

**ACCOUNTANTS' REPORT ON EXCELCOMINDO**

**PT EXCELCOMINDO PRATAMA**

**ACCOUNTANTS' REPORT**

1380J/maz

The Board of Directors  
Telekom Malaysia Berhad  
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Jalan Pantai Baharu  
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**PricewaterhouseCoopers**  
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20 April 2005

PwC/IM/NAL/maz/1380J

Dear Sirs,

## **1 INTRODUCTION**

- 1.1 This Accountants' Report (the 'Report') has been prepared by PricewaterhouseCoopers, an approved company auditor for the purpose of inclusion in the Circular to Shareholders of Telekom Malaysia Berhad ('TM') to be dated 25 April 2005 in relation to the call and put option which requires or entitles TM International (L) Limited ('TMIL'), a wholly owned subsidiary of TM, to acquire an additional up to 52.7% equity interest in PT Excelcomindo Pratama ('the Company' or 'Excelcomindo') for a cash consideration of up to USD606.1 million (approximately RM2,303.2 million').

The Report includes the following sections:

- 2 General Information
- 3 Financial Statements and Auditors
- 4 Historical Financial Information of Excelcomindo

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## 2 GENERAL INFORMATION

### 2.1 The Acquisition

2.1.1 TM via TMIL, had on 11 January 2005 completed the acquisition of a 23.1% equity interest in Excelcomindo, comprising 523,215 Excelcomindo ordinary shares of Indonesian Rupiah ('Rp') 250,000 each ('Excelcomindo Shares') through the acquisition of a 100% equity interest in Indocel Holding Sdn. Bhd. (formerly known as Indocel Holding Sdn.) ('Indocel'), for a cash consideration of USD265.7 million (the 'Initial Acquisition').

Following the completion of the Initial Acquisition, TM now proposes to acquire a further stake in Excelcomindo of up to 56.9% via the following transactions:

- (a) proposed additional acquisition of a 4.2% equity interest in Excelcomindo comprising 95,130 ordinary shares of Rp250,000 each for a total cash consideration of USD48.3 million. The acquisition of these additional shares will be executed via Indocel or TMIL (Proposed 4.2% Acquisition); and
- (b) the exercise of a call and put option agreement entered into between TMIL and PT Telekomindo Primabhakti ('Telekomindo') whereby:
  - Telekomindo may require TMIL to purchase up to 1,193,656 (52.7%) ordinary shares of Excelcomindo ('Option Shares'); and
  - TMIL may require Telekomindo to sell to TMIL the Option Shares.

The exercise of the call and put option agreement will result in the acquisition of an additional up to 52.7% equity interest in Excelcomindo via TMIL, thereby increasing TM's total equity interest in Excelcomindo up to 80%. The proposed exercise of the call and put option agreement comprising up to 1,193,656 shares at Rp250,000 per share would be for a total purchase consideration of up to USD606.1 million.

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2 **GENERAL INFORMATION (CONTINUED)**

2.2 **Background information**

2.2.1 History and Business

Excelcomindo was incorporated on 6 October 1989 in the Republic of Indonesia. It was incorporated as a limited liability company under the name PT Grahامتropolitan Lestari. In 1995, Excelcomindo changed its name from PT Grahامتropolitan Lestari to its present name. Excelcomindo is currently domiciled in the Republic of Indonesia.

The principal activity of Excelcomindo is the provision of mobile telecommunication services. Excelcomindo was the third largest mobile telephone operator, by subscriber base, adopting the GSM standard in the Republic of Indonesia. It started commercial operations in October 1996 using a GSM 900 spectrum which was later complemented with a GSM 1800 spectrum.

In addition to providing mobile services, Excelcomindo also provides leased line services, internet services and voice over internet protocol (VoIP) services.

2.2.2 The address of the head office of Excelcomindo is as follows:

Jalan Mega Kuningan  
 Lot. E4-7 No. 1  
 Kawasan Mega Kuningan  
 Jakarta 12950  
 Indonesia

2.3 **Share capital**

2.3.1 As at the date of this Report, the share capital of Excelcomindo comprises:

	Rp million
<u>Authorised</u>	
2,265,000 shares at Rp 250,000 per share	566,250
<u>Issued and fully paid-up</u>	
2,265,000 shares at Rp 250,000 per share	566,250

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2 **GENERAL INFORMATION (CONTINUED)**

2.3 **Share capital (Continued)**

2.3.2 The changes to the authorised and issued and paid up share capital of the Company since its incorporation up to the date of this Report, are as follows:

Authorised share capital

The movements in the authorised share capital since the Company's incorporation are as follows:

<u>Date of creation</u>	Number of shares of Rp1,000,000 <u>each created</u>	Number of shares of Rp250,000 <u>each created</u>	Cumulative authorised share capital Rp'million
6 October 1989 (Date of incorporation)	500	-	500
26 June 1995	199,500	-	200,000
20 November 1995	-	800,000*	200,000
20 November 1995	-	1,465,000	566,250

\* The share capital was sub-divided from Rp1,000,000 to Rp250,000 each

Issued and fully paid-up share capital

The movements in the issue and paid-up share capital since the Company's incorporation are as follows:

<u>Date of issue</u>	<u>Terms and purpose of issue</u>	<u>Issue price per share Rp'000</u>	Number of shares of Rp1,000,000 <u>each</u>	Number of shares of Rp250,000 <u>each</u>	Cumulative issued and fully paid up shares capital Rp million
6 October 1989 (Date of incorporation)	Subscribers' shares	1,000	100	-	100
26 June 1995	Cash	1,000	49,900	-	50,000
20 November 1995	Sub-division in the nominal value of shares of Rp1,000,000 each to Rp250,000 per share	250	-	200,000	50,000
20 November 1995	Cash	250	-	253,000	113,250
2 June 1997	Bonus issue	250	-	1,812,000*	566,250

\* Bonus issue of four shares for every one share issued as at 2 June 1997.

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**2 GENERAL INFORMATION (CONTINUED)**

**2.4 Group structure**

As at the date of this Report, Excelcomindo's subsidiaries are as follows:

<u>Name of subsidiary</u>	<u>Country of domicile and incorporation</u>	<u>Principal activities</u>	<u>Effective interest (%)</u>
Excel Phoneloan 818 B.V.	Netherlands	Financing company	100
GSM One (L) Limited	Malaysia	Financing company	100
GSM Two (L) Limited	Malaysia	Financing company	100
Excelcomindo Finance Company B.V.	Netherlands	Financing company	100

**3 FINANCIAL STATEMENTS AND AUDITORS**

3.1 The audited consolidated financial statements of the Company and its subsidiaries (collectively known as the 'Group') were prepared by the Directors of Excelcomindo in accordance with the accounting principles and reporting practices generally accepted in Indonesia.

3.2 The consolidated financial statements of the Group for the financial years ended 31 December 2000 and 31 December 2001 were audited and reported on 20 October 2003 and 12 January 2005 respectively, whilst the consolidated financial statements for the financial years ended 31 December 2002, 31 December 2003 and 31 December 2004 were audited and reported on 28 February 2005. The consolidated financial statements were reported on by the following auditors:

<u>Financial years ended</u>	<u>Auditors</u>
31 December 2000	Drs. Hadi Sutanto & Rekan *
31 December 2001, 31 December 2002, 31 December 2003 and 31 December 2004	Haryanto Sahari & Rekan *

\* Member firm of PricewaterhouseCoopers International Limited, a separate and independent legal entity from PricewaterhouseCoopers Malaysia.

3.3 The consolidated financial statements of the Group for the financial years relevant to this Report were audited and reported on by the auditors without any modification with respect to the financial information presented in this Report.

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#### 4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO

The financial information of the Group included in this Report is based on the audited consolidated financial statements of Excelcomindo for the five (5) financial years ended 31 December 2000, 31 December 2001, 31 December 2002, 31 December 2003 and 31 December 2004. Adjustments and reclassifications have been made, as considered necessary, to comply with MASB approved accounting standards in Malaysia as set out in Note 4.6 (U) of this Report.

This Report also incorporates additional disclosures in accordance with the requirements of MASB applicable for the five (5) financial years ended 31 December 2000, 31 December 2001, 31 December 2002, 31 December 2003 and 31 December 2004.

The disclosures to meet the requirements of MASB 24 - "Financial Instruments - Disclosure and Presentation" have been complied with in this Report for the financial years ended 31 December 2002, 31 December 2003 and 31 December 2004 as the standard was only applicable with effect from 1 January 2002 and the financial year ended 31 December 2002 is the first year of application of the Standard. As permitted under the standard, no comparative information for financial years prior to 31 December 2002 are presented as such information is not readily available.

This Report is presented in Ringgit Malaysia ('RM'). However, the reporting currency used in the preparation of the audited consolidated financial statements of the Group was Indonesian Rupiah, the functional currency of the Company. The financial results of the Group included in this Report have been translated into RM using the following exchange rates for each of the financial year:

	<u>Financial years ended 31 December</u>				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
	RM	RM	RM	RM	RM
<b>Consolidated income statements</b>					
<b>- average rate</b>					
100 Rp	0.04650	0.03800	0.03900	0.04350	0.04355
	<u>As at 31 December</u>				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
	RM	RM	RM	RM	RM
<b>Consolidated balance sheets</b>					
<b>- closing rate</b>					
100 Rp	0.03950	0.03650	0.04150	0.04550	0.04160

Exchange differences resulting from the translation are taken to shareholders' equity.

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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.1 Consolidated Income Statements

	Note	Financial years ended 31 December				
		<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
		RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	A	618,693	787,751	968,674	1,141,891	1,364,483
Operating expenses	B	(677,114)	(571,576)	(468,406)	(780,355)	(1,182,921)
(Loss)/Profit from operations		(58,421)	216,175	500,268	361,536	181,562
Net finance cost	C	(79,867)	(94,909)	(51,316)	(71,188)	(171,007)
(Loss)/Profit before taxation		(138,288)	121,266	448,952	290,348	10,555
Taxation	D	39,420	(38,997)	(136,151)	(95,488)	(9,159)
Net (loss)/profit for the financial year		<u>(98,868)</u>	<u>82,269</u>	<u>312,801</u>	<u>194,860</u>	<u>1,396</u>



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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.2 Consolidated Balance Sheets

	Note	As at 31 December				
		2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
<b>NON-CURRENT ASSETS</b>						
Property, plant and equipment	E	633,443	1,065,924	1,671,261	1,991,152	2,228,174
Other assets	F	494	1,950	2,762	8,586	27,186
Deferred tax assets	G	169,349	119,259	23,528	-	-
Total non-current assets		<u>803,286</u>	<u>1,187,133</u>	<u>1,697,551</u>	<u>1,999,738</u>	<u>2,255,360</u>
<b>CURRENT ASSETS</b>						
Inventories	H	5,224	2,654	5,030	14,365	23,994
Trade and other receivables	I	101,804	119,127	93,047	110,520	138,177
Tax recoverable		55	10,982	8,458	6,312	37,012
Cash and bank balances	J	7,199	14,612	86,152	299,744	198,606
Total current assets		<u>114,282</u>	<u>147,375</u>	<u>192,687</u>	<u>430,941</u>	<u>397,789</u>
<b>CURRENT LIABILITIES</b>						
Trade and other payables	K	414,669	216,840	219,928	236,753	338,862
Deferred revenue		36,726	48,435	55,026	19,111	24,572
Borrowings	L	-	11,369	55,652	211,837	-
Taxes payable	M	5,322	4,741	38,278	27,965	9,188
Total current liabilities		<u>456,717</u>	<u>281,385</u>	<u>368,884</u>	<u>495,666</u>	<u>372,622</u>
Net current (liabilities)/asset		<u>(342,435)</u>	<u>(134,010)</u>	<u>(176,197)</u>	<u>(64,725)</u>	<u>25,167</u>
		<u>460,851</u>	<u>1,053,123</u>	<u>1,521,354</u>	<u>1,935,013</u>	<u>2,280,527</u>

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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.2 Consolidated Balance Sheets (Continued)

	Note	As at 31 December				
		2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
<b>EQUITY</b>						
Share capital	N	223,669	206,681	234,994	257,644	235,560
Share premium		4,633	4,281	4,868	5,337	4,880
Foreign exchange reserve		137,528	166,934	143,378	149,535	134,734
(Accumulated losses)/retained earnings		(567,520)	(485,251)	(172,450)	22,410	23,806
Shareholders' equity		(201,690)	(107,355)	210,790	434,926	398,980
<b>NON-CURRENT LIABILITIES</b>						
Borrowings	L	660,363	1,156,461	1,303,446	912,335	-
Long term bonds	O	-	-	-	556,980	1,843,096
Post-employment benefit obligations	P	2,178	4,017	7,118	9,911	11,147
Deferred tax liabilities	G	-	-	-	20,861	27,304
Total non-current liabilities		662,541	1,160,478	1,310,564	1,500,087	1,881,547
		460,851	1,053,123	1,521,354	1,935,013	2,280,527

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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.3 Consolidated Statements of Changes in Equity

	Share capital RM'000	Share premium RM'000	Non-distributable Foreign exchange reserve RM'000	Distributable (Accumulated losses)/ Retained earnings RM'000	Total RM'000
<u>2000</u>					
At 1 January 2000	302,944	6,276	-	(468,652)	(159,432)
Net loss for the financial year	-	-	-	(98,868)	(98,868)
Currency translation differences	(79,275)	(1,643)	137,528	-	56,610
At 31 December 2000	<u>223,669</u>	<u>4,633</u>	<u>137,528</u>	<u>(567,520)</u>	<u>(201,690)</u>
<u>2001</u>					
At 1 January 2001	223,669	4,633	137,528	(567,520)	(201,690)
Net profit for the financial year	-	-	-	82,269	82,269
Currency translation differences	(16,988)	(352)	29,406	-	12,066
At 31 December 2001	<u>206,681</u>	<u>4,281</u>	<u>166,934</u>	<u>(485,251)</u>	<u>(107,355)</u>
<u>2002</u>					
At 1 January 2002	206,681	4,281	166,934	(485,251)	(107,355)
Net profit for the financial year	-	-	-	312,801	312,801
Currency translation differences	28,313	587	(23,556)	-	5,344
At 31 December 2002	<u>234,994</u>	<u>4,868</u>	<u>143,378</u>	<u>(172,450)</u>	<u>210,790</u>
<u>2003</u>					
At 1 January 2003	234,994	4,868	143,378	(172,450)	210,790
Net profit for the financial year	-	-	-	194,860	194,860
Currency translation differences	22,650	469	6,157	-	29,276
At 31 December 2003	<u>257,644</u>	<u>5,337</u>	<u>149,535</u>	<u>22,410</u>	<u>434,926</u>
<u>2004</u>					
At 1 January 2004	257,644	5,337	149,535	22,410	434,926
Net profit for the financial year	-	-	-	1,396	1,396
Currency translation differences	(22,084)	(457)	(14,801)	-	(37,342)
At 31 December 2004	<u>235,560</u>	<u>4,880</u>	<u>134,734</u>	<u>23,806</u>	<u>398,980</u>

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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.4 Consolidated Cash Flow Statement for financial year ended 31 December 2004

	Financial year ended <u>Note</u> <u>31 December 2004</u> RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and other operators	1,381,569
Interest income received	11,381
Payments for suppliers and employees	(669,715)
Payments of corporate income tax	(33,765)
<b>Net cash flows from operating activities</b>	<u>689,470</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>	
Purchase of property, plant and equipment	(742,612)
Addition of other assets	(84,098)
Proceeds from sale of property, plant and equipment and insurance claims	4,717
<b>Net cash flows used in investing activities</b>	<u>(821,993)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Payment of interest	(135,074)
Repayment of borrowings	(1,075,992)
Proceeds from long term bond	1,262,733
<b>Net cash flows from financing activities</b>	<u>51,667</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(80,856)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>	299,744
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	1,791
<b>CURRENCY TRANSLATION DIFFERENCES</b>	<u>(22,073)</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	J <u><u>198,606</u></u>

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**4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)**

**4.5 Summary of significant accounting policies**

The following accounting policies have been used consistently in dealing with items that are considered material in relation to the financial statements of Excelcomindo Group, which are in accordance with MASB approved accounting standards in Malaysia.

**(a) Basis for preparation of the consolidated financial statements**

Unless otherwise stated, the consolidated financial statements of Excelcomindo Group have been prepared under the historical costs convention.

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles 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 year. Actual results could differ from those estimates.

The financial information included in this Report has been approved for issue in accordance with a resolution of the Board of Directors on 20 April 2005.

**(b) Principles of consolidation**

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the year. Subsidiaries are those corporations or other entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated using the acquisition method of accounting whereby the results of the subsidiaries acquired or disposed during the year are included in the consolidated income statement from the date of their acquisition up to the date of their disposal. The cost of acquisition is the amount of cash paid and the fair value of other purchase consideration at the date of acquisition given by the acquirer, together with directly attributable expenses of the acquisition. At the date of acquisition, the fair value of the subsidiary's net assets is determined and these values are reflected in the consolidated financial statements. The difference between the cost of acquisition over the Group's share of the fair value of identifiable net assets of the subsidiary acquired at the date of acquisition is reflected as goodwill.

The effect of all transactions and balances between companies in the Group have been eliminated in preparing the consolidated financial statements.

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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.5 Summary of significant accounting policies (Continued)

(b) Principles of consolidation (Continued)

The financial statements of the subsidiaries domiciled outside Indonesia are translated into Rupiah amounts, being the functional currency of the Company, on the following basis:

- Balance sheets are translated using the exchange rate of the Bank of Indonesia prevailing at the balance sheet date as mentioned in Note 4.5 (h).
- Income statements are translated using the average rate during the financial years as follows (in full Rupiah amounts):

	<u>Financial years ended 31 December</u>				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
United States Dollar (USD)	8,327.00	10,202.00	9,383.00	8,610.75	8,916.67
Euro (EUR)	7,673.28	9,119.73	8,771.32	9,646.68	11,021.07

The resulting difference arising from the translation of balance sheets and income statements of the subsidiaries are recognised in the current period consolidated income statement, on the basis that the operations of the foreign subsidiaries form an integral part of the Company and as a result, the transactions of the foreign operations have been considered as if they had been carried out by the Company.

(c) Revenue recognition

Revenues are recognised from the sale of starter packs for prepaid services, which consist principally of SIM cards, upon sale to distributors and dealers or directly to customers net of value added taxes. Revenues are not recognised from sale of vouchers for prepaid services at the time of sale. When a voucher is sold, the full amount of airtime sold is credited, without deduction for any commissions, to the "Deferred Revenue" account. As prepaid customers use the prepaid airtime or upon expiration of the voucher, the charges are debited from the "Deferred Revenue" account and the amount used or expired is recognised as GSM telecommunication revenues in the income statement.

Revenues for the use of the Company's network by postpaid customers, including charges for airtime, local interconnection, domestic long distance, international long distance and roaming, are recognised based on applicable tariffs and the duration of successful calls made through the network. Revenues are recognised at the time when the service is rendered based on the actual usage of the network by customers during each period.

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**4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)**

**4.5 Summary of significant accounting policies (Continued)**

**(c) Revenue recognition (Continued)**

Non-usage revenues, such as monthly service charges and value added services, are recognised on a monthly basis upon billing. Revenues from activation fees are recognised at the time of delivery of the SIM cards to customers.

Revenues from interconnection with other operators are recognised at the time when the service is rendered on the basis of actual recorded traffic.

Inbound roaming revenues from overseas telecommunications providers for calls made and received by their customers on the Company's network is recognised at the time when the service is rendered based upon applicable tariffs.

Revenues from leased lines and internet service provider revenues are recognised on a monthly basis upon billing based on prices agreed with customers. When advance payments are received, the amounts received are recorded as deferred revenue and recognised as revenue when the services are provided.

Revenues from VoIP services are recognised at the time when the service is rendered based upon applicable tariffs.

**(d) Trade receivables**

Trade receivables are presented at their estimated recoverable amount after allowance for doubtful debts. An allowance for doubtful debts is made based on management's evaluation of the status of the accounts at each balance sheet date. Bad debts are written-off in the period in which they are determined to be uncollectible.

**(e) Inventory**

Inventories are valued at the lower of cost or net realisable value. Cost is computed using the weighted average method.

In arriving at net realisable value, an allowance for obsolete and slow moving inventory is made and is determined on the basis of the estimated future sales of individual inventory items.



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**4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)**

**4.5 Summary of significant accounting policies (Continued)**

**(f) Property, plant and equipment**

Property, plant and equipment are stated at acquisition cost, which includes any applicable import taxes, custom duties, freight costs, handling costs, storage costs, site preparation costs, installation costs, and internal labour costs less accumulated depreciation and impairment losses.

Depreciation of property, plant and equipment is applied from the date the assets are placed into service or when the assets are completed and ready for service using the straight line method over the estimated useful lives resulting in the following annual percentage of cost:

Buildings	5% - 12.5%
Network equipment	6.25% - 50%
Leasehold improvements	25%
Office machinery and equipment	25%
Furniture and fixtures	25%
Support systems	25%
Motor vehicles	25%

Leasehold land is amortised in equal instalments over the period of the respective leases that range from 20 to 30 years.

Normal maintenance expenses are charged to income statement of the current period, while repairs and renovations which increase the useful life of assets are capitalised.

The accumulated costs of network equipment are firstly capitalised as Assets Under Construction. These costs are then reclassified to property, plant and equipment when the assets are commissioned into service.

The cost of upgrading software is capitalised and the previously recorded balance is written off at the time the software upgrade is performed.

When assets are retired or otherwise disposed of, their carrying values and the related accumulated depreciation are eliminated from the financial statements, and the resulting gains and losses on the disposal of property, plant and equipment are recognised in the current period income statement.



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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.5 Summary of significant accounting policies (Continued)

(f) Property, plant and equipment (Continued)

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows. The impairment loss is charged to the income statement.

(g) Bonds, notes and debentures

Bonds, notes and debentures, issued by the Company and special purposes entities are stated at the net proceeds received on issue. The finance costs which represent the difference between the net proceeds and the total amount of the payments of these borrowings are allocated to periods over the term of the borrowings at a constant rate on the carrying amount and are charged to the income statement.

Interest, dividends, losses and gains relating to financial instrument, or a component part, classified as a liability is reported within finance cost in the income statement.

(h) Foreign currency translation

Transactions denominated in foreign currencies are translated into Rupiah, being the functional currency of the Company, at the rates prevailing at the date of the transaction.

At the balance sheet date, monetary assets and monetary liabilities denominated in foreign currencies are translated into Rupiah using the exchange rate of the Bank of Indonesia prevailing at that date. The exchange rates of the major foreign currencies used, are as follows (in full Rupiah amount):

	As at 31 December				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
United States Dollar (USD)	9,595.00	10,400.00	8,940.00	8,465.0	9,290.00
Euro (EUR)	8,911.85	9,229.68	9,369.58	10,643.06	12,652.06
Singapore Dollar (SGD)	N/A	N/A	5,154.23	4,976.50	5,685.45
Australian Dollar (AUD)	N/A	N/A	5,064.97	N/A	N/A
Pound Sterling (GBP)	N/A	N/A	14,334.85	N/A	N/A

Realised and unrealised foreign exchange gains or losses, arising on transactions in foreign currency and on the translation of foreign currency monetary assets and liabilities, are recognised in the current year consolidated income statement.

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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.5 Summary of significant accounting policies (Continued)

(i) Taxation

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon taxable profits. Corporate income tax is calculated for the Company and each of its subsidiaries as separate legal entities.

Deferred income tax is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

Deferred tax assets relating to the carry forward of temporary differences or unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences or unused tax losses can be utilised.

(j) Employee benefits

Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

Defined contribution plan

Excelcomindo Group's contributions to a defined contribution employee pension plan are recognised as expense to the income statement in the period to which it relates. Once the contributions have been paid, Excelcomindo Group has no further payment obligations.

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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.5 Summary of significant accounting policies (Continued)

(j) Employee benefits (Continued)

Defined benefit plan

The liability in respect of a defined benefit plan is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets, together with adjustments for actuarial gain/losses and past service cost. The group determines the present value of the defined benefit obligation and the fair value of any plan assets with sufficient regularity such that amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date.

The defined benefit obligation, calculated using the projected unit credit method, is determined by independent actuaries, considering the estimated future cash outflows using the market yields at balance sheet date of government securities which have currency and terms to maturity approximating the terms of the related liability.

Plan assets in excess of defined benefit obligation are subject to the asset limitation specified in MASB 29 'Employee Benefits'.

Actuarial gain and losses from experience adjustments and changes in actuarial assumptions. The amounts of net actuarial gains and losses recognised in the income statement is determined by the corridor method in accordance with MASB 29 and is charged or credited to income statement over the average remaining service lines of the related employees participating in the defined benefit plan.

Upon initial adoption of MASB 29, the increase in defined benefit liability is recognised as an expense immediately in accordance with the transitional provision of the standard.

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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.5 Summary of significant accounting policies (Continued)

(k) Financial instruments

(i) Description

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

(ii) Financial instruments recognised on the balance sheet

The particular recognition and measurement method for financial instruments recognised on the balance sheet is disclosed in the individual significant accounting policy statements associated with each item.

(iii) Fair value estimation for disclosure purposes

In assessing the fair value of financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices are used if available or other techniques, such as estimated discounted value of future cash flows, are used to determine fair value. In particular, the fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

The carrying value for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair value.

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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.6 Notes to the financial statements

A Revenue

	Financial years ended 31 December				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
GSM telecommunication services	448,197	559,199	712,400	838,060	999,329
GSM interconnection services	170,496	227,934	251,330	288,374	334,868
Other telecommunication services	-	618	4,944	15,457	30,286
	<u>618,693</u>	<u>787,751</u>	<u>968,674</u>	<u>1,141,891</u>	<u>1,364,483</u>

B Operating expenses

	Financial years ended 31 December				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Interconnection charges, other GSM charges and other telecommunication service costs	124,851	109,970	134,553	172,396	236,230
Property, plant and equipment					
- depreciation	107,684	161,097	239,880	353,028	399,219
- write offs	-	-	6,738	-	7,751
- (gain)/loss on disposal	(446)	819	(958)	1,076	(1,434)
General and administrative expenses	26,314	48,941	39,591	89,546	91,150
Staff costs (refer Note P)	42,568	46,279	57,821	74,909	92,059
Selling expenses	43,889	61,077	86,429	80,278	122,272
Rental of land and buildings	12,863	15,543	18,117	21,950	25,389
Repair and maintenance expenses	25,322	27,146	35,727	47,007	55,818
Professional fees	9,380	11,837	22,551	9,920	14,344
Foreign exchange (gain)/loss					
- realised	(6,115)	24,276	(7,187)	(23,121)	(9,498)
- unrealised	286,494	58,859	(181,362)	(59,863)	128,777
Others	4,310	5,732	16,506	13,229	20,844
Operating expenses	<u>677,114</u>	<u>571,576</u>	<u>468,406</u>	<u>780,355</u>	<u>1,182,921</u>

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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.6 Notes to the financial statements (Continued)

C Net finance cost

	Financial years ended 31 December				
	2000	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000
Interest expense	82,245	96,437	55,655	74,533	182,866
Interest income	(2,378)	(1,528)	(4,339)	(3,345)	(11,859)
Net finance cost	79,867	94,909	51,316	71,188	171,007

D Taxation

	Financial years ended 31 December				
	2000	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000
Indonesia:					
Current year taxation	-	-	30,375	47,497	-
In respect of prior years	-	-	-	2,896	-
Deferred taxation - net (Note G)	(39,665)	38,752	105,316	44,606	8,617
	(39,665)	38,752	135,691	94,999	8,617
Others:					
Current year taxation	245	245	460	489	542
Taxation	(39,420)	38,997	136,151	95,488	9,159
Current taxation:					
Current year	245	245	30,835	47,986	542
(Over)/under accrual in prior years	-	-	-	2,896	-
Deferred taxation:					
Origination and reversal of temporary differences	(39,665)	38,752	105,316	44,606	8,617
	(39,420)	38,997	136,151	95,488	9,159



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4 **HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)**

4.6 **Notes to the financial statements (Continued)**

D **Taxation (Continued)**

The explanation of the relationship between taxation expense and (loss)/profit before taxation is as follows:

Numerical reconciliation between taxation expense and the product of accounting profit multiplied by the applicable Indonesian taxation are:

	Financial years ended 31 December				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit before taxation	(138,288)	121,266	448,952	290,348	10,555
Taxation calculated at 30%	(41,486)	36,380	134,686	87,104	3,167
Tax effects of:					
- Different taxation rates in other countries	(13)	(12)	105	36	(11)
- Expenses not deductible for taxation purposes	2,676	2,993	2,558	6,343	9,406
- Income not subject to tax	(597)	(364)	(1,198)	(891)	(3,403)
- (Over)/under accrual in prior years (net)	-	-	-	2,896	-
<b>Taxation</b>	<b>(39,420)</b>	<b>38,997</b>	<b>136,151</b>	<b>95,488</b>	<b>9,159</b>

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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.6 Notes to the financial statements (Continued)

E Property, plant and equipment

	As at 1.1.2004 RM'000	Additions RM'000	Disposals/ write off RM'000	Transfers RM'000	Depreciation charge RM'000	Currency translation differences RM'000	As at 31.12.2004 RM'000
<u>Net book value</u>							
Leasehold land	83,217	40,459	-	447	(12,905)	(8,388)	102,830
Buildings	11,258	146	-	126	(1,218)	(923)	9,389
Network equipment	1,576,900	643,835	(875)	107,944	(355,254)	(152,878)	1,819,672
Leasehold improvements	10,644	4,241	(808)	340	(5,372)	(840)	8,205
Office machinery and equipment	25,052	12,325	(1,018)	2,610	(13,003)	(2,188)	23,778
Furnitures and fixtures	3,416	1,382	(1,446)	236	(1,120)	(251)	2,217
Support systems	13,411	6,265	-	1,659	(7,099)	(1,186)	13,050
Motor vehicles	6,320	2,278	-	-	(3,248)	(499)	4,851
Assets under construction	260,934	126,973	(7,734)	(113,362)	-	(22,629)	244,182
<b>Total</b>	<b>1,991,152</b>	<b>837,904</b>	<b>(11,881)</b>	<b>-</b>	<b>(399,219)</b>	<b>(189,782)</b>	<b>2,228,174</b>

	<u>Cost</u> RM'000	<u>Accumulated depreciation</u> RM'000	<u>Net book value</u> RM'000
<u>At 31.12.2000</u>			
Leasehold land	28,980	(7,960)	21,020
Buildings	3,299	(465)	2,834
Network equipment	730,766	(206,831)	523,935
Leasehold improvements	16,377	(3,775)	12,602
Office machinery and equipment	28,823	(14,631)	14,192
Furnitures and fixtures	1,238	(951)	287
Support systems	7,869	(5,273)	2,596
Motor vehicles	6,536	(1,653)	4,883
Assets under construction	51,094	-	51,094
<b>Total</b>	<b>874,982</b>	<b>(241,539)</b>	<b>633,443</b>



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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.6 Notes to the financial statements (Continued)

E Property, plant and equipment (Continued)

	Cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
<u>At 31.12.2001</u>			
Leasehold land	47,684	(11,169)	36,515
Buildings	6,907	(730)	6,177
Network equipment	1,044,181	(328,938)	715,243
Leasehold improvements	16,357	(6,863)	9,494
Office machinery and equipment	36,757	(19,153)	17,604
Furnitures and fixtures	1,503	(982)	521
Support systems	16,164	(7,270)	8,894
Motor vehicles	5,481	(2,134)	3,347
Assets under construction	268,129	-	268,129
Total	<u>1,443,163</u>	<u>(377,239)</u>	<u>1,065,924</u>
<u>At 31.12.2002</u>			
Leasehold land	80,152	(19,302)	60,850
Buildings	8,156	(1,508)	6,648
Network equipment	1,784,293	(581,201)	1,203,092
Leasehold improvements	23,062	(12,183)	10,879
Office machinery and equipment	49,681	(29,004)	20,677
Furnitures and fixtures	3,433	(1,729)	1,704
Support systems	24,017	(12,300)	11,717
Motor vehicles	11,371	(4,186)	7,185
Assets under construction	348,509	-	348,509
Total	<u>2,332,674</u>	<u>(661,413)</u>	<u>1,671,261</u>
<u>At 31.12.2003</u>			
Leasehold land	114,479	(31,262)	83,217
Buildings	13,990	(2,732)	11,258
Network equipment	2,544,114	(967,214)	1,576,900
Leasehold improvements	30,556	(19,912)	10,644
Office machinery and equipment	67,254	(42,202)	25,052
Furnitures and fixtures	5,957	(2,541)	3,416
Support systems	32,588	(19,177)	13,411
Motor vehicles	14,061	(7,741)	6,320
Assets under construction	260,934	-	260,934
Total	<u>3,083,933</u>	<u>(1,092,781)</u>	<u>1,991,152</u>

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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.6 Notes to the financial statements (Continued)

E Property, plant and equipment (Continued)

	<u>Cost</u> RM'000	<u>Accumulated depreciation</u> RM'000	<u>Net book value</u> RM'000
<u>At 31.12.2004</u>			
Leasehold land	143,742	(40,912)	102,830
Buildings	13,051	(3,662)	9,389
Network equipment	3,035,394	(1,215,722)	1,819,672
Leasehold improvements	31,080	(22,875)	8,205
Office machinery and equipment	71,538	(47,760)	23,778
Furnitures and fixtures	4,771	(2,554)	2,217
Support systems	37,364	(24,314)	13,050
Motor vehicles	14,990	(10,139)	4,851
Assets under construction	244,182	-	244,182
Total	<u>3,596,112</u>	<u>(1,367,938)</u>	<u>2,228,174</u>

The net book value of property, plant and equipment pledged as collateral for a syndicated bank loan up to 27 January 2004 (Note L) are as follows:

	<u>As at 31 December</u>				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Net book value	<u>633,443</u>	<u>1,065,924</u>	<u>1,671,261</u>	<u>1,991,152</u>	<u>-</u>

F Other assets

	<u>As at 31 December</u>				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Prepayments – long term	494	1,950	2,762	8,586	8,661
Restricted bank deposits	-	-	-	-	18,525
	<u>494</u>	<u>1,950</u>	<u>2,762</u>	<u>8,586</u>	<u>27,186</u>

Restricted short term deposits for the year ended 31 December 2004 comprise the sinking fund for the bond interest payments amounting to RM18,525,000.

All Other Assets are denominated in Rp, the functional currency of the Company.

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4 **HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)**

4.6 **Notes to the financial statements (Continued)**

G **Deferred taxation**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	As at 31 December				
	2000	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	169,349	119,259	23,528	-	-
Deferred tax liabilities	-	-	-	(20,861)	(27,304)
<b>Total deferred tax assets/(liabilities)</b>	<b>169,349</b>	<b>119,259</b>	<b>23,528</b>	<b>(20,861)</b>	<b>(27,304)</b>
	Financial years ended 31 December				
	2000	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January	158,053	169,349	119,259	23,528	(20,861)
Current year credited/(charged) to consolidated income statement arising from:					
- property, plant and equipment	(14,308)	8,068	(43,390)	(45,211)	(38,152)
- tax losses	53,204	(47,446)	(62,645)	-	28,880
- post-employment benefits obligations	769	626	719	605	655
<b>Total credited/(charged) to consolidated income statement</b>	<b>39,665</b>	<b>(38,752)</b>	<b>(105,316)</b>	<b>(44,606)</b>	<b>(8,617)</b>
Currency translation difference	(28,369)	(11,338)	9,585	217	2,174
<b>At 31 December</b>	<b>169,349</b>	<b>119,259</b>	<b>23,528</b>	<b>(20,861)</b>	<b>(27,304)</b>

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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.6 Notes to the financial statements (Continued)

G Deferred taxation (Continued)

Breakdown of cumulative balances by each type of temporary difference:

	As at 31 December				
	2000	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000
(a) Deferred tax assets					
Property, plant and equipment	55,930	59,425	56,329	-	-
Tax losses	112,766	58,629	-	-	27,587
Post-employment benefits obligations	653	1,205	2,135	2,973	3,344
	<u>169,349</u>	<u>119,259</u>	<u>58,464</u>	<u>2,973</u>	<u>30,931</u>
Offsetting	-	-	(34,936)	(2,973)	(30,931)
Total deferred tax assets after offsetting	<u>169,349</u>	<u>119,259</u>	<u>23,528</u>	<u>-</u>	<u>-</u>
(b) Deferred tax liability					
Property, plant and equipment	-	-	34,936	23,834	58,235
Offsetting	-	-	(34,936)	(2,973)	(30,931)
Total deferred tax liabilities after offsetting	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,861</u>	<u>27,304</u>

H Inventories

	As at 31 December				
	2000	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000
Inventories, at net realisable values	<u>5,224</u>	<u>2,654</u>	<u>5,030</u>	<u>14,365</u>	<u>23,994</u>

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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.6 Notes to the financial statements (Continued)

1 Trade and other receivables

	As at 31 December				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables	43,433	55,516	53,901	67,636	52,863
Allowance for doubtful debts	(1,215)	(1,717)	(859)	(2,545)	(4,046)
	<u>42,218</u>	<u>53,799</u>	<u>53,042</u>	<u>65,091</u>	<u>48,817</u>
Other receivables	958	280	594	296	623
Advances and prepayments	58,239	64,816	39,359	45,133	88,737
Amounts due from related parties	389	232	52	-	-
	<u>101,804</u>	<u>119,127</u>	<u>93,047</u>	<u>110,520</u>	<u>138,177</u>

Trade receivables have been pledged as collateral as described in Note L.

The Group is not exposed to major concentration of credit risk that may arise from exposure to a single debtor or group of debtors. The Group considers the allowance for doubtful debts at balance sheet date to be adequate to cover potential financial loss.

Credit terms of trade receivables are as follows:

	As at 31 December		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Credit terms (days)	<u>1 to 60</u>	<u>1 to 60</u>	<u>1 to 60</u>

The amounts due from related parties are unsecured, interest free and have no fixed terms of repayment.

The currency exposure profile for trade and other receivables is as follows:

	As at 31 December		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
	RM'000	RM'000	RM'000
Rp	85,458	99,677	125,467
USD	7,589	10,843	12,710
	<u>93,047</u>	<u>110,520</u>	<u>138,177</u>

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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.6 Notes to the financial statements (Continued)

J Cash and bank balances

	As at 31 December				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Cash on hand	370	300	351	373	366
Bank balances	6,434	12,505	24,236	276,333	65,773
Time deposits with licensed banks	395	1,807	61,565	23,038	132,467
	<u>7,199</u>	<u>14,612</u>	<u>86,152</u>	<u>299,744</u>	<u>198,606</u>

The weighted average interest rates at balance sheet date and the average maturities of deposits and bank balances are as follows:

	As at 31 December		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Weighted average interest rates (%)			
- bank balance	6.00	4.40	2.65
- time deposits	11.00	7.30	6.70
	<u>        </u>	<u>        </u>	<u>        </u>
Average maturities (days)			
- time deposits	90	90	90
	<u>        </u>	<u>        </u>	<u>        </u>

The currency exposure profile for cash and bank balances is as follows:

	As at 31 December		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
	RM'000	RM'000	RM'000
Rp	40,517	151,853	137,443
USD	45,635	147,891	61,163
	<u>86,152</u>	<u>299,744</u>	<u>198,606</u>

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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.6 Notes to the financial statements (Continued)

K Trade and other payables

	As at 31 December				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables	232,528	120,315	197,745	182,516	253,737
Interest payable	127,203	38,670	5,153	20,630	65,587
Customer deposits	37,569	49,785	11,570	31,476	18,792
Amounts due to related parties	17,211	7,780	3,704	1,830	83
Others	158	290	1,756	301	663
	<u>414,669</u>	<u>216,840</u>	<u>219,928</u>	<u>236,753</u>	<u>338,862</u>

Credit terms of trade payables vary from 14 to 60 days depending on contract terms for the financial years ended 31 December 2002, 31 December 2003 and 31 December 2004.

The amounts due to related parties are unsecured, interest free and have no fixed terms of repayment.

The currency exposure profile for trade and other payables is as follows:

	As at 31 December		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
	RM'000	RM'000	RM'000
Rp	75,691	111,757	100,733
USD	136,866	93,504	195,393
AUD	550	-	-
EUR	6,418	31,329	42,462
SGD	191	163	274
GBP	212	-	-
	<u>219,928</u>	<u>236,753</u>	<u>338,862</u>

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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.6 Notes to the financial statements (Continued)

L Borrowings

	As at 31 December				
	2000	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000
Long term lenders loan	660,363	1,167,830	1,359,098	1,124,172	-
Less: Due within one year	-	(11,369)	(55,652)	(211,837)	-
	<u>660,363</u>	<u>1,156,461</u>	<u>1,303,446</u>	<u>912,335</u>	<u>-</u>

In 1997, the Group entered into a loan agreement with a syndication of foreign banks for a secured, senior debt, multi-credit facility of USD400,000,000, to finance its network construction.

On 21 May 2002, the Group restructured its obligations with the Banks and its major network equipment vendors involving modification of the terms without transferring assets or shares and with no change to the carrying amount of the liabilities. There is no gain and related income tax effect arising from the restructuring.

The restructured credit facilities are collateralised by assignment of the Group's cash and cash equivalents, trade receivables, property, plant and equipment and a pledge of 51% and 82% of the shares of the Group by the shareholders in 2003 and 2002 respectively.

The terms of the credit facilities include a number of financial and other covenants which must be complied with. The terms of the relevant agreements also contain default and cross default clauses. Management was not aware of any breaches of the terms of these agreements and do not foresee any such breaches occurring in the future.

On 27 January 2004, the Group repaid the entire balance of the loan amounting to USD291,873,105 (RM1,124,172,000) to the lenders using the proceeds of its USD bond (refer Note O) and the entire security/collateral on the Group's assets was released.

The borrowings are denominated in USD.



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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.6 Notes to the financial statements (Continued)

L Borrowings (Continued)

Maturity of borrowings is as follows:

	As at 31 December				
	2000	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000
Within 1 year	-	11,369	55,652	211,837	-
More than 1 year and less than 2 years	67,923	265,286	500,864	693,284	-
More than 2 years and less than 5 years	592,440	891,175	802,582	219,051	-
	<u>660,363</u>	<u>1,167,830</u>	<u>1,359,098</u>	<u>1,124,172</u>	<u>-</u>

Weighted average interest rate at balance sheet date is as follows:

	As at 31 December		
	2002	2003	2004
Weighted average interest rate (%)	<u>4.42</u>	<u>3.73</u>	<u>N/A</u>

The estimated fair value of financial liabilities at the balance date is as follows:

	As at 31 December		
	2002	2003	2004
	RM'000	RM'000	RM'000
Borrowings	<u>912,000</u>	<u>1,072,000</u>	<u>N/A</u>

M Taxes payable

	As at 31 December				
	2000	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000
Corporate income tax payable	-	269	26,701	12,917	426
Other taxes payable	5,322	4,472	11,577	15,048	8,762
	<u>5,322</u>	<u>4,741</u>	<u>38,278</u>	<u>27,965</u>	<u>9,188</u>

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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.6 Notes to the financial statements (Continued)

N Share capital

	As at 31 December				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
<b>Authorised</b>					
2,265,000 shares at Rp 250,000 per share					
At 1 January/31 December	<u>223,669</u>	<u>206,681</u>	<u>234,994</u>	<u>257,644</u>	<u>235,560</u>
<b>Issued and fully-paid-up</b>					
2,265,000 shares at Rp 250,000 per share					
At 1 January	302,944	223,669	206,681	234,994	257,644
Currency translation differences	(79,275)	(16,988)	28,313	22,650	(22,084)
At 31 December	<u>223,669</u>	<u>206,681</u>	<u>234,994</u>	<u>257,644</u>	<u>235,560</u>

In 1995 and 1996, the shareholders subscribed for an aggregate of 453,000 shares of Rp 250,000 each, at a total subscription price of USD250,000,000. The subscription price was converted to Indonesian Rupiah at Rp 2,265 = USD1.00, the exchange rate mandated by the shareholders agreement, and shares were issued at Rp 1,250,000 each for an aggregate price of Rp 566,250,000,000. In 1997, the Company declared a four to one bonus issue resulting in the issuance of an additional 1,812,000 shares and the transfer of Rp 453,000,000,000 from the share premium account to the share capital account. The remaining Rp 11,730,000,000 in the share premium account represents the difference between the Indonesian Rupiah/USD exchange rate on the date the payment of the subscription price was received and the exchange rate mandated by the shareholders' agreement.

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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.6 Notes to the financial statements (Continued)

○ Long term bonds

	As at 31 December	
	2003 RM'000	2004 RM'000
Excelcom Bond	568,750	520,000
Excelcom Notes	-	1,352,624
	<u>568,750</u>	<u>1,872,624</u>
Unamortised discount	(11,770)	(29,528)
	<u>556,980</u>	<u>1,843,096</u>
Weighted average interest rate (%)	<u>14.25</u>	<u>9.74</u>

On 23 October 2003, the Company issued a bond known as Obligasi Excelcom 1 Tahun 2003 (The 'Excelcom Bond') with a nominal amount of Rp 1.25 trillion. The Excelcom Bond is divided into series A bonds with a fixed interest rate of 14.25% p.a and series B bonds with a fixed interest rate of 14.25% p.a. for the first and second year and with a floating interest rate for the third until the fifth year, which is calculated based on SBI (Sertifikat Bank Indonesia) interest rate for a period of 3 months and includes a fixed premium of 5% each year, provided that such floating interest rate shall not be lower than 11% nor higher than 17% p.a.

The interest is payable on a quarterly basis commencing on 21 January 2004, and the Company is obliged to make payment of interest 45 days in advance of the last day of each interest period. The Excelcom Bond is unsecured and ranks pari passu with the Company's other unsecured creditors. The Excelcom Bond is listed on the Surabaya Stock Exchange and matures on 21 October 2008. The Company is required to comply with all covenants or restrictions including maintaining consolidated financial ratios as follows:

- (1) EBITDA to net interest ratio should be at least 4 times for 2003-2005 and 5 times for 2006-2008.
- (2) Debt to EBITDA ratio should not exceed 3.75 times for 2003, 3.5 times for 2004-2005 and 3 times for 2006-2008.

On 27 January 2004, the Company's wholly owned subsidiary, Excelcomindo Finance Company B.V. issued USD350 million of 5 years notes (the 'Notes'). The Notes are listed on the Singapore Exchange Securities Trading, Ltd. The offering was priced at 99.495% with a coupon of 8% and yield of 8.125%.

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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.6 Notes to the financial statements (Continued)

○ Long term bonds (Continued)

Interest is payable semi-annually in arrears on 27 January and 27 July of each year, commencing on 27 July 2004. The Notes mature on 27 January 2009. The Notes are unsecured senior obligations and guaranteed by the Company on a senior unsecured basis.

Under the Bond covenants, the Company is required to comply with certain conditions, such as maintaining certain financials ratio and limitations on assets sale/leaseback transactions.

The currency profile of long term bonds are as follows:

	<u>As at 31 December</u>	
	<u>2003</u>	<u>2004</u>
	RM'000	RM'000
Rp	556,980	512,194
USD	-	1,330,902
	<u>556,980</u>	<u>1,843,096</u>

The estimated fair value of the financial liabilities at the balance date is as follows:

	<u>As at 31 December</u>	
	<u>2003</u>	<u>2004</u>
	RM'000	RM'000
Long term bonds	<u>557,000</u>	<u>1,957,000</u>

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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.6 Notes to the financial statements (Continued)

P Post employment benefit obligations

(a) Employee numbers and staff costs

The employee numbers and staff costs in Excelcomindo Group as at or for the five (5) financial years were as follows:

	As at 31 December				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Number of employees	<u>1,054</u>	<u>1,158</u>	<u>1,355</u>	<u>1,515</u>	<u>1,543</u>

	Financial years ended 31 December				
	<u>2000</u> RM'000	<u>2001</u> RM'000	<u>2002</u> RM'000	<u>2003</u> RM'000	<u>2004</u> RM'000
Staff costs charged to consolidated income statement	<u>42,568</u>	<u>46,279</u>	<u>57,821</u>	<u>74,909</u>	<u>92,059</u>
Staff costs capitalised in property, plant and equipment	<u>-</u>	<u>189</u>	<u>8</u>	<u>4,394</u>	<u>6,540</u>
	<u>42,568</u>	<u>46,468</u>	<u>57,829</u>	<u>79,303</u>	<u>98,599</u>

Included in total staff costs are:

	Financial years ended 31 December				
	<u>2000</u> RM'000	<u>2001</u> RM'000	<u>2002</u> RM'000	<u>2003</u> RM'000	<u>2004</u> RM'000
Wages, salaries and bonus	<u>35,506</u>	<u>39,609</u>	<u>48,850</u>	<u>62,999</u>	<u>77,588</u>
Defined benefit retirement plan (Note (b))	<u>2,761</u>	<u>2,208</u>	<u>2,669</u>	<u>2,222</u>	<u>2,410</u>
Defined contribution retirement plan (Note (c))	<u>-</u>	<u>-</u>	<u>1,170</u>	<u>2,288</u>	<u>2,908</u>
Other employees benefits	<u>4,301</u>	<u>4,462</u>	<u>5,132</u>	<u>7,400</u>	<u>9,153</u>
	<u>42,568</u>	<u>46,279</u>	<u>57,821</u>	<u>74,909</u>	<u>92,059</u>

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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.6 Notes to the financial statements (Continued)

P Post employment benefit obligations (Continued)

(b) Defined benefit retirement plan

	As at 31 December				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Non current	2,178	4,017	7,118	9,911	11,147

The movement during the financial years in the amounts recognised in the consolidated balance sheet is as follows:

	Financial years ended 31 December				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January	-	2,178	4,017	7,118	9,911
Charged to consolidated income statement	2,761	2,208	2,669	2,222	2,410
Contributions and benefits paid	(197)	(121)	(272)	(207)	(227)
Currency translation differences	(386)	(248)	704	778	(947)
At 31 December	2,178	4,017	7,118	9,911	11,147

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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.6 Notes to the financial statements (Continued)

P Post-employment benefit obligations (Continued)

(b) Defined benefit retirement plan (Continued)

The amounts recognised in the consolidated balance sheets may be analysed as follows:

	As at 31 December				
	2000	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000
Present value of fund obligations	4,253	6,843	4,624	6,877	6,181
Unrecognised actuarial losses	(197)	(289)	(544)	(805)	(551)
Unrecognised past service cost	(1,268)	(97)	2,323	79	(1,030)
Currency translation differences	(610)	(2,440)	715	3,760	6,547
	(2,075)	(2,826)	2,494	3,034	4,966
Liability in the balance sheet	2,178	4,017	7,118	9,911	11,147

The expenses recognised in the consolidated income statements may be analysed as follows:

	Financial years ended 31 December				
	2000	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000
Current service cost	1,991	1,790	2,021	1,674	1,707
Interest cost	206	348	576	651	859
Actuarial losses recognised	-	-	-	-	2
Past service cost	86	70	72	(103)	(158)
Increase in liability at transition	478	-	-	-	-
Total included in staff costs	2,761	2,208	2,669	2,222	2,410

The charge to the consolidated income statements was included in operating expenses.

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**4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)**

**4.6 Notes to the financial statements (Continued)**

**P Post-employment benefit obligations (Continued)**

(b) Defined benefit retirement plan (Continued)

The principal actuarial assumptions used in respect of the Group's defined benefit plan were as follows:

	<u>As at 31 December</u>				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Discount rate	10%	10%	10%	10%	10%
Expected rate of salary increase	8%	8%	8%	8%	8%

(c) Defined contribution retirement plan

Starting April 2002, the Company entered into a defined contribution pension plan organised by PT Asuransi Jiwa Manulife Indonesia. This program is provided for all permanent employees who were under 50 years of age at the commencement of the program in April 2002. Contributions to the plan are 10% of the net base salary comprising 7% from the Company and 3% from the employee.



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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.6 Notes to the financial statements (Continued)

Q Significant related party transactions

The significant related party transactions during the financial years are as follows:

	Financial years ended 31 December				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Rental of building from PT Telekomindo Primabhakti	2,160	1,914	1,922	2,097	2,319
Technical service rendered by PT Nynex Indonesia	2,852	2,867	824	789	834
Salaries and allowances for board of commissioners and directors	4,076	3,937	4,491	5,910	6,511

The related party transactions described above were carried out on the terms and conditions obtainable in transactions with unrelated parties unless otherwise stated.

<u>Related parties</u>	<u>Nature of the relationship with related parties</u>	<u>Nature of transaction</u>
PT Telekomindo Primabhakti	Major shareholder	Reimbursement of expenses and building rental
PT Rajawali Corporation	Major shareholder of PT Telekomindo Primabhakti	Reimbursement of expenses
PT Nynex Indonesia	Affiliate of Indocel Holding Sdn. Bhd. (Formerly known as Indocel Holding Sdn.)	Technical services fee

R List of subsidiaries

<u>Name of Company</u>	<u>% of shareholding</u>					<u>Country of incorporation</u>	<u>Principal activities</u>
	2000	2001	2002	2003	2004		
Excel Phoneloan 818 B.V.	100	100	100	100	100	Netherlands	Financing company
GSM One (L) Limited	100	100	100	100	100	Malaysia	Financing company
GSM Two (L) Limited	100	100	100	100	100	Malaysia	Financing company
Excelcomindo Finance Company B.V.	-	-	-	100	100	Netherlands	Financing company

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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.6 Notes to the financial statements (Continued)

S Commitments

Outstanding commitments at balance sheet date not provided for in the financial statements are as follows:

(a) Capital commitments

	As at 31 December				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Approved and contracted for	178,131	110,084	63,072	190,653	309,171
Approved but not contracted for	883,076	960,388	931,235	932,081	1,051,182
	<u>1,061,207</u>	<u>1,070,472</u>	<u>994,307</u>	<u>1,122,734</u>	<u>1,360,353</u>
Analysed as follows:					
- Property, plant and equipment	<u>1,061,207</u>	<u>1,070,472</u>	<u>994,307</u>	<u>1,122,734</u>	<u>1,360,353</u>

(b) Operating lease commitments

Non cancellable operating lease commitments falling due are as follows:

	As at 31 December				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Payables within one year	6,043	5,851	6,460	7,104	6,847
Payables within one and two years	12,458	12,101	13,336	14,663	14,185
Payables within two and five years	19,749	19,280	21,180	23,292	21,939
Payable after five years	34,047	26,220	19,510	12,770	5,430
	<u>72,297</u>	<u>63,452</u>	<u>60,486</u>	<u>57,829</u>	<u>48,401</u>

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4 **HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)**

4.6 **Notes to the financial statements (Continued)**

T **Financial instruments**

Financial risk management objectives and policies

The main risks arising from the Group's financial assets and liabilities are foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management seeks to minimise potential adverse effects of these risks on the financial performance of the Group.

The Group has established Treasury policies, guidelines and control procedures to manage its exposure to financial risks.

(a) Foreign exchange risk

The foreign exchange risk of the Group arises from the normal course of business, borrowing and capital expenditure. At present, the Group does not have a foreign exchange hedge instrument in place as yet but continue to explore cost effective measures to manage its foreign exchange exposure.

(b) Interest rate risk

The Group has cash and bank balances and deposits place with creditworthy licensed banks. The Group manages its interest rate risks by placing such balances on varying maturities and interest rate terms.

The Group's primary interest rate risk relates to interest-bearing debt, as the Group has no substantial long-term interest-bearing assets. The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

The Group did, in 2002 enter into an "interest rate hedge" contract to reduce exposure to interest rate movements affecting existing foreign currency denominated borrowings. This interest rate cap is indexed to USD - LIBOR with a USD223 million notional amount for the first period declining gradually to USD88 million by the end of the contract, the cost of which was expensed off in 2002. This contract will expire on 31 March 2006.

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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.6 Notes to the financial statements (Continued)

T Financial instruments (Continued)

Financial risk management objectives and policies (Continued)

(c) Credit risk

Financial assets that potentially subject the Group to concentrations of credit risk consist primarily trade receivables and cash and bank balances.

Trade receivables is made up of receivables from postpaid subscribers, corporate customers and from non-subscribers such as dealers, interconnection and roaming partners. Credit risk is managed through the application of credit assessment and approvals, credit limits and monitoring procedures. The Group has certain risk exposures to Corporate Customers as currently the Group only requests a Corporate Guarantee and not Bank Guarantee for the provision of service.

The Group places its cash and cash equivalent with a number of creditworthy financial institutions. The Group policy limits the concentration of financial exposure to any single financial institution.

(d) Liquidity risk

Strategy in the liquidity planning system is to do cash sweeping and pooling of funds across accounts in order to concentrate funds and to optimise liquidity. Excess cash is used first within the business, before external investments take place. This would provide reassurance that excess funds are always fully invested, thereby improving the return on end of day balances and assets. At present, the Group does not have any credit line in place but in the process of obtaining working capital facility.

Fair value disclosure

The fair values of financial assets and financial liabilities are disclosed in the associated notes. The fair value of the following off balance sheet item at balance sheet date is as follows:

	As at 31 December		
	2002	2003	2004
	RM'000	RM'000	RM'000
Interest rate hedge contract	2,112	N/A*	48

\* Information not provided by management as information is not readily available.

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4 **HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)**

4.6 **Notes to the financial statements (Continued)**

U **Adjustments and reclassifications to ensure compliance with MASB approved accounting standards in Malaysia**

The financial information included in this Report is based on the audited financial statements of the Group for the financial years ended 31 December 2000, 31 December 2001, 31 December 2002, 31 December 2003 and 31 December 2004. Certain figures have been reclassified, adjusted or extended to comply with MASB approved accounting standards in Malaysia and to conform with the presentation and disclosures for the financial year ended 31 December 2004, in all material respects.

(a) **Prior year adjustments ('PYA')**

(i) Capitalisation of foreign translation differences

Previously, as permitted under Indonesian General Accepted Accounting Principles ('GAAP'), the Group capitalised foreign translation differences into property, plant and equipment for the financial years ended 31 December 1997 and 31 December 1998 amounting to approximately RM115 million and RM241 million respectively. This practice was disallowed with effect from 1 January 1999. No prior year adjustment was required under Indonesian GAAP.

To align this treatment to Malaysian GAAP, foreign translation differences capitalised are written off in the period incurred whilst the corresponding depreciation impact of the capitalisation for the financial years ended 31 December 2000, 31 December 2001, 31 December 2002, 31 December 2003 and 31 December 2004 has been adjusted in the consolidated income statements.

(ii) Amortisation of leasehold land

Previously, as permitted under Indonesian GAAP, leasehold land is not amortised over the period of the lease. Management of Excelcomindo believe that there will be no difficulty in the extension of the land rights.

For the purposes of this Report, leasehold land is amortised in equal instalments over the period of the respective leases.

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**4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)**

**4.6 Notes to the financial statements (Continued)**

**U Adjustments and reclassifications to ensure compliance with MASB approved accounting standards in Malaysia (Continued)**

**(a) Prior year adjustments ('PYA') (Continued)**

**(iii) Defined benefit retirement plan**

The amount reflected in the consolidated balance sheet represents the liability that the Group is required to pay should the eligible employees retire at retirement age or termination of employment voluntarily or otherwise under a defined benefit scheme. Prior to 2004, the provision was made based on management estimate. Independent actuary was used in arriving at the obligation as at 31 December 2004 in accordance with Indonesian GAAP.

Under MASB 29 'Employee Benefits', actuarial techniques should be applied to make a reliable estimate of the amount of benefit that employees have earned in return for their service in the current and prior periods by making assumptions on demographic variables (such as employee turnover and mortality) and financial variables (such as future increases in salaries and medical costs) that will influence the cost of the benefit. The defined benefit obligations should be determined using the projected unit credit method. In addition, other consideration to be determined are the fair value of any plan assets and the total amount of actuarial gains and losses arising from the valuation.

The GAAP differences have been adjusted in the consolidated income statements for the relevant financial years reported in this Report. In addition, disclosures required under MASB 29 are made in this Report.



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4 **HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)**

4.6 **Notes to the financial statements (Continued)**

U **Adjustments and reclassifications to ensure compliance with MASB approved accounting standards in Malaysia (Continued)**

(b) **Reclassifications**

(I) Consolidated income statements

For the purposes of this Report, the following reclassifications have been made to the consolidated income statements for the financial years ended 31 December 2000, 31 December 2001, 31 December 2002, 31 December 2003 and 31 December 2004 to comply with Malaysian GAAP and to conform with the presentations and disclosures for the financial year ended 31 December 2004.

- (i) Previously, revenue was reported net of interconnection charges, other GSM charges and other telecommunication service costs in the consolidated income statements. For the purposes of this Report, these charges have been reclassified to operating expenses.
- (ii) Previously, interest income and interest expense were classified as other income/(expense) accordingly in the consolidated income statements. For the purpose of this Report, interest income and interest expense have been reclassified to finance cost.
- (iii) Previously, foreign exchange gain/(loss) were classified as other income/(expense) in the consolidated income statements. For the purpose of this Report, foreign exchange gain/(loss) have been reclassified to operating expenses.
- (iv) Previously, other expenses which consist of assets and inventory write offs were reported as other operating expense/(income) in the consolidated income statements. For the purpose of this Report, these other expenses have been reclassified to operating expenses.
- (v) Previously, the under/(over) accrual in respect of corporate income tax was classified as part of operating expense/(income) in the consolidated income statements. For the purpose of this Report, under/(over) accrual in respect of corporate income tax have been reclassified to taxation.

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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.6 Notes to the financial statements (Continued)

U Adjustments and reclassifications to ensure compliance with MASB approved accounting standards in Malaysia (Continued)

(b) Reclassifications (Continued)

(II) Consolidated balance sheets

For the purpose of this Report, the following reclassifications have been made to the consolidated balance sheets as at 31 December 2000, 31 December 2001, 31 December 2002, 31 December 2003 and 31 December 2004 to comply with Malaysian GAAP and to conform with the presentation and disclosure for the financial year ended 31 December 2004.

(i) Other receivables from/(payables to) related parties

Previously, non-trade related party balances with no fixed repayment terms were reflected in the consolidated balance sheet as non-current assets or liabilities as appropriate. For the purposes of this Report, balances with no fixed repayment terms have been classified as current assets or current liabilities as appropriate.

(ii) Bank balances with restricted use

Previously certain time deposits placed for specific purposes were classified as non-current or current assets being bank balances with restricted use and were excluded from cash and cash equivalent for cash flow purposes. For the purpose of this Report, these balances have been reclassified to cash and bank balances and classified as current asset. Additionally, these amounts have been deemed as cash and cash equivalents.

(iii) Goods in transit

Previously network equipment in transit with freight on board ('FOB') terms were classified as 'Other Assets' – non-current. For the purposes of this Report, goods in transit with FOB terms have been reclassified to property, plant and equipment.



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4 **HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)**

4.6 **Notes to the financial statements (Continued)**

U **Adjustments and reclassifications to ensure compliance with MASB approved accounting standards in Malaysia (Continued)**

(b) **Reclassifications (Continued)**

(II) Consolidated balance sheets (Continued)

(iv) Downpayment made to suppliers

Previously, downpayment made to suppliers in relation to purchase of assets were classified as 'Other Assets' - non current. For the purposes of this Report, downpayment made to suppliers which represent advances to be set off against invoices received have been reclassified to advances and prepayments.

(v) Prepaid rental for lease of land

Previously, prepaid rental for lease of land that were not expected to be realised within the next twelve months were classified as non-current assets. For the purposes of this Report, prepaid lease payments have been capitalised as property, plant and equipment and amortised over the lease term in accordance with the pattern of benefits provided.

(vi) Deferred charges in relation to prepaid revenue

Previously deferred charges relating to prepaid revenue bonus airtime granted to prepaid subscribers were classified as non-current assets in the consolidated balance sheets. For the purposes of this Report, deferred revenue has been recorded net of deferred charges in the consolidated balance sheets.

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4 **HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)**

4.6 **Notes to the financial statements (Continued)**

U **Adjustments and reclassifications to ensure compliance with MASB approved accounting standards in Malaysia (Continued)**

(b) **Reclassifications (Continued)**

(II) Consolidated balance sheets (Continued)

(vii) Deferred charges in relation to issuance cost of borrowings

Previously, borrowings and issuance cost of borrowings were disclosed separately as non-current/current liability and non-current asset respectively. Issuance costs were realised to income statement over the period of the borrowings. For the purposes of this Report, borrowings have been stated at the net proceeds received on issuance. Finance cost which represents the difference between the net proceeds and the total borrowings have been allocated to period over the term of the borrowings at a constant rate on the carrying amount and have been charged to the income statement.

(viii) Other assets balances reclassified to advances and prepayments

Previously, other assets which consist mainly of security deposits for office premises were classified as non-current assets. For the purposes of this Report, these other assets have been reclassified to advances and prepayments within current assets.

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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.6 Notes to the financial statements (Continued)

U Adjustments and reclassifications to ensure compliance with MASB approved accounting standards in Malaysia (Continued)

	As previously stated RM'000	Reclassifications				Financial year ended 31 December 2000		
						PYAs		As
		b(I)(i) RM'000	b(I)(ii) RM'000	b(I)(iii) RM'000	b(I)(iv) RM'000	a(i) RM'000	a(iii) RM'000	restated RM'000
Consolidated income statement								
Revenue	493,842	124,851	-	-	-	-	-	618,693
Operating expenses	(320,058)	(124,851)	(280,378)	2,295	(462)	(2,564)	-	(677,114)
Operating profit/(loss)	173,784	-	(280,378)	2,295	(462)	(2,564)	-	(58,421)
Other operating (expense)/income	(357,950)	-	280,378	(2,295)	-	-	-	-
Loss from operations	(184,166)	-	-	-	(462)	(2,564)	-	(58,421)
Net finance cost	-	-	(79,867)	-	-	-	-	(79,867)
Loss before taxation	(184,166)	-	-	-	(462)	(2,564)	-	(138,288)
Taxation	53,322	-	-	-	-	-	(13,902)	39,420
Net loss for the financial year	(130,844)	-	-	-	(462)	(2,564)	(13,902)	(98,868)

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4 **HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)**

4.6 **Notes to the financial statements (Continued)**

U **Adjustments and reclassifications to ensure compliance with MASB approved accounting standards in Malaysia (Continued)**

Consolidated income statement (Continued)

	As previously stated RM'000	Financial year ended 31 December 2001					
		b(I)(i) RM'000		Reclassifications		PYAs	
		b(I)(ii) RM'000	b(I)(iii) RM'000	b(I)(iv) RM'000	a(ii) RM'000	a(iii) RM'000	As restated RM'000
Revenue	677,781	109,970	-	-	-	-	787,751
Operating expenses	(413,424)	(109,970)	(83,135)	(1,931)	(597)	360	(571,576)
Operating profit	264,357	-	(83,135)	(1,931)	(597)	360	216,175
Other operating (expense)/income	(179,975)	-	83,135	1,931	-	-	-
Profit from operations	84,382	-	-	-	(597)	360	216,175
Net finance cost	-	-	(94,909)	-	-	-	(94,909)
Profit before taxation	84,382	-	-	-	(597)	360	121,266
Taxation	(28,487)	-	-	-	-	-	(38,997)
Net profit for the financial year	55,895	-	-	-	(597)	360	82,269

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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.6 Notes to the financial statements (Continued)

U Adjustments and reclassifications to ensure compliance with MASB approved accounting standards in Malaysia (Continued)

	Financial year ended 31 December 2002										
	As previously stated		Reclassifications				PYAs				As restated
	RM'000	RM'000	b(i)(i) RM'000	b(i)(ii) RM'000	b(i)(iii) RM'000	b(i)(iv) RM'000	a(i) RM'000	a(ii) RM'000	a(iii) RM'000	Tax effects RM'000	RM'000
Revenue	834,121	134,553	-	-	-	-	-	-	-	-	968,674
Operating expenses	(540,434)	(134,553)	-	-	188,550	(14,728)	35,196	(798)	(1,639)	-	(468,406)
Operating profit	293,687	-	-	-	188,550	(14,728)	35,196	(798)	(1,639)	-	500,268
Other operating income	122,506	-	-	51,316	(188,550)	14,728	-	-	-	-	-
Profit from operations	416,193	-	-	51,316	-	-	35,196	(798)	(1,639)	-	500,268
Net finance cost	-	-	-	(51,316)	-	-	-	-	-	-	(51,316)
Profit before taxation	416,193	-	-	-	-	-	35,196	(798)	(1,639)	-	448,952
Taxation	(126,311)	-	-	-	-	-	-	-	-	(9,840)	(136,151)
Net profit for the financial year	289,882	-	-	-	-	-	35,196	(798)	(1,639)	(9,840)	312,801

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**4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)**

**4.6 Notes to the financial statements (Continued)**

**U Adjustments and reclassifications to ensure compliance with MASB approved accounting standards in Malaysia (Continued)**

**Consolidated income statement (Continued)**

	Financial year ended 31 December 2003											
	As previously stated		Reclassifications					PYAs			As restated	
	RM'000	RM'000	b(i)(i) RM'000	b(i)(ii) RM'000	b(i)(iii) RM'000	b(i)(iv) RM'000	b(i)(v) RM'000	a(i) RM'000	a(ii) RM'000	a(iii) RM'000	Tax effects RM'000	RM'000
Revenue	969,495	172,396	-	-	-	-	-	-	-	-	-	1,141,891
Operating expenses	(715,706)	(172,396)	-	-	82,985	(8,954)	2,895	36,269	(1,306)	(4,142)	-	(780,355)
Operating profit	253,789	-	-	-	82,985	(8,954)	2,895	36,269	(1,306)	(4,142)	-	361,536
Other operating income	2,843	-	71,188	(82,985)	-	8,954	-	-	-	-	-	-
Profit from operations	256,632	-	71,188	-	-	-	2,895	36,269	(1,306)	(4,142)	-	361,536
Net finance cost	-	-	(71,188)	-	-	-	-	-	-	-	-	(71,188)
Profit before taxation	256,632	-	-	-	-	-	2,895	36,269	(1,306)	(4,142)	-	290,348
Taxation	(82,317)	-	-	-	-	-	(2,895)	-	-	-	(10,276)	(95,488)
Net profit for the financial year	174,315	-	-	-	-	-	-	36,269	(1,306)	(4,142)	(10,276)	194,860

## 4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

### 4.6 Notes to the financial statements (Continued)

#### U Adjustments and reclassifications to ensure compliance with MASB approved accounting standards in Malaysia (Continued)

	As previously stated RM'000	Reclassifications				Financial year ended 31 December 2004		
		b(i)(i) RM'000	b(i)(ii) RM'000	b(i)(iii) RM'000	b(i)(iv) RM'000	PYAs		As restated
						a(ii) RM'000	a(iii) RM'000	Tax effects RM'000
Revenue	1,128,253	236,230	-	-	-	-	-	1,364,483
Operating expenses	(841,332)	(236,230)	-	(18,476)	(1,547)	1,152	-	(1,182,921)
Operating profit	286,921	-	(119,279)	(18,476)	(1,547)	1,152	-	181,562
Other operating income/(expense)	(308,762)	-	119,279	18,476	-	-	-	-
(Loss)/Profit from operations	(21,841)	-	-	-	(1,547)	1,152	-	181,562
Net finance cost	-	-	(171,007)	-	-	-	-	(171,007)
(Loss)/Profit before taxation	(21,841)	-	-	-	(1,547)	1,152	-	10,555
Taxation	23	-	-	-	-	-	(9,182)	(9,159)
Net (loss)/profit for the financial year	(21,818)	-	-	-	(1,547)	1,152	(9,182)	1,396



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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.6 Notes to the financial statements (Continued)

U Adjustments and reclassifications to ensure compliance with MASB approved accounting standards in Malaysia (Continued)

	Note	As at 31 December				
		2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
<b>Consolidated balance sheets</b>						
<b>(A) Reserve</b>						
<b>(Accumulated losses)/retained earnings</b>						
<u>At 1 January</u>						
As previously reported		(266,986)	(397,830)	(341,935)	(52,053)	122,262
Prior year adjustments:						
- Capitalisation of foreign translation differences	(a)(i)	(285,384)	(236,480)	(199,359)	(164,163)	(127,894)
- Amortisation of leasehold land	(a)(ii)	(1,897)	(2,359)	(2,956)	(3,754)	(5,060)
- Defined benefit retirement plan	(a)(iii)	-	(2,564)	(2,204)	(3,843)	(7,985)
- Tax effect of prior year adjustments		85,615	71,713	61,203	51,363	41,087
		(201,666)	(169,690)	(143,316)	(120,397)	(99,852)
As restated		<u>(468,652)</u>	<u>(567,520)</u>	<u>(485,251)</u>	<u>(172,450)</u>	<u>22,410</u>
<u>At 31 December</u>						
As previously reported		(397,830)	(341,935)	(52,053)	122,262	100,444
Prior year adjustments:						
- Capitalisation of foreign translation differences	(a)(i)	(236,480)	(199,359)	(164,163)	(127,894)	(95,103)
- Amortisation of leasehold land	(a)(ii)	(2,359)	(2,956)	(3,754)	(5,060)	(6,607)
- Defined benefit retirement plan	(a)(iii)	(2,564)	(2,204)	(3,843)	(7,985)	(6,833)
- Tax effect of prior year adjustment		71,713	61,203	51,363	41,087	31,905
		(169,690)	(143,316)	(120,397)	(99,852)	(76,638)
As restated		<u>(567,520)</u>	<u>(485,251)</u>	<u>(172,450)</u>	<u>22,410</u>	<u>23,806</u>



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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.6 Notes to the financial statements (Continued)

U Adjustments and reclassifications to ensure compliance with MASB approved accounting standards in Malaysia (Continued)

	Note	As at 31 December				
		2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
<b>Consolidated balance sheets</b> (Continued)						
<b>(B) Non-current assets</b>						
<b>Property, plant and equipment</b>						
<b>Net book value at 31 December</b>						
As previously reported		792,097	1,157,818	1,731,848	2,008,076	2,193,618
Prior year adjustments/ reclassifications:						
- Capitalisation of foreign translation differences	(a)(i)	(236,480)	(199,359)	(164,163)	(127,894)	(95,103)
- Amortisation of leasehold land	(a)(ii)	(2,359)	(2,956)	(3,754)	(5,060)	(6,607)
- Goods in transit	(b)(II)(iii)	-	3,966	-	4,262	-
- Prepaid rental for lease of land	(b)(II)(v)	12,300	27,028	42,532	55,302	74,643
- Currency translation differences		67,885	79,427	64,798	56,466	61,623
		(158,654)	(91,894)	(60,587)	(16,924)	34,556
As restated		633,443	1,065,924	1,671,261	1,991,152	2,228,174
<b>Amounts due from related parties</b>						
As previously reported		389	232	52	-	-
Reclassification:						
- Related parties balances	(b)(II)(i)	(389)	(232)	(52)	-	-
As restated		-	-	-	-	-
<b>Other assets</b>						
As previously reported		68,065	87,923	71,463	96,766	165,801
Reclassifications:						
- Bank balances with restricted use	(b)(II)(ii)	-	(1,807)	(3,714)	(2,776)	(2,496)
- Goods in transit	(b)(II)(iii)	-	(3,966)	-	(4,262)	-
- Downpayment made to suppliers	(b)(II)(iv)	(51,017)	(51,696)	(25,716)	(31,300)	(71,205)
- Prepaid rental for lease of land	(b)(II)(v)	(9,903)	(22,916)	(37,370)	(46,055)	(62,467)
- Deferred charges on prepaid revenue	(b)(II)(vi)	-	-	-	(1,765)	(141)
- Issuance cost of borrowings	(b)(II)(vii)	(2,891)	(1,907)	-	-	-
- Non-current other assets	(b)(II)(viii)	(3,760)	(3,681)	(1,901)	(2,022)	(2,306)
		(67,571)	(85,973)	(68,701)	(88,180)	(138,615)
As restated		494	1,950	2,762	8,586	27,186

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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.6 Notes to the financial statements (Continued)

U Adjustments and reclassifications to ensure compliance with MASB approved accounting standards in Malaysia (Continued)

	Note	As at 31 December				
		2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
<b>Consolidated balance sheets</b> (Continued)						
<b>(B) Non-current assets (Continued)</b>						
<b>Deferred tax assets</b>						
<u>At 1 January</u>						
As previously reported		72,438	117,941	81,856	-	-
Prior year adjustments:						
- Capitalisation of foreign translation differences	(a)(i)	85,615	70,944	59,808	-	-
- Defined benefit retirement plan	(a)(iii)	-	769	1,395	-	-
- Currency translation differences		-	(20,305)	(23,800)	-	-
		85,615	51,408	37,403	-	-
Transferred from deferred tax liabilities		-	-	-	23,528	-
As restated		158,053	169,349	119,259	23,528	-
<u>At 31 December</u>						
As previously reported		117,941	81,856	-	-	-
Prior year adjustments:						
- Capitalisation of foreign translation differences	(a)(i)	70,944	59,808	-	-	-
- Defined benefit retirement plan	(a)(iii)	769	1,395	-	-	-
- Currency translation differences		(20,305)	(23,800)	-	-	-
		51,408	37,403	-	-	-
Transferred from deferred tax liabilities		-	-	23,528	-	-
As restated		169,349	119,259	23,528	-	-

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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.6 Notes to the financial statements (Continued)

U Adjustments and reclassifications to ensure compliance with MASB approved accounting standards in Malaysia (Continued)

	Note	As at 31 December				
		2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
<b>Consolidated balance sheets</b> (Continued)						
<b>(C) Current assets</b>						
<b>Trade and other receivables</b>						
As previously reported		49,035	67,630	70,540	86,445	76,842
Reclassifications:						
- Related parties balances	(b)(II)(i)	389	232	52	-	-
- Downpayment made to suppliers	(b)(II)(iv)	51,017	51,696	25,716	31,300	71,205
- Prepaid rental for lease of land	(b)(II)(v)	(2,397)	(4,112)	(5,162)	(9,247)	(12,176)
- Non-current other assets	(b)(II)(viii)	3,760	3,681	1,901	2,022	2,306
		52,769	51,497	22,507	24,075	61,335
As restated		101,804	119,127	93,047	110,520	138,177
<b>Cash and bank balances</b>						
As previously reported		7,199	12,805	82,438	276,706	177,585
Reclassifications:						
- Bank balances with restricted use	(b)(II)(ii)	-	1,807	3,714	2,776	2,496
- Bank balances with restricted use	(b)(II)(ii)	-	-	-	20,262	18,525
		-	1,807	3,714	23,038	21,021
As restated		7,199	14,612	86,152	299,744	198,606
<b>Other assets</b>						
As previously reported		-	-	-	20,262	18,525
Reclassification:						
- Bank balances with restricted use	(b)(II)(ii)	-	-	-	(20,262)	(18,525)
As restated		-	-	-	-	-

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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.6 Notes to the financial statements (Continued)

U Adjustments and reclassifications to ensure compliance with MASB approved accounting standards in Malaysia (Continued)

	Note	As at 31 December				
		2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
<b>Consolidated balance sheets</b> (Continued)						
<b>(D) Current liabilities</b>						
<b>Trade and other payables</b>						
As previously reported		397,458	209,060	216,224	234,923	338,779
Reclassification:						
- Related parties balances	(b)(II)(i)	17,211	7,780	3,704	1,830	83
As restated		<u>414,669</u>	<u>216,840</u>	<u>219,928</u>	<u>236,753</u>	<u>338,862</u>
<b>Deferred revenue</b>						
As previously reported		36,726	48,435	55,026	20,876	24,713
Reclassification:						
- Deferred charges on prepaid revenue	(b)(II)(vi)	-	-	-	(1,765)	(141)
As restated		<u>36,726</u>	<u>48,435</u>	<u>55,026</u>	<u>19,111</u>	<u>24,572</u>
<b>Borrowings</b>						
As previously reported		-	11,388	55,652	211,837	-
Reclassification:						
- Issuance cost of borrowings	(b)(II)(vii)	-	(19)	-	-	-
As restated		<u>-</u>	<u>11,369</u>	<u>55,652</u>	<u>211,837</u>	<u>-</u>

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4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.6 Notes to the financial statements (Continued)

U Adjustments and reclassifications to ensure compliance with MASB approved accounting standards in Malaysia (Continued)

	Note	As at 31 December				
		2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
<b>Consolidated balance sheets</b> (Continued)						
<b>(E) Non-current liabilities</b>						
<b>Borrowings</b>						
As previously reported		663,254	1,158,349	1,303,446	912,335	-
Reclassification:						
- Issuance cost of borrowings	(b)(II)(vii)	(2,891)	(1,888)	-	-	-
As restated		<u>660,363</u>	<u>1,156,461</u>	<u>1,303,446</u>	<u>912,335</u>	<u>-</u>
<b>Amounts due to related parties</b>						
As previously reported		17,211	7,780	3,704	1,830	83
Reclassification:						
- Related parties balances	(b)(II)(i)	(17,211)	(7,780)	(3,704)	(1,830)	(83)
As restated		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Post-employment benefit obligations</b>						
As previously reported		-	2,351	3,479	1,589	4,639
Prior year adjustment:						
- Defined benefit retirement plan	(a)(iii)	2,564	2,204	3,843	7,985	6,833
- Currency translation differences		(386)	(538)	(204)	337	(325)
		<u>2,178</u>	<u>1,666</u>	<u>3,639</u>	<u>8,322</u>	<u>6,508</u>
As restated		<u>2,178</u>	<u>4,017</u>	<u>7,118</u>	<u>9,911</u>	<u>11,147</u>

The Board of Directors  
 Telekom Malaysia Berhad  
 PwC/IM/NAL/maz/1380J  
 20 April 2005

4 HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)

4.6 Notes to the financial statements (Continued)

U Adjustments and reclassifications to ensure compliance with MASB approved accounting standards in Malaysia (Continued)

	Note	As at 31 December				
		2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
<b>Consolidated balance sheets</b>						
(Continued)						
<b>(E) Non-current liabilities</b>						
(Continued)						
<b>Deferred tax liabilities</b>						
<u>At 1 January</u>						
As previously reported		-	-	-	8,527	45,258
Prior year adjustments:						
- Capitalisation of foreign translation differences	(a)(i)	-	-	-	(49,249)	(38,368)
- Defined benefit retirement plan	(a)(iii)	-	-	-	(2,114)	(2,719)
- Currency translation differences		-	-	-	19,308	16,690
		-	-	-	(32,055)	(24,397)
Transferred to deferred tax assets		-	-	-	23,528	-
As restated		-	-	-	-	20,861
<u>At 31 December</u>						
As previously reported		-	-	8,527	45,258	40,839
Prior year adjustments:						
- Capitalisation of foreign translation differences	(a)(i)	-	-	(49,249)	(38,368)	(28,531)
- Defined benefit retirement plan	(a)(iii)	-	-	(2,114)	(2,719)	(3,374)
- Currency translation differences		-	-	19,308	16,690	18,370
		-	-	(32,055)	(24,397)	(13,535)
Transferred to deferred tax assets		-	-	23,528	-	-
As restated		-	-	-	20,861	27,304

The Board of Directors  
Telekom Malaysia Berhad  
PwC/IM/NAL/maz/1380J  
20 April 2005

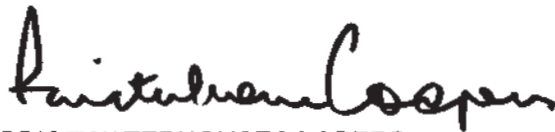
4 **HISTORICAL FINANCIAL INFORMATION OF EXCELCOMINDO (CONTINUED)**

4.6 **Notes to the financial statements (Continued)**

V **Financial statements**

No audited consolidated financial statements have been prepared in respect of Excelcomindo Group for any period subsequent to 31 December 2004.

Yours faithfully,



PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants



THAYAPARAN A/L S. SANGARAPILLAI  
(No. 2085/09/06 (J))  
Partner of the firm

**AUDITED FINANCIAL STATEMENTS OF INDOCEL FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004 AND AUDITORS' REPORT THEREON**

Company No: 364736-V

**Indocel Holding Sdn Bhd**

(formerly known as Nynex Indocel Holding Sdn)  
(Incorporated in Malaysia)

**Income statement  
for the financial year ended 31 December 2004**

	Note	2004 RM	2003 RM
Revenue		0	0
Operating expense:			
- Write back of impairment losses on investment in an associated company		<u>339,095,940</u>	<u>42,919,943</u>
Profit before taxation	5	339,095,940	42,919,943
Taxation	6	<u>0</u>	<u>0</u>
Profit for the financial year		<u><u>339,095,940</u></u>	<u><u>42,919,943</u></u>

The above income statement is to be read in conjunction with the notes to the financial statements on pages 134 to 139.



## **Indocel Holding Sdn Bhd**

(formerly known as Nynex Indocel Holding Sdn)  
(Incorporated in Malaysia)

### **Balance sheet as at 31 December 2004**

	Note	2004 RM	2003 RM
<b>Capital and reserves</b>			
Share capital	7	200	200
Share premium		451,937,302	451,937,302
Accumulated losses		0	(339,095,940)
<b>Shareholder's funds</b>		<u>451,937,502</u>	<u>112,841,562</u>
Represented by:			
<b>Non-current assets</b>			
Investment in an associated company	8	451,937,500	112,841,560
<b>Current assets</b>			
Cash in hand	9	2	2
		<u>451,937,502</u>	<u>112,841,562</u>

The above balance sheet is to be read in conjunction with the notes to the financial statements on pages 134 to 139.

## Indocel Holding Sdn Bhd

(formerly known as Nynex Indocel Holding Sdn)  
(Incorporated in Malaysia)

### Statement of changes in equity for the financial year ended 31 December 2004

	Issued and paid up ordinary shares of RM1 each		Share premium RM	Accumulated losses RM	Total RM
	Number of shares	Nominal value RM			
At 1 January 2003	200	200	451,937,302	(382,015,883)	69,921,619
Profit for the financial year	0	0	0	42,919,943	42,919,943
At 31 December 2003	200	200	451,937,302	(339,095,940)	112,841,562
At 1 January 2004	200	200	451,937,302	(339,095,940)	112,841,562
Profit for the financial year	0	0	0	339,095,940	339,095,940
At 31 December 2004	200	200	451,937,302	0	451,937,502

The above statement of changes in equity is to be read in conjunction with the notes to the financial statements on pages 134 to 139.

Company No: 364736-V

## **Indocel Holding Sdn Bhd**

(formerly known as Nynex Indocel Holding Sdn)  
(Incorporated in Malaysia)

### **Cash flow statement for the financial year ended 31 December 2004**

	Note	2004 RM	2003 RM
<b>Cash and cash equivalents at beginning and end of the financial year</b>	9	<u>2</u>	<u>2</u>

The above cash flow statement is to be read in conjunction with the notes to the financial statements on pages 134 to 139.

## **Indocel Holding Sdn Bhd**

(formerly known as Nynex Indocel Holding Sdn)  
(Incorporated in Malaysia)

### **Notes to the financial statements for the financial year ended 31 December 2004**

#### **1 Principal activities**

The principal activity of the Company is to carry on the business of investment holding. There has been no significant change in the nature of this activity during the financial year.

#### **2 Basis of preparation of the financial statements**

The financial statements have been prepared under the historical costs convention and comply with the MASB approved accounting standards adopted in Malaysia and the provisions of the Companies Act, 1965.

The preparation of financial statements in conformity with the MASB approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 requires the use of estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported financial year. Although these estimates are based on Directors' best knowledge of current events and actions, actual results may differ from these estimates.

#### **3 Significant accounting policies**

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

##### **Associates**

Associates are companies in which the Company exercises significant influence but which it does not control. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the control over those policies.

Investments in associates are stated at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

## **Indocel Holding Sdn Bhd**

(formerly known as Nynex Indocel Holding Sdn)  
(Incorporated in Malaysia)

### **3 Significant accounting policies (continued)**

#### **Income taxes**

Current tax expense is determined according to the tax laws of each jurisdiction in which the Company operates and includes all taxes based upon taxable profits.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised.

Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

#### **Share capital**

Ordinary shares with discretionary dividends are classified as equity. Dividends on ordinary shares are recognised as liabilities when declared.

#### **Cash and cash equivalents**

For the purpose of the cash flow statement, cash and cash equivalents comprises cash in hand, deposits held at call with banks, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **Foreign currencies**

Foreign currency transactions in Company are accounted for at exchange rates prevailing at the transactions dates. Foreign currency monetary assets and liabilities are translated into Ringgit Malaysia at the rates of exchange ruling at the balance sheet date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statement.

The principal closing rate used in translation of foreign currency amounts are as follows:

Foreign currency	2004	2003
100 Rupiah	<u>RM0.04160</u>	<u>RM0.04487</u>

## **Indocel Holding Sdn Bhd**

(formerly known as Nynex Indocel Holding Sdn)  
(Incorporated in Malaysia)

### **3 Significant accounting policies (continued)**

#### **Financial instruments**

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual policy statements associate with each item.

The carrying values for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

### **4 Holding companies**

At 31 December 2004, the immediate and ultimate holding companies are Nynex Asia LDC and Verizon Communications Inc. which are incorporated in the Caymen Islands and The United States of America respectively. The ultimate holding company is listed on the New York Stock Exchange.

On 11 January 2005, the 100% equity interest in the Company was transferred to Rogan Partners Inc. and subsequently acquired by TM International (L) Limited, a wholly owned subsidiary of Telekom Malaysia Berhad. Rogan Partners Inc. is incorporated in British Virgin Islands whilst TM International (L) Limited and Telekom Malaysia Berhad are incorporated in Federal Territory, Labuan and Malaysia respectively. By virtue of this transaction, the Directors now regard Telekom Malaysia Berhad as the ultimate holding company of the Company.

### **5 Profit before taxation**

The current financial year's audit fee of RM5,000 (2003: RM5,000) is borne by TM International Sdn Bhd, the immediate holding company of TM International (L) Limited, which is incorporated in Malaysia.

The directors' fee of RM4,800 (2003: RM4,800) is borne by Verizon Communications Inc. and Nynex Asia LDC.

## Indocel Holding Sdn Bhd

(formerly known as Nynex Indocel Holding Sdn)  
(Incorporated in Malaysia)

### 6 Taxation

The explanation of the relationship between tax expense and profit from operations is as follows:

	2004 RM	2003 RM
<b>Numerical reconciliation between taxation and the product of accounting profit multiplied by the Malaysian tax rate</b>		
Profit before taxation	<u>339,095,940</u>	<u>42,919,943</u>
Tax calculated at the Malaysian tax rate at 28% (2003: 28%)	94,946,863	12,017,584
Tax effect of:		
- income not subject to tax	(94,946,863)	(12,017,584)
Taxation	<u>0</u>	<u>0</u>

### 7 Share capital

	2004		2003	
	Number of shares	Nominal value RM	Number of shares	Nominal value RM
<b>Ordinary shares of RM1 each</b>				
<b>Authorised:</b>				
At start/end of the financial year	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
<b>Issued and fully paid:</b>				
At start/end of the financial year	<u>200</u>	<u>200</u>	<u>200</u>	<u>200</u>

### 8 Investment in an associated company

	2004 RM	2003 RM
Unquoted shares, at cost	451,937,500	451,937,500
Accumulated impairment losses	<u>0</u>	<u>(339,095,940)</u>
	<u>451,937,500</u>	<u>112,841,560</u>

The results of the associated company have not been equity accounted for as consolidated financial statements are not prepared.



## Indocel Holding Sdn Bhd

(formerly known as Nynex Indocel Holding Sdn)  
(Incorporated in Malaysia)

### 8 Investment in an associated company (continued)

The associated company is:

<u>Name of company</u>	<u>% of effective shareholding</u>		<u>Principal activities</u>	<u>Place of incorporation</u>
	<u>2004</u> %	<u>2003</u> %		
PT Excelcomindo Pratama	23.1	23.1	Provision of mobile telecommunication services in the Republic of Indonesia	Republic of Indonesia

If the equity method of accounting had been applied, the carrying amount of investment in the associated company would have been as follows:

	<u>2004</u> RM	<u>2003</u> RM
At cost:		
Unquoted foreign investment	451,937,500	451,937,500
Share of post acquisition reserves	72,267,992	77,082,620
Foreign currency translation	(139,430,128)	(131,204,219)
	<u>384,775,364</u>	<u>397,815,901</u>
Less: Impairment losses	0	(284,974,341)
	<u>384,775,364</u>	<u>112,841,560</u>
Represented by:		
Share of net assets	99,801,023	112,841,560
Goodwill on acquisition	284,974,341	284,974,341
	<u>384,775,364</u>	<u>397,815,901</u>
Less: Impairment losses	0	(284,974,341)
	<u>384,775,364</u>	<u>112,841,560</u>

### 9 Cash and cash equivalents

	<u>2004</u> RM	<u>2003</u> RM
Cash in hand	<u>2</u>	<u>2</u>

Cash in hand is denominated in Ringgit Malaysia.



## **Indocel Holding Sdn Bhd**

(formerly known as Nynex Indocel Holding Sdn)  
(Incorporated in Malaysia)

### **10 Financial instruments**

Financial instruments carried in the balance sheet include cash and bank balances. There are no off balance sheet financial instruments.

#### **Financial risk management objectives and policies**

As at 31 December 2004, the Company is not exposed to any significant financial risks. Where necessary, advances from TM International Sdn Bhd are obtained to meet its financial obligations.

#### **Fair values**

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

### **11 Subsequent events**

On 6 January 2005, the Company changed its name from Nynex Indocel Holding Sdn to Indocel Holding Sdn. On 29 March 2005, the Company was converted to a private limited company and consequently changed its name to Indocel Holding Sdn Bhd.

On 24 March 2005, the issued and fully paid ordinary share capital of the Company was increased from RM200 to RM100,000 by the issuance of 99,800 new ordinary shares of RM1.00 each at par for cash, for working capital purposes.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

### **12 Approval of financial statements**

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 7 April 2005.

**Report of the Auditors  
To the member of Indocel Holding Sdn Bhd**

(formerly known as Nynex Indocel Holding Sdn)  
Company No: 364736-V

**PricewaterhouseCoopers  
(AF 1146)  
Chartered Accountants**  
11th Floor Wisma Sime Darby  
Jalan Raja Laut  
P O Box 10192  
50706 Kuala Lumpur, Malaysia  
Telephone  
Facsimile  
Direct Phone + 60 (3) 2693 1077  
Direct Fax + 60 (3) 2693 0997

We have audited the financial statements set out on pages 130 to 139. These financial statements are the responsibility of the Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act 1965 and for no other purposes. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Auditing Standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and MASB approved accounting standards in Malaysia so as to give a true and fair view of:
  - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
  - (ii) the state of affairs of the Company as at 31 December 2004 and of the results and cash flows of the Company for the year ended on that date;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.



**PricewaterhouseCoopers**  
(AF: 1146)  
Chartered Accountants



**Thayaparan a/l S. Sangarapillai**  
(2085/09/06 (J))  
Partner

Kuala Lumpur  
7 April 2005