(b) Supervisor and Control
- Supervision, verification and acceptance of civil and construction work
- Supervision of erection and test run of service equipment
- Supervision of erection and test run of production machine
- General supervision on renovation schedule

(c) Transfer of know-how
- Transfer of know-how and relating knowledge by means of technical guidance and training
- Drawing up and submission of technical documents

¥85,725,000 is counted as price of the abovementioned engineering work and relevant know-how.

The amount shown in paragraph 6-1-3 "Price of imported and locally available production machinery" to 6-1-6 "Foreign engineers, engineering and know-how fee" is counted as the fixed assets.

As regards the building and construction, it is indicated in paragraph 6-1-2.

6-1-7 Investment total for machinery and equipment

1) Spinning machinery and equipment

Investment for spinning machinery and auxiliary equipments covers about 58% of total invested amount.

Table 9 INVESTMENT FOR SPINNING MACHINERY/EQUIPMENT

Item	Foreign		Local	Total
	(¥1,000)	RP.1,000	RP.1,000	RP.1,000
Spinning Machinery & Equipment (CP-1)	(1,940,300)	8,362,693		8,362,693
Spinning Machinery & Equipment (CP-2)	(1,236,750)	5,330,392		5,330,392
Auxiliary Equipment	(257,559)	1,110,079	14,395	1,124,474
Laboratory Equipment	(35,141)	151,458	1,724	153,182
Total FOB	(3,469,750)	14,954,622	16,119	14,970,741
Ocean Freight & Insurance	(176,841)	762,185		762,185
Total CIF	(3,646,591)	15,716,807	16,119	15,732,926

Porthandling			90,685	90,685
Local Freight			6,316	6,316
Total Site	(3,646,591)	15,716,807	113,120	15,829,927
Maker Erection Supervising Fee	(49,700)	214,207	33,600	247,807
Local Staff of Spinning Dept. Erection Fee			25,105	25,105
Total	(3,696,291)	15,931,014	171,825	16,102,839

2) Service equipment (Electricity)

Investment for electric equipment including accessory equipment and withdrawl work costs covers about 5.5% of total invested amount.

Table 10 INVESTMENT FOR ELECTRIC EQUIPMENT

Item	Foreign		Local	Total
	(¥1,000)	RP.1,000	RP.1,000	RP.1,000
Incoming Substation	(40,930)	176,408	168,695	345,103
Secondary Substation	(52,670)	227,008	32,475	259,483
Diesel Generator System	(36,000)	155,160	10,750	165,910
Low Tension Power Wiring	(4,500)	19,395	400,348	419,743
Lighting Equipment			136,882	136,882
Temporary Installation Material			12,000	12,000
Remove of Electrical Equipment			10,240	10,240
FOB Total	(134,100)	577,971	771,390	1,349,361
Ocean Freight & Insurance	(17,434)	75,141		75,141
CIF Total	(151,534)	653,112	771,390	1,424,502
Porthandling			9,800	9,800
Local Freight			1,561	1,561
Total Site	(151,534)	653,112	782,751	1,435,863

Maker Erection Supervising Fee	(12,500)	53,875	8,000	61,875
Local Staff of Electricity Dept. Erection Fee			5,826	5,826
Total	(164,034)	706,987	796,577	1,503,564

3) Utility equipment

Investment for utility equipment including accessory equipment and withdrawal work costs covers about 10% of total invested amount and about 15% including electric equipment.

Table 11 INVESTMENT FOR UTILITY EQUIPMENT

Item	Foreign		Local	Total
	(¥1,000)	RP.1,000	RP.1,000	RP.1,000
Air conditiong and Dust Collecting Equipment	(211,500)	911,565	352,100	1,263,665
Refrigerating Equipment	(81,300)	350,403	7,350	357,753
Water Treatment Equipment	(25,600)	110,336	7,700	118,036
Piping Equipment	(38,600)	166,366	228,670	395,036
Air Compressing Equipment	(13,200)	56,892	630	57,522
Fire Fighting Equipment	(2,000)	8,620	1,140	9,760
Energy Saving Equipment	(6,000)	25,860	600	26,460
Remove of Utility Equipment			13,490	13,490
Total FOB	(378,200)	1,630,042	611,680	2,241,722
Ocean Freight & Insurance	(92,060)	396,779		396,779
Total CIF	(470,260)	2,026,821	611,680	2,638,501
Porthandling			53,113	53,113
Local Freight			4,123	4,123
Total Site	(470,260)	2,026,821	668,916	2,695,737

Maker Erection Supervising Fee	(17,750)	76,502	12,000	88,502
Local Staff of Utility Dept. Erection Fee			6,351	6,351
Total	(488,010)	2,103,323	687,267	2,790,590

6-1-8 Pre-operational expenses

Items and costs counted as pre-operational expenses are shown in table 12.

Table 12 PREOPERATIONAL EXPENSES

Item	Foreign		Local	Total
	(¥1,000)	RP.1,000	RP.1,000	RP.1,000
Engineering & Know-how Fee	(85,725)	369,475	20,800	390,275
Grand Supervising & Training Fee	(64,650)	278,641	37,600	316,241
Salaries Local Staff			212,566	212,566
Electric Power			89,446	89,446
Sub Total (A)	(150,375)	648,116	360,412	1,008,528
Interest During Construction: (Local 18%)				
Case 1. (Foreign 8%)	(181,435)	781,983	108,986	890,969
Sub Total (B)				
Case 2. (Foreign 6%)	(136,309)	587,490	105,976	693,466
Sub Total (C)				
Case 3. (Foreign 10%)	(153,408)	661,190	0	661,190
Sub Total (D)				
Total				
Case 1. (A + B)	(331,810)	1,430,099	469,398	1,899,497
Case 2. (A + C)	(286,684)	1,235,606	466,388	1,701,994
Case 3. (A + D)	(303,783)	1,309,306	360,412	1,669,718

Interest during construction means interests accuring from intermediate loan before the start up (0 year). At this period, 11 months are set up as one year.

Loan period is 5.5 months, since the loan is supposed to take place in 5.5 months after the start of renovation.

6-1-9 Working Capital

In table 13 working capital required for 1st operational year and ordinary years from 2nd years when operational ratio becomes 100%. The base for calculation for working capital at 1st operational year is indicated as below:

1) Cash (Current assets)

0.4 months of turnover of 1st year after operation Rp.21,309,768 thousand/year x 0.4/12 = Rp.710,326 thousand

2) Receivables (Current assets)

0.5 months of turnover of 1st year after operation Rp.21,309,768 thousand/year x 0.5/12 = Rp.887,907 thousand

3) Raw material

Stock of cotton shall be 2.5 months on the average, polyester 0.5 months. Raw material shall be procured by foreign portion.

Cotton: = Rp.2,095,956 thousand

Polyester: = Rp.109,353 thousand

4) Packing materials

One month of starting year, Rp.22,121 thousand.

5) Semi-finished goods

This shall be set as Rp.816,383 thousand, by assuming its stocked amount.

6) Finished goods

This shall be set as Rp.910,096 thousand, by assuming it as 0.5 month on the average. Total current assets are estimated as Rp.5,552,142 thousand.

7) Current liabilities

Accounts payable of cotton is estimated as 0.5 month on the average as foreign portion.

Cotton: = Rp.1,257,574 thousand

Other accounts payable are estimated as Rp.259,200 thousand.

Net working capital is 4.0 billion rupias for all cases of 1 to 3.

Table 13 SUMMARY OF WORKING CAPITAL (CASE-1 ~ 3)

Item/Year	Time	Operating Year 1				Operating Year 2 – 11			
		Local	Foreign		Total	Local	Foreign		Total
		RP.1,000	RP.1,000	(¥1,000)	RP.1,000	RP.1,000	RP.1,000	(¥1,000)	RP.1,000
A. CURRENT ASSETS:									
Cash	0.4 Months	710,326			710,326	821,955			821,955
Receivables	0.5 Months	887,907			887,907	1,027,444			1,027,444
Inventories									
Raw-Materials									
Cotton	2.5 Months		2,095,956	(486,301)	2,095,956		2,510,786	(582,549)	2,510,786
Polyester	0.5 Months	109,353			109,353	114,108			114,108
Packing Materials	1 Month	22,121			22,121	25,525			25,525
Semi-finished Goods	1 Month	816,383			816,383	913,925			913,925
Finished Goods	0.5 Months	910,096			910,096	995,833			995,833
Total Inventories		1,857,953	2,095,956	(486,301)	3,953,909	2,049,391	2,510,786	(582,549)	4,560,177
Total (A)		3,456,186	2,095,956	(486,301)	5,552,142	3,898,790	2,510,786	(582,549)	6,409,576
B. CURRENT LIABILITIES									
Trade Accounts Payable	1.5 Months	259,200	1,257,574	(291,781)	1,516,774	300,000	1,506,472	(349,529)	1,806,472
Total (B)		259,200	1,257,574	(291,781)	1,516,774	300,000	1,506,472	(349,529)	1,806,472
C. Net Working Capital (A-B)		2,196,986	838,382	(194,520)	4,035,368	3,598,790	1,004,314	(233,020)	4,603,104

6-1-10 Total investment and fund raising schedule

In table 14-1 ~ 3 the breakdown of required funds as per years of investment and the source and schedule of raised funds are shown.

Investment of fixed capital is nearly terminated before operation commencement being 99.7%.

Investment to production machinery and utility equipment after start up takes place because supervising fee for two months for foreign manufacturers for erection of spinning machinery at the first mill and wiring for power and lighting.

The proportion of fixed capital with working capital is 85:15 and the sum of working capital is relevant because excessive working capital always affects the profitability. Fixed capital is of same amount for all cases, except preoperational expenses (including interests during construction).

In case 1 and 2, the proportion of owned capital with borrowed capital is 100:0, therefore the difference of interests during construction reflects as the difference of investment. When comparing each case, taking case 1 as standard, the following proportion is noted.

	Fixed assets	Proportion
Case 1	Rp.23.60 billion	100%
Case 2	Rp.23.40 billion	99.2% deduction of 0.8%
Case 3	Rp.23.70 billion	99.0% deduction of 1%

Table 14-1 TOTAL CAPITAL AND SOURCE OF FUND (CASE-1)

(Unit: RP.1,000)

Item	Before Operation	After Operation	Total	Ratio (%)
	0-Year	1st-Year		
Capital Requirements				
Fixed Capital				
Buildings	1,285,200		1,285,200	4.6
Structures	19,000		19,000	0.1
Machinery & Equipment	16,067,438	35,401	16,102,839	58.3
Utility Equipment	4,267,680	26,474	4,294,154	15.5
Preoperational Capital	1,899,497		1,899,497	6.9
Total Fixed Capital (A)	23,538,815	61,875	23,600,690	85.4
Working Capital (B)		4,035,368	4,035,368	14.6
Total (A+B)	23,538,815	4,097,243	27,636,058	100.0
Source of Fund				
Share Capital				
Long-term Loan (Foreign)	22,108,789		22,108,789	80.0
Long-term Loan (Local)	1,430,026	4,097,243	5,527,269	20.0
Total	23,538,815	4,097,243	27,636,058	100.0

Table 14-2 TOTAL CAPITAL AND SOURCE OF FUND (CASE-2)

(Unit: RP.1,000)

Item	Before Operation	After Operation	Total	Ratio (%)
	0-Year	1st-Year		
Capital Requirements				
Fixed Capital				
Buildings	1,285,200		1,285,200	4.7
Structures	19,000		19,000	0.1
Machinery & Equipment	16,067,438	35,401	16,102,839	58.7
Utility Equipment	4,267,680	26,474	4,294,154	15.6
Preoperational Capital	1,701,994		1,701,994	6.2
Total Fixed Capital (A)	23,341,312	61,875	23,403,187	85.3
Working Capital (B)		4,035,368	4,035,368	14.7
Total (A+B)	23,341,312	4,097,243	27,438,555	100.0
Source of Fund				
Share Capital				
Long-term Loan (Foreign)	21,950,777		21,950,777	80.0
Long-term Loan (Local)	1,390,535	4,097,243	5,587,778	20.0
Total	23,341,312	4,097,243	27,438,555	100.0

Table 14-3 TOTAL CAPITAL AND SOURCE OF FUND (CASE-3)

(Unit: RP.1,000)

Item	Before Operation	After Operation	Total	Ratio (%)
	0-Year	1st-Year		
Capital Requirements				
Fixed Capital				
Buildings	1,285,200		1,285,200	4.7
Structures	19,000		19,000	0.1
Machinery & Equipment	16,067,438	35,401	16,102,839	58.7
Utility Equipment	4,267,680	26,474	4,294,154	15.7
Preoperational Capital	1,669,718		1,669,718	6.1
Total Fixed Capital (A)	23,309,036	61,875	23,370,911	85.3
Working Capital (B)		4,035,368	4,035,368	14.7
Total (A+B)	23,309,036	4,097,243	27,406,279	100.0
Source of Fund				
Share Capital	8,221,886		8,221,886	30.0
Long-term Loan (Foreign)	15,087,150	260,368	15,347,518	56.0 | 80
Long-term Loan (Local)		3,836,875	3,836,875	14.0 | 20
Total	23,309,036	4,097,243	27,406,279	100.0

6-2 Financing

6-2-1 Capital Requirement

The fixed capital and working capital requirements are as followings (refer to 6-1-10 Total investment and fund raising schedule):

1) Fixed Assets

Building	1,285,200 thousand Rp
Structure	19,000 thousand Rp
Machinery and equipment	16,102,839 thousand Rp
Utility equipment	4,294,154 thousand Rp
Sub-total	21,701,194 thousand Rp
Preoperational expenses	
Case 1	1,899,497 thousand Rp
Case 2	1,701,994 thousand Rp
Case 3	1,669,718 thousand Rp
Total	
Case 1	23,600,690 thousand Rp
Case 2	23,403,187 thousand Rp
Case 3	23,370,911 thousand Rp

2) Working Capital

(Common) 4,035,368 thousand Rp

3) Total

Case 1	27,636,058 thousand Rp
Case 2	27,438,555 thousand Rp
Case 3	27,406,279 thousand Rp

In case 1 only, besides the above capital, there will arise the necessity of short-term borrowing to satisfy the shortage of the working capital for the duration of six years at the second year through to the seven year with the anticipated loaning conditions of 18% annual interest with the repayment by annual installement.

Table 15 shows the amount to be loaned by year.

6-2-2 Source of Fund and Financing Condition

As the required source of fund to be appropriated at initial stage of the project (starting 0 year and 1st year), investments or long term loan is thought of. The cases 1 and 2 are based on an assumption that all required funds are borrowed, and the case 3 assumes that 30% is funded by equity and 70% by borrowed money. As for the investments, those by the government (issuing shares) and by own fund are probable, and for borrowing fund from outside, long term loan from foreign country is conceivable. Similarly, for domestic aspects it is assumed that the long term loan can be obtainable.The financing period is supposed to be com-

mon for both cases in foreign currencies and in local currency, where the term will be 12 years including maximum 2 years of grace of payment period for the capital sum with the refundment of the capital sum to be made for equal amount twice a year for 20 times.

Further, interest during construction shall be included in the principal of the preoperational year (0 year).

6-2-3 Repayment Schedule of Long-term Loan

Repayment schedule of Long-term loan is as follows:

Table 16-1 Repayment Schedule of Foreign Long-term Loan (Case 1)
Table 16-2 Repayment Schedule of Foreign Long-term Loan (Case 2)
Table 16-3 Repayment Schedule of Foreign Long-term Loan (Case 3)
Table 17-1 Repayment Schedule of Local Long-term Loan (Case 1)
Table 17-2 Repayment Schedule of Local Long-term Loan (Case 2)
Table 17-3 Repayment Schedule of Local Long-term Loan (Case 3)

Table 15 REPAYMENT SCHEDULE (SHORT TERM BORROWING)

CASE – 1 (Unit: RP. 1,000,000)

Year	Principal	Principal Repayment	Balance Unpaid	Interest (18%/Year)
2	15.0	0	15.0	2.7
3	370.0	15.0	370.0	66.6
4	470.0	370.0	470.0	84.6
5	370.0	470.0	370.0	66.6
6	400.0	370.0	400.0	72.0
7	200.0	400.0	200.0	36.0
8	0	200.0	0	0
Total	1,825.0	1,825.0	0	328.5

Remarks: 1) Interest: 18% annually
2) Repayment: Annual installment

Table 16 - 1 REPAYMENT SCHEDULE (FOREIGN LONG TERM LOAN)

CASE - 1

(Unit: RP. 1,000,000)

Year	Install-ment	Principal	Principal Repayment	Balance Unpaid	Interest (.8%/Year)
0		2) 22,108.8	1) 0	22,108.8	0
1			0	22,108.8	1,768.7
2	1		1,106.2	21,002.6	884.4
	2		1,105.4	19,897.2	840.1
3	3		1,105.4	18,791.8	795.9
	4		1,105.4	17,686.4	751.7
4	5		1,105.4	16,581.0	707.5
	6		1,105.4	15,475.6	663.2
5	7		1,105.4	14,370.2	619.0
	8		1,105.4	13,264.8	574.8
6	9		1,105.4	12,159.4	530.6
	10		1,105.4	11,054.0	486.4
7	11		1,105.4	9,948.6	442.2
	12		1,105.4	8,843.2	397.9
8	13		1,105.4	7,737.8	353.7
	14		1,105.4	6,632.4	309.5
9	15		1,105.4	5,527.0	265.3
	16		1,105.4	4,421.6	221.1
10	17		1,105.4	3,316.2	176.9
	18		1,105.4	2,210.8	132.6
11	19		1,105.4	1,105.4	88.4
	20		1,105.4	0	44.2
Total		22,108.8	22,108.8	0	11,054.1

Remarks: 1) The principal shall be repaid in 20 equal semi-annual installments after the grace period of 2 years.

2) Interest during construction shall be included in the principal of the preoperational year (0 year).

Table 16 - 2 REPAYMENT SCHEDULE (FOREIGN LONG TERM LOAN)

CASE - 2

(Unit: RP. 1,000,000)

Year	Installment	Principal	Principal Repayment	Balance Unpaid	Interest (6%/Year)
0		2) 21,950.8	1) 0	21,950.8	0
1			0	21,950.8	1,317.0
2	1		1,096.4	20,854.4	658.5
	2		1,097.6	19,756.8	625.6
3	3		1,097.6	18,659.2	592.7
	4		1,097.6	17,561.6	559.8
4	5		1,097.6	16,464.0	526.8
	6		1,097.6	15,366.4	493.9
5	7		1,097.6	14,268.8	461.0
	8		1,097.6	13,171.2	428.1
6	9		1,097.6	12,073.6	395.1
	10		1,097.6	10,976.0	362.2
7	11		1,097.6	9,878.4	329.3
	12		1,097.6	8,780.8	296.4
8	13		1,097.6	7,683.2	263.4
	14		1,097.6	6,585.6	230.5
9	15		1,097.6	5,488.0	197.6
	16		1,097.6	4,390.4	164.6
10	17		1,097.6	3,292.8	131.7
	18		1,097.6	2,195.2	98.8
11	19		1,097.6	1,097.6	65.9
	20		1,097.6	0	32.9
Total		21,950.8	21,950.8	0	8,231.8

Remarks: 1) The principal shall be repaid in 20 equal semi-annual installments after the grace period of 2 years.

2) Interest during construction shall be included in the principal of the preoperational year (0 year).

Table 16 - 3 REPAYMENT SCHEDULE (FOREIGN LONG TERM LOAN)
CASE - 3

(Unit: RP. 1,000,000)

Year	Install-ment	Principal	Principal Repayment	Balance Unpaid	Interest (10%/Year)
0		2) 15,087.1	1) 0	15,087.1	0
1		3) 260.4	0	15,347.5	1,534.0
2	1		766.9	14,580.6	767.4
	2		767.4	13,813.2	729.0
3	3		767.4	13,045.8	690.7
	4		767.4	12,278.4	652.3
4	5		767.4	11,511.0	613.9
	6		767.4	10,743.6	575.6
5	7		767.4	9,976.2	537.2
	8		767.4	9,208.8	498.8
6	9		767.4	8,441.4	460.4
	10		767.4	7,674.0	422.1
7	11		767.4	6,906.6	383.7
	12		767.4	6,139.2	345.3
8	13		767.4	5,371.8	307.0
	14		767.4	4,604.4	268.6
9	15		767.4	3,837.0	230.2
	16		767.4	3,069.6	191.9
10	17		767.4	2,302.2	153.5
	18		767.4	1,534.8	115.1
11	19		767.4	767.4	76.7
	20		767.4	0	38.4
Total		15,347.5	15,347.5	0	9,592.6

Remarks: 1) The principal shall be repaid in 20 equal semi-annual installments after the grace period of 2 years.

2) Interest during construction shall be included in the principal of the preoperational year (0 year).

3) The additional loan in the first year shall be repaid in the same terms as the remark 1) above after the grace period of 1 year.

Table 17 - 1 REPAYMENT SCHEDULE (LOCAL LONG TERM LOAN)

CASE - 1 (Unit: RP. 1,000,000)

Year	Install-ment	Principal	Principal Repayment	Balance Unpaid	Interest (18%/Year)
0		2) 1,430.0	1) 0	1,430.0	0
1		3) 4,097.3	0	5,527.3	994.9
2	1		275.7	5,251.6	497.5
	2		276.4	4,975.2	472.6
3	3		276.4	4,698.8	447.8
	4		276.4	4,422.4	422.9
4	5		276.4	4,146.0	398.0
	6		276.4	3,869.6	373.1
5	7		276.4	3,593.2	348.3
	8		276.4	3,316.8	323.4
6	9		276.4	3,040.4	298.5
	10		276.4	2,764.0	273.6
7	11		276.4	2,487.6	248.8
	12		276.4	2,211.2	223.9
8	13		276.4	1,934.8	199.0
	14		276.4	1,658.4	174.1
9	15		276.4	1,382.0	149.3
	16		276.4	1,105.6	124.4
10	17		276.4	829.2	99.5
	18		276.4	552.8	74.6
11	19		276.4	276.4	49.8
	20		276.4	0	24.9
Total		5,527.3	5,527.3	0	6,218.9

Remarks: 1) The principal shall be repaid in 20 equal semi-annual installments after the grace period of 2 years.

2) Interest during construction shall be included in the principal of the preoperational year (0 year).

3) The additional loan in the first year shall be repaid in the same terms as the remark 1) above after the grace period of 1 year.

Table 17 - 2 REPAYMENT SCHEDULE (LOCAL LONG TERM LOAN)

CASE - 2 (Unit: RP. 1,000,000)

Year	Install-ment	Principal	Principal Repayment	Balance Unpaid	Interest (18%/Year)
0		2) 1,390.5	1) 0	1,390.5	0
1		3) 4,097.3	0	5,487.8	987.8
2	1		274.2	5,213.6	493.9
	2		274.4	4,939.2	469.2
3	3		274.4	4,664.8	444.5
	4		274.4	4,390.4	419.8
4	5		274.4	4,116.0	395.1
	6		274.4	3,841.6	370.4
5	7		274.4	3,567.2	345.7
	8		274.4	3,292.8	321.0
6	9		274.4	3,018.4	296.4
	10		274.4	2,744.0	271.7
7	11		274.4	2,469.6	247.0
	12		274.4	2,195.2	222.3
8	13		274.4	1,920.8	197.6
	14		274.4	1,646.4	172.9
9	15		274.4	1,372.0	148.2
	16		274.4	1,097.6	123.5
10	17		274.4	823.2	98.8
	18		274.4	548.8	74.1
11	19		274.4	274.4	49.4
	20		274.4	0	24.7
Total		5,487.8	5,487.8	0	6,174.0

Remarks:
1) The principal shall be repaid in 20 equal semi-annual installments after the grace period of 2 years.
2) Interest during construction shall be included in the principal of the preoperational year (0 year).
3) The additional loan in the first year shall be repaid in the same terms as the remark 1) above after the grace period of 1 year.

Table 17 - 3 REPAYMENT SCHEDULE (LOCAL LONG TERM LOAN)

CASE - 3 (Unit: RP. 1,000,000)

Year	Install-ment	Principal	Principal Repayment	Balance Unpaid	Interest (18%/Year)
0		0	0	0	0
1		3,836.9	1) 0	3,836.9	690.6
2	1		192.7	3,644.2	345.3
	2		191.8	3,452.4	328.0
3	3		191.8	3,260.6	310.7
	4		191.8	3,068.8	293.5
4	5		191.8	2,877.0	276.2
	6		191.8	2,685.2	258.9
5	7		191.8	2,493.4	241.7
	8		191.8	2,301.6	224.4
6	9		191.8	2,109.8	207.1
	10		191.8	1,918.0	189.9
7	11		191.8	1,726.2	172.6
	12		191.8	1,534.4	155.4
8	13		191.8	1,342.6	138.1
	14		191.8	1,150.8	120.8
9	15		191.8	959.0	103.6
	16		191.8	767.2	86.3
10	17		191.8	575.4	69.0
	18		191.8	383.6	51.8
11	19		191.8	191.8	34.5
	20		191.8	0	17.3
Total		3,836.9	3,836.9	0	4,315.7

Remark: 1) The principal shall be repaid in 20 equal semi-annual installments after the grace period of 1 year.

7 INCOME, COST AND FINANCIAL STATEMENTS

7 INCOME, COST AND FINANCIAL STATEMENTS:

7-1 Sales Revenue

7-1-1 Revenue of Products:

The sales revenue of the products in the first year of the operation commencement is shown in Table-1, and that in later years than the 1st are indicated in Table 2.

The sales tax of 3.5% for the sales amount comprising of 2.5% for the net sales tax (PPn) and 1.0% for calculation commission (MPO) is levied. The sales revenue shown in Tables 1 and 2 are those after reduction of the sales tax.

For the selling pattern, 75% of the total is for cash sales and 25% is for credit sales, for which the period is 2 months and interest is 4%. Because reserve fund for credit sales has already been calculated in the working capital before commencement of the operation, the credit sales amount has already been included in the sales revenue at that time and receivable interest has been added to the sales revenue.

7-1-2 Revenue of Wastes:

Tables 3 and 4 indicate sales revenue of wastes by kind in the 1st and later years since operation commencement.

7-1-3 Total for Sales Revenue:

From Tables 1, 2, 3, and 4, the combined sales revenue of product and waste is deducted as follows:

For the 1st year of operation commencement: 21,309,768 thousand Rp/year

For 2nd and later years since operation commencement: 24,658,645 thousand Rp/year

Table 1 Sales Revenue of Product in the 1st Year of Operation Commencement

Item / Unit / Kind	Unit Price for Sale	Sales Volume	Sales Amount (A)	Sales Tax (B) (A) x 3.5%	Sales Revenue (A) – (B)
	Rp/Bale	Bale/year	1,000Rp/year	1,000Rp/year	1,000Rp/year
Cotton Combed Yarn 30's	757,000	5,229	3,958,353	138,542	3,819,811
– do – 40's	771,000	7,730	5,959,830	208,594	5,751,236
– do – 60's	990,000	1,037	1,026,630	35,932	990,698
Polyester/Cotton 65/35 Blended Yarn 45's	690,000	7,116	4,910,040	171,851	4,738,189
Polyester/Cotton 48/52 Blended Yarn 45's	815,000	6,742	5,494,730	192,316	5,302,414
Total	Average 766,482	27,854	21,349,583	747,235	20,602,348
Receivable interest (A) x 25% x 4%					213,496
Total					20,815,844

Table 2 Sales Revenue in 2nd and Later Years After Operation Commencement

Items / Unit / Kind	Unit Price for Sale	Sales Volume	Sales Amount (A)	Sales Tax (B) (A) x 3.5%	Sales Revenue (A) – (B)
	Rp/Bale	Bale/year	1,000Rp/year	1,000Rp/year	1,000Rp/year
Cotton Combed Yarn 30's	757,000	6,605	4,999,985	174,999	4,824,986
– do – 40's	771,000	9,765	7,528,815	263,509	7,265,306
– do – 60's	999,000	1,310	1,296,900	45,392	1,251,508
Polyester/Cotton 65/35 Blended Yarn 45's	690,000	7,425	5,123,250	179,314	4,943,936
Polyester/Cotton 48/52 Blended Yarn 45's	815,000	7,035	5,733,525	200,673	5,532,852
Total	Average 767,967	32,140	24,682,475	863,887	23,818,580
Receivable Interest (A) x 25% x 4%					246,825
Total					24,065,413

Table 3 Sales Revenue of Wastes in the 1st Year of Operation Commencement

Item / Kind of Waste	Volume of Waste Produced (kg/year)						Unit Price for Sale	Sales Revenue
	Cotton Combed Yarn			Polyester/Cotton Blended Yarn		Total	Rp/kg	1,000Rp/year
	30's	40's	60's	(65/35) 45's	(48/52) 45's			
Comber Noil	176,398	260,292	37,714	71,004	99,576	644,984	650	419,240
Flat Strip	21,650	31,950	4,780	18,052	19,732	96,164	650	62,507
Dropping Waste	59,927	88,409	11,599	37,666	45,944	243,545	50	12,177
Total	257,975	380,651	54,093	126,722	165,252	984,693	(Average) 502	493,924

Table 4 Sales Revenue of Wastes in the 2nd and Later Years After Operation Commencement

Item / Kind of Waste	Volume of Waste Produced (kg/year)						Unit Price for Sale	Sales Revenue
	Cotton Combed Yarn			Polyester/Cotton Blended Yarn		Total	Rp/kg	1,000Rp/year
	30's	40's	60's	(65/35) 45's	(48/52) 45's			
Comber Noil	222,818	328,789	47,639	74,091	103,906	777,243	650	505,208
Flat Strip	27,348	40,358	6,038	18,837	20,589	113,170	650	73,561
Dripping Waste	75,697	111,675	14,652	39,303	47,942	289,269	50	14,463
Total	325,863	480,822	68,329	132,231	172,437	1,179,682	(Average) 503	593,232

7-2 Manufacturing Cost:

7-2-1 On Various Costs in Production Cost:

1) Raw Material Cost:

As the share of raw material cost in the production cost is near to 70%, utmost care should be exerted at use of the raw material to avoid waste of them in the strict control of the raw materials. Not only buying method and stocking level of the raw material should be carried out at an appropriate level, but also the operating condition should be in a good condition and the yield should be improved.

Table 5 indicates the unit cost of material by cotton mixing and yarn kind, Table 6 shows used volume and cost of the raw material in the 1st year of operation commencement, and Table 7 indicates those in the 2nd and later years since the operation.

In addition, in Tables 6 and 7, the raw material cost per bale of products is shown for reference.

Table 5 Average Unit Price of Raw Material

Kind \ Item: Raw Material Used		Rate of Cotton Mixing	Unit Cost	Average Unit Cost
		%	Rp/kg	Rp/kg
Cotton Combed Yarn 30's, 40's	Cotton SM 1 1/16"	50	2,149.46	2,161.36
	Cotton SM 1 3/32"	50	2,173.27	
Cotton Combed Yarn 60's	Cotton SM 1 1/4"	40	2,292.26	2,349.38
	Cotton SM 1 3/8"	60	2,387.46	
Polyester/Cotton 65/35 Blended Yarn 45's	Cotton SM 1 1/16"	35	2,149.46	2,149.46
	Polyester 1.4d x 38mm	65	1,835.00	1,835.00
Polyester/Cotton 48/52 Blended Yarn 45's	Cotton SM 1 1/16"	52	2,149.46	2,149.46
	Polyester 1.4d x 38mm	48	1,835.00	1,835.00

Table 6 RAW MATERIAL CONSUMPTION AND RAW MATERIAL COST

IN THE 1ST YEAR OF OPERATION

Mill	Yarn Kind	Raw Material	Unit	Consumption	Unit Price	Cost (A)	Reference	
							Production	(A)/(B)x1,000
			Kg/Year	Rp/Kg	Rp.1,000/Year	Bales/Year	Rp/Bale
CP-1	Cotton combed yarn 30's	Cotton		1,195,379	2,161.36	2,583,644	5,229	494,099
	Cotton combed yarn 40's	Cotton		1,767,121	2,161.36	3,819,385	7,730	494,099
	Cotton combed yarn 60's	Cotton		239,675	2,349.38	563,087	1,037	542,996
	Sub-total			3,202,175	-	6,966,116	13,996	497,722
CP-2	Polyester/Cotton 65/35 blended yarn 45's	Cotton		571,002	2,149.46	1,227,345		
		Polyester		886,210	1,835.00	1,626,195		
		Sub-total		1,457,212	-	2,853,540	7,116	401,003
	Polyester/Cotton 48/52 blended yarn 45's	Cotton		803,757	2,149.46	1,727,644		
		Polyester		620,037	1,835.00	1,137,768		
		Sub-total		1,423,794	-	2,865,412	6,742	425,009
	Sub-total			2,881,006	-	5,718,952	13,858	412,682
Total				6,083,181	-	12,685,068	27,854	455,413

Table 7 RAW MATERIAL CONSUMPTION AND RAW MATERIAL COST

IN THE 2ND AND LATER YEARS AFTER OPERATION

Mill	Yarn Kind	Raw Material	Unit	Consumption	Unit Price	Cost (A)	Reference	
							Production	(A)/(B) x 1,000
				Kg/Year	Rp/Kg	Rp.1,000/Year	Bales/Year	Rp/Bale
CP-1	Cotton combed yarn 30's	Cotton		1,514,279	2,161.36	3,272,902	6,605	495,519
	Cotton combed yarn 40's	Cotton		2,238,749	2,161.36	4,838,742	9,765	495,519
	Cotton combed yarn 60's	Cotton		302,772	2,349.38	711,326	1,310	542,997
	Sub-total			4,055,800	-	8,822,970	17,680	499,037
CP-2	Polyester/Cotton 65/35 blended yarn 45's	Cotton		595,796	2,149.46	1,280,640		
		Polyester		924,692	1,835.00	1,696,810		
		Sub-total		1,520,488	-	2,977,450	7,425	401,003
	Polyester/Cotton 48/52 blended yarn 45's	Cotton		838,688	2,149.49	1,802,726		
		Polyester		646,983	1,835.00	1,187,214		
		Sub-total		1,485,671	-	2,989,940	7,035	425,009
	Sub-total			3,006,159	-	5,967,390	14,460	412,683
Total				7,061,959	-	14,790,360	32,140	460,185

2) Packing Material Cost:

Unit cost for packing material per bale is as follows:

Carton Box	: 8 cases/Bale x Rp500	=	Rp4,000
Paper Cone	: 18 cones x 8 cases x Rp25	=	3,600
Polyester Bag	: 18 cones x 8 cases x Rp9	=	1,296
Plastic Band and Clasp	: 8 cases/Bale x Rp79.25	=	634
	Total:		Rp9,530/Bale

Although the polyester bag is not now used, the current packing involves contacts of cheeses each other while in carriage, causing damage on cheese surface, therefore, this time it was decided to use the polyester bag.

In addition, if recovery of cone bobbins is possible, use of plastic bobbins is preferable to paper corn bobbins.

When buyers of yarn are fixed, use of the plastic bobbin should be considered in future with recovery and reuse system adopted.

Table 8 indicates the packing material cost by kind and by year

Table 8 PACKING MATERIAL COST

Mill	Yarn Kind	Year after operation / Item / Unit	1st Production Volume (Bales)	1st Cost (Rp1,000)	2nd & later Production Volume (Bales)	2nd & later Cost (Rp1,000)
CP-1	Cotton Combed Yarn	30's	5,229	49,832	6,605	62,946
	Cotton Combed Yarn	40's	7,731	73,676	9,765	93,060
	Cotton Combed Yarn	60's	1,037	9,883	1,310	12,484
CP-2	Polyester/Cotton 65/35 Blended Yarn	45's	7,116	67,816	7,425	70,760
	Polyester/Cotton 48/52 Blended Yarn	45's	6,742	64,251	7,035	67,044
Total			27,855	265,458	32,140	306,294

3) Power Cost:

(a) Electric Power Cost

Table 9 indicates yearly electric power charges since operation commencement.

Table 9 YEARLY ELECTRIC POWER COST

Item		Years after operation: 1st	2nd & later
Electric power consumed (KWH)		30,722,000	33,660,000
Electric Power Charge (Unit: Rp1,000)	(Proportionate portion)		
	Sinple proportionate charge	2,043,013	2,238,390
	Subsidy for illumination at urban roads (Rp/3/KWH)	92,166	100,980
	(Fixed portion)		
	Contract charge for electric power volume	10,500 x 12 126,000	10,500 x 12 126,000
	Total	2,261,179	2,465,370

Notes: The above simple proportionate charge, Rp66.5/KWH is calculated by the following:

Charge in peak hours
(4 hours from 18:00 to 22:00) : Rp96.5/KWH

Charge in normal hours
(20 hours from 22:00 to 18:00) : Rp60.5/KWH

Therefore, an average unit cost for the simple proportionate portion will be;

$$\frac{96.5 \times 4 + 60.5 \times 20}{24} = 66.5 \text{ (Rp/KWH)}$$

Further, the average electric power unit costs are 73.60Rp/KW for the 1st year and 73.24Rp/KW for the 2nd and later years.

(b) Fuel Cost (In Respect of Boiler for Steam Setter):

Volume of fuel used in the 1st year of operation commencement : 196Kℓ/year

Volume of fuel used in the 2nd and later years since the operation : 204Kℓ/year

Unit fuel cost : Rp220/l

Therefore: Fuel cost in the 1st year of operation commencement : 43,120,000Rp/year

Fuel cost in the 2nd and later years since the operation : 44,880,000Rp/year

(c) Total of Electric Power Cost and Fuel Cost (Power Cost):

Power cost in the 1st year of operation commencement : 2,304,299,000Rp/year

Power cost in the 2nd and later years since the operation : 2,510,250,000Rp/year

4) Maintenance Cost:

The following amounts were appropriated as maintenance cost in the ordinary year;

– Structures – Buildings	17,000,000Rp/year
– Power facilities and equipment – Production machinery	500,300,000Rp/year
– Private generation facility – Iron and wooden works facilities – Carriage and conveyance tools – Furniture and fittings	15,800,000Rp/year
Total:	533,100,000Rp/year

As for the structure and buildings, repairs and remodel are to be effected before operation commencement, therefore, the repair cost required may well be considered to be less than the repair cost currently required, however, there are many buildings other than the mill buildings themselves and their environmental conditions are still to be arranged. Therefore, the amount for the maintenance cost was appropriated at a level as almost required for the present condition.

As for the production machinery, power facilities and equipments, much new investment is required and high quality and efficient production are aimed at. Therefore, 1.84 times of the current maintenance cost was appropriated.

The maintenance cost for the private generation facility, iron and wooden works facility, carriage and conveyance tools, and furniture and fittings was decreased to about 14% of the current maintenance cost. This was because the maintenance cost required for the private generation facility will be reduced as the result of the source for the electricity supply being changed from private generation as the main to the total supply by buying electricity (PLN).

The total amount of the maintenance cost is increased more than the current cost (January ~ December, 1984 budget) by about 43%.

Further, for the 1st and 2nd years after the operation his commenced, the parts for the newly purchased machinery or parts for operation will be less damaged and consumed, therefore, the maintenance costs for these years are appropriated for 37% and 69% of that required for the 3rd and later years respectively, or for 199,600,000Rp/year and 366,300,000Rp/year respectively.

5) Labour Cost:

As fixed items, the labour cost includes 3 kinds of basic wage (gaji pokok), service allowance (tunjangan kerja), and title allowance (tunjangan jabatan), which shares majority of the net income for employee. Other than these, there are various allowances and reserve funds as described hereunder;

- Meal subsidy
- Reserve fund for labour accident
- Reserve fund for lump sum
- Medical Subsidy
- Uniform issue
- Reserve fund for retirement allowance
- Overtime work allowance
- Buying-up of annual leave
- Overtime work allowance within legal standard
- Wage for part-time workers
- Housing subsidy
- Others

The above mentioned various allowances and reserve funds share about 45.5% of the total fixed wage (basic wage, service allowance and title allowance).

Table 10 indicates wage table per job classification, and Table 11 shows annual aggregate labour cost table. The total labour cost (1,052,436 thousand/year) in the ordinary year (year of production to the full capacity) is shown as about the same with the current period (January ~ December, 1984 budget).

Table 10 Wage Table per Job Classification (Rp/month·staff)

Item / Class	Basic Wage	Title Allowance	Service Allowance	Total
Mill Manager	110,000	55,000	195,500	360,500
Manager	79,000	30,000	120,500	229,500
Chief	62,000	17,500	86,000	165,500
Foreman	44,000	10,000	52,500	106,500
Leader/Worker	23,000	—	30,000	53,000

Table 11 ANNUAL AGGREGATE LABOUR COST

Years after Operation	1st year				2nd ¥ later year			
Dept.	Direct Dept.		Indirect Dept.		Direct Dept.		Indirect Dept.	
Item	No. of personnel	Labour Cost	No. of personnel	Labour Cost	No. of personnel	Labour Cost	No. of personnel	Labour Cost
Unit / Class	Staff × month/ year	Rp.1,000/ year	Staff × month/ year	Rp.1,000/ year	Staff × month/ year	Rp.1,000/ year	Staff × month/ year	Rp.1,000/ year
Mill Manager	-	-	12	4,326	-	-	12	4,326
Manager	12	2,754	36	8,262	12	2,754	36	8,262
Chief	36	5,958	120	19,860	36	5,958	120	19,860
Foreman	252	26,838	276	29,394	252	26,838	276	29,394
Leader/Worker	9,212	488,236	2,556	135,468	9,252	490,356	2,556	135,468
Sub-total	9,512	523,786	3,000	197,310	9,552	525,906	3,000	197,310
Various Allowance & Reserve Funds etc.	-	238,323	-	89,855	-	239,287	-	89,855
Total	-	762,109	-	287,165	-	765,193	-	287,165

6) Other Expenses:

Expense items are as described below;

(a) Fire Insurance Premium:
  - Buildings
  - Power facilities and equipments
  - Production machinery
  - Private generation facility
  - Iron and wooden works facility
  - Carriage and conveyance tools
  - Furniture and fittings

(b) Rent for office
(c) Telegram, telephone and telex expense
(d) Telegram, telephone and telex expense
(e) Electricity and water supply charges for company houses, guest house and office
(f) Subscription cost for newspapers and magazines
(g) Local tax
(h) Meeting expense
(i) Entertainment expense
(j) Security charge
(k) Travelling expense on company business
(l) Examination expenses for public accountant
(m) Subsidy for club activities and company excursion
(n) Other miscellaenous expenses

The major items in terms of amount among the above items as follows:

Fire insurance premium	98,400 thousand Rp/year
Telegram, telephone and telex expense	17,000 thousand Rp/year
Stationery and printing expense	12,300 thousand Rp/year
Rental for office	11,900 thousand Rp/year
Entertainment expense	11,400 thousand Rp/year
Travelling expense on company business	9,900 thousand Rp/year

The total expense in an ordinary is 193,500 thousand Rp/year.

For calculation of the fire insurance premium, about 4% of the new investment amount is added to the partially amended amount of the current premium (in January ~ December, 1984 budget).

Further, to calculate the general expenses other than the fire insurance premium, the results for the period, January ~ December, 1984 and the machine operation rate after the renovation were taken into consideration.

The total expense amount has doubled the current one to be increased by about 112%.

7) Technical Assistance Fee:

The expense to be paid for the technical assistance (training) by foreign engineers during the period from the time when the renovation contract takes effect to the time of operation commencement is to be appropriated as the initial cost (to be treated as the immaterial fixed asset), however, the technical assistance fee after the operation commencement is to be appropriated as the manufacturing cost. The period for which the manufacturing cost is calculated is about 1 year 7 months, therefore, the technical assistance fee will accrue for 2 years after the operation commencement, and no further such charge will accrue for the 3rd and later years.

Table 12 indicates numbers of personnel, required period (numbers of month) of the foreign engineer and relative cost to accrue. (Refer to a table of despatching schedule training staff in the item 6-7-2.)

Table 12 Technical Assistance Fee per Year

Year after Operation / Item / Member	1st		2nd	
	Man×Month	Fee (Rp.1,000)	Man×Month	Fee (Rp.1,000)
Project Manager	12	89,766	7	54,475
Spinning Chief Engineer	31	209,053	14	98,090
Electric/Utility Chief Engineer	19	127,691	7	49,045
Civil/Building Chief Engineer	2	13,237	0	0
Total	64	439,747	28	201,610

Further, the technical Assistance Fee shown above includes air fare, local domestic travelling expenses, as well as staying cost at the site (housing and meal).

8) Depreciation Cost:

When Cilacap Spinning Mill were merged into Sandang II in April, 1983, revaluation of the asset held and changes in their depreciation method were studied, but to this date they have not been determined. However, all of buildings, machines as well as various equipments are old and majority of them has already been finished their depreciation, and the depreciation cost as shown in 1984 budget is 83,009 thousand Rp/year, which as compared to the depreciation cost accruing from the new investment under the renovation this time, is as low as 3 ~ 5% of it.

Further, majority of the old machines and facilities are to be demolished by execution of the renovation. Due to these reason, the depreciation cost is considered in such a way that the current depreciation cost is not taken into the calculation, but only that accruing from the new investment is taken into consideration.

As the fund borrowing plan for the renovation, the following 3 cases are considered:

	Interest in foreign currency	Interest in local currency	Own fund/ equity ratio (%)
Case 1	8%	18%	0
Case 2	6%	18%	0
Case 3	10%	18%	30%

Further, ratio between borrowed funds in foreign currency and local currency is 80:20, and in both cases, the refundment will be for 10 years period with deferment for 2 years.

As the interest incurring in construction period is added to the investment amount, among cases of 1, 2 and 3, the depreciation cost differs. Tables 13, 14 and 15 indicate the refundment schedule for the above cases 1, 2 and 3. Further, the annual depreciation cost up to 5th year from the operation commencement amounts to as much as about 27 times of the 1984 budget, which shares about 10% of the production cost, representing the 3rd expensive item following raw material and power costs.

Table 13 DEPRECIATION SCHEDULE (Case 1)

(Unit: RP. 1,000,000)

Basis	Opening values	Depreciation Rate (Straight-line Method)	
1) Buildings	1,285.2	Yearly 5%	(Useful Lives 20 years)
2) Structures	19.0	Yearly 10%	(Useful Lives 10 years)
3) Machinery and Equipment	16,102.8	Yearly 8-1/3%	(Useful Lives 12 years)
4) Utility Equipment	4,294.2	Yearly 10%	(Useful Lives 10 years)
5) Preoperational Expenses	1,899.5	Yearly 20%	(Useful Lives 5 years)
	23,600.7		

Year \ Item	Building	Structures	Machinery & Equipment	Utility Equipment	Preope. Expenses	Total
1	64.4	1.9	1,341.9	429.6	379.9	2,217.7
2	64.3	1.9	1,341.9	429.4	379.9	2,217.4
3	64.3	1.9	1,341.9	429.4	379.9	2,217.4
4	64.3	1.9	1,341.9	429.4	379.9	2,217.4
5	64.3	1.9	1,341.9	429.4	379.9	2,217.4
6	64.2	1.9	1,341.9	429.4	–	1,837.4
7	64.2	1.9	1,341.9	429.4	–	1,837.4
8	64.2	1.9	1,341.9	429.4	–	1,837.4
9	64.2	1.9	1,341.9	429.4	–	1,837.4
10	64.2	1.9	1,341.9	429.4	–	1,837.4
11	64.2	–	1,341.9	–	–	1,406.1
Accumulated Depreciation	706.8	19.0	14,760.9	4,294.2	1,899.5	21,680.4
Closing Value	578.4	–	1,341.9	–	–	1,920.3

Table 14 DEPRECIATION SCHEDULE (Case 2)

(Unit: RP. 1,000,000)

Basis	Opening values	Depreciation Rate (Straight-line Method)	
1) Buildings	1,285.2	Yearly 5%	(Useful Lives 20 years)
2) Structures	19.0	Yearly 10%	(Useful Lives 10 years)
3) Machinery and Equipment	16,102.8	Yearly 8-1/3%	(Useful Lives 12 years)
4) Utility Equipment	4,294.2	Yearly 10%	(Useful Lives 10 years)
5) Preoperational Expenses	1,702.0	Yearly 20%	(Useful Lives 5 years)
	23,403.2		

Year \ Item	Building	Structures	Machinery & Equipment	Utility Equipment	Preope. Expenses	Total
1	64.4	1.9	1,341.9	429.6	340.4	2,178.2
2	64.3	1.9	1,341.9	429.4	340.4	2,177.9
3	64.3	1.9	1,341.9	429.4	340.4	2,177.9
4	64.3	1.9	1,341.9	429.4	340.4	2,177.9
5	64.3	1.9	1,341.9	429.4	340.4	2,177.9
6	64.2	1.9	1,341.9	429.4	–	1,837.4
7	64.2	1.9	1,341.9	429.4	–	1,837.4
8	64.2	1.9	1,341.9	429.4	–	1,837.4
9	64.2	1.9	1,341.9	429.4	–	1,837.4
10	64.2	1.9	1,341.9	429.4	–	1,837.4
11	64.2	–	1,341.9	–	–	1,406.1
Accumulated Depreciation	706.8	19.0	14,760.9	4,294.2	1,702.0	21,482.9
Closing Value	578.4	–	1,341.9	–	–	1,920.3

Table 15 DEPRECIATION SCHEDULE (Case 3)

(Unit: RP. 1,000,000)

Basis	Opening values	Depreciation Rate (Straight-line Method)	
1) Buildings	1,285.2	Yearly 5%	(Useful Lives 20 years)
2) Structures	19.0	Yearly 10%	(Useful Lives 10 years)
3) Machinery and Equipment	16,102.8	Yearly 8-1/3%	(Useful Lives 12 years)
4) Utility Equipment	4,294.2	Yearly 10%	(Useful Lives 10 years)
5) Preoperational Expenses	1,669.7	Yearly 20%	(Useful Lives 5 years)
	23,370.9		

Year \ Item	Building	Structures	Machinery & Equipment	Utility Equipment	Preope. Expenses	Total
1	64.4	1.9	1,341.9	429.6	334.1	2,171.9
2	64.3	1.9	1,341.9	429.4	333.9	2,171.4
3	64.3	1.9	1,341.9	429.4	333.9	2,171.4
4	64.3	1.9	1,341.9	429.4	333.9	2,171.4
5	64.3	1.9	1,341.9	429.4	333.9	2,171.4
6	64.2	1.9	1,341.9	429.4	–	1,837.4
7	64.2	1.9	1,341.9	429.4	–	1,837.4
8	64.2	1.9	1,341.9	429.4	–	1,837.4
9	64.2	1.9	1,341.9	429.4	–	1,837.4
10	64.2	1.9	1,341.9	429.4	–	1,837.4
11	64.2	–	1,341.9	–	–	1,406.1
Accumulated Depreciation	706.8	19.0	14,760.9	4,294.2	1,669.7	21,450.6
Closing Value	578.4	–	1,341.9	–	–	1,920.3

9) Transfer of Head Office Cost (Head Office Expenditures):

The total expense accrued in Sandang II head office is transfered to 10 mills held under Sandang II. As it has been rather short for Cilacap Spinning Mill since it was merged into Sandang II, the transfering method has not yet determined in detail.

The following transfer expenses which have been agreed with the management in Sandang II at the survey for the renovation by facility study mission are appropriated:

– Computer expense	19,000 thousand Rp/year
– Training and guidance expense	76,315 thousand Rp/year
– Advertisement, sales promotion expenses	45,789 thousand Rp/year
– Adjustment and reserve fund	12,000 thousand Rp/year
– Transfer of head office cost	225,545 thousand Rp/year

The total expense of the above, 377,649 thousand Rp/year is for the time of the full operation, namely for 2nd and later years since the operation commencement, while for the 1st year of the operation, 327,288 thousand Rp/year is appropriated from production volume.

7-2-2 Manufacturing Cost Table and Manufacturing Cost Table per Bale per Yarn Kind:

1) Manufacturing Cost Table:

Table 16 is the production cost table which is prepared on the basis of figures described under each cost item in the production cost under the item 8-2-1.

In this Table, those production costs to the year of the refundment finish, namely 12th year from the renovation project contract and 11th year from the operation commencement are indicated.

2) Manufacturing Cost Table per Bale per Yarn Kind:

In Table 17, the production cost per bale per yarn kind calculated on the basis of the cost in the 3rd year of the operation commencement, at which time the technical assistance by foreign engineers would be finished, is indicated.

Though the depreciation cost will be dependent on which one of the cases 1, 2 and 3 is selected, however, the difference will be only for about 2% thereof, which to the total production cost, will be a change of about 0.2%. The Table 17 is based on the case 2, however, due to the above reason, selection of any case does not make much difference on the production cost and makes no problem in comparison of cost among kinds of product.

Further, in the lower column of Table 17 operating profit is indicated, where profit rate for polyester/cotton 48/52 blended yarn 45's is remarkably high, followed by cotton combed yarn 60's, 30's and polyester/cotton 65/35 blended yarn 45's, then by cotton combed yarn 40's with the least profit rate.

Calculating the cost per kind of yarn is very important to grasp the profit rate per kind off-hand. With the market survey on the price conducted always and in consideration of the available mill facilities and manpower capabilities, the mill management must always pursue to select the profitable kinds of product, namely the product-mix.

Table 16 Manufacturing Cost

(Unit: Rp1,000,000)

Item \ Year	1	2	3	4	5	6	7	8	9	10	11
Variable Cost											
Raw Materials											
Cotton	9,921.2	11,906.4	11,906.4	11,906.4	11,906.4	11,906.4	11,906.4	11,906.4	11,906.4	11,906.4	11,906.4
Polyester	2,764.0	2,884.0	2,884.0	2,884.0	2,884.0	2,884.0	2,884.0	2,884.0	2,884.0	2,884.0	2,884.0
Packing Materials	265.5	306.3	306.3	306.3	306.3	306.3	306.3	306.3	306.3	306.3	306.3
Power Charge	2,304.3	2,510.3	2,510.3	2,510.3	2,510.3	2,510.3	2,510.3	2,510.3	2,510.3	2,510.3	2,510.3
Total Variable Cost (A)	15,254.9	17,607.0	17,607.0	17,607.0	17,607.0	17,607.0	17,607.0	17,607.0	17,607.0	17,607.0	17,607,0
Fixed Cost											
Maintenance Expenses	157.9	333.0	533.1	533.1	533.1	533.1	533.1	533.1	533.1	533.1	533.1
Labour Expenses (Direct)	762.1	765.2	765.2	765.2	765.2	765.2	765.2	765.2	765.2	765.2	765.2
" (Indirect)	287.2	287.2	287.2	287.2	287.2	287.2	287.2	287.2	287.2	287.2	287.2
Other Expenses	193.5	193.5	193.5	193.5	193.5	193.5	193.5	193.5	193.5	193.5	193.5
Technical Assistance Fee	439.7	201.6	-	-	-	-	-	-	-	-	-
Head Office Expenditures	327.3	377.6	377.6	377.6	377.6	377.6	377.6	377.6	377.6	377.6	377.6
Depreciation Case-1	2,217.7	2,217.4	2,217.4	2,217.4	2,217.4	1,837.4	1,837.4	1,837.4	1,837.4	1,837.4	1,406.1
" Case-2	2,178.2	2,177.9	2,177.9	2,177.9	2,177.9	1,837.4	1,837.4	1,837.4	1,837.4	1,837.4	1,406.1
" Case-3	2,171.9	2,171.4	2,171.4	2,171.4	2,171.4	1,837.4	1,837.4	1,837.4	1,837.4	1,837.4	1,406.1
Total Fixed Cost Case-1 (B_1)	4,385.4	4,375.5	4,374.0	4,374.0	4,374.0	3,994.0	3,994.0	3,994.0	3,994.0	3,994.0	3,562.7
" Case-2 (B_2)	4,345.9	4,336.0	4,334.5	4,334.5	4,334.5	3,994.0	3,994.0	3,994.0	3,994.0	3,994.0	3,562.7
" Case-3 (B_3)	4,339.6	4,329.5	4,328.0	4,328.0	4,328.0	3,994.0	3,994.0	3,994.0	3,994.0	3,994.0	3,562.7
Manufacturing Cost Case-1 ($A+B_1$)	19,640.3	21,982.5	21,981.0	21,981.0	21,981.0	21,601.0	21,601.0	21,601.0	21,601.0	21,601.0	21,169.7
" Case-2 ($A+B_2$)	19,600.8	21,943.0	21,941.5	21,941.5	21,941.5	21,601.0	21,601.0	21,601.0	21,601.0	21,601.0	21,169.7
" Case-3 ($A+B_3$)	19,594.5	21,936.5	21,935.0	21,935.0	21,935.0	21,601.0	21,601.0	21,601.0	21,601.0	21,601.0	21,169.7

Table 17 MANUFACTURING COST PER BALE PER YARN KIND

(Unit: Rp/Bale)

Item \ Yarn Kind	Cotton combed yarn			Polyester/cotton blended yarn		Average
	30's	40's	60's	(65/35) 45's	(48/52) 45's	41.4's
Production (Bale/Year)	6,605	9,765	1,310	7,425	7,035	32,140
Variable Cost						
Raw Materials						
Cotton	495,519	495,519	542,997	172,477	256,251	370,452
Polyester	-	-	-	228,526	168,758	89,733
Packing Materials	9,530	9,530	9,530	9,530	9,530	9,530
Power Charge	56,069	73,389	110,453	85,351	91,663	78,104
Total Variable Cost	561,118	578,438	662,980	495,884	526,202	547,819
Fixed Cost						
Maintenance Expenses	13,085	16,500	26,483	16,698	18,035	16,587
Labour Expenses (Direct)	21,430	24,323	34,033	22,841	24,443	23,808
Labour Expensee (Indirect)	8,042	9,128	12,772	8,572	9,173	8,935
Other Expenses	5,419	6,151	8,606	5,776	6,181	6,020
Technical Assistance Fee	-	-	-	-	-	-
Depreciation	53,456	67,409	108,194	68,218	73,678	67,763
Head-office Expenditure	10,576	12,004	16,796	11,273	12,064	11,750
Total Fixed Cost	112,008	135,515	206,884	133,378	143,574	134,863
Manufacturing Cost	673,126	713,953	869,864	629,262	669,776	682,682
Unit Selling Price	757,000	771,000	990,000	690,000	815,000	767,967
Operating Profit	83,874	57,047	120,136	60,738	145,224	85,285
Operating Profit Ratio (%)	11.1	7.4	12.1	8.8	17.8	11.1%

7-2-3 Comparison of Manufacturing Cost and Profitability at Present Condition and After Renovation:

Comparisons are made for the production cost between the result in January ~ December, 1984 period and in the 3rd year of the operation commencement under the renovation project, as well as for the operating profit as the criterion of profitability between the corresponding periods.

These are shown in Table 18-1, however, as enormous dificit is counted in a condition where the sales revenue undercuts raw material cost, there is no sense in comparison of them.

In the former half of 1984, Sandang II themselves studied the renovation project and compared it with the result then.

Table 18-2 shows the comparison of the production cost and profitability among 3 of Sandang II's comparison components and figures under this renovation.

Further, the average produced yarn number when Sandang II prepared the plan was 35's, while that under this renovation project is 41.4's, which means that the yarn is getting thinner.

The comparison between the 2 plans reveals that under this renovation, selling price per bale is increased by about 28%, while numbers of produced bale is decreased by about 10%, however, the sales revenue is increased by 15%.

Therefore, despite the production cost is increased by about 9%, the operating profit is increased by about 2.1 times, showing the high profitability of this renovation project.

Table 18-1 COMPARISON OF MANUFACTURING COST AND PROFITABILITY

Item / Production / Cost Item etc.	Actual Result in Jan. ~ Dec. 1984			3rd Year after Operation under Renovation Project		
Production	10,400 Bale/Year			32,140 Bale/Year		
Item	Amount	Unit Cost	Ratio	Amount	Unit Cost	Ratio
Cost Item etc.	Million Rp/Year	Rp/Bale	%	Million Rp/Year	Rp/Bale	%
Variable Cost						
Raw Materials	5,721.9	550,183	70.9	14,790.4	460,187	67.4
Packing Materials	104.5	10,048	1.3	306.3	9,530	1.4
Power Charge	684.6	65,827	8.5	2,510.3	78,105	11.4
Total Variable Cost	6,511.0	626,058	80.7	17,607.0	547,822	80.2
Fixed Cost						
Maintenance Expense	261.4	25,135	3.3	533.1	16,587	2.3
Labour Expense	888.4	85,423	11.0	1,052.4	32,744	4.8
Other Expense	114.9	11,048	1.4	193.5	6,020	0.9
Depreciation	78.0	7,500	1.0	2,177.9	67,763	9.9
Head-office Expenditure	* 212.1	20,394	2.6	377.6	11,749	1.7
Total Fixed Cost	1,544.8	149,500	19.3	4,334.5	134,863	19.8
Manufacturing Cost	8,065.8	775,558	100.0	21,941.5	682.685	100.0
Manufacturing Cost except Head-office Expenditure	7,853.7	755,164	–	21,563.9	670,936	–
Sales Revenue	5,470.5	526,010	–	24,658.6	767,225	–
Sales Profit	–2,383.2	–229,154	–	3,094.7	96,289	–
Sales Profit Ratio	–43.6%	–	–	12.6%	–	–
Operating Profit	–2,595.3	–249.548	–	2,717.1	84,540	–
Operating Profit Ratio	–47.4%	–	–	11.0%	–	–

(Note) – Value marked as * adopts figures from Budget for 1984 Year.
– Sales tax is already deducted from Sales Revenue.

Table 18-2 COMPARISON OF MANUFACTURING COST AND PROFITABILITY

Item / Unit / Cost Item etc.	Data from Sandang II				3rd Year after Operation under this Renovation Project	
	Present		Plan			
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	Rp1,000/ Year	%	Rp1,000/ Year	%	Rp1,000/ Year	%
Direct Cost						
Raw Materials	6,607,417	74.4	14,429,310	71.6	14,790,360	67.4
Packing Materials etc.	101,255	1.1	335,952	1.6	306,294	1.4
Sub-total	6,708,672	75.5	14,765.262	73.2	15,096,654	68.8
Indirect Cost						
Mill Cost						
Power Charge	669,400	7.5	2,163,905	10.7	2,510,250	11.5
Labour Expense	928,434	10.5	1,299,408	6.5	1,052,358	4.8
Preparatory Expense	10,588	0.1	32,224	0.2	Other Expenses 95,100	0.5
Maintenance Expense	373,150	4.2	502,074	2.5	533,100	2.4
Depreciation	96,892	1.1	1,031,044	5.1	2,177,900	9.9
Insurance	11,387	0.1	45,487	0.2	98,400	0.5
Sub-total	2,089,851	23.5	5,074,142	25.2	6,467,108	29.5
Head-office Cost						
Administration Expense	80,187	0.9	305,845	1.5	377,649	1.7
Selling Expense	1,725	0.1	15,000	0.1		
Sub-total	81,916	1.0	320,845	1.6	377.649	1.7
Total Indirect Cost	2,171,763	24.5	5,397,987	16.8	6,844,757	31.2
Manufacturing Cost	8,880,435	100.0	20,160,249	100.0	21,941,411	100.0
Unit Selling Price Rp/Bale	463,000		600,000		767,967	
Production Volume Bale/Year	18,504		35,795		32,140	
Sales Revenue Rp1,000/Year	8,567,352		21,477,000		24,682,459	
Operating Profit Rp/Bale	−16,920		36,786		85,285	
Operating Profit Rp1,000/Year	−313,083		1,316,751		2,741,048	

7-3 Revenue, Expense and Financial Statements:

7-3-1 Revenue and Expense Calculation Table:

This table is divided into parts of revenue, expense, tax and profit and indicates the total

for the period from the first to 11th year since the operation commencement, as well as for 11 years life for financial calculation, of which particulars are shown in Tables 21-1 to 3.

As the statement has already been made on the sales revenue (7-1) and on the manufacturing cost (7-2), detailed explanation on them are omitted here.

To the total cost for turnover, the financial charges (interest) has been added.

1) Income, Total Cost and Profitability:

Table 19 indicates the revenue and total cost of sales in 4th year of the operation commencement, as well as profitability.

Table 19 Income and Total Cost

(Unit: billions Rp)

Case	Income (A)	Total Cost (of sales)			Income before tax (A) – (B)
		Manufacturing Cost	Interest	Total (B)	
1	24.66	21.98	2.23	24.21	0.45
2	24.66	21.94	1.79	23.73	0.93
3	24.66	21.94	1.72	23.66	1.00

The cases 2 and 3 have higher profitability than case 1 where the interest is reducing the profit.

2) Composite Shares in Total Cost:

Similarly, Table 20 indicates shares in the total cost accrued in the 4th year of the operation commencement.

Table 20 Composite Shares in Total Cost

(Unit: billions Rp)

Item / Cost / Share	Case-1		Case-2		Case-3	
	Amount	%	Amount	%	Amount	%
Raw-materials	15.1	63	15.1	64	15.1	64
Power Charge	2.5	10	2.5	10	2.5	11
(Total Variable Cost)	(17.6)	(73)	(17.6)	(74)	(17.6)	(75)
Maintenance Expenses	0.5	2	0.5	2	0.5	2
Labour Expenses	1.1	5	1.1	5	1.1	5
Depreciation	2.2	9	2.1	9	2.1	9
Fixed Cost	0.6	2	0.6	2	0.6	2
Interest	2.2	9	1.8	8	1.7	7
(Total Fixed Cost)	(6.6)	(27)	(6.1)	(26)	(6.0)	(25)
Total Cost	24.2	100	23.7	100	23.6	100

As indicated in Table 20, the total cost accrued in the 4th year of the operation in ordinary condition amounts near to 2.4 billions Rp, of which the fixed cost shares about 26% and the interest shares 8% on an average.

The raw material cost which is proportionate to the output shares 64%.

In particular, at purchase of the raw cotton, improvements in selection of origin and purchasing method is desirable.

3) Corporation Income Tax:

The tax amount is calculated in accordance with the Income Tax Regulation enacted in 1984. The features of the new income tax regulation related to this project are mainly as follows;

(a) Simplification of the income tax regulation by unification of the related regulations.

(b) Simplification of the tax rate structure and decreasement in the tax rate (the maximum tax rate for the corporation was reduced from 45% to 35%)

Annual Taxable Income (Progressive Taxation)	Tax Rate
Less than 10,000,000Rp	15%
From 10,010,000 to 50,000,000Rp	25%
Over 50,010,000Rp	35%

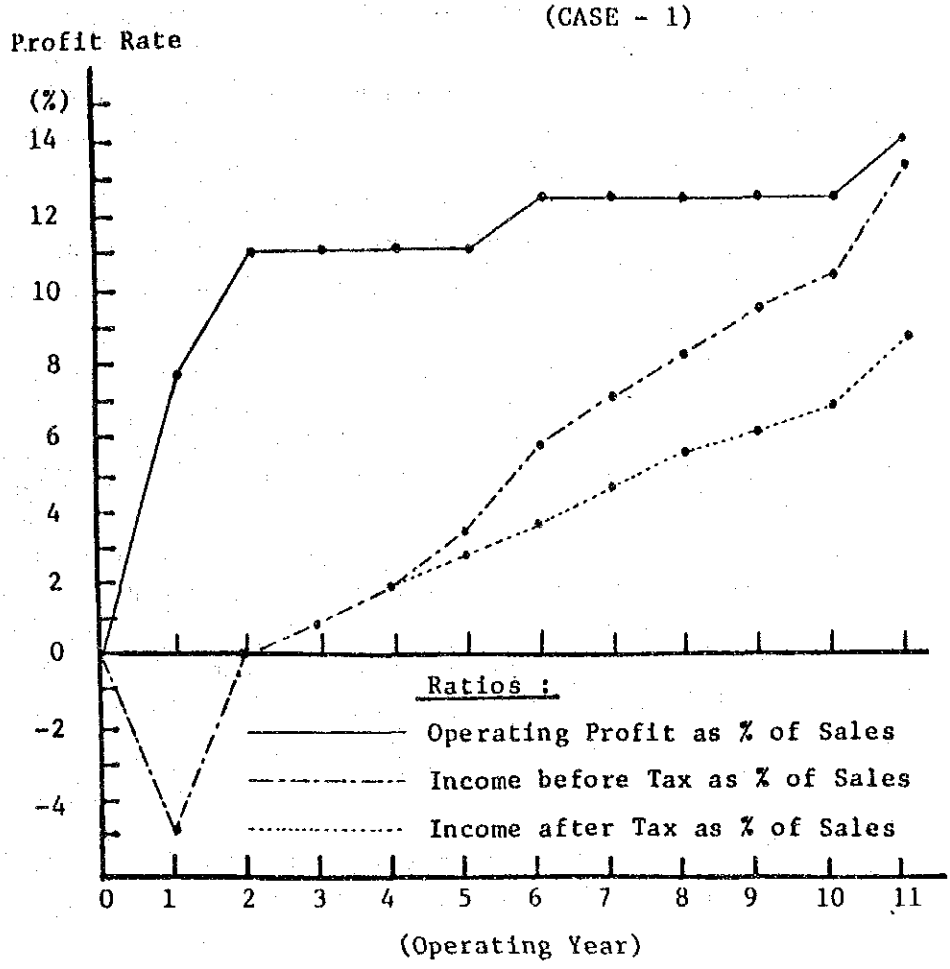
4) Profit and Profit Rate:

(a) Case 1: Figure 1-1 indicates a graph representing the profit rate in each year where;

- The average operating profit rate against sales amount over 11 years is 11.6%.
- The average ordinary profit rate against sales amount over 11 years is 5.1% and
- The average profit rate after tax deduction against sales amount over 11 years is 3.3%.

Fig. 1-1 CURVED LINE OF ANNUAL INCOME

(CASE - 1)



Transition of the profit from year to year is as follows (Refer to Table 21-1):

– The loss amount resulted in the 1st year of the operation commencement is as large as 1.09 billions Rp.

For the major cause for this loss, the following is conceivable;

- The operating rate is as low as 87% of the ordinary year (79% for CP-1 Mill and 96% for CP-2 Mill).

  Therefore, the output is 27,854 bales on a yearly basis (13,996 bales for CP-1 Mill and 13,858 bales for CP-2 Mill)
- The sales revenue (excluding sales tax) is 21.31 billions Rp, sharing 86% of the ordinary year.
- High variable cost is in common for each year, however, in the fixed cost, depreciation cost is as large as 2.22 billions Rp.
- The interest to be paid for the long term borrowed fund amounts to as much as 2.76 billions Rp (maximum in recent years), which surpasses 1.67 billions Rp of the operating profit.

– In the 2nd year of the operation too, a loss for 0.2 billion Rp is resulted in spite of 100% effect of capacity utilization, burden of the interest is 2.7 billions Rp, giving adverse influence to the finance.

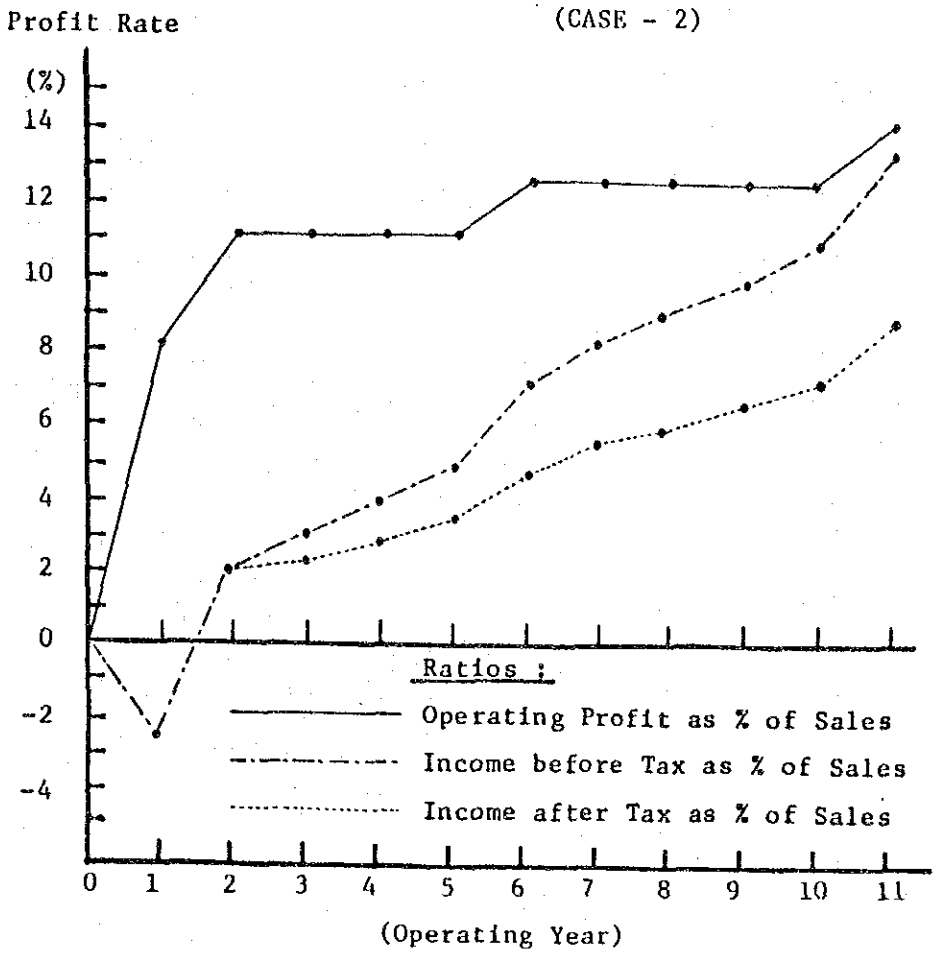
As the result, the difference from 2.68 billions Rp of the operating profit is resulted in the loss.

- In the 3rd year, a profit for 190 millions Rp is resulted for the first time though in small amount. The interest burden for 2.48 billions Rp is surpassing 2.22 billions Rp for the depreciation cost.
  The depreciation cost holds advantage in respect of the taxation, which can serve as the internal reserve as well. However, as the total amount of the interest will draw out of the company finance, the earlier payment of the interest will contribute to better profitability, therefore, this could not be avoidable.
  In addition, the technical assistance fee is not appropriated from this year, which contributes to the profitability. The accumulated income is keeping 920 millions Rp carried-over loss.
- In the 4th year, the profit amounts to 450 millions Rp, however, the carried-over loss amount is not yet liquidated.
- In 5th year, the profit results in 740 millions Rp, which after having compensated the carried-over loss up to the preceding year, leaves a profit for 270 million Rp which will be the taxabel income.
- The 6th year is the middle point of the life period for the financial calculation, in which the profit increases to 1.4 billions Rp. The cause for this increment is the decreased interest burden to 380 millions Rp as the result of the depreciation for the initial cost having been finished by the preceding year and further of the interest burden having been decreased by 270 millions Rp from the preceding year.
- From the 7th to the 10th year, the profit is on uptrend due to decreasement in the interest burden.
- In the 11th year, the depreciation for structures and utility facilities (430 millions Rp) will be terminated by the preceding year, which contributes largely to increment in the profit.

For the above 11 years, the total operating profit amounts to 31.16 billions Rp, the total profit before tax deduction to 13.55 billions Rp and the total profit after tax deduction to 8.85 billions Rp, which is the worst case among 3.

(b) Case 2: Figure 1-2 indicates a graph showing the profit rate for each year.

Fig. 1-2 CURVED LINE OF ANNUAL INCOME



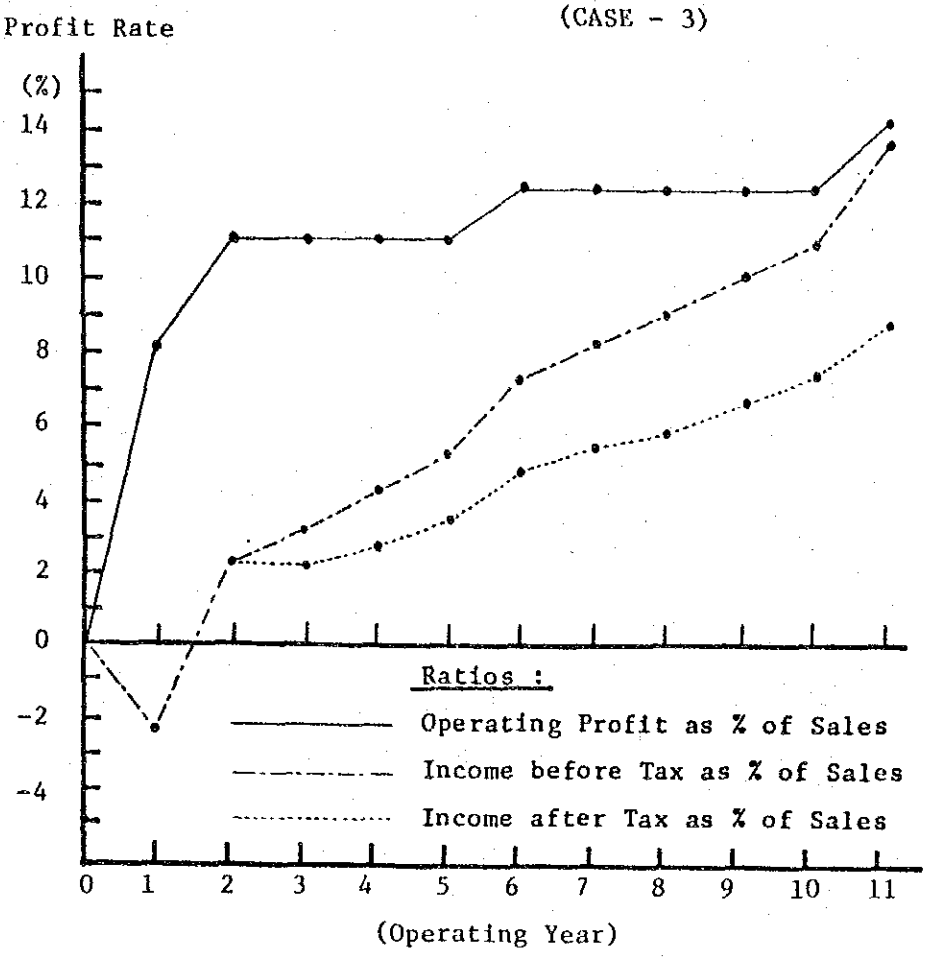
Transition of the profit per year is as follows (Refer to Table 21-2).

- The resulted loss 600 millions Rp in the 1st year of the operation commencement is compensated in the 3rd year. (Taxable amount in the 3rd year is 570 millions Rp.)
- Depreciation cost was described in the case 1, however, this cost is to be decreased in the 6th and 11th years.
  - Average operating profit rate against sales amount over 11 years is 11.7%,
  - Average ordinary profit rate against sales amount over 11 years is 6.3%, and
  - Average profit rate after tax reduction against sales amount over 11 years is 4.1%.

The total operating profit over the 11 years amounts to 31.35 billions Rp, the total profit before tax deduction to 16.95 billions Rp, and the profit after tax reduction to 11.07 billions Rp, which indicates that this case is the 2nd best case among 3.

(c) Case 3: Figure 1-3 indicates a graph showing the profit rate for each year.

Fig. 1-3 CURVED LINE OF ANNUAL INCOME



Transition of the profit per year is as follows: (Refer to Table 21-3).

The loss 510 millions Rp resulted in the 1st year of the operation commencement is compensated in the 2nd year (Taxable income for the 2nd year is 40 millions Rp).

The profit curve surpasses slightly that for the case 2, however, it is almost the same.

- Average operating profit rate against sales amount over 11 years is 11.7%,
- Average ordinary profit rate against sales amount over 11 year is 6.5%, and
- Average profit rate after tax deduction against sales amount over 11 years is 4.3%.

The total operating profit over 11 years amount to 31.39 billions Rp, the total profit before tax decution to 17.48 billions Rp, and the total profit after tax deduction to 11.42 billions Rp, which is the best result among 3 cases.

