

**Consolidated Financial Statements  
With Independent Auditors' Report  
Years Ended December 31, 2007 and 2006**

**PT BISI INTERNATIONAL Tbk.  
AND SUBSIDIARIES**



# PT. BISI International Tbk

*Agribusiness Company*

**SURAT PERNYATAAN DIREKSI  
TENTANG  
TANGGUNG JAWAB ATAS LAPORAN KEUANGAN KONSOLIDASI UNTUK TAHUN  
YANG BERAKHIR PADA TANGGAL-TANGGAL 31 DESEMBER 2007 DAN 2006  
PT BISI INTERNATIONAL Tbk**

Kami yang bertanda tangan di bawah ini:

1. Nama : Junaidi Sungkono  
Alamat Kantor : Jl. Surabaya-Mojokerto km 19, Sidoarjo  
Alamat Domisili : Taman Surya II C2/8, Jakarta  
Nomor Telepon : (031) 7882528  
Jabatan : Direktur Utama
2. Nama : Setiadi Setiokusumo  
Alamat Kantor : Jl. Surabaya-Mojokerto km 19, Sidoarjo  
Alamat Domisili : Sutorejo Prima Selatan PM 10 - 20, Surabaya  
Nomor Telepon : (031) 7882528  
Jabatan : Direktur

menyatakan bahwa:

1. Bertanggung jawab atas penyusunan dan penyajian laporan keuangan konsolidasi perusahaan;
2. Laporan keuangan konsolidasi perusahaan telah disusun dan disajikan sesuai dengan prinsip akuntansi yang berlaku umum;
3. a. Semua informasi dalam laporan keuangan konsolidasi perusahaan telah dimuat secara lengkap dan benar;  
b. Laporan keuangan konsolidasi perusahaan tidak mengandung informasi atau fakta material yang tidak benar dan tidak menghilangkan informasi atau fakta material;
4. Bertanggung jawab atas sistem pengendalian intern dalam perusahaan dan anak perusahaan.

Demikian pernyataan ini dibuat dengan sebenarnya.

Jakarta, 14 Maret 2008

Junaidi Sungkono  
Direktur Utama

Setiadi Setiokusumo  
Direktur

**PT BISI INTERNATIONAL Tbk. AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT  
YEARS ENDED DECEMBER 31, 2007 AND 2006**

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## **Independent Auditors' Report**

Report No. RPC-8360

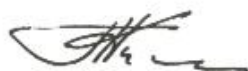
### **The Shareholders, Boards of Commissioners and Directors PT BISI International Tbk.**

We have audited the consolidated balance sheets of PT BISI International Tbk. (the "Company") and Subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PT BISI International Tbk. and Subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles in Indonesia.

**Purwantono, Sarwoko & Sandjaja**



**Indrajuwana Komala Widjaja**  
Public Accountant License No. 98.1.0511

March 14, 2008

The accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Indonesia. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in Indonesia.

These consolidated financial statements are originally issued in Indonesian language.

**PT BISI INTERNATIONAL Tbk. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**December 31, 2007 and 2006**  
**(Expressed in Million Rupiah, Except Par Value per Share)**

	Notes	2007	2006
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash on hand and in banks	2n,4,25	9,311	6,189
Accounts receivable	2c,2n,5,8,12,25		
Trade			
Third parties - net of allowance for doubtful accounts of Rp217 million in 2007 and 2006		261,716	116,107
Related parties	2d,24a	18,773	9,655
Others - third parties - net of allowance for doubtful accounts of Rp864 million in 2007 and 2006		3,424	716
Inventories - net of allowance for decline in value of inventories of Rp872 million in 2007 and Rp680 million in 2006	2f,6,8,12	359,770	257,998
Advances		31,359	8,388
Prepaid tax and expenses	2g	5,793	2,077
<b>Total Current Assets</b>		<b>690,146</b>	<b>401,130</b>
<b>NON-CURRENT ASSETS</b>			
Due from related parties	2d,24c	24,836	1
Deferred tax assets - net	2o,22	2,624	3,429
Property, plant and equipment - net of accumulated depreciation of Rp47,917 million in 2007 and Rp36,645 million in 2006	2h,2j,7,8,12	159,279	124,886
Claim for income tax	2o,22	9,141	-
Other assets - net	2g,2h,2i	6,201	4,816
<b>Total Non-Current Assets</b>		<b>202,081</b>	<b>133,132</b>
<b>TOTAL ASSETS</b>		<b>892,227</b>	<b>534,262</b>

The accompanying notes form an integral part of these consolidated financial statements.

These consolidated financial statements are originally issued in Indonesian language.

**PT BISI INTERNATIONAL Tbk. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS (continued)**  
**December 31, 2007 and 2006**  
**(Expressed in Million Rupiah, Except Par Value per Share)**

	Notes	2007	2006
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Short-term bank loans	8	88,026	143,117
Accounts payable	2n,25		
Trade	9		
Third parties		58,548	27,040
Related party	2d,24b	1,089	5,547
Others - third parties	10,26b	40,972	20,789
Taxes payable	2o,11,22	60,380	18,447
Accrued expenses		13,626	12,049
Current portion of long-term debt			
Bank loans	12	4,000	2,000
Obligations under capital lease	2d,2h,13,24c	1,967	2,145
<b>Total Current Liabilities</b>		<b>268,608</b>	<b>231,134</b>
<b>NON-CURRENT LIABILITIES</b>			
Due to related parties	2d,2n,24c,25, 26d	400	12,827
Long-term debts - net of current portion			
Bank loans	12	2,500	4,500
Obligations under capital lease	2d,2h,13,24c	7,191	4,824
Estimated liability for employees' benefits	2l,14	19,791	15,588
<b>Total Non-Current Liabilities</b>		<b>29,882</b>	<b>37,739</b>
<b>Total Liabilities</b>		<b>298,490</b>	<b>268,873</b>
<b>MINORITY INTEREST IN NET ASSETS OF CONSOLIDATED SUBSIDIARIES</b>			
	2b,2e,3	<b>49,715</b>	<b>47,876</b>

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**PT BISI INTERNATIONAL Tbk. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS (continued)**  
**December 31, 2007 and 2006**  
**(Expressed in Million Rupiah, Except Par Value per Share)**

	Notes	2007	2006
<b>EQUITY</b>			
Share capital - Rp100 par value in 2007 and Rp1,000 par value in 2006 Authorized - 4,000,000,000 shares in 2007 and 400,000,000 shares in 2006 Issued and fully paid - 3,000,000,000 shares in 2007 and 195,000,000 shares in 2006	15	300,000	195,000
Additional paid-in capital	16	86,395	78
Revaluation increment in property, plant and equipment	7e	1	1
Difference in value of restructuring transactions of entities under common control	2b,2e,3	5,863	5,863
Retained earnings	17	151,763	16,571
<b>Total Equity</b>		<b>544,022</b>	<b>217,513</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>892,227</b>	<b>534,262</b>

The accompanying notes form an integral part of these consolidated financial statements.

These consolidated financial statements are originally issued in Indonesian language.

**PT BISI INTERNATIONAL Tbk. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**Years Ended December 31, 2007 and 2006**  
**(Expressed in Million Rupiah, Except Basic Earnings per Share)**

	Notes	2007	2006
<b>NET SALES</b>	2d,2k,18, 24a,26a,26c, 27	889,588	573,676
<b>COST OF GOODS SOLD</b>	2d,2k,7, 19,24b,26e, 27	490,307	326,968
<b>GROSS PROFIT</b>		<b>399,281</b>	<b>246,708</b>
<b>OPERATING EXPENSES</b>	2c,2d,2k, 7,14,20,27		
Selling		80,887	69,424
General and administrative	24c,26b,26d	80,179	51,805
<b>Total Operating Expenses</b>		<b>161,066</b>	<b>121,229</b>
<b>INCOME FROM OPERATIONS</b>		<b>238,215</b>	<b>125,479</b>
<b>OTHER INCOME (CHARGES)</b>			
Interest expense	2d,21,24c	(19,096)	(13,920)
Loss on sales of salvage seeds - net	2d,2k,24c	(5,748)	(11,252)
Interest income		2,868	112
Loss on foreign exchange - net	2n,25	2,733	2,320
Others - net	2h,7,11	1,881	(542)
Total Other Charges - net		(17,362)	(23,282)
<b>INCOME BEFORE INCOME TAX</b>		<b>220,853</b>	<b>102,197</b>
<b>INCOME TAX EXPENSE</b>	2o,22		
Current		68,017	33,059
Deferred		805	(1,172)
Income Tax Expense - net		68,822	31,887
<b>INCOME BEFORE MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES</b>		<b>152,031</b>	<b>70,310</b>
<b>MINORITY INTERETS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES</b>	2b,2e,3	(1,839)	(9,573)

The accompanying notes form an integral part of these consolidated financial statements.

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**PT BISI INTERNATIONAL Tbk. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME (continued)**  
**Years Ended December 31, 2007 and 2006**  
**(Expressed in Million Rupiah, Except Basic Earnings per Share)**

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
<b>NET INCOME AFTER EFFECT OF PRO FORMA ADJUSTMENTS</b>		<b>150,192</b>	<b>60,737</b>
<b>EFFECT OF PRO FORMA ADJUSTMENTS</b>	2b,2e,3	-	<b>(14,809)</b>
<b>NET INCOME BEFORE EFFECT OF PRO FORMA ADJUSTMENTS</b>		<b>150,192</b>	<b>45,928</b>
<b>BASIC EARNINGS PER SHARE</b>	2p,23		
After Effect of Pro Forma Adjustments		<u>57</u>	<u>52</u>
Before Effect of Pro Forma Adjustments		<u>57</u>	<u>81</u>

The accompanying notes form an integral part of these consolidated financial statements.

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**PT BISI INTERNATIONAL Tbk. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**Years Ended December 31, 2007 and 2006**  
**(Expressed in Million Rupiah)**

	Notes	Issued and Fully Paid Share capital	Additional Paid in Capital	Revaluation Increment in Property, Plant and Equipment	Difference in value of Restructuring Transactions of Entities Under Common Control	Pro forma Capital Arising from Restructuring Transaction of Entities Under Common Control	Retained Earning	Total Equity
<b>Balance, January 1, 2006 (as previously reported)</b>		<b>7,100</b>	<b>424</b>	<b>1</b>	-	-	<b>95,140</b>	<b>102,665</b>
Pro forma capital arising from restructuring transactions of entities under common control	2b,2e,3	-	-	-	-	53,346	-	53,346
<b>January 1, 2006 (as restated, Notes 2e and 3)</b>		<b>7,100</b>	<b>424</b>	<b>1</b>	-	<b>53,346</b>	<b>95,140</b>	<b>156,011</b>
Issuance of share capital	15,16	187,500	54	-	-	-	-	187,554
Bonus shares issued from additional paid-in capital	15,17	400	(400)	-	-	-	-	-
Pro forma capital arising from restructuring entities of under common control	2b,2e,3	-	-	-	-	14,809	-	14,809
Reversal of pro forma capital arising from restructuring entities under common control	2b,2e,3	-	-	-	-	(68,155)	-	(68,155)
Difference in value of restructuring transactions of entities under common control	2b,2e,3	-	-	-	5,863	-	-	5,863
Net Income after effect of pro forma adjustments		-	-	-	-	-	60,737	60,737

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**PT BISI INTERNATIONAL Tbk. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)**  
**Years Ended December 31, 2007 and 2006**  
**(Expressed in Million Rupiah)**

	Notes	Issued and Fully Paid Share capital	Additional Paid in Capital	Revaluation Increment in Property, Plant and Equipment	Difference in value of Restructuring Transactions of Entities Under Common Control	Pro forma Capital Arising from Restructuring Transaction of Entities Under Common Control	Retained Earning	Total Equity
Effect of pro forma adjustments	2b,2e,3	-	-	-	-	-	(14,809)	(14,809)
Cash dividend declared	17	-	-	-	-	-	(124,497)	(124,497)
<b>December 31, 2006</b>		<b>195,000</b>	<b>78</b>	<b>1</b>	<b>5,863</b>	-	<b>16,571</b>	<b>217,513</b>
Issuance of share capital through initial public offering, net of share issuance costs	15,16	90,000	86,317	-	-	-	-	176,317
Share dividend issuance	17	15,000	-	-	-	-	(15,000)	-
Net Income		-	-	-	-	-	150,192	150,192
<b>December 31, 2007</b>		<b>300,000</b>	<b>86,395</b>	<b>1</b>	<b>5,863</b>	-	<b>151,763</b>	<b>544,022</b>

The accompanying notes form an integral part of these consolidated financial statements.

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**PT BISI INTERNATIONAL Tbk. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2007 and 2006**  
**(Expressed in Million Rupiah)**

	Notes	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		734,861	480,614
Cash payments to suppliers and employees		(711,428)	(499,539)
Cash provided by (used in) operating activities		23,433	(18,925)
Receipts from (payments for):			
Interest income		271	112
Income taxes	11,22	(41,718)	(34,721)
Interest expense	21	(19,346)	(13,703)
Other operating activities		(3,448)	4,680
<b>Net Cash Used in Operating Activities</b>		<b>(40,808)</b>	<b>(62,557)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment	7	(40,219)	(26,038)
Proceeds from sale of property, plant and equipment	7	96	655
Investment in shares of stock	2b,2e,3	-	(62,296)
<b>Net Cash Used in Investing Activities</b>		<b>(40,123)</b>	<b>(87,679)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issuance of share capital:			
Company - net of share issuance costs	15,16	176,317	187,554
Subsidiaries		-	93,140
Receipts from (payments for):			
Due from related parties	24c	(23,621)	-
Bank loans - net	8,12	(55,091)	87,945
Due to related parties - net	24c	(10,000)	5,000
Obligations under capital lease	13	(3,552)	(2,056)
Company's cash dividends	17	-	(124,497)
Subsidiaries' cash dividends		-	(93,133)
<b>Net Cash Provided by Financing Activities</b>		<b>84,053</b>	<b>153,953</b>

The accompanying notes form an integral part of these consolidated financial statements.

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**PT BISI INTERNATIONAL Tbk. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)**  
**Years Ended December 31, 2007 and 2006**  
**(Expressed in Million Rupiah)**

	Notes	2007	2006
<b>NET INCREASE IN CASH ON HAND AND IN BANKS</b>		3,122	3,717
<b>CASH ON HAND AND IN BANKS AT BEGINNING OF YEAR</b>	4	6,189	2,472
<b>CASH ON HAND AND IN BANKS AT END OF YEAR</b>	4	<b>9,311</b>	<b>6,189</b>
<b>ACTIVITIES NOT AFFECTING CASH FLOWS:</b>			
Distribution of share dividend	17	15,000	-
Acquisition of assets under capital lease through the incurrence of obligations under capital lease	7,13	5,579	3,019
Write-off of vegetable seed inventories	6	215	-
Issuances of bonus shares from paid-in capital	15	-	400
Reclassification of fixed assets to other assets	2h,2i,7	-	183

The accompanying notes form an integral part of these consolidated financial statements.

**PT BISI INTERNATIONAL Tbk. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Years Ended December 31, 2007 and 2006**  
**(Expressed in Million Rupiah Unless Otherwise Stated)**

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**1. GENERAL**

**a. Establishment of the Company and General Information**

PT BISI International Tbk. (the "Company") was established in Indonesia on June 22, 1983 within the framework of the Foreign Investment Law No. 1 Year 1967 based on Notarial Deed No. 35 of Drs. Gde Ngurah Rai, S.H. The Deed of Establishment was approved by the Department of Justice of the Republic of Indonesia in its Decision Letter No. C2-5415-HT.01.01.TH.84 dated September 27, 1984, and was published in Supplement No. 4731 of State Gazette No. 94 dated November 23, 1990. In accordance with Notarial Deed No.17 dated October 3, 2006 of Dr. Fulgensius Jimmy H.L.T.,S.H., M.H., M.M., notary in Jakarta, the shareholders agreed to change the Company's legal name from PT Benihinti Suburintani to PT BISI International. The amendment of the Articles of Association was approved by the Department of Justice and Human Rights of the Republic of Indonesia in its Decision Letter No. W7-02215.HT.01.04-TH.2006 dated November 6, 2006. The Articles of Association has been amended several times, most recently by Notarial Deed No. 3 dated March 1, 2007 of Siti Pertiwi Henny Singgih, S.H., notary in Jakarta, concerning the change in share capital, par value of share, issued and fully paid shares and the compliance with stipulation Law No. 8 year 1995 on "Capital Market" and with BAPEPAM regulations No. IX.J.1, Supplement from BAPEPAM Decree No. KEP-13/PM/1997 on "Articles of Association of Companies Conducting Public Offerings and Public Companies". Consequently, the Company's name becomes PT BISI International Tbk. The latest amendments were approved by the Department of Justice and Human Rights in its Decision Letter No. W7-02165.HT.01.04-TH.2007 dated March 5, 2007 (Note 15).

The Company obtained the approval from the Capital Investment Coordinating Board through its Approval Letter No. 219/V/PMA/2006 dated December 7, 2006, regarding the change in the status of the Company into Foreign Capital Investment in relation with the change in the shareholders based on Notarial Deed No.89 dated November 21, 2006 of Dr. Fulgensius Jimmy H.L.T., S.H., M.H., M.M., notary in Jakarta (Note 15).

The Company started its commercial operations in 1983. The scope of activities of the Company comprises of seeding and trading of corn, vegetable and paddy seeds. The Company and Subsidiary have launched high-yielding varieties of seeds such as, among others, corn seed of *BISI-2* and *BISI-9*, vegetable seeds of *Timun Hercules* and *Melon Action* and paddy seed of *Intani-2*. In 2007, the Company launched new superior corn seeds such as *BISI-12* and *BISI-16*. The Company's head office is located at Jl. Surabaya Mojokerto Km. 19, Sidoarjo, and its warehouse is located in Pare, Kediri. The Company has cooperation agreements with various farmers whereby the farmers supply the Company's needs of commercial seeds. In return, the Company provides foundation seeds to be planted by the farmers to become commercial seeds (Note 26a).

The Company belongs to the Charoen Pokphand group of companies.

**b. Offering Shares of the Company**

On May 11, 2007, the Company obtained the Effective Statement Letter No. S-2238/BL/2007 from Chairman of the Capital Market Supervisory Agency (BAPEPAM-LK) to conduct its initial public offering of 900,000,000 shares with nominal value of Rp100 (full amount) per share to the public through the Indonesia Stock Exchange (IDX) at offering price of Rp200 (full amount) per share. All the Company's issued and paid share capital of 3,000,000,000 shares have been listed in IDX.

**PT BISI INTERNATIONAL Tbk. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Years Ended December 31, 2007 and 2006**  
**(Expressed in Million Rupiah Unless Otherwise Stated)**

**1. GENERAL (continued)**

**c. Employees, Directors and Commissioners**

As of December 31, 2007 and 2006, the member of the Company's boards of commissioners and directors as appointed in the Extraordinary Shareholders' General Meeting, the minutes of which were notarized under Deed No. 5 dated December 29, 2006 of Rachmad Umar, S.H., are as follows:

Commissioners	Directors
Jialipto Jiaravanon - President Commissioner	Junaidi Sungkono - President Director
Eddy Susanto Zaoputra - Vice President Commissioner	Tjiu Thomas Effendy - Vice President Director
Burhan Hidayat - Commissioner	Jemmy Eka Putra - Vice President Director
	Sunardi Mukadas Sastrodimoyo - Director
	Setiadi Setiokusumo - Director
	Putu Darsana - Director

In the board of commissioners' meeting held on February 15, 2007, it approved the appointments of Mr. Burhan Hidayat as the chairman of the Audit Committee and Mr. Robert Soemenap and Mr. Haryjanto Sutrisno as members of the Audit Committee.

In the Extraordinary Shareholders' General Meeting, the minutes of which were notarized under Deed No. 3 dated March 1, 2007 of Siti Pertiwi Henny Singgih, S.H., notary in Jakarta, the shareholders agreed to, among others, appointed Mr. Burhan Hidayat as an Independent Commissioner and Mr. Putu Darsana as an Independent Director of the Company.

Salaries and other compensation benefits incurred for the Company and Subsidiaries' commissioners and directors amounted to Rp8.6 billion in 2007 and Rp7.5 billion in 2006.

The Company and Subsidiaries had 524 and 474 permanent employees on December 31, 2007 and 2006, respectively.

**d. Structure of the Company and Subsidiaries (Notes 2e and 3)**

The consolidated financial statements include the accounts of the Company and Subsidiaries, which are more than 50% owned, as follows:

Subsidiaries	Principal Activity	Domicile	Start of Operations	Percentage of Ownership	Total Assets (In million rupiah)	
					2007	2006
PT Tanindo Subur Prima (TSP)	Fertilizer, pesticide and seeds trading	Sidoarjo	1987	54.20%	451,811	239,265
PT Multi Sarana Indotani (MSI)	Manufacturing pesticide	Mojokerto	2005	99.99%	75,797	46,286

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Basis of Measurement and Preparation of the Consolidated Financial Statements**

The consolidated financial statements are prepared in accordance with generally accepted accounting principles and practices in Indonesia, which are the Statements of Financial Accounting Standards and BAPEPAM-LK regulations.

The basis of measurement in the preparation of the consolidated financial statements is historical cost; except for inventories, which are valued at the lower of cost or net realizable values; derivative instruments, which are valued at fair value; and certain property, plant and equipment, which are stated at revalued amounts.

**PT BISI INTERNATIONAL Tbk. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Years Ended December 31, 2007 and 2006**  
**(Expressed in Million Rupiah Unless Otherwise Stated)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**a. Basis of Measurement and Preparation of the Consolidated Financial Statements (continued)**

These consolidated financial statements are prepared using accrual basis, except for the consolidated statements of cash flows.

The consolidated statements of cash flows are presented using the direct method and classified into operating, investing and financing activities.

The reporting currency used in the consolidated financial statements is Indonesian Rupiah.

**b. Principle of Consolidation**

The consolidated financial statements include the accounts of the Company and its Subsidiaries.

All significant accounts and transactions between consolidated companies are eliminated.

The proportionate share of the minority shareholders in the equity of the Subsidiaries is reflected in "Minority Interests in Net Assets of Consolidated Subsidiaries" in the consolidated balance sheets.

**c. Allowance for Doubtful Accounts**

Allowance for doubtful accounts receivable is determined based on review of the collectibility of the individual receivable at the end of year.

**d. Transactions with Related Parties**

The Company and Subsidiaries have transactions with certain parties, which have related party relationships as defined in accordance with the Statement of Financial Accounting Standards (PSAK) No. 7, "Related Party Disclosures".

All significant transactions with related parties are disclosed in the notes to the consolidated financial statements.

**e. Restructuring Transactions of Entities under Common Control**

Restructuring transactions of entities under common control are accounted for in accordance with PSAK No. 38 (Revised 2004), "Accounting for Restructuring of Entities under Common Control". Under this standard, these transaction between entities under common control carried out within the framework of reorganizing the entities under the same group does not constitute a change of ownership based on the economic substance of such transactions are not recognized as gain or loss to the group or to the individual entity within the same group as well as and must be recorded at book values as business combination using the pooling-of-interests method. Under the pooling of interest method, the financial statement from restructured company is presented as if the company have been joined since from the beginning of the presentation of financial statement.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**e. Restructuring Transactions of Entities under Common Control (continued)**

The difference between the transfer price and net book value from the acquisition of subsidiaries arising from restructuring transaction between entities under common control is presented as "Difference in Value of Restructuring Transactions of Entities under Common Control" in equity section.

**f. Inventories**

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale. Cost is determined by the weighted-average method. Allowance for decline in value of inventories, if any, is provided based on a review of the condition of the inventories at the end of the year.

**g. Prepaid Expenses**

Prepaid expenses are charged to operations over the periods benefited. The long-term portion of prepaid expenses is presented as part of "Non Current Assets - Other Assets - net" account.

**h. Property, Plant and Equipment**

Direct Ownership

Property, plant and equipment are stated at cost, except for certain assets revalued in accordance with government regulation, less accumulated depreciation. Depreciation, except for land which are not depreciated, is computed using the straight-line method, after taking into account their salvage values at 10% of carrying values (except for building and land improvements which have no salvage value), over the estimated useful lives of the assets as follows:

	<u>Years</u>
Buildings and electrical installation	20
Machinery and equipment	5 and 12
Building and land improvements, transportation equipment, and furniture, fixtures and office equipment	5

The cost of minor repairs and maintenance is charged to income as incurred; significant renewals and betterments and can extend its useful life or likely provide future economic benefits by increasing its capacity, quality of production, or standard of performance are capitalized. When assets are retired or otherwise disposed of, their carrying values and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the consolidated statement of income for the year.

Specific costs associated with the acquisition or renewal of legal titles of the land are deferred and amortized over the legal terms of the related landrights or the economic life of the land, whichever period is shorter. The deferred charge is presented as part of "Non - Current Assets - Other Assets - net".

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**h. Property, Plant and Equipment (continued)**

Capital Lease

Lease transactions are accounted for under the capital lease method when the required capitalization criteria are met. Otherwise, leases are accounted for under the operating lease method. Assets under capital lease are presented in the balance sheets as part of property, plant and equipment based on the present value of the lease payments at the beginning of the lease term plus residual value (option price) to be paid at the end of the lease period. Depreciation is computed using the straight-line method based on the estimated useful lives of the leased assets which are similar to those assets that acquired under direct ownership.

Obligations under capital lease are presented at the present value of the lease payments plus residual value (option price) less the principal payments.

Constructions in progress

Constructions in progress are stated at cost and presented as part of the property, plant and equipment. The accumulated costs will be reclassified to the appropriate property, plant and equipment account when the construction is substantially completed and the assets ready for its intended use.

**i. Assets Not Used in Operations**

Assets not used in operations are stated at carrying value and not depreciated, and presented under a part of "Non-current Assets - Other Assets - net" account in the consolidated balance sheets.

**j. Impairment of Assets Value**

The Company and Subsidiaries conduct a review to determine whenever there is any indication of assets impairment including for assets not used in operations at the end of the year. If any such indication exists, the Company and Subsidiaries are required to determine the recoverable value of the assets and recognize the impairment in assets value as a loss in the consolidated statement of income for the current year.

**k. Revenue and Expense Recognition**

Revenue from sales of foundation seeds, commercial seeds, pesticides, and fertilizers are recognized upon delivery of the goods to the customers while revenue from export sales is recognized upon shipment of the goods to the customers (f.o.b. shipping point). Income from sales of salvage seeds and other products are recorded net of the related expenses incurred, and presented as "Other Income (Charges)" account. Expenses are recognized when incurred.

**l. Estimated Liability for Employees' Benefits**

The Company and Subsidiaries recognize estimated liability for employees' benefits in accordance with Labor Law No. 13/2003 dated March 25, 2003 ("Labor Law No. 13/2003") under PSAK No 24 (Revised 2004) "Employee Benefits". In accordance with this law, the Company and Subsidiaries are required to pay the severance, gratuity and compensation if certain conditions in the Labor Law No. 13/2003 are met. Under PSAK No. 24 (Revised 2004), the cost of providing employee benefits under Labor Law No. 13/2003 is determined using the Projected Unit Credit actuarial valuation method.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**i. Estimated Liability for Employees' Benefits (continued)**

Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceeded 10% of the current defined benefit obligation at that date. These gains or losses are recognized on a straight line basis over the expected average remaining working lives of the employees. Further, past-service costs arising from the introduction of a defined benefit plan or changes in the benefit payable of an existing plan are required to be amortized over the period until the benefits concerned become vested.

**m. Research and Development Cost**

Research and development cost are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognized only when the Company can demonstrate all of the following: the technical feasibility of completing the intangible asset so that it will be available for use or sale; its intention to complete the intangible asset and use or sell it; its ability to use or sell the intangible asset; how the intangible asset will generate future economic benefits; the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and its ability to measure the expenditure attributable to the intangible asset during its development reliably.

**n. Foreign Currency Transactions and Balances**

Transactions involving foreign currencies are recorded in Rupiah amounts at the rates of exchange prevailing at the time the transactions are made. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are adjusted to Rupiah to reflect the rates of exchange at such date. The resulting gains or losses are credited or charged to operations of the current year.

As of December 31, 2007 and 2006, the exchange rates used are as follows:

	Full Amount	
	2007	2006
EUR1	13,822	11,858
US\$1	9,393	9,020

**o. Income Tax**

Current tax expense is provided based on the estimated taxable income for the year. Deferred tax assets and liabilities are recognized for temporary differences between the financial and the tax bases of assets and liabilities at each reporting date. Future tax benefits, such as the carry-forward of unused tax losses, are also recognized to the extent that realization of such benefits is probable.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**o. Income Tax (continued)**

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. For each of the consolidated subsidiary, the tax effects of temporary differences and fiscal loss carry-forward, which individually could represent either assets or liabilities, are shown at the applicable net amounts.

Amendments to tax obligations are recorded when an assessment is received or, if appealed against by the Company and Subsidiaries, when the result of the appeal is determined.

**p. Basic Earnings per Share**

Basic earnings per share is computed by dividing consolidated net income for the year with the weighted-average number of shares outstanding during the year after considering the retroactive effect of the bonus shares, shares issued in connection with the restructuring transactions of under common control and change in par value of share from Rp1,000 (full amount) per share to Rp100 (full amount) per share (Notes 3 and 15) in 2006 and the retroactive effect on distribution of share dividend in 2007.

**q. Segment Information**

The Company and Subsidiaries classify their segment reporting as follows:

- (i) Business segment (primary) are based on products produced consists of corn, vegetables seeds and pesticides.
- (ii) Geographical segments (secondary) are based on location of the assets or operation consists of Jawa, Sumatera, Sulawesi, Kalimantan and outside country.

**r. Use of Estimates**

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimations and assumptions that affect amounts reported therein. Due to inherent uncertainty in making estimates, actual results reported in future periods might be based on amounts, which differ from those estimates.

**3. RESTRUCTURING TRANSACTIONS OF ENTITIES UNDER COMMON CONTROL**

In 2006, PT Central Pertiwi (CP) and PT Surya Hidup Satwa (SHS), the controlling shareholders of the Company, have restructured their holdings in the Charoen Pokphand Group whereby the Company became the parent company in the seeds business of the group.

The restructuring transactions were conducted through the following:

- Acquisition of PT Tanindo Subur Prima (TSP)

In December 2006, the Company purchased and fully paid the 54.20% share ownership or representing 49,864,000 shares in TSP from CP and SHS at Rp1,009 (full amount) per share or totalling Rp50.3 billion.

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**3. RESTRUCTURING TRANSACTIONS OF ENTITIES UNDER COMMON CONTROL (continued)**

- Acquisition of PT Multi Sarana Indotani (MSI)

In December 2006, the Company purchased and fully paid the 99.99% share ownership or representing 11,499,999 shares in MSI from Jialipto Jiaravanon and CP at Rp1,042 (full amount) per share or totalling Rp12 billion.

The above acquisitions were financed from the proceeds of the issuance of the Company's 63,000,000 shares or Rp63 billion in December 2006 (Note 15).

The difference between purchase prices and the related carrying values of the net assets of the acquired companies are as follows:

	Transfer Price	Book Value of Net Assets	Difference
PT Tanindo Subur Prima	50,313	55,693	5,380
PT Multi Sarana Indotani	11,983	12,466	483
<b>Total</b>	<b>62,296</b>	<b>68,159</b>	<b>5,863</b>

The above transactions were accounted in accordance with PSAK No. 38 (Revised 2004), "Accounting for Restructuring of Entities Under Common Control". Accordingly, the total difference between the transfer prices and the Subsidiaries' book values amounting to Rp5,863 million are presented as "Difference in value of restructuring transactions of entities under common control" account in the equity. The income of the acquired subsidiaries are presented as of "Effect Pro forma Adjustment" account in the 2006 consolidated statement of income.

**4. CASH ON HAND AND IN BANKS**

This account consists of:

	2007	2006
Cash on hand	2,428	1,258
Cash in banks - third parties		
Rupiah		
PT Bank Central Asia Tbk.	2,995	2,060
Citibank N.A., Jakarta	1,677	1,478
PT Bank Lippo Tbk.	211	344
PT Bank Danamon Indonesia Tbk.	339	202
PT Bank Rakyat Indonesia (Persero) Tbk.	65	123
PT Bank Permata Tbk.	21	20
PT Bank Negara Indonesia (Persero) Tbk.	84	10
US Dollar		
Citibank N.A., Jakarta (US\$156,055 in 2007 and US\$75,986 in 2006)	1,466	685
PT Bank Central Asia Tbk. (US\$2,612 in 2007 and US\$990 in 2006)	25	9
<b>Total</b>	<b>9,311</b>	<b>6,189</b>

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**5. ACCOUNTS RECEIVABLE - TRADE**

This account consists of:

	<b>2007</b>	<b>2006</b>
Third Parties:		
Contract grower receivables	1,800	226
Non-contract grower receivables		
PT Sang Hyang Seri (Persero)	88,016	-
PT Pertani (Persero)	17,387	-
Toko Santoso	6,580	-
Toko Usaha Tani	4,442	4,713
Toko Tani Jaya	4,267	152
Toko Syaifuddin	3,510	979
Toko Sahabat Tani	3,344	-
Toko Dharma Tani	2,980	444
Geo Theh Co. Ltd., China	2,454	-
Toko Tunggal Sarasa	2,426	2,566
Toko Tani	2,238	-
Toko Sumber Makmur	2,106	996
Others (below Rp2 billion each)	120,383	106,248
	261,933	116,324
Total third parties	261,933	116,324
Allowance for doubtful accounts	(217)	(217)
	<b>261,716</b>	<b>116,107</b>
<b>Third parties - net</b>	<b>261,716</b>	<b>116,107</b>
<b>Related Parties (Note 24a)</b>	<b>18,773</b>	<b>9,655</b>

The aging details of accounts receivable - trade based on invoice date are as follows:

	<b>2007</b>	<b>2006</b>
Receivables - third parties:		
Less than 31 days	127,357	34,534
31 - 60 days	51,553	55,450
61 - 90 days	37,096	10,192
91 - 180 days	32,398	13,575
More than 180 days	13,529	2,573
	261,933	116,324
Total	261,933	116,324
Allowance for doubtful accounts	(217)	(217)
	<b>261,716</b>	<b>116,107</b>
<b>Net</b>	<b>261,716</b>	<b>116,107</b>
Related parties:		
Less than 31 days	1,977	7,629
31 - 60 days	6,608	2,026
61 - 90 days	4,290	-
91 - 180 days	5,898	-
	18,773	9,655
<b>Total</b>	<b>18,773</b>	<b>9,655</b>

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**5. ACCOUNTS RECEIVABLE - TRADE (continued)**

The movement of allowance for doubtful accounts is as follows:

	<b>2007</b>	<b>2006</b>
Beginning balance	217	151
Provision during the year	-	155
Write-off/non-collection of accounts	-	(89)
<b>Ending balance</b>	<b>217</b>	<b>217</b>

Based on the review of the status of the individual receivable at the end of the year, the Company and Subsidiaries' management believes that the allowance for doubtful accounts is adequate to cover possible losses from non-collection of the accounts.

The above receivables include receivables in foreign currency amounting to US\$411,471 (equivalent to Rp3.9 billion) as of December 31, 2007 and US\$171,664 (equivalent to Rp1.5 billion) as of December 31, 2006.

As of December 31, 2007 and 2006, certain receivables totaling Rp32 billion are used as collateral for bank loans obtained from PT Bank Rakyat Indonesia (Persero) Tbk. (Notes 8 and 12).

**6. INVENTORIES**

Inventories consist of:

	<b>2007</b>	<b>2006</b>
<u>Finished goods:</u>		
Corn seeds	22,605	17,137
Vegetable seeds	27,087	17,068
Pesticides	71,529	44,037
Fertilizers	4,515	5,621
Others	656	694
Total finished goods	126,392	84,557
<u>Work-in process:</u>		
Corn seeds	101,890	110,309
Vegetable seeds	52,470	39,003
Pesticides	1,167	466
Paddy seeds	1,014	1,070
Total work-in-process	156,541	150,848
Raw materials	35,382	9,355
Inventories in-transit	26,963	1,481
Packaging	9,724	8,413
Others	5,640	4,024
Total	360,642	258,678
Allowance for decline in value	(872)	(680)
<b>Net</b>	<b>359,770</b>	<b>257,998</b>

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**6. INVENTORIES (continued)**

As of December 31, 2007 and 2006, inventories (except for certain goods in-transit) are covered by insurance against losses from damage, natural disaster, fire and other risks under blanket policies amounting to Rp334.1 billion and Rp218.4 billion, respectively. The management believes that the insurance coverage is adequate to cover possible losses arising from such risks.

As of December 31, 2007 and 2006, inventories of Rp89.5 billion, respectively, are used as collateral for bank loans obtained from PT Bank Rakyat Indonesia (Persero) Tbk. (Notes 8 and 12).

**7. PROPERTY, PLANT AND EQUIPMENT**

The details of property, plant and equipment consist of:

<b>2007</b>	<b>Beginning Balance</b>	<b>Additions/ Reclassifications</b>	<b>Deductions/ Reclassifications</b>	<b>Ending Balance</b>
<u>Carrying Value</u>				
<b>Direct Ownership</b>				
Land	35,011	-	-	35,011
Building and land improvements	9,385	932	-	10,317
Buildings	31,526	11,895	-	43,421
Machinery and equipment	23,424	16,773	-	40,197
Transportation equipment	6,685	4,638	65	11,258
Furniture, fixtures and office equipment	10,919	2,771	68	13,622
Electrical installation	1,513	1,960	-	3,473
<b>Total</b>	<b>118,463</b>	<b>38,969</b>	<b>133</b>	<b>157,299</b>
<b>Capital lease</b>				
Transportation equipment	12,520	5,579	4,029	14,070
Office equipment	11	-	11	-
<b>Total</b>	<b>12,531</b>	<b>5,579</b>	<b>4,040</b>	<b>14,070</b>
<b>Construction in Progress</b>				
Land	-	11,194	-	11,194
Building and land improvements	17,189	9,759	12,493	14,455
Machinery and equipment	13,028	12,986	16,054	9,960
Office equipment	194	218	194	218
Electrical installation	126	-	126	-
<b>Total</b>	<b>30,537</b>	<b>34,157</b>	<b>28,867</b>	<b>35,827</b>
<b>Total Carrying Value</b>	<b>161,531</b>	<b>78,705</b>	<b>33,040</b>	<b>207,196</b>
<u>Accumulated Depreciation</u>				
<b>Direct Ownership</b>				
Building and land improvements	4,488	1,458	-	5,946
Buildings	6,767	1,846	-	8,613
Machinery and equipment	8,154	3,315	-	11,469
Transportation equipment	5,638	3,252	46	8,844
Furniture, fixtures and office equipment	6,321	1,548	16	7,853
Electrical installation	301	169	-	470
<b>Total</b>	<b>31,669</b>	<b>11,588</b>	<b>62</b>	<b>43,195</b>
<b>Capital lease</b>				
Transportation equipment	4,968	2,573	2,819	4,722
Office equipment	8	1	9	-
<b>Total</b>	<b>4,976</b>	<b>2,574</b>	<b>2,828</b>	<b>4,722</b>
<b>Total Accumulated Depreciation</b>	<b>36,645</b>	<b>14,162</b>	<b>2,890</b>	<b>47,917</b>
<b>Net Book Value</b>	<b>124,886</b>			<b>159,279</b>

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**7. PROPERTY, PLANT AND EQUIPMENT (continued)**

2006	Beginning Balance	Additions/ Reclassifications	Deductions/ Reclassifications	Ending Balance
<u>Carrying Value</u>				
<b>Direct Ownership</b>				
Land	34,356	655	-	35,011
Building and land improvements	8,920	465	-	9,385
Buildings	26,553	4,973	-	31,526
Machinery and equipment	14,285	9,638	499	23,424
Transportation equipment	6,260	883	458	6,685
Furniture, fixtures and office equipment	9,498	1,828	407	10,919
Electrical installation	1,375	155	17	1,513
<b>Total</b>	<b>101,247</b>	<b>18,597</b>	<b>1,381</b>	<b>118,463</b>
<b>Capital lease</b>				
Transportation equipment	10,347	3,019	846	12,520
Office equipment	11	-	-	11
<b>Total</b>	<b>10,358</b>	<b>3,019</b>	<b>846</b>	<b>12,531</b>
<b>Construction in Progress</b>				
Building and land improvements	10,738	10,281	3,830	17,189
Machinery and equipment	11,207	9,668	7,847	13,028
Office equipment	235	196	237	194
Electrical installation	70	164	108	126
<b>Total</b>	<b>22,250</b>	<b>20,309</b>	<b>12,022</b>	<b>30,537</b>
<b>Total Carrying Value</b>	<b>133,855</b>	<b>41,925</b>	<b>14,249</b>	<b>161,531</b>
<u>Accumulated Depreciation</u>				
<b>Direct Ownership</b>				
Building and land improvements	2,998	1,490	-	4,488
Buildings	5,381	1,386	-	6,767
Machinery and equipment	6,382	1,866	94	8,154
Transportation equipment	4,665	1,383	410	5,638
Furniture, fixtures and office equipment	5,127	1,385	191	6,321
Electrical installation	170	139	8	301
<b>Total</b>	<b>24,723</b>	<b>7,649</b>	<b>703</b>	<b>31,669</b>
<b>Capital lease</b>				
Transportation equipment	3,795	1,861	688	4,968
Office equipment	6	2	-	8
<b>Total</b>	<b>3,801</b>	<b>1,863</b>	<b>688</b>	<b>4,976</b>
<b>Total Accumulated Depreciation</b>	<b>28,524</b>	<b>9,512</b>	<b>1,391</b>	<b>36,645</b>
<b>Net Book Value</b>	<b>105,331</b>			<b>124,886</b>

(a) Depreciation was charged as follows:

	2007	2006
Cost of goods sold (Note 19)	6,892	4,462
Selling expenses (Note 20)	3,789	3,788
General and administrative expenses (Note 20)	653	574
<b>Total</b>	<b>11,334</b>	<b>8,824</b>

(b) The computation of gain on sale of property, plant and equipment are as follows:

	2007	2006
Proceeds from sale	96	655
Net book value	71	495
<b>Gain on sale</b>	<b>25</b>	<b>160</b>

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**7. PROPERTY, PLANT AND EQUIPMENT (continued)**

- (b) The computation of gain on sale of property, plant and equipment are as follows (continued):

Gain on sale of property and equipment is presented as part of "Other Income (Charges) - Others - net" account.

- (c) In 2007, additions in fixed assets and construction in progress mainly represent additions related to the increase in production capacity, cold room and warehouse for corn and vegetables, research and development (laboratory) facilities and construction of seeds manufacturing plant.

From the financial point of view, the range of percentage of completion of the construction in progress as of December 31, 2007 is approximately 10% up to 20%.

- (d) PT Actual Kencana Appraisal, an independent appraisers, appraised the property, plant and equipment as of December 31, 2007 and 2006 of the Company and Subsidiaries and issued its appraisal reports on various dates in February 2008 and February 19, 2007, respectively. Based on these reports, the fair values of property, plant and equipment (excluding construction in progress) of the Company and Subsidiaries as of December 31, 2007 and 2006 amounted to Rp159.6 billion and Rp137.9 billion, respectively. The appraisers used the Depreciated Replacement Cost Method, except for land, used the Market Data Approach. Based on the condition of the property, plant and equipment and the above appraisals, the management believes that there is no indication on impairment of assets value of the Company and Subsidiaries' property, plant and equipment as of December 31, 2007 and 2006.
- (e) In 1997, the Company revalued its property, plant and equipment and obtained the approval on this revaluation from the Directorate General of Taxation. The resulting revaluation increment amounting to Rp1 million (net of Rp2.1 billion representing distribution of shares through capitalization of revaluation increment in property, plant and equipment in 2000) is presented in "Revaluation Increment in property, plant and equipment" account in the Equity section.
- (f) As of December 31, 2007 and 2006, property, plant and equipment (excluding land and transportation equipment), are covered by insurance against losses from damage, natural disaster, fire and other risks under blanket policies amounting to US\$11,807,836 (equivalent to Rp110.9 billion) and US\$9,650,222 (equivalent to Rp87.0 billion), from the consortium of insurance companies led by PT Asuransi AIU Indonesia. The management believes that the insurance coverage is adequate to cover possible losses arising from such risks.
- (g) Land owned by the Company is located in certain cities in Indonesia under Rights of Building (HGB) and Used Rights of Building with total area of 1,685,619 square meters. The related landrights will expire in various dates between 2016 and 2036. The management believes that these rights can be renewed upon their expiry.
- (h) As of December 31, 2007 and 2006, property, plant and equipment with net book value of Rp101.6 billion and Rp69.2 billion, respectively, are used as collateral for bank loans obtained from PT Bank Rakyat Indonesia (Persero) Tbk. (Notes 8 and 12).

**8. SHORT-TERM BANK LOANS**

This account represents working capital loans obtained by the Company and Subsidiaries from PT Bank Rakyat Indonesia (Persero) Tbk. (BRI). The maximum credit limits obtained by the Company and TSP amounted to Rp75 billion and Rp60 billion in 2007 and 2006, respectively. The maximum credit limit obtained by MSI amounted to Rp15 billion in 2007 and 2006. These facilities have maturity period of 1 year. The credit facilities for the Company and TSP expired on December 17, 2007 while for MSI expired on December 20, 2007. The loans bear annual interest from 13.0% to 14.5 % in 2007 and 15.0% in 2006. As of December 31, 2007 and 2006, these loans are secured by accounts receivable - trade of Rp32 billion, inventories of Rp89.5 billion, and certain property, plant and equipment of Rp88.7 billion owned by the Company and Subsidiaries. As of March 14, 2008, the credit facilities obtained from BRI are still in the process of renewal.

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**8. SHORT-TERM BANK LOANS (continued)**

As of December 31, 2007 and 2006, the outstanding balance of working capital loans are as follows:

	<b>2007</b>	<b>2006</b>
Company	25,618	74,449
Subsidiaries		
PT Tanindo Subur Prima	47,624	54,589
PT Multi Sarana Indotani	14,784	14,079
<b>Total</b>	<b>88,026</b>	<b>143,117</b>

The loan agreement imposes several restrictions to the Company and Subsidiaries not to enter the following transactions, among others, without the prior written consent from BRI as follows:

- give loans other than balances arising from the Company's main line of business with third parties
- give loans to other companies in Charoen Pokphand Group exceeding 20% of share capital
- change of shareholder structure so that the Charoen Pokphand group not to become the majority shareholder
- merger and declare dissolution
- invest to other companies with total investment exceeding 20% of share capital
- give any guarantee or assets to other parties outside Charoen Pokphand Group exceeding 20% of share capital
- give loans to shareholders exceeding 20% of share capital
- make payment of the shareholder's loan totaling (accumulated during one accounting period) more than 20% of shareholders' equity
- sale of assets exceeding Rp5 billion
- declare or pay any dividends that will result the Debt to Equity Ratio to exceed at 2.33 : 1.

In 2007, MSI paid a loan from PT Central Pertiwi, a shareholder, amounting to Rp5 billion that exceeded 20% of share capital of MSI (Note 24c). On March 3, 2008, MSI sent a formal letter to BRI explaining the payment and requesting for a waiver from BRI on the payment of the shareholder loan. As of March 14, 2008, MSI has not yet obtained a written waiver from BRI on this transaction. The management of MSI believes that BRI will give a waiver on this transaction.

In 2006, the Company and TSP declared cash dividends that exceeded their current net income. The Company also made payment on the shareholder's loan totaling Rp75 billion that exceeded 20% of share capital. BRI issued written waivers regarding the above transactions based on the letters No. B.448AGR/AGR-II/02/07 and No. B.449AGR/AGR-II/02/07 both dated February 26, 2007 to the Company and TSP, respectively.

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**9. ACCOUNTS PAYABLE - TRADE**

The details of accounts payables - trade are as follow:

	<b>2007</b>	<b>2006</b>
Third Parties:		
Farmers	16,483	8,537
Shanghai Joysun Co. Ltd., China	19,707	7,263
Hubei Sanonda Co. Ltd., China	15,795	5,283
CV Kertopaten, Surabaya	-	3,001
Others (each below Rp2 billion)	6,563	2,956
<b>Total</b>	<b>58,548</b>	<b>27,040</b>
<b>Related Party (Note 24b):</b>	<b>1,089</b>	<b>5,547</b>

The above payables include payables in foreign currencies amounting to US\$4,451,085 and EUR74,150 (equivalent to Rp42.8 billion) as of December 31, 2007 and US\$1,493,334 and EUR86,488 (equivalent to Rp14.5 billion) as of December 31, 2006.

**10. OTHER PAYABLES - THIRD PARTIES**

This account mainly represents accrued royalty to Monsanto Company, with outstanding balance of Rp34 billion (equivalent to US\$3,285,433 and Rp3.4 billion) as of December 31, 2007 and Rp16.5 billion (equivalent to US\$1,827,872) as of December 31, 2006 (Note 26b).

**11. TAXES PAYABLE**

Taxes payable consists of:

	<b>2007</b>	<b>2006</b>
Income taxes		
Article 4(2)	9	40
Article 21	2,706	1,919
Article 23	88	244
Article 25	2,437	1,804
Article 26	6,363	2,681
Article 29	44,195	9,388
Value added tax - net	4,582	2,371
<b>Total</b>	<b>60,380</b>	<b>18,447</b>

In 2007, the Company received various Under Payment Tax Assessment Letters (*Surat Ketetapan Pajak Kurang Bayar/SKPKB*) and Tax Collection Letters (*Surat Tagihan Pajak/STP*) for corporate income taxes, income tax payable art 4 (2) and Value Added Tax for 2005 with total amount of Rp153.8 million. The Company recognized the payments of these SKPKB and STP in "Other Income (Charges) - Others - net" account in the 2007 consolidated statement of income.

In 2006, the Company and TSP received SKPKB and STP for corporate income taxes and Value Added Tax for 2004 with total amount of Rp110.4 million. The Company and TSP recognized the payments of these SKPKB and STP in "Other Income (Charges) - Others - net" account in the 2006 consolidated statement of income.

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**12. LONG-TERM BANK LOANS**

This account consists of:

	<b>2007</b>	<b>2006</b>
Investment loan	6,500	6,500
Less current portion	4,000	2,000
<b>Long-term portion</b>	<b>2,500</b>	<b>4,500</b>

On December 20, 2005, MSI obtained an investment credit from BRI with maximum credit of Rp10 billion that can be drawdown at Rp6.5 billion under phase I and at Rp3.5 billion under phase II. The drawdown of phase II of the loans can be made by MSI after fulfilling certain requirements. The loans will mature in 5 years or in December 20, 2010 with a grace period of 1 year. The loans are payable in 8 semi-annual installments amounting Rp1 billion for the 1st to 4th installments and Rp1.5 billion for 5th to 8th installments. The loans bear annual interest from 13.0% to 14.5% per year in 2007 and 15% per year in 2006. The loans have the same limitation and collateral with short-term loans (Note 8). As of March 14, 2008, MSI has not yet drawn from the Phase II credit facility.

Based on a letter from BRI No. B.412-AGR/AGR-II/03/08 dated March 10, 2008, BRI gave the extension on the installment payments due in 2007 until February 2008 since MSI has not drawn from the Phase II credit facility. MSI paid the 1st and 2nd installments of Rp2 billion on February 15, 2008.

**13. OBLIGATIONS UNDER CAPITAL LEASE**

The Company and Subsidiaries entered into several lease agreements with PT Reksa Finance, a related party, to purchase certain transportation and office equipment with lease terms ranging from three to five years and expiring on various dates. Obligation under capital leases are secured by fiduciary security of the related transportation equipments and office equipment. Based on the lease agreements, the Company and Subsidiaries are prohibited to sell, rent and guarantee those transportation and office equipment.

As of December 31, 2007 and 2006, the future minimum rental payments required under these lease agreements are as follows:

<b>Years</b>	<b>2007</b>	<b>2006</b>
2006	-	11
2007	-	3,344
2008	3,148	2,775
2009	3,020	1,874
2010	2,695	1,196
2011	2,285	392
2012	611	-
Total	11,759	9,592
Total amount applicable to interest	(2,601)	(2,623)
Present value of minimum rental payment	9,158	6,969
Current portion of obligations under capital lease	(1,967)	(2,145)
<b>Long-term portion</b>	<b>7,191</b>	<b>4,824</b>

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**14. ESTIMATED LIABILITY FOR EMPLOYEES' BENEFITS**

The Company and Subsidiaries provide liability on employees' benefits that reach pension at the age 55 years old in accordance with Labor Law Regulation No. 13/2003 dated March 25 2003 ("UU No. 13/2003"). These benefits are not funded.

As of December 31, 2007 and 2006, the Company and Subsidiaries computed the estimated liability for employees' benefits based on the actuarial computations performed by PT Eldrige Gunaprima Solution, an independent actuary, based on their reports dated February 12, 2008 and February 19, 2007, respectively, using "Projected Unit Credit" method. Below are the basic assumptions used by the independent actuary:

	<u>2007</u>	<u>2006</u>
Discount rate	10% p.a.	10,5% p.a.
Salary (wages) increase rate	10% p.a.	10% p.a.
Pension age	55 years	55 years
Mortality rate	CSO table-1980	CSO table-1980

The employees' benefits expenses that recognized in consolidated statements of income are as follow:

	<u>2007</u>	<u>2006</u>
Current service cost	2,185	1,824
Interest expense	2,137	1,399
Amortization of non - vested past service cost	126	121
Amortization of actuarial losses - net	101	22
Recognition of employee transfer liability	-	167
<b>Employees' benefits expenses</b>	<b>4,549</b>	<b>3,533</b>

The estimated liability for employees' benefits as of December 31, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Present value of obligation	26,759	20,377
Unrecognized actuarial losses	(5,746)	(3,447)
Unrecognized non - vested past service cost	(1,222)	(1,342)
<b>Estimated liability for employees' benefits</b>	<b>19,791</b>	<b>15,588</b>

The movements of estimated liability for employees' benefits are as follows:

	<u>2007</u>	<u>2006</u>
Beginning balance	15,588	12,488
Provision during the year	4,549	3,533
Sub Total	20,137	16,021
Payments during the year	(346)	(433)
<b>Ending balance</b>	<b>19,791</b>	<b>15,588</b>

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**15. SHARE CAPITAL**

The details of share ownership as of December 31, 2007 and 2006 with par value of Rp100 (full amount) per share and Rp1,000 (full amount) per share, respectively, are as follows:

<b>December 31, 2007</b>			
<b>Shareholders</b>	<b>Number of Shares Issued and Fully Paid</b>	<b>Percentage of Ownership</b>	<b>Amount</b>
PT Agrindo Pratama	840,000,000	28.00	84,000
Midsummer Corporation, Seychelles	819,000,000	27.30	81,900
CP Agriculture Limited, Seychelles	441,000,000	14.70	44,100
Public (less than 5% ownership each)	900,000,000	30.00	90,000
<b>Total</b>	<b>3,000,000,000</b>	<b>100.00</b>	<b>300,000</b>

<b>December 31, 2006</b>			
<b>Shareholders</b>	<b>Number of Shares Issued and Fully Paid</b>	<b>Percentage of Ownership</b>	<b>Amount</b>
PT Central Pertiwi	78,000,000	40.00	78,000
Midsummer Corporation, Seychelles	76,050,000	39.00	76,050
CP Agriculture Limited, Seychelles	40,950,000	21.00	40,950
<b>Total</b>	<b>195,000,000</b>	<b>100.00</b>	<b>195,000</b>

In accordance with the Circular Shareholders' General Meeting as registered through Notarial Deed No. 21 dated September 11, 2006 of Rachmad Umar, S.H., notary in Jakarta, the shareholders agreed to sell 1 (one) share owned by PT Centralwindu Sejati to PT Central Pertiwi (CP).

In the Extraordinary Shareholders' General Meeting, the minutes of which were notarized under Deed No. 17 dated October 3, 2006 of Dr. Fulgensius Jimmy H.L.T., S.H., M.H., M.M., the shareholders agreed on the following:

- Change the Company's name to PT BISI International
- Distribution of bonus shares of 400,000 shares or Rp400 million from the additional paid-in capital to PT Surya Hidup Satwa (SHS)
- Increase the authorized share capital from Rp10 billion consisting of 10,000,000 shares to Rp400 billion consisting of 400,000,000 shares
- Increase in issued and fully paid of share from Rp7.1 billion to Rp132 billion, which will come from:
  - a. issuance of 124,500,000 shares or equivalent to Rp124.5 billion, to be issued and fully paid by SHS of 124,499,982 shares or equivalent to Rp124.5 billion and CP of 18 shares or Rp18 thousand
  - b. bonus shares of 400,000 shares or equivalent to Rp400 million to SHS.

The related amendments on the Articles of Association for the above transactions were approved by the Department of Justice and Human Rights of the Republic of Indonesia in its Decision Letter No. W7-02215.HT.01.04-TH.2006 dated November 6, 2006.

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**15. SHARE CAPITAL (continued)**

In the Extraordinary Shareholders' General Meeting, the minutes of which were notarized under Deed No. 89 dated November 21, 2006 of Dr. Fulgensius Jimmy H.L.T., S.H., M.H., MM, notary in Jakarta, the shareholders agree on the following:

- Change the status of the Company from Domestic Investment Company to Foreign Investment Company in relation to the change in shareholders
- Sale of 131,999,981 shares owned by SHS to CP representing 52,799,981 shares, to Midsummer Corporation (MS), Seychelles, representing 51,480,000 shares and to CP Agriculture Limited (CPA), Seychelles, representing 27,720,000 shares.

The related amendments on the Articles of Association of the above transactions were approved by the Department of Justice and Human Rights of the Republic of Indonesia in its Decision Letter No. W7-03519.HT.01.04-TH.2006 dated December 11, 2006.

In the Extraordinary Shareholders' General Meeting, the minutes of which were notarized under Deed No. 18 dated December 12, 2006, of Siti Pertiwi Henny Singgih, S.H., notary in Jakarta, the shareholders agreed to increase the issued and fully paid capital from Rp132 billion to Rp195 billion through the issuance of 63,000,000 shares or equivalent to Rp63 billion. The increase in issued and fully paid capital were issued to CP, MS and CPA at 25,200,000 shares or Rp25.2 billion, 24,570,000 shares or Rp24.6 billion and 13,230,000 shares or Rp13.2 billion, respectively. The related differences between the proceeds and the par value of the share amounting to Rp54 million are presented as part of "Additional Paid-in Capital" account. The related amendments on the Articles of Association were registered in database to the Department of Justice and Human Rights of the Republic of Indonesia in its Letter No. W7-HT.01.04-5209 dated December 19, 2006.

In the Extraordinary Shareholders' General Meeting, the minutes of which were notarized under Deed No. 3 dated March 1, 2007 of Siti Pertiwi Henny Singgih, S.H., notary in Jakarta, the shareholders agreed to, among others, the following:

- Conduct Initial Public Offering of its shares to the public through the stock exchange with a maximum of 900,000,000 shares
- Increase the shares issued and fully paid from Rp195 billion to Rp210 billion in relation to the stock dividend amounted to Rp15 billion which was decided in Deed of Extraordinary Shareholders' General Meeting No. 2 dated March 1, 2007
- Change the par value of share from Rp1,000 (full amount) per share to Rp100 (full amount) per share of which the authorized share capital becomes Rp400 billion consisting of 4,000,000,000 shares
- Increase the share issued and fully paid to become Rp300 billion after the Initial Public Offering of 900,000,000 shares or Rp90 billion
- Amend the Articles of Association to conform with stipulation Law No. 8 Year 1995 on "Capital Market" and with BAPEPAM regulations No. IX.J.1, supplement from BAPEPAM decrees No. KEP-13/PM/1997 on "Articles of Association of Companies Conducting Public Offerings and Public Companies". In relation with these amendments, the Company's name becomes PT BISI International Tbk.

The related amendments of the Articles of Association on the above transactions were approved by the Department of Justice and Human Rights of the Republic of Indonesia in its Decision Letter No. W7-02165.HT.01.04-TH.2007 dated March 5, 2007.

In the Extraordinary Shareholders' General Meeting, the minutes of which were notarized under Deed No. 5 dated March 2, 2007 of Siti Pertiwi Henny Singgih, S.H., notary in Jakarta, the shareholders agreed to sell all the Company's shares owned by PT Central Pertiwi representing 840,000,000 shares or amounting to Rp84 billion to PT Agrindo Pratama. The change of the Company's shareholders was registered in database to the Department of Justice and Human Rights of the Republic of Indonesia in its letter No. W7-HT.01.10-3023 dated March 12, 2007.

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**16. ADDITIONAL PAID-IN CAPITAL**

This account represents of the difference between the net proceeds on the issuance and the par value of the share, net off issuance costs, as follows:

	<u>2007</u>	<u>2006</u>
Difference between the proceeds with the par value of share:		
Initial public offering	90,000	-
Issuance of new shares	78	78
Share issuance costs	(3,683)	-
<b>Net</b>	<b><u>86,395</u></b>	<b><u>78</u></b>

**17. DIVIDEND**

In the Annual Shareholders' General Meeting, the minutes of which were notarized under Deed No. 16 dated October 3, 2006 of Dr. Fulgensius Jimmy H.L.T., S.H., M.H., M.M., notary in Jakarta, the shareholders approved the declaration of cash dividend of Rp95 billion, consist of (a) Rp60 billion that came from the 2004 retained earnings and (b) Rp35 billion that came from the 2005 net income.

In the Extraordinary Shareholders' General Meeting, the minutes of which were notarized under Deed No. 17 dated October 3, 2006 of Dr. Fulgensius Jimmy H.L.T., S.H., M.H., M.M., notary in Jakarta, the shareholders approved the declaration of the 2006 interim cash dividend of Rp29.5 billion and bonus shares of 400,000 shares or Rp400 million from the additional paid-in capital (Note 15).

In the Extraordinary Shareholders' General Meeting, the minutes of which were notarized under Deeds No. 2 dated March 1, 2007 of Siti Pertiwi Henny Singgih, S.H., notary in Jakarta, the shareholders approved, among others, the declaration of the 2006 dividend of Rp44.5 billion consists of the interim cash dividend of Rp29.5 billion as decided in the Extraordinary Shareholders' General Meeting as stated above and share dividend of Rp15 billion.

**18. NET SALES**

The details of net sales are as follows:

	<u>2007</u>	<u>2006</u>
<u>Commercial seeds</u>		
Corn seeds	469,654	234,933
Vegetable seeds	131,813	118,333
Total commercial seeds	<u>601,467</u>	<u>353,266</u>
<u>Foundation seeds</u>		
Corn seeds	2,752	2,185
Vegetable seeds	750	404
Total foundation seeds	<u>3,502</u>	<u>2,589</u>
Pesticides	235,227	167,563
Fertilizers	19,546	19,998
Others	29,846	30,260
<b>Total</b>	<b><u>889,588</u></b>	<b><u>573,676</u></b>

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**18. NET SALES (continued)**

Sales to PT Sang Hyang Seri (Persero) totaling to Rp88 billion represents 10% of the consolidated net sales in 2007. In 2006, no sales to any customer that exceeds 10% of the consolidated net sales.

Sales conducted to related parties amounted to Rp48.2 billion and Rp39.9 billion representing 5.42% and 6.95%, respectively, from 2007 and 2006 consolidated net sales, respectively.

**19. COST OF GOODS SOLD**

The details of cost of goods sold are as follows:

	<b>2007</b>	<b>2006</b>
Raw materials used	305,864	209,824
Direct labor	3,561	2,441
Factory overhead	108,171	79,471
Total manufacturing cost	417,596	291,736
Work-in-process		
Beginning balance	150,848	101,330
End balance	(156,541)	(150,848)
Cost of goods manufactured	411,903	242,218
Finished goods		
Beginning balance	84,557	71,820
Purchases	131,269	116,403
End balance	(126,392)	(84,557)
	501,337	345,884
Cost of salvage seeds sold and Write -off vegetable seed inventories	(11,030)	(18,916)
<b>Cost of goods sold</b>	<b>490,307</b>	<b>326,968</b>

In 2007 and 2006, there were no purchases transaction which was conducted from any single supplier with annual cumulative amount exceeding 10% of the consolidated net sales.

**20. OPERATING EXPENSES**

The details of operating expenses are as follows:

	<b>2007</b>	<b>2006</b>
<u>Selling Expenses</u>		
Selling promotion	22,249	21,138
Salaries, wages and employees' benefit	20,252	18,213
Freight - out	14,129	10,124
Transportation and travelling on duty	7,571	5,159
Depreciation	3,789	3,788
Telecommunication	1,877	1,611
Packaging	1,541	1,317
Taxes, legal and permit	1,451	914
Rent	1,311	865

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**20. OPERATING EXPENSES (continued)**

	<b>2007</b>	<b>2006</b>
Office supplies	1,047	812
Repairs and maintenance	912	702
Research and development	847	458
Others (below Rp800 million each)	3,911	4,323
<b>Total selling expenses</b>	<b>80,887</b>	<b>69,424</b>
<u>General and Administrative Expenses</u>		
Royalty (Notes 24c and 26b)	48,694	19,734
Salaries, wages and fringe benefