk AND ITS SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2004 AND 2003 AND FOR THE YEARS THEN ENDED (Continued)

Based on Extraordinary General Stockholders Meeting dated February 14, 2003, the stockholders decided to increase the authorized capital from Rp 500 million to Rp 800.80 billion, and to change the nominal value of share from Rp 1 million per share to Rp 100 per share, and increase the issued and paid-up capital from Rp 200 million to Rp 200,777,777,800, as stated in deed No.2 dated February 14, 2003 of Rita Imelda Ginting SH., notary in Jakarta. The increase of issued and paid-in capital was done through the conversion of PN and its interest to KI (formerly EBP) and BI (formerly EDP) into shares amounting to Rp 100,288,888,850 each. The changes in the authorized capital have been approved by the Minister of Justice and Human Right of the Republic of Indonesia in his decision letter No. C-5378.HT.01.04.TH.2004 dated March 4, 2004. The deed was accepted and recorded in the database of Administration system for Legal Entities Directorate General of Law Administration Department of Justice and Human Right of the Republic of Indonesia No.C-UM.02.11.2758 dated March 11, 2004.

Based on Extraordinary General Stockholders Meeting dated February 27, 2004, as stated in deed No. 25 dated March 17, 2004 of Lena Magdalena, S.H., notary in Jakarta, the stockholders approved to issue 384,970,667 shares with nominal value of Rp 100 per share by converting the Company's due to Julianto Benhayudi and Rennier Abdul Rachman Latief (RARL) amounting to Rp 31,278,866,700 and Rp 7,218,200,000, respectively.

Based on Extraordinary General Stockholders Meeting dated March 18, 2004 as stated in deed No. 36 dated March 25, 2004 of Lena Magdalena, S.H., a notary in Jakarta, the stockholders approved to issue 4,251,263,232 shares with nominal value Rp 100 per share by converting promissory notes of RARL, BI and KI amounting to Rp 37,433,028,600, Rp 193,846,647,300 and Rp 193,846,647,300, respectively.

Based on General Stockholders Meeting No. 40 dated March 30, 2004 of Lena Magdalena, SH., notary in Jakarta, the stockholders approved to:

- Increase the authorized capital of the Company to Rp 1.5 trillion.
- Change the Company's status from a private company into a public company.
- Public offering through the capital market of 2,850,000,000 new shares.
- Delegate to the Company's Director to conduct necessary actions in relation to the Initial Public Offering (IPO).
- Change of the Company's name from PT Energi Mega Persada to PT Energi Mega Persada Tbk.

The changes in the capital stock were approved by the Minister of Justice and Human Rights of the Republic of Indonesia in his decision letter No. C-08031 HT.01.04.TH.2004 dated April 2, 2004. The deed was accepted and recorded in the database of Administration System for Legal Entities Directorate General of Law Administration Department Justice and Human Rights of the Republic Indonesia No. C-08309 HT.01.04.TH.2004 dated April 7, 2004

On May 26, 2004, the Company obtained the effective notice from the Chairman of the Capital Market Supervisory Agency (Bapepam) regarding the public offering of 2,847,433,500 shares of the Company's shares of stock.

22. ADDITIONAL PAID-IN CAPITAL

	Excess of Price over Par Value of Shares Rp'000	Issuance Cost of Shares Rp'000	Amount Rp'000
Issuance of 2,847,433,500 shares through public offering	170,846,010	12,425,064	158,420,946

P.T. ENERGI MEGA PERSADA Tbk AND ITS SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2004 AND 2003 AND FOR THE YEARS THEN ENDED (Continued)

23. DIFFERENCE IN VALUE OF RESTRUCTURING TRANSACTIONS OF ENTITIES UNDER COMMON CONTROL.

	2004		Difference in value of restructuring transactions of entities common control Rp'000
	Net Book Value Rp'000	Acquisition Cost Rp'000	
	RHI Corporation	92,458,079	
Kalila Energy Limited	(537,838,356)	1,000,000	538,838,356
Pan Asia Enterprise	10,891,647	74,800,000	63,908,353
PT Imbang Tata Alam	(43,635,241)	38,400,000	82,035,241
Energi Mega Pratama Inc.	238,407,446	239,420,000	1,012,554
Total	<u>(239,716,425)</u>	<u>553,620,000</u>	<u>793,336,425</u>

  

	2003 (As restated - Note 3)		Difference in value of restructuring transactions of entities common control Rp'000
	Net Book Value Rp'000	Acquisition Cost Rp'000	
	RHI Corporation	<u>92,458,079</u>	

24. NET SALES

The following are the details of oil and gas sales:

	2004	2003 (As restated - Note 3)
	Rp'000	Rp'000
Itochu Petroleum Co. (S) Pte. Ltd.	406,212,447	332,691,936
PT Perusahaan Gas Negara (Persero) Tbk	292,877,933	174,426,895
PT Petrokimia Gresik	81,507,051	-
Perusahaan Listrik Negara	49,098,920	-
BP Singapore Pte Ltd	19,838,891	-
Pertamina	5,544,735	5,983,244
Total	<u>855,079,977</u>	<u>513,102,075</u>

P.T. ENERGI MEGA PERSADA Tbk AND ITS SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2004 AND 2003 AND FOR THE YEARS THEN ENDED (Continued)

25. COST OF GOODS SOLD

	2004	2003 (As restated - Note 3)
	Rp'000	Rp'000
Production cost	221,471,575	150,733,283
Depreciation and amortization	173,924,168	95,229,433
Production support	112,550,734	50,991,391
Work over	32,027,200	34,456,243
Total	<u>539,973,677</u>	<u>331,410,350</u>

26. OPERATING EXPENSES

General and Administrative

	2004	2003 (As restated - Note 3)
	Rp'000	Rp'000
Salaries and employee benefits	21,633,718	10,986,877
Office expenses	7,282,733	2,385,104
Marketing	7,248,000	-
Professional fee	6,019,838	4,352,072
Representation and donation	3,081,839	3,046,924
Post-employment benefits	2,351,428	-
Advertising	1,769,566	-
Travelling	1,552,057	1,490,466
Rental	1,250,782	1,212,908
Management fee	-	12,477,062
Others (below Rp 500 million each)	6,865,757	7,219,379
Total	<u>59,055,718</u>	<u>43,170,792</u>

27. INTERESTS AND FINANCING CHARGES

	2004	2003 (As restated - Note 3)
	Rp'000	Rp'000
Interests	38,032,432	13,086,897
Bank charges	10,099,930	4,392,701
Others	3,606,538	1,495,423
Total	<u>51,738,900</u>	<u>18,975,021</u>

P.T. ENERGI MEGA PERSADA Tbk AND ITS SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2004 AND 2003 AND FOR THE YEARS THEN ENDED (Continued)

28. INCOME TAX

Tax expense of the Company and its subsidiaries are as follows:

	2004	2003 (AS restated - Note 3)
	Rp'000	Rp'000
Current tax		
Subsidiaries	<u>(97,828,649)</u>	<u>(44,057,823)</u>
Deferred tax		
The Company	2,449,673	408,001
Subsidiaries	<u>(54,955,108)</u>	<u>(75,974,668)</u>
Total	<u>(52,505,435)</u>	<u>(75,566,667)</u>
Total	<u>(150,334,084)</u>	<u>(119,624,490)</u>

Current Tax

A reconciliation between income before tax per consolidated statements of income and the Company's fiscal loss is as follows:

	2004	2003 (As restated - Note 3)
	Rp'000	Rp'000
Income before tax per consolidated statements of income	224,938,788	134,904,731
Less the subsidiaries' income before tax	234,053,809	136,322,728
The Company's net loss before income tax	<u>(9,115,021)</u>	<u>(1,417,997)</u>
Temporary differences:		
Post-employment benefits	<u>2,351,428</u>	<u>-</u>
Nondeductible expenses (nontaxable income) :		
Representation and donations	1,370,645	57,992
Interest income	(497,415)	-
Others	76,214	-
Total	<u>949,444</u>	<u>57,992</u>
Fiscal loss before fiscal loss carryforward	<u>(5,814,149)</u>	<u>(1,360,005)</u>
Prior year fiscal loss	<u>(1,360,005)</u>	<u>-</u>
The Company's accumulated fiscal losses	<u>(7,174,154)</u>	<u>(1,360,005)</u>

Fiscal loss of the Company for 2003 are in accordance with the corporate tax return filed with the Tax Service Office.



P.T. ENERGI MEGA PERSADA Tbk AND ITS SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2004 AND 2003 AND FOR THE YEARS THEN ENDED (Continued)

Deferred Tax

The details of the Company and its subsidiaries' deferred tax assets and liabilities are as follows:

	As restated - Note 3				Translation adjustment Rp. 000	Beginning balance of new acquired company under purchase method based Rp. 000	Credited (charged) to statements of income Rp. 000	December 31, 2004 Rp. 000
	December 31, 2002 Rp. 000	Translation adjustment Rp. 000	Credited (charged) to statements of income Rp. 000	December 31, 2003 Rp. 000				
<b>Deferred tax assets</b>								
Employee benefits	1,198,577	(2,784,030)	667,618	1,802,512	217,059	-	1,726,131	3,745,701
Fiscal loss	-	-	408,001	408,001	-	-	1,744,244	2,152,246
Depreciation, amortization and depletion	(53,495,083)	105,288,353	(6,262,627)	(56,915,409)	(5,122,139)	-	10,478,132	(51,559,416)
Non capital inventory	(1,440,484)	2,470,700	226,473	(1,137,476)	(107,260)	-	88,679	(1,156,057)
Unrecoverable charges	149,387,579	(235,615,666)	(47,938,777)	93,511,535	7,283,447	-	(45,138,322)	55,656,660
<b>Total</b>	<b>95,650,589</b>	<b>(130,640,643)</b>	<b>(52,899,313)</b>	<b>37,669,162</b>	<b>2,271,107</b>	<b>-</b>	<b>(31,101,136)</b>	<b>8,839,134</b>
<b>Deferred tax liabilities</b>								
Employee benefits	4,412,167	(3,784,799)	(2,286,917)	1,919,109	259,560	5,989,518	(4,199,963)	3,968,224
Depreciation, amortization and depletion	(108,517,895)	235,802,077	(20,038,129)	(122,542,438)	(15,296,385)	(66,224,690)	(16,479,749)	(220,543,262)
Non capital inventory	(19,578,439)	36,916,533	(342,308)	(18,876,315)	(1,880,529)	(594,025)	(414,393)	(21,765,262)
Letter of credit fee	-	-	-	-	-	310,194	(310,194)	-
<b>Total</b>	<b>(123,684,167)</b>	<b>268,933,811</b>	<b>(22,667,354)</b>	<b>(139,499,645)</b>	<b>(16,917,354)</b>	<b>(60,829,197)</b>	<b>(21,404,299)</b>	<b>(238,340,301)</b>
Deferred tax expenses			<u>(75,566,667)</u>				<u>(52,505,435)</u>	

A reconciliation between the total tax expense and the amounts computed by applying the effective tax rates to income before tax is as follows:

	2004 Rp'000	2003 (As restated - Note 3) Rp'000
Income before tax per consolidated statements of income	224,938,788	134,904,731
Less income before tax subsidiaries'	234,053,809	136,322,728
The Company's net loss before income tax	(9,115,021)	(1,417,997)
Tax expense at effective tax rates :	<u>2,734,506</u>	<u>425,399</u>
Nondeductible expenses (nontaxable income) :		
Representation and donations	(411,194)	(17,398)
Interest income on time deposits and current account	149,225	-
Others	(22,864)	-
Total	<u>(284,833)</u>	<u>(17,398)</u>
The Company's tax benefit	2,449,673	408,001
Subsidiaries' tax expenses	(152,783,757)	(120,032,491)
Tax expenses	<u>(150,334,084)</u>	<u>(119,624,490)</u>

29. EARNINGS PER SHARE

The computation of basic earnings per share is based on the following data :

Earnings

	2004 Rp'000	2003 (As restated - Note 3) Rp'000
Net earnings used for calculation	<u>74,166,617</u>	<u>15,359,843</u>

Number of shares

	2004 Shares	2003 (As restated - Note 3) Shares
Weighted average number of shares for the calculation of earnings per share	<u>8,258,857,528</u>	<u>6,644,011,680</u>
Basic earning per share (in full Rupiah)	<u>8.98</u>	<u>2.31</u>

The Company did not calculate diluted earning per share since the Company has no share which has potentially dilutive effect for the years ended December 31, 2004 and 2003.

30. CASH DIVIDENDS

Based on the stockholders meeting as stated in notarial dated No. 27 dated July 27, 2004 of Lena Magdalena, SH., notary in Jakarta the stockholders of the Company approved to distribute cash dividends amounting to Rp 3,369,463 thousand from 2003 earnings.

31. PENSION PLANS AND POST/EMPLOYMENT BENEFITS

Pension Plans

KPSA & ITA provides defined contribution pension plans covering all their permanent employees.

The pension plans are managed by PT Tugu Mandiri, the contribution amounted to 9% of employees' salary, of which 6% is paid by the Company and 3% is paid by the employees.

P.T. ENERGI MEGA PERSADA Tbk AND ITS SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2004 AND 2003 AND FOR THE YEARS THEN ENDED (Continued)

Post-Employment Benefits

The Company and its subsidiaries provide post-employment benefits for all their permanent employees based on Employment Working Agreement/Company Policy. No funding has been made to this defined benefit plan, except by KPSA & ITA which funds are administrated and managed by the Board of Trustees Contribution Fund of the Strait Malacca Employees Foundation and Trust Fund Agreement with several banks.

Amounts recognized in income in respect of these post-employment benefits are as follows:

	2004	2003 (As restated - Note 3)
	<u>Rp'000</u>	<u>Rp'000</u>
Current service cost	12,005,341	2,371,707
Interest costs	5,467,672	4,631,463
Expected return on plan assets	(2,950,418)	(2,697,840)
Actuarial cost	1,233,904	101,335
Past service cost	1,365,881	583,733
Total	<u>17,122,380</u>	<u>4,990,398</u>

The amounts included in the consolidated balance sheets arising from the Company and its subsidiaries obligations in respect of these post-employment benefits are as follows:

	2004	2003 (As restated - Note 3)
	<u>Rp'000</u>	<u>Rp'000</u>
Present value of obligations	76,319,165	53,310,839
Fair value of plan assets	(43,258,820)	(36,880,230)
Unrecognized actuarial loss	(15,910,730)	(7,637,649)
Employee benefits obligation	<u>17,149,615</u>	<u>8,792,960</u>

Movements in the net liability recognized the consolidated balance sheets as follows:

	2004	2003 (As restated - Note 3)
	<u>Rp'000</u>	<u>Rp'000</u>
Beginning of year	8,792,960	12,000,935
Contribution for the year	(8,765,725)	(8,198,374)
Amount charged to income	17,122,380	4,990,399
End of year	<u>17,149,615</u>	<u>8,792,960</u>

P.T. ENERGI MEGA PERSADA Tbk AND ITS SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2004 AND 2003 AND FOR THE YEARS THEN ENDED (Continued)

The cost of providing post-employment benefits is calculated by PT Dian Artha Tama independent actuarial. The actuarial valuation was carried out using the following key assumptions:

	<u>2004 and 2003</u>
Discount rate	10% per annum
Salary increment rate	10% per annum
Mortality rate	Commissioner Standard Ordinary (CSO) - 1980
Resignation rate	1% until 45 years 0% up to 56 years
Normal pension age	56 years

32. NATURE OF RELATIONSHIP AND TRANSACTIONS WITH RELATED PARTIES

Nature of Relationship

- a. PT Brantas Indonesia (formerly PT Energi Daya Persada), PT Kondur Indonesia (formerly PT Energi Bumi Persada), Rennie A.R. Latief and Julianto Benhayudi are the Company's stockholders (Note 21). Indra U. Bakrie is a member the subsidiary's management.
- b. Companies which management are the same as the Company's management are PT Energi Timur Jauh, Kalila Energi Hijau Ltd., and PT Ladinda Petroindo.
- c. Companies that are indirectly under the same common control of the Company and its subsidiaries are PT Jasa Karya Utama, PT Jaya Wijaya Raya, and Capital Manager Asia Pte, Ltd.

Transactions with Related Parties

In the normal course of business, the Company and its subsidiaries entered into nontrade transactions with related parties, including among other things:

- a. The advance payments and payment of expenditures on behalf of related parties (Notes 11 and 20).
- b. Kondur Petroleum S.A, a subsidiary, through normal bidding process, appointed PT Jasa Karya Utama as drilling contractor at Malacca PSC and Lapindo Brantas, Inc., a subsidiary, through normal bidding process, appointed PT Jaya Wijaya Raya as general contractor at Brantas PSC. Regarding these transactions, the subsidiaries have accounts payable (Note 15).
- c. EMP Inc, a subsidiary, obtained an unsecured short term loan from Capital Manager Asia Pte. Ltd., (Note 14).

33. SEGMENT INFORMATION

Primary Segment

For management purpose, the Company and its subsidiaries are currently organized into business divisions consisting of trading and mining. These divisions are the basis on which the Company and its subsidiaries report their primary segment information.

P.T. ENERGI MEGA PERSADA Tbk AND ITS SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2004 AND 2003 AND FOR THE YEARS THEN ENDED (Continued)

Business segment information of the Company and its subsidiaries are as follows:

	2004			Consolidated Rp'000
	Trading Rp'000	Mining Rp'000	Elimination	
<b>INCOME</b>				
External sales	-	855,079,977	-	855,079,977
<b>RESULT</b>				
Segment result	-	315,106,300	-	315,106,300
Unallocated expenses				(59,055,718)
Income from operations				256,050,582
Interests and financing cost				(51,738,900)
Other income				20,627,106
Income before tax				224,938,788
Tax expenses				(150,334,084)
Income before minority interest				74,604,704
Minority interest				(438,087)
Net income				74,166,617
<b>OTHER INFORMATION</b>				
<b>Assets</b>				
Segment assets	305,090,702	2,717,275,898	(562,973,798)	2,459,392,802
Unallocatable assets				213,634,193
Consolidated total assets				2,673,026,995
<b>Liabilities</b>				
Segment liabilities	(119,893,470)	(2,123,732,606)	545,631,903	(1,697,994,173)
Unallocatable liabilities				(545,010,819)
Consolidated total liabilities				(2,243,004,992)
Capital expenditure	-	1,640,249,276	-	1,640,249,276
Depreciation and amortization	-	173,924,168	-	173,924,168
<b>2003</b>				
	Trading Rp'000	Mining Rp'000	Elimination	Consolidated Rp'000
<b>INCOME</b>				
External sales	-	513,102,075	-	513,102,075
<b>RESULT</b>				
Segment result	-	181,691,725	-	181,691,725
Unallocated cost				(43,170,792)
Income from operation				138,520,933
Interests and financing cost				(18,975,021)
Other income				15,358,819
Income before tax				134,904,731
Tax expenses				(119,624,490)
Income before minority interest				15,280,241
Minority interest				79,602
Net income				15,359,843
<b>OTHER INFORMATION</b>				
<b>Assets</b>				
Segment assets	670,465	856,902,355	(232,410,961)	625,161,859
Unallocatable assets				37,669,162
Consolidated total assets				662,831,021
<b>Liabilities</b>				
Segment liabilities	(714,545)	(916,633,738)	752,530	(916,595,753)
Unallocatable liabilities				(168,624,231)
Consolidated total liabilities				(1,085,219,984)
Capital expenditure	-	150,684,273	-	150,684,273
Depreciation and amortization	-	(95,229,433)	-	(95,229,433)

Secondary Segment

The Company and its subsidiaries' geographical segment into divided to domestic and international.

Sales based on market

The following are the Company and its subsidiaries' sales based on geographical market regardless of the location of production of the oil and gas.

	Sales based on geographical market	
	2004	2003
	Rp'000	Rp'000
Geographical market		
Domestic		
Jakarta	5,544,735	5,983,244
Jawa Timur	423,483,904	174,426,895
International		
Singapore	426,051,338	332,691,936
Total	<u>855,079,977</u>	<u>513,102,075</u>

34. COMMITMENTS

a. Production Sharing Contract (PSC)

The subsidiaries entered into an agreement in the exploration and production of crude oil and gas contract area based on PSC with BPMIGAS. A summary of significant provisions of the PSC is as follows :

1. Sales

The oil and gas production shall be shared between the subsidiaries and BPMIGAS using formula which is agreed by both parties.

Of the crude oil remaining after deducting operating costs and investment credit, the subsidiary is entitled to receive, depending upon the type and daily level of production, the remaining crude oil and condensate production and the remaining revenues from the sales of gas, out of which they are required to pay their own Indonesian income taxes at the PSC effective rates including income tax and dividend tax.

2. Domestic Market Obligation

The subsidiaries are required to supply their pro-rata share of current Indonesian domestic crude oil requirements (Domestic Market Obligation - DMO) up to certain percentage of their equity oil production. The subsidiaries receive the prevailing market price per DMO barrel for the first sixty months from commencement of commercial production from each new field in each respective contract area.

3. Cost Recovery

Recoverable costs are distinguished between capital and non-capital cost and is recoverable only from production revenues derived from the related contract area.

4. Compensation, Assistance and Production Bonuses

The subsidiaries shall pay bonus and assistance to BPMIGAS for equipment and services ranging between US\$ 2 million - US\$ 4 million within 30 days after the production of petroleum have reached between 250 million - 325 million barrels. Such bonus payments shall be borne solely by the subsidiaries and shall not be included in the recoverable operating costs.

5. Exclusion of Areas

The subsidiaries' have obligation to relinquish certain area to BPMIGAS in certain period based on the agreement between the subsidiaries and BPMIGAS. This obligation shall not apply to any part of the surface area of any field in which petroleum has been discovered.

6. Abandonment and Site Restoration

The subsidiaries are required to perform an environmental baseline assessment on the contract area at the commencement of its activities. Upon the expiration or termination or relinquishment of part of the contract area, or abandonment of any fields, the subsidiaries are required to remove all equipment and installations that it has installed in the contract area, and perform all necessary site restoration activities. As of December 31, 2004 and 2003, the estimated site restoration liabilities amounted to US\$ 5.5 million and US\$ 3.65 million and the provision fund amounted to US\$ 5.2 million and US\$ 3.65 million, respectively.

7. Participation

BPMIGAS shall have the right to demand from the subsidiaries a 10% working interest in the total rights and obligations under the PSC. As consideration for the acquisition of the 10% working interest, BPMIGAS shall reimburse the subsidiary an amount equal to certain percentage of the cumulative operating costs which the subsidiary has incurred for certain period and of the amount of the bonus and assistance for procurement of equipment or services paid to BPMIGAS as referred to in the PSC.

Reserve Estimation

The following information on gross proved developed, undeveloped and probable reserve quantities are estimates only, and do not purport to reflect realizable values or fair market values of subsidiaries' reserves. The subsidiaries emphasize that reserve estimates are inherently imprecise. Accordingly, these estimates are expected to change as future information becomes available. There are numerous uncertainties inherent in estimating natural oil and gas reserve including many factors beyond the control of the Company's subsidiaries.

P.T. ENERGI MEGA PERSADA Tbk AND ITS SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2004 AND 2003 AND FOR THE YEARS THEN ENDED (Continued)

Management believes that the reserve quantities shown below are reasonable estimates based on available geologic and engineering data, as follows:

	Malacca 1) Oil <u>MBOE</u>	Brantas 2) Gas and oil *) <u>MBOE</u>	Kangean 3) Gas and condensate *) <u>MBOE</u>
<u>Proved developed, undeveloped and probable reserves</u>			
Balance as of January 1, 2003	33,940	29,658	-
Revision to previous estimate	4,662	4,995	-
Production in 2003	<u>(3,857)</u>	<u>(2,929)</u>	-
Balance as of December 31, 2003	34,745	31,724	-
Acquisition	-	-	285,174
Revision to previous estimate	36,885	-	-
Production in 2004	<u>(3,609)</u>	<u>(3,936)</u>	<u>(7,222)</u>
Balance as of December 31, 2004	<u><u>68,021</u></u>	<u><u>27,788</u></u>	<u><u>277,952</u></u>
<u>Proved developed and undeveloped reserves</u>			
Balance as of January 1, 2003	29,722	21,525	-
Revision to previous estimate	699	4,995	-
Production in 2003	<u>(3,857)</u>	<u>(2,929)</u>	-
Balance as of December 31, 2003	26,564	23,591	-
Acquisition	-	-	243,530
Revision to previous estimate	4,211	-	-
Production in 2004	<u>(3,609)</u>	<u>(3,936)</u>	<u>(7,222)</u>
Balance as of December 31, 2004	<u><u>27,166</u></u>	<u><u>19,655</u></u>	<u><u>236,308</u></u>

\*) Unit for gas and condensate have been converted from Billion Cubic Feet (BCF) and Million Barrels of Oil (MMBO) to Thousand Barrels Oil Equivalent (MBOE).

- 1) Estimated oil and gas reserve in Mallaca as of August 31, 2004 was certified by Gaffney, Cline and Associate (GCA), independent petroleum engineering consultants dated September 28, 2004. In preparing their report, GCA utilized generally accepted petroleum engineering principles and definitions applicable to the provided and probable reserve categories and sub classification by the U.S. Society of Petroleum Engineerings.
- 2) Estimated oil and gas reserve in Brantas as of January 1, 2004 was certified by Gaffney, Cline and Associate (GCA), independent petroleum engineering consultants dated March 24, 2004. In preparing their report, GCA utilized generally accepted petroleum engineering principles and definitions applicable to the provided and probable reserve categories and sub classification by the U.S. Society of Petroleum Engineerings.
- 3) Estimated oil and gas reserve in Kangean was certified by DeGolyer and MacNoughton (D&M), independent petroleum engineering consultants for Pagerungan Field dated September 30, 2004 and Terang Sirasun Batur Field dated April 30, 1995.



P.T. ENERGI MEGA PERSADA Tbk AND ITS SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2004 AND 2003 AND FOR THE YEARS THEN ENDED (Continued)

b. Agreement with ETJ

KPSA, a subsidiary, appointed ETJ as policy, operational and administrative coordinator, as provider of general and administrative assistance and as cash manager for an initial period commencing on August 1, 1998 until July 31, 1999, which shall thereafter be automatically extended unless terminated by either party.

Based on the agreement, ETJ shall assist KPSA in keeping the required books of accounts and other records applicable in Indonesia for oil and gas industries. ETJ shall also deliver to KPSA a monthly report on operational and administrative matters and activities and provide access to duly authorized parties of KPSA to examine or inspect the books of accounts and records prepared by ETJ. ETJ was also appointed as cash manager and authorized signatory in respect of each of KPSA's bank accounts, without limitation, in making payment of expenditures on behalf of KPSA. ETJ shall arrange the use of KPSA funds as necessary and use any of KPSA money being managed by ETJ to fund expenditures of other related parties having a similar agreement with ETJ as deemed necessary. ETJ shall also maintain separate and individual clean records of the intercompany payables and receivables status of KPSA and update them on a regular basis.

All costs and expenses incurred by ETJ in relation with the above mentioned purposes shall be charged to KPSA. All interest arising from KPSA funds in ETJ's bank account shall not be considered as income or profit of ETJ but shall be credited to KPSA.

35. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

At December 31, 2004 and 2003, the Company and its subsidiaries had monetary assets and liabilities in foreign currencies as follows:

		2004		2003 (As restated - Note 3)	
		Foreign Currency	Equivalent in Rp'000	Foreign Currency	Equivalent in Rp'000
<b>Assets</b>					
Cash on hand and in banks	US\$	865,541	8,040,878	1,635,900	13,847,893
	HK\$	4,261	5,091	32,853	35,824
Restricted time deposits	US\$	7,300,733	67,823,810	-	-
Trade accounts receivable	US\$	7,234,531	67,208,793	4,576,192	38,737,465
Others accounts receivable	US\$	1,215,698	11,293,834	368,614	3,120,318
Site restoration fund		5,199,395	48,302,379	3,654,042	30,931,466
<b>Total Assets</b>			<u>202,674,785</u>		<u>55,741,500</u>
<b>Liabilities</b>					
Short-term loan	US\$	15,084,000	140,130,360	-	-
Trade accounts payable	US\$	2,404,146	22,334,515	3,563,734	30,167,008
Others accounts payable	US\$	3,452,948	32,077,887	114,178	966,517
Accrued expenses	US\$	9,553,654	88,753,444	2,731,198	23,119,592
Tax payable	US\$	10,966,142	101,875,459	3,440,589	29,124,586
Long-term loan	US\$	94,730,000	880,041,700	10,880,000	92,099,200
Site restoration obligation	US\$	5,501,846	51,112,149	3,654,042	30,931,466
<b>Total Liabilities</b>			<u>1,265,213,365</u>		<u>175,476,903</u>
<b>Net Liabilities</b>			<u>(1,062,538,580)</u>		<u>(119,735,403)</u>

P.T. ENERGI MEGA PERSADA Tbk AND ITS SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003 AND FOR THE YEARS THEN ENDED (Continued)

---

The conversion rates used by the Company and its subsidiaries on December 31, 2004 and 2003 are as follows:

	December 31,	
	2004	2003
	Rp	Rp
Foreign Currency		
US\$	9,290	8,465
HK\$	1,195	1,090

36. SUBSEQUENT EVENTS

- a. On January 19, 2005, Lapindo Brantas Inc. obtained a credit facility amounting to US\$ 43 million from 4 financial institutions in Cayman Island with PMA Investment Advisory Ltd, Cayman Island as arranger and PMA Capital Management Limited, Cayman Island as facility agent.

The credit facility is secured by the following :

- Working interest of Lapindo Brantas Inc.
- Shares in Lapindo Brantas Inc. owned by KEL and PAN.
- Fiduciary right on sales of gas to PT Perusahaan Gas Negara (Persero) Tbk with maximum amount of US\$ 53.75 million.
- Fiduciary right on escrow account in Standard Chartered Bank with maximum amount of US\$ 53.75 million.

The credit facility prohibits Lapindo Brantas Inc. to provide cash dividend or payment of principal or its interest to stockholders, directly or indirectly.

- b. On March 22, 2005, the Company obtained a credit facility from PT Bank Negara Indonesia Tbk amounting to US\$ 35 million. This credit facility bears interest at 9% per annum and secured by the following :
- The Company shares owned by PT Brantas Indonesia amounting to 125% of the maximum credit facility.
  - All sales from lifting of oil and gas in Kangean area after deducting all EMP Inc's obligation to CSFB.
  - Corporate guarantee from PT Brantas Indonesia and PT Kondur Indonesia.
  - The deed of cash deficiency undertaking from corporate guarantee.

37. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company and its subsidiaries have been approved for issue by the Board of Directors and the Board of Commissioners on April 18, 2005.

\*\*\*\*\*