Table 21-1 PROJECTED INCOME STATEMENTS (CASE-1)

(Unit : RP. 1,000,000)

Item / Year	1	2	3	4	5	6	7	8	9	10	11	Total
Production (Bale/Year)	27,854	32,140	32,140	32,140	32,140	32,140	32,140	32,140	32,140	32,140	32,140	349,254
Capacity Utilization (%)	87	100	100	100	100	100	100	100	100	100	100	-
A. Sales Revenue	21,309.8	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6	267,895.8
B. Variable Costs :												
Raw-Materials	12,685.1	14,790.4	14,790.4	14,790.4	14,790.4	14,790.4	14,790.4	14,790.4	14,790.4	14,790.4	14,790.4	160,589.1
Packing Materials	265.5	306.3	306.3	306.3	306.3	306.3	306.3	306.3	306.3	306.3	306.3	3,328.5
Power Charge	2,304.3	2,510.3	2,510.3	2,510.3	2,510.3	2,510.3	2,510.3	2,510.3	2,510.3	2,510.3	2,510.3	27,407.3
Total Variable Costs (B)	15,254.9	17,607.0	17,607.0	17,607.0	17,607.0	17,607.0	17,607.0	17,607.0	17,607.0	17,607.0	17,607.0	191,324.9
C. Fixed Costs :												
Maintenance Expenses	157.9	333.0	533.1	533.1	533.1	533.1	533.1	533.1	533.1	533.1	533.1	5,288.8
Labour Expenses (Direct)	762.1	765.2	765.2	765.2	765.2	765.2	765.2	765.2	765.2	765.2	765.2	8,414.1
Labour Expenses (Indirect)	287.2	287.2	287.2	287.2	287.2	287.2	287.2	287.2	287.2	287.2	287.2	3,159.2
Other Expenses	193.5	193.5	193.5	193.5	193.5	193.5	193.5	193.5	193.5	193.5	193.5	2,128.5
Technical Assistance Fee	439.7	201.6	0	0	0	0	0	0	0	0	0	641.3
Depreciation	2,217.7	2,217.4	2,217.4	2,217.4	2,217.4	1,837.4	1,837.4	1,837.4	1,837.4	1,837.4	1,406.1	21,680.4
Head Office Expenditures	327.3	377.6	377.6	377.6	377.6	377.6	377.6	377.6	377.6	377.6	377.6	4,103.3
Total Fixed Costs (C)	4,385.4	4,375.5	4,374.0	4,374.0	4,374.0	3,994.0	3,994.0	3,994.0	3,994.0	3,994.0	3,562.7	45,415.6
D. Manufacturing Cost (B+C)	19,640.3	21,982.5	21,981.0	21,981.0	21,981.0	21,601.0	21,601.0	21,601.0	21,601.0	21,601.0	21,169.7	236,740.5
E. Operating Profit (A-D)	1,669.5	2,676.1	2,677.6	2,677.6	2,677.6	3,057.6	3,057.6	3,057.6	3,057.6	3,057.6	3,488.9	31,155.3
F. Financial Charges :												
(i) Interest on L-T Debt (Foreign 8%)	1,768.7	1,724.5	1,547.6	1,370.7	1,193.8	1,017.0	840.1	663.2	486.4	309.5	132.6	11,054.1
(ii) Interest on L-T Debt (Local 18%)	994.9	970.1	870.7	771.1	671.7	572.1	472.7	373.1	273.7	174.1	74.7	6,218.9
(iii) Interest on S-T Debt (Local 18%)	0	2.7	66.6	84.6	66.6	72.0	36.0	0	0	0	0	328.5
Total Financial Charges (F)	2,763.6	2,697.3	2,484.9	2,226.4	1,932.1	1,661.1	1,348.8	1,036.3	760.1	483.6	207.3	17,601.5
G. Total Cost of Sales (D+F)	22,403.9	24,679.8	24,465.9	24,207.4	23,913.1	23,262.1	22,949.8	22,637.3	22,361.1	22,084.6	21,377.0	254,342.0
H. Income Before Tax (E-F)	-1,094.1	-21.2	192.7	451.2	745.5	1,396.5	1,708.8	2,021.3	2,297.5	2,574.0	3,281.6	13,553.8
I. Corporation Tax (Max.35%)	0	0	0	0	89.9	482.8	592.1	701.5	798.1	894.9	1,142.6	4,701.9
J. Net Income (H-I)	-1,094.1	-21.2	192.7	451.2	655.6	913.7	1,116.7	1,319.8	1,499.4	1,679.1	2,139.0	8,851.9
K. Accumulated Income	-1,094.1	-1,115.3	-922.6	-471.4	184.2	1,097.9	2,214.6	3,534.4	5,033.8	6,712.9	8,851.9	-
L. Ratios :												
Operating Profit as % of Sales	7.8	10.9	10.9	10.9	10.9	12.4	12.4	12.4	12.4	12.4	14.1	11.6
Income before Tax as % of Sales	-5.1	-0.1	0.8	1.8	3.0	5.7	6.9	8.2	9.3	10.4	13.3	5.1
Income after Tax as % of Sales	-5.1	-0.1	0.8	1.8	2.7	3.7	4.5	5.4	6.1	6.8	8.7	3.3

Table 21-2 PROJECTED INCOME STATEMENTS (CASE- 2)

(Unit : RP. 1,000,000)

Item / Year	1	2	3	4	5	6	7	8	9	10	11	Total
Production (Bale/Year)	27,854	32,140	32,140	32,140	32,140	32,140	32,140	32,140	32,140	32,140	32,140	349,254
Capacity Utilization (%)	87	100	100	100	100	100	100	100	100	100	100	-
A. Sales Revenue	21,309.8	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6	267,895.8
B. Variable Costs :												
Raw-Materials	12,685.1	14,790.4	14,790.4	14,790.4	14,790.4	14,790.4	14,790.4	14,790.4	14,790.4	14,790.4	14,790.4	160,589.1
Packing Materials	265.5	306.3	306.3	306.3	306.3	306.3	306.3	306.3	306.3	306.3	306.3	3,328.5
Power Charge	2,304.3	2,510.3	2,510.3	2,510.3	2,510.3	2,510.3	2,510.3	2,510.3	2,510.3	2,510.3	2,510.3	27,407.3
Total Variable Costs (B)	15,254.9	17,607.0	17,607.0	17,607.0	17,607.0	17,607.0	17,607.0	17,607.0	17,607.0	17,607.0	17,607.0	191,324.9
C. Fixed Costs :												
Maintenance Expenses	157.9	333.0	533.1	533.1	533.1	533.1	533.1	533.1	533.1	533.1	533.1	5,288.8
Labour Expenses (Direct)	762.1	765.2	765.2	765.2	765.2	765.2	765.2	765.2	765.2	765.2	765.2	8,414.1
Labour Expenses (Indirect)	287.2	287.2	287.2	287.2	287.2	287.2	287.2	287.2	287.2	287.2	287.2	3,159.2
Other Expenses	193.5	193.5	193.5	193.5	193.5	193.5	193.5	193.5	193.5	193.5	193.5	2,128.5
Technical Assistance Fee	439.7	201.6	0	0	0	0	0	0	0	0	0	641.3
Depreciation	2,178.2	2,177.9	2,177.9	2,177.9	2,177.9	1,837.4	1,837.4	1,837.4	1,837.4	1,837.4	1,406.1	21,482.9
Head Office Expenditures	327.3	377.6	377.6	377.6	377.6	377.6	377.6	377.6	377.6	377.6	377.6	4,103.3
Total Fixed Costs (C)	4,345.9	4,336.0	4,334.5	4,334.5	4,334.5	3,994.0	3,994.0	3,994.0	3,994.0	3,994.0	3,562.7	45,218.1
D. Manufacturing Cost (B+C)	19,600.8	21,943.0	21,941.5	21,941.5	21,941.5	21,601.0	21,601.0	21,601.0	21,601.0	21,601.0	21,169.7	236,543.0
E. Operating Profit (A-D)	1,709.0	2,715.6	2,717.1	2,717.1	2,717.1	3,057.6	3,057.6	3,057.6	3,057.6	3,057.6	3,488.9	31,352.8
F. Financial Charges :												
(i) Interest on L-T Debt (Foreign 6%)	1,317.0	1,284.1	1,152.5	1,020.7	889.1	757.3	625.7	493.9	362.2	230.5	98.8	8,231.8
(ii) Interest on L-T Debt (Local 18%)	987.8	963.1	864.3	765.5	666.7	568.1	469.3	370.5	271.7	172.9	74.1	6,174.0
(iii) Interest on S-T Debt (Local 18%)	0	0	0	0	0	0	0	0	0	0	0	0
Total Financial Charges (F)	2,304.8	2,247.2	2,016.8	1,786.2	1,555.8	1,325.4	1,095.0	864.4	633.9	403.4	172.9	14,405.8
G. Total Cost of Sales (D+F)	21,905.6	24,190.2	23,958.3	23,727.7	23,497.3	22,926.4	22,696.0	22,465.4	22,234.9	22,004.4	21,342.6	250,948.8
H. Income Before Tax (E-F)	-595.8	468.4	700.3	930.9	1,161.3	1,732.2	1,962.6	2,193.2	2,423.7	2,654.2	3,316.0	16,947.0
I. Corporation Tax (Max.35%)	0	0	194.5	319.8	400.5	600.3	680.9	761.6	842.3	923.0	1,154.6	5,877.5
J. Net Income (H-I)	-595.8	468.4	505.8	611.1	760.8	1,131.9	1,281.7	1,431.6	1,581.4	1,731.2	2,161.4	11,069.5
K. Accumlated Income	-595.8	-127.4	378.4	989.5	1,750.3	2,882.2	4,163.9	5,595.5	7,176.9	8,908.1	11,069.5	-
L. Ratios :												
Operating Profit as % of Sales	8.0	11.0	11.0	11.0	11.0	12.4	12.4	12.4	12.4	12.4	14.1	11.7
Income before Tax as % of Sales	-2.8	1.9	2.8	3.8	4.7	7.0	8.0	8.9	9.8	10.8	13.4	6.3
Income after Tax as % of Sales	-2.8	1.9	2.1	2.5	3.1	4.6	5.2	5.8	6.4	7.0	8.8	4.1

Table 21-3 PROJECTED INCOME STATEMENTS (CASE- 3)

(Unit : RP. 1,000,000)

Item / Year	1	2	3	4	5	6	7	8	9	10	11	Total
Production (Bale/Year)	27,854	32,140	32,140	32,140	32,140	32,140	32,140	32,140	32,140	32,140	32,140	349,254
Capacity Utilization (%)	87	100	100	100	100	100	100	100	100	100	100	-
A. Sales Revenue	21,309.8	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6	267,895.8
B. Variable Costs :												
Raw-Materials	12,685.1	14,790.4	14,790.4	14,790.4	14,790.4	14,790.4	14,790.4	14,790.4	14,790.4	14,790.4	14,790.4	160,589.1
Packing Materials	265.5	306.3	306.3	306.3	306.3	306.3	306.3	306.3	306.3	306.3	306.3	3,328.5
Power Charge	2,304.3	2,510.3	2,510.3	2,510.3	2,510.3	2,510.3	2,510.3	2,510.3	2,510.3	2,510.3	2,510.3	27,407.3
Total Variable Costs (B)	15,254.9	17,607.0	17,607.0	17,607.0	17,607.0	17,607.0	17,607.0	17,607.0	17,607.0	17,607.0	17,607.0	191,324.9
C. Fixed Costs :												
Maintenance Expenses	157.9	333.0	533.1	533.1	533.1	533.1	533.1	533.1	533.1	533.1	533.1	5,288.8
Labour Expenses (Direct)	762.1	765.2	765.2	765.2	765.2	765.2	765.2	765.2	765.2	765.2	765.2	8,414.1
Labour Expenses (Indirect)	287.2	287.2	287.2	287.2	287.2	287.2	287.2	287.2	287.2	287.2	287.2	3,159.2
Other Expenses	193.5	193.5	193.5	193.5	193.5	193.5	193.5	193.5	193.5	193.5	193.5	2,128.5
Technical Assistance Fee	439.7	201.6	0	0	0	0	0	0	0	0	0	641.3
Depreciation	2,171.9	2,171.4	2,171.4	2,171.4	2,171.4	1,837.4	1,837.4	1,837.4	1,837.4	1,837.4	1,406.1	21,450.6
Head Office Expenditures	327.3	377.6	377.6	377.6	377.6	377.6	377.6	377.6	377.6	377.6	377.6	4,103.3
Total Fixed Costs (C)	4,339.6	4,329.5	4,328.0	4,328.0	4,328.0	3,994.0	3,994.0	3,994.0	3,994.0	3,994.0	3,562.7	45,185.8
D. Manufacturing Cost (B+C)	19,594.5	21,936.5	21,935.0	21,935.0	21,935.0	21,601.0	21,601.0	21,601.0	21,601.0	21,601.0	21,169.7	236,510.7
E. Operating Profit (A-D)	1,715.3	2,722.1	2,723.6	2,723.6	2,723.6	3,057.6	3,057.6	3,057.6	3,057.6	3,057.6	3,488.9	31,385.1
F. Financial Charges :												
(i) Interest on L-T Debt (Foreign 10%)	1,534.8	1,496.4	1,343.0	1,189.5	1,036.0	882.5	729.0	575.6	422.1	268.6	115.1	9,592.6
(ii) Interest on L-T Debt (Local 18%)	690.6	673.3	604.2	535.1	466.1	397.0	328.0	258.9	189.9	120.8	51.8	4,315.7
(iii) Interest on S-T Debt (Local 18%)	0	0	0	0	0	0	0	0	0	0	0	0
Total Financial Charges (F)	2,225.4	2,169.7	1,947.2	1,724.6	1,502.1	1,279.5	1,057.0	834.5	612.0	389.4	166.9	13,908.3
G. Total Cost of Sales (D+F)	21,819.9	24,106.2	23,882.2	23,659.6	23,437.1	22,880.5	22,658.0	22,435.5	22,213.0	21,990.4	21,336.6	250,419.0
H. Income Before Tax (E-F)	-510.1	552.4	776.4	999.0	1,221.5	1,778.1	2,000.6	2,223.1	2,445.6	2,668.2	3,322.0	17,476.8
I. Corporation Tax (Max.35%)	0	9.6	265.7	343.7	421.5	616.3	694.2	772.1	850.0	927.9	1,156.7	6,057.7
J. Net Income (H-I)	-510.1	542.8	510.7	655.3	800.0	1,161.8	1,306.4	1,451.0	1,595.6	1,740.3	2,165.3	11,419.1
K. Accumlated Income	-510.1	32.7	543.4	1,198.7	1,998.7	3,160.5	4,466.9	5,917.9	7,513.5	9,253.8	11,419.1	-
L. Ratios :												
Operating Profit as % of Sales	8.0	11.0	11.0	11.0	11.0	12.4	12.4	12.4	12.4	12.4	14.1	11.7
Income before Tax as % of Sales	-2.4	2.2	3.1	4.1	5.0	7.2	8.1	9.0	9.9	10.8	13.5	6.5
Income after Tax as % of Sales	-2.4	2.2	2.1	2.7	3.2	4.7	5.3	5.9	6.5	7.1	8.8	4.3

7-3-2 Financial Statements:

1) Balance Sheet:

This is shown in Table 23-1 to 3, and indices for 5 years since the operation commencement are indicated in Table 22.

Table 22 Financial Indicates

(Unit: billions Rp)

Balance Sheet	Case	Year/1	2	3	4	5
Current Asset	1 ~ 3	5.55	6.41	6.41	6.41	6.41
Current Liability	1	4.28	4.59	4.94	5.04	4.94
	2	4.26	4.55	4.55	4.55	4.55
	3	3.44	3.72	3.72	3.72	3.72
Accumulated Cash Surplus	1	1.12	–	–	0.01	0.02
	2	1.58	0.92	0.86	0.90	1.10
	3	1.66	1.89	2.65	3.56	4.61
Fixed Asset (After depreciation)	1	21.38	19.17	16.95	14.73	12.51
	2	21.23	19.05	16.87	14.69	12.51
	3	21.20	19.03	16.86	14.68	12.51
Fixed Liability	1	24.87	22.11	19.35	16.58	13.82
	2	24.70	21.95	19.21	16.46	13.72
	3	17.27	15.35	13.43	11.51	9.59
Deferred Asset (After amortization)	1	1.09	1.12	0.92	0.47	–
	2	0.60	0.13	–	–	–
	3	0.51	–	–	–	–
Capital (Equity and accum. earning)	1	–	–	–	–	0.18
	2	–	–	0.38	0.99	1.75
	3	8.22	8.25	8.77	9.42	10.22
Current ratio	1	1.3	1.4	1.3	1.3	1.3
	2	1.3	1.4	1.4	1.4	1.4
	3	1.6	1.7	1.7	1.7	1.7
Quick Ratio	1 ~ 2	0.4	0.4	0.4	0.4	0.4
	3	0.5	0.5	0.5	0.5	0.5
Debt/Equity Ratio	1	100/0	100/0	100/0	100/0	99/1
	2	100/0	100/0	98/2	96/4	91/9
	3	72/28	70/30	66/34	62/38	57/43

(a) Current Ratio

As for the debt service coverage of an enterprise, description was made in detail under the item 8-4-7, Debt Service Coverage. The current ratio representing the debt service coverage is the share between the current asset and current liability on the balance sheet, which is said to be representing the safety and soundness in financing condition. The financing condition can be judged by seeing at what level the unterprise's liability is.

In this project, the initial working capital is set at 4.04 billions Rp, of which break-down is 5.55 billions Rp for the current asset and 1.51 billions Rp is for the current liability. The additional working capital at the 2nd year of the operation is 570 millions Rp (860 millions Rp for the current asset and 290 millions Rp is for the current liability).

As the result, the current asset is, all alike for all of 3 cases, fixed at 6.41 billions Rp after 2nd and later years. However, actually, with increment in the accumulated cash surplus (refer to Table 22), the amount of the current asset will be changed accordingly.

However, as this is the increment in net cash in all respect and no distinction can be made between the asset and the liability, the accumulated cash surplus was excluded from the calculation.

For calculation of the current ratio, the equal refundment amount for the long term debt is transferred to the current liability under the name of the long term debt to be refunded within one year. Therefore, the current liability for the 2nd and later years represents that to which the fixed trade account payable, 1.8 billions Rp is added. Further, the case 1 of course includes the short term debt.

The estimated financial calculation this time has been made as above based on the aforesaid prerequisites, for all cases the appraised value indicates more than 1. Although the value is desirably to be 2 and more, however, with the above, the cases would belong to the ordinary range of the manufacturing industry.

	Case 1	Case 2	Case 3
Average Value (for 11 years)	1.54	1.59	1.88

(b) Quick Ratio:

In the current asset, cash deposit or trade account receivable of high realization are the quick asset which can be readily appropriatable to payment of liability as a payment measure. Ratio between the quick asset and the current liability is the quick ratio. Because the accumulated cash surplus is excluded in this case too, the value is for referential purpose only. In ordinary cases, 0.8 ~ 1 are normal values for the manufacturing industry therefore improvements are required.

	Case 1	Case 2	Case 3
Average Value (for 11 years)	0.44	0.46	0.54

(c) Equity/Debt Capital Rations against Total Amount of Capital:

These are shares of equity and debt capitals in the total amount of the capital. The higher the ratio of the equity capital, the sounder the safety of the capital will be. However, this ratio is what is seen from view point of the source of capital, and its composite share relates to the current ratio and fixed ratio (fixed asset/equity capital) of the capital.

In such cases as this project where share of the fixed asset is high, the current ratio is not always good.

In the following items the equity capital ratio against debt capital is indicated;

- In the case 1, refundment of the principal is hard and the surplus (180 millions Rp) results from the 5th year. Therefore, the debt capital ratio against the equity

capital (hereinafter indicated as A:B) will be kept as 100:0 up to the 4th year. In the 5th year it will be 99:1 and in the 11th year it will be improved to be 17:83.

- In the case 2, the surplus (380 millions Rp) will results from the 3rd year. The shares A:B 100:0 keeps for 2 years, which in the 3rd year will make 98:2, and in the 11th year will be 14:86.
- In the case 3, the surplus (30 millions Rp) will be produced in the 2nd year and then will be improved year by year. As the result, A:B will be 8:92 in the 11th year which is observed satisfactory.
- The finance is said to be sound in the stable financial liquidity when the fixed ratio is less than 100%. In other words, that the fixed ratio is less than 100% means that the raised fund for the fixed asset is the equity capital as well, and in addition means that the equity capital shares a part of the current asset. The following indicates the year in which the fixed ratio undercuts 100% and its ratio;
  - In the case 1, it will be 49.6% in the 10th year and 21.7% in the 11th.
  - In the case 2, it will be 72.0% in the 9th year and 17.3% in the 11th.
  - In the case 3, it will be 93.8% in the 6th year and 9.8% in the 11th.

(d) Other Indices:

- Accumulated Cash Surplus:

  As indicated in Table 22, the case 1 is the problematic case in financing respect being influenced by depreciation for the carried-over loss (Refer to Financing Schedule (Case 1) under 7-4-8 1)-(b)). The case 2 is in a stable condition, while the case 3 is on a up-trend year by year.

- Fixed Asset and Fixed Liability:

  For the fixed asset, the value at the end of the financial term after the depreciation is indicated, however, in the 5th year when the depreciation for the initial cost will be finished, the same amount is indicated for all cases. As the interest to be applicable while under construction is included in the initial cost, the value at the end of the financial term differs from case to case for 1 ~ 4 years period. The balance of the fixed liability is reduced in the order of the case 3, 2 and 1.

- Deferred Asset and Accumulated Surplus:

  For the deferred asset, the value at the end of the financial term after the deferred depreciation is shown. For treatment of the deficit brought forward, the regulation of the new income tax law (Article 6, (3)) of the Republic of Indonesia is adhered to. The trial statement is made for "5 years counted from the next year of the year in which the loss resulted". The accumulated surplus relates to the deferred asset, which increases from the next year of the year in which the deferred loss is depreciated.

Table 23-1 PROJECTED BALANCE SHEET (CASE-1)

(Unit: RP. 1,000,000)

Item/Year	0	1	2	3	4	5	6	7	8	9	10	11
A. Current Assets:												
Cash		710.4	822.0	822.0	822.0	822.0	822.0	822.0	822.0	822.0	822.0	822.0
Receivables } (A1)		887.9	1,027.4	1,027.4	1,027.4	1,027.4	1,027.4	1,027.4	1,027.4	1,027.4	1,027.4	1,027.4
Inventory		3,953.9	4,560.2	4,560.2	4,560.2	4,560.2	4,560.2	4,560.2	4,560.2	4,560.2	4,560.2	4,560.2
Total Current Assets (A)		5,552.2	6,409.6	6,409.6	6,409.6	6,409.6	6,409.6	6,409.6	6,409.6	6,409.6	6,409.6	6,409.6
B. Accum. Cash Surplus	0	1,123.6	3.4	4.9	9.9	19.3	36.8	27.3	220.9	794.1	1,547.0	2,328.5
C. Fixed Assets:												
Buildings	1,285.2	1,220.8	1,156.5	1,092.2	1,027.9	963.6	899.4	835.2	771.0	706.8	642.6	578.4
Structures	19.0	17.1	15.2	13.3	11.4	9.5	7.6	5.7	3.8	1.9		
Machinery & Equipment	16,067.4	14,760.9	13,419.0	12,077.1	10,735.2	9,393.3	8,051.4	6,709.5	5,367.6	4,025.7	2,683.8	1,341.9
Utility Equipment	4,267.7	3,864.6	3,435.2	3,005.8	2,576.4	2,147.0	1,717.6	1,288.2	858.8	429.4		
Preoperational Expenses	1,899.5	1,519.6	1,139.7	759.8	379.9							
Net Fixed Assets (C)	23,538.8	21,383.0	19,165.6	16,948.2	14,730.8	12,513.4	10,676.0	8,838.6	7,001.2	5,163.8	3,326.4	1,920.3
D. Deferred Assets		1,094.1	1,115.3	922.6	471.4							
E. Total Assets (ΣA ∿ D)	23,538.8	29,152.9	26,693.9	24,285.3	21,621.7	18,942.3	17,122.4	15,275.5	13,631.7	12,367.5	11,283.0	10,658.4
F. Current Liabilities:												
Trade Accounts Payable		1,516.8	1,806.5	1,806.5	1,806.5	1,806.5	1,806.5	1,806.5	1,806.5	1,806.5	1,806.5	1,806.5
Short-term Borrowing			15.0	370.0	470.0	370.0	400.0	200.0				
Current L-T Debt		2,763.7	2,763.6	2,763.6	2,763.6	2,763.6	2,763.6	2,763.6	2,763.6	2,763.6	2,763.6	
Total Current Liabilities (F)		4,280.5	4,585.1	4,940.1	5,040.1	4,940.1	4,970.1	4,770.1	4,570.1	4,570.1	4,570.1	1,806.5
G. Long Term Debt:												
Foreign Loan	22,108.8	22,108.8	19,897.2	17,686.4	15,475.6	13,264.8	11,054.0	8,843.2	6,632.4	4,421.6	2,210.8	
Local Loan	1,430.0	5,527.3	4,975.2	4,422.4	3,869.6	3,316.8	2,764.0	2,211.2	1,658.4	1,105.6	552.8	
Less Current L-T Debt		2,763.7	2,763.6	2,763.6	2,763.6	2,763.6	2,763.6	2,763.6	2,763.6	2,763.6	2,763.6	
Net L-T Debt (G)	23,538.8	24,872.4	22,108.8	19,345.2	16,581.6	13,818.0	11,054.4	8,290.8	5,527.2	2,763.6	0	
H. Total Liabilities (F + G)	23,538.8	29,152.9	26,693.9	24,285.3	21,621.7	18,758.1	16,024.5	13,060.9	10,097.3	7,333.7	4,570.1	1,806.5
I. Equity:												
Share Capital												
Retained Earnings	0	0	0	0	0	184.2	1,097.9	2,214.6	3,534.4	5,033.8	6,712.9	8,851.9
Total Equity (I)	0	0	0	0	0	184.2	1,097.9	2,214.6	3,534.4	5,033.8	6,712.9	8,851.9
J. Total Liabilities & Equity (H + I)	23,538.8	29,152.9	26,693.9	24,285.3	21,621.7	18,942.3	17,122.4	15,275.5	13,631.7	12,367.5	11,283.0	10,658.4
K. Ratios:												
Current Ratio (A/F)	-	1.30	1.40	1.30	1.27	1.30	1.29	1.34	1.40	1.40	1.40	3.55
Quick Ratio (A1/F)	-	0.37	0.40	0.37	0.37	0.37	0.37	0.39	0.40	0.40	0.40	1.02
Debt/Equity Ratio (H/J:I/J)	100/0	100/0	100/0	100/0	100/0	99/1	94/6	86/14	74/26	59/41	41/59	17/83

Table 23-2 PROJECTED BALANCE SHEET (CASE-2)

(Unit: RP. 1,000,000)

Item/Year	0	1	2	3	4	5	6	7	8	9	10	11
A. Current Assets:												
Cash		710.4	822.0	822.0	822.0	822.0	822.0	822.0	822.0	822.0	822.0	822.0
Receivables } (A1)		887.9	1,027.4	1,027.4	1,027.4	1,027.4	1,027.4	1,027.4	1,027.4	1,027.4	1,027.4	1,027.4
Inventory		3,953.9	4,560.2	4,560.2	4,560.2	4,560.2	4,560.2	4,560.2	4,560.2	4,560.2	4,560.2	4,560.2
Total Current Assets (A)		5,552.2	6,409.6	6,409.6	6,409.6	6,409.6	6,409.6	6,409.6	6,409.6	6,409.6	6,409.6	6,409.6
B. Accum. Cash Surplus	0	1,582.4	918.4	858.1	903.1	1,097.8	1,323.1	1,698.2	2,223.2	2,898.0	3,722.6	4,546.1
C. Fixed Assets:												
Buildings	1,285.2	1,220.8	1,156.5	1,092.2	1,027.9	963.6	899.4	835.2	771.0	706.8	642.6	578.4
Structures	19.0	17.1	15.2	13.3	11.4	9.5	7.6	5.7	3.8	1.9		
Machinery & Equipment	16,067.4	14,760.9	13,419.0	12,077.1	10,735.2	9,393.3	8,051.4	6,709.5	5,367.6	4,025.7	2,683.8	1,341.9
Utility Equipment	4,267.7	3,864.6	3,435.2	3,005.8	2,576.4	2,147.0	1,717.6	1,288.2	858.8	429.4		
Preoperational Expenses	1,702.0	1,361.6	1,021.2	680.8	340.4							
Net Fixed Assets (C)	23,341.3	21,225.0	19,047.1	16,869.2	14,691.3	12,513.4	10,676.0	8,838.6	7,001.2	5,163.8	3,326.4	1,920.3
D. Deferred Assets		595.8	127.4									
E. Total Assets (ΣA ∿ D)	23,341.3	28,955.4	26,502.5	24,136.9	22,004.0	20,020.8	18,408.7	16,946.4	15,634.0	14,471.4	13,458.6	12,876.0
F. Current Liabilities:												
Trade Accounts Payable		1,516.8	1,806.5	1,806.5	1,806.5	1,806.5	1,806.5	1,806.5	1,806.5	1,806.5	1,806.5	1,806.5
Short-term Borrowing												
Current L-T Debt		2,742.6	2,744.0	2,744.0	2,744.0	2,744.0	2,744.0	2,744.0	2,744.0	2,744.0	2,744.0	
Total Current Liabilities (F)		4,259.4	4,550.5	4,550.5	4,550.5	4,550.5	4,550.5	4,550.5	4,550.5	4,550.5	4,550.5	1,806.5
G. Long Term Debt:												
Foreign Loan	21,950.8	21,950.8	19,756.8	17,561.6	15,366.4	13,171.2	10,976.0	8,780.8	6,585.6	4,390.4	2,195.2	
Local Loan	1,390.5	5,487.8	4,939.2	4,390.4	3,841.6	3,292.8	2,744.0	2,195.2	1,646.4	1,097.6	548.8	
Less Current L-T Debt		2,742.6	2,744.0	2,744.0	2,744.0	2,744.0	2,744.0	2,744.0	2,744.0	2,744.0	2,744.0	
Net L-T Debt (G)	23,341.3	24,696.0	21,952.0	19,208.0	16,464.0	13,720.0	10,976.0	8,232.0	5,488.0	2,744.0	0	
H. Total Liabilities (F + G)	23,341.3	28,955.4	26,502.5	23,758.5	21,014.5	18,270.5	15,526.5	12,782.5	10,038.5	7,294.5	4,550.5	1,806.5
I. Equity:												
Share Capital												
Retained Earnings	0	0	0	378.4	989.5	1,750.3	2,882.2	4,163.9	5,595.5	7,176.9	8,908.1	11,069.5
Total Equity (I)	0	0	0	378.4	989.5	1,750.3	2,882.2	4,163.9	5,595.5	7,176.9	8,908.1	11,069.5
J. Total Liabilities & Equity (H + I)	23,341.3	28,955.4	26,502.5	24,136.9	22,004.0	20,020.8	18,408.7	16,946.4	15,634.0	14,471.4	13,458.6	12,876.0
K. Ratios:												
Current Ratio (A/F)	-	1.30	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41	3.55
Quick Ratio (A1/F)	-	0.38	0.41	0.41	0.41	0.41	0.41	0.41	0.41	0.41	0.41	1.02
Debt/Equity Ratio (H/J:I/J)	100/0	100/0	100/0	98/2	96/4	91/9	84/16	75/25	64/36	50/50	34/66	14/86

Table 23-3 PROJECTED BALANCE SHEET (CASE-3)

(Unit: RP. 1,000,000)

Item/Year	0	1	2	3	4	5	6	7	8	9	10	11
A. Current Assets:												
Cash } (A1)		710.4	822.0	822.0	822.0	822.0	822.0	822.0	822.0	822.0	822.0	822.0
Receivables }		887.9	1,027.4	1,027.4	1,027.4	1,027.4	1,027.4	1,027.4	1,027.4	1,027.4	1,027.4	1,027.4
Inventory		3,953.9	4,560.2	4,560.2	4,560.2	4,560.2	4,560.2	4,560.2	4,560.2	4,560.2	4,560.2	4,560.2
Total Current Assets (A)		5,552.2	6,409.6	6,409.6	6,409.6	6,409.6	6,409.6	6,409.6	6,409.6	6,409.6	6,409.6	6,409.6
B. Accum. Cash Surplus	0	1,661.8	1,889.5	2,653.2	3,561.5	4,614.5	5,695.3	6,920.7	8,290.7	9,805.3	11,464.6	13,117.6
C. Fixed Assets:												
Buildings	1,285.2	1,220.8	1,156.5	1,092.2	1,027.9	963.6	899.4	835.2	771.0	706.8	642.6	578.4
Structures	19.0	17.1	15.2	13.3	11.4	9.5	7.6	5.7	3.8	1.9		
Machinery & Equipment	16,067.4	14,760.9	13,419.0	12,077.1	10,735.2	9,393.3	8,051.4	6,709.5	5,367.6	4,025.7	2,683.8	1,341.9
Utility Equipment	4,267.7	3,864.6	3,435.2	3,005.8	2,576.4	2,147.0	1,717.6	1,288.2	858.8	429.4		
Preoperational Expenses	1,669.7	1,335.6	1,001.7	667.8	333.9							
Net Fixed Assets (C)	23,309.0	21,199.0	19,027.6	16,856.2	14,684.8	12,513.4	10,676.0	8,838.6	7,001.2	5,163.8	3,326.4	1,920.3
D. Deferred Assets		510.1										
E. Total Assets (ΣA ∿ D)	23,309.0	28,923.1	27,326.7	25,919.0	24,655.9	23,537.5	22,780.9	22,168.9	21,701.5	21,378.7	21,200.6	21,447.5
F. Current Liabilities:												
Trade Accounts Payable		1,516.8	1,806.5	1,806.5	1,806.5	1,806.5	1,806.5	1,806.5	1,806.5	1,806.5	1,806.5	1,806.5
Short-term Borrowing												
Current L-T Debt		1,918.8	1,918.4	1,918.4	1,918.4	1,918.4	1,918.4	1,918.4	1,918.4	1,918.4	1,918.4	
Total Current Liabilities (F)		3,435.6	3,724.9	3,724.9	3,724.9	3,724.9	3,724.9	3,724.9	3,724.9	3,724.9	3,724.9	1,806.5
G. Long Term Debt:												
Foreign Loan	15,087.1	15,347.5	13,813.2	12,278.4	10,743.6	9,208.8	7,674.0	6,139.2	4,604.4	3,069.6	1,534.8	
Local Loan		3,836.9	3,452.4	3,068.8	2,685.2	2,301.6	1,918.0	1,534.4	1,150.8	767.2	383.6	
Less Current L-T Debt		1,918.8	1,918.4	1,918.4	1,918.4	1,918.4	1,918.4	1,918.4	1,918.4	1,918.4	1,918.4	
Net L-T Debt (G)	15,087.1	17,265.6	15,347.2	13,428.8	11,510.4	9,592.0	7,673.6	5,755.2	3,836.8	1,918.4	0	
H. Total Liabilities (F + G)	15,087.1	20,701.2	19,072.1	17,153.7	15,235.3	13,316.9	11,398.5	9,480.1	7,561.7	5,643.3	3,724.9	1,806.5
I. Equity:												
Share Capital	8,221.9	8,221.9	8,221.9	8,221.9	8,221.9	8,221.9	8,221.9	8,221.9	8,221.9	8,221.9	8,221.9	8,221.9
Retained Earnings	0	0	32.7	543.4	1,198.7	1,998.7	3,160.5	4,466.9	5,917.9	7,513.5	9,253.8	11,419.1
Total Equity (I)	8,221.9	8,221.9	8,254.6	8,765.3	9,420.6	10,220.6	11,382.4	12,688.8	14,139.8	15,735.4	17,475.7	19,641.0
J. Total Liabilities & Equity (H + I)	23,309.0	28,923.1	27,326.7	25,919.0	24,655.9	23,537.5	22,780.9	22,168.9	21,701.5	21,378.7	21,200.6	21,447.5
K. Ratios:												
Current Ratio (A/F)	-	1.62	1.72	1.72	1.72	1.72	1.72	1.72	1.72	1.72	1.72	3.55
Quick Ratio (A1/F)	-	0.47	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	1.02
Debt/Equity Ratio (H/J:I/J)	65/35	72/28	70/30	66/34	62/38	57/43	50/50	43/57	35/65	26/74	18/82	8/92

2) Statement of Profit and Loss

On Table 24 below is shown the statement of profit and loss in the anticipated case of the 4th year when the operation is expected to be stable.

Description of the whole 11 years is given on Table 25-1 ~ 25-3.

Table 24 Statement of Profit and Loss (4th year)

(Unit: billions Rp)

Item	Case-1	Case-2	Case-3
Revenues:			
Net Sales		24.41	
Receivable Interest		0.25	
Total Revenues		24.66	
Cost and Expenses:			
Manufacturing Cost	21.98	21.94	21.94
Financial Charges	2.23	1.79	1.72
Total Cost of Sales	24.21	23.73	23.66
Gross Income	0.45	0.93	1.00
Amortization	0.45	–	–
Income before Tax	–	0.93	1.00
Corporation Tax	–	0.32	0.34
Net Income	–	0.61	0.66

Profit as % of sales is shown as followings. Receivable interest (4% interest against the turnover by selling the products providing usans), while it is by nature the non-operating profit, is herein included in sales amount.

	Case 1	Case 2	Case 3
Operating profit as % of sales	10.9%	11.0%	11.0%
Income before tax as % of sales	1.8%	3.8%	4.1%
Income after tax as % of sales	1.8%	2.5%	2.7%

Table 25-1 PROJECTED STATEMENT OF PROFIT AND LOSS (CASE-1)

(Unit: RP. 1,000,000)

Item/Year	1	2	3	4	5	6	7	8	9	10	11
A. Revenues:											
Net Sales	21,096.3	24,411.8	24,411.8	24,411.8	24,411.8	24,411.8	24,411.8	24,411.8	24,411.8	24,411.8	24,411.8
Interest	213.5	246.8	246.8	246.8	246.8	246.8	246.8	246.8	246.8	246.8	246.8
Total Revenues (A)	21,309.8	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6
B. Cost and Expenses:											
Manufacturing Cost (included selling, general and Administrative Expenses)	19,640.3	21,982.5	21,981.0	21,981.0	21,981.0	21,601.0	21,601.0	21,601.0	21,601.0	21,601.0	21,169.7
Financial Charges (Interest)	2,763.6	2,697.3	2,484.9	2,226.4	1,932.1	1,661.1	1,348.8	1,036.3	760.1	483.6	207.3
Total Cost of Sales (B)	22,403.9	24,679.8	24,465.9	24,207.4	23,913.1	23,262.1	22,949.8	22,637.3	22,361.1	22,084.6	21,377.0
C. Gross Income (A - B)	-1,094.1	-21.2	192.7	451.2	745.5	1,396.5	1,708.8	2,021.3	2,297.5	2,574.0	3,281.6
D. Amortization	-	-	192.7	451.2	471.4	-	-	-	-	-	-
E. Income Before Tax (C - D)	-	-	-	-	274.1	1,396.5	1,708.8	2,021.3	2,297.5	2,574.0	3,281.6
F. Corporation Tax	-	-	-	-	89.9	482.8	592.1	701.5	798.1	894.9	1,142.6
G. Net Income (E - F)	-1,094.1	-21.2	-	-	184.2	913.7	1,116.7	1,319.8	1,499.4	1,679.1	2,139.0

Table 25-2 PROJECTED STATEMENT OF PROFIT AND LOSS (CASE-2)

(Unit: RP. 1,000,000)

Item/Year	1	2	3	4	5	6	7	8	9	10	11
A. Revenues:											
Net Sales	21,096.3	24,411.8	24,411.8	24,411.8	24,411.8	24,411.8	24,411.8	24,411.8	24,411.8	24,411.8	24,411.8
Interest	213.5	246.8	246.8	246.8	246.8	246.8	246.8	246.8	246.8	246.8	246.8
Total Revenues (A)	21,309.8	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6
B. Cost and Expenses:											
Manufacturing Cost (included selling, general and Administrative Expenses)	19,600.8	21,943.0	21,941.5	21,941.5	21,941.5	21,601.0	21,601.0	21,601.0	21,601.0	21,601.0	21,169.7
Financial Charges (Interest)	2,304.8	2,247.2	2,016.8	1,786.2	1,555.8	1,325.4	1,095.0	864.4	633.9	403.4	172.9
Total Cost of Sales (B)	21,905.6	24,190.2	23,958.3	23,727.7	23,497.3	22,926.4	22,696.0	22,465.4	22,234.9	22,004.4	21,342.6
C. Gross Income (A - B)	-595.8	468.4	700.3	930.9	1,161.3	1,732.2	1,962.6	2,193.2	2,423.7	2,654.2	3,316.0
D. Amortization	-	468.4	127.4	-	-	-	-	-	-	-	-
E. Income Before Tax (C - D)	-	-	572.9	930.9	1,161.3	1,732.2	1,962.6	2,193.2	2,423.7	2,654.2	3,316.0
F. Corporation Tax	-	-	194.5	319.8	400.5	600.3	680.9	761.6	842.3	923.0	1,154.6
G. Net Income (E - F)	-595.8	-	378.4	611.1	760.8	1,131.9	1,281.7	1,431.6	1,581.4	1,731.2	2,161.4

Table 25-3 PROJECTED STATEMENT OF PROFIT AND LOSS (CASE-3)

(Unit: RP. 1,000,000)

Item/Year	1	2	3	4	5	6	7	8	9	10	11
A. Revenues:											
Net Sales	21,096.3	24,411.8	24,411.8	24,411.8	24,411.8	24,411.8	24,411.8	24,411.8	24,411.8	24,411.8	24,411.8
Interest	213.5	246.8	246.8	246.8	246.8	246.8	246.8	246.8	246.8	246.8	246.8
Total Revenues (A)	21,309.8	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6	24,658.6
B. Cost and Expenses:											
Manufacturing Cost (included selling, general and Administrative Expenses)	19,594.5	21,936.5	21,935.0	21,935.0	21,935.0	21,601.0	21,601.0	21,601.0	21,601.0	21,601.0	21,169.7
Financial Charges (Interest)	2,225.4	2,169.7	1,947.2	1,724.6	1,502.1	1,279.5	1,057.0	834.5	612.0	389.4	166.9
Total Cost of Sales (B)	21,819.9	24,106.2	23,882.2	23,659.6	23,437.1	22,880.5	22,658.0	22,435.5	22,213.0	21,990.4	21,336.6
C. Gross Income (A - B)	-510.1	552.4	776.4	999.0	1,221.5	1,778.1	2,000.6	2,223.1	2,445.6	2,668.2	3,322.0
D. Amortization	-	510.1	-	-	-	-	-	-	-	-	-
E. Income Before Tax (C - D)	-	42.3	776.4	999.0	1,221.5	1,778.1	2,000.6	2,223.1	2,445.6	2,668.2	3,322.0
F. Corporation Tax	-	9.6	265.7	343.7	421.5	616.3	694.2	772.1	850.0	927.9	1,156.7
G. Net Income (E - F)	-510.1	32.7	510.7	655.3	800.0	1,161.8	1,306.4	1,451.0	1,595.6	1,740.3	2,165.3

3) Cash Source and Application of Funds:

To give a criterion for the financing, the cash source and application are given in table 26-1 ~ 3. As the prerequisite, profit disposal is not included in cash application. In addition, in the case 1, the short term debt is drawn in from the 2nd year to 7th since the operation commencement as the countermeasure for shortage in fund.

Table 26-1 SOURCES AND APPLICATIONS OF FUNDS (CASE-1)

Unit: RP. 1,000,000)

Item/Year	0	1	2	3	4	5	6	7	8	9	10	11
SOURCES												
Profit before interest		1,669.5	2,676.1	2.677.6	2,677.6	2,677.6	3,057.6	3,057.6	3,057.6	3,057.6	3,057.6	3,488.9
Depreciation		2,217.7	2,217.4	2,217.4	2,217.4	2,217.4	1,837.4	1,837.4	1,837.4	1,837.4	1,837.4	1,406.1
Share Capital	0											
Loans	23,538.8	4,097.3	*) 15.0	*)370.0	*)470.0	*)370.0	*)400.0	*)200.0				
Working Capital (Creditors)		1,516.8	289.7									
Total Sources	23,538.8	9,501.3	5,198.2	5,265.0	5,365.0	5,265.0	5,295.0	5,095.0	4,895.0	4,895.0	4,895.0	4,895.0
APPLICATIONS												
Fixed Capital	23,538.8	61.9										
Working Capital (Debtors)		5,552.2	857.4									
Repayment of Principal			2,763.7	2,778.6	3,133.6	3,233.6	3,133.6	3,163.6	2,963.6	2,763.6	2,763.6	2,763.6
Interest		2,763.6	2,697.3	2,484.9	2,226.4	1,932.1	1,661.1	1,348.8	1,036.3	760.1	483.6	207.3
Corporation Tax						89.9	482.8	592.1	701.5	798.1	894.9	1,142.6
Surplus Disposal												
Total Applications	23,538.8	8,377.7	6,318.4	5,263.5	5,360.0	5,255.6	5,277.5	5,104.5	4,701.4	4,321.8	4,142.1	4,113.5
Net Cash Inflow	0	1,123.6	−1,120.2	1.5	5.0	9.4	17.5	−9.5	193.6	573.2	752.9	781.5
Accumulated Reserves	0	1,123.6	3.4	4.9	9.9	19.3	36.8	27.3	220.9	794.1	1,547.0	2,328.5

Remark: *) = Bank Borrowing

Table 26-2 SOURCES AND APPLICATIONS OF FUNDS (CASE-2)

(Unit: RP. 1,000,000)

Item/Year	0	1	2	3	4	5	6	7	8	9	10	11
SOURCES												
Profit before interest		1,709.0	2,175.6	2,717.1	2,171.1	2,717.1	3,057.6	3,057.6	3,057.6	3,057.6	3,057.6	0,388.9
Depreciation		2,178.2	2,177.9	2,177.9	2,177.9	2,177.9	1,837.4	1,837.4	1,837.4	1,837.4	1,837.4	1,406.1
Share Capital	0											
Loans	23,341.3	4,097.3										
Working Capital (Creditors)		1,516.8	289.7									
Total Sources	23,341.3	9,501.3	5,183.2	4,895.0	4,895.0	4,895.0	4,895.0	4,895.0	4,895.0	4,895.0	4,895.0	4,895.0
APPLICATIONS												
Fixed Capital	23,341.3	61.9										
Working Capital (Debtors)		5,552.2	857.4									
Repayment of Principal			2,742.6	2,744.0	2,744.0	2,744.0	2,744.0	2,744.0	2,744.0	2,744.0	2,744.0	2,744.0
Interest		2,304.8	2,247.2	2,016.8	1,786.2	1,555.8	1,325.4	1,095.0	864.4	633.9	403.4	172.9
Corporation Tax				194.5	319.8	400.5	600.3	680.9	761.6	842.3	923.0	1,154.6
Surplus Disposal												
Total Applications	23,341.3	7,918.9	5,847.2	4,955.3	4,850.0	4,700.3	4,669.7	4,519.9	4,370.0	4,220.2	4,070.4	4,071.5
Net Cash Inflow	0	1,582.4	−664.0	−60.3	45.0	194.7	225.3	375.1	525.0	674.8	824.6	823.5
Accumulated Reserves	0	1,582.4	918.4	858.1	903.1	1,097.8	1,323.1	1,698.2	2,223.2	2,898.0	3,722.6	4,546.1

Table 26-3 SOURCES AND APPLICATIONS OF FUNDS (CASE-3)

(Unit: RP. 1,000,000)

Item/Year	0	1	2	3	4	5	6	7	8	9	10	11
SOURCES												
Profit before interest		1,715.3	2,722.1	2,723.6	2,723.6	2,723.6	3,057.6	3,057.6	3,057.6	3,057.6	3,057.5	3,488.9
Depreciation		2,171.9	2,171.4	2,171.4	2,171.4	2,171.4	1,837.4	1,837.4	1,837.4	1,837.4	1,837.4	1,406.1
Share Capital	8,221.9											
Loans	15,087.1	4,097.3										
Working Capital (Creditors)		1,516.8	289.7									
Total Sources	23,309.0	9,510.3	5,183.2	4,895.0	4,895.0	4,895.0	4,895.0	4,895.0	4,895.0	4,895.0	4,895.0	4,895.0
APPLICATIONS												
Fixed Capital	23,309.0	61.9										
Working Capital (Debtors)		5,552.2	857.4									
Repayment of Principal			1,918.8	1,918.4	1,918.4	1,918.4	1,918.4	1,918.4	1,918.4	1,918.4	1,918.4	1,918.4
Interest		2,225.4	2,169.7	1,947.2	1,724.6	1,502.1	1,279.5	1,057.0	824.5	612.0	389.4	166.9
Corporation Tax			9.6	265.7	343.7	421.5	616.3	694.2	772.1	850.0	927.9	1,156.7
Surplus Disposal												
Total Applications	23,309.0	7,839.5	4,955.5	4,131.3	3,986.7	3,842.0	3,814.2	3,669.6	3,525.0	3,380.4	3,235.7	3,242.0
Net Cash Inflow	0	1,661.8	227.7	763.7	908.3	1,053.0	1,080.8	1,225.4	1,370.0	1,514.6	1,659.3	1,653.0
Accumulated Reserves	0	1,661.8	1,889.5	2,653.2	3,561.5	4,614.5	5,695.3	6,920.7	8,290.7	9,805.3	11,464.6	13,117.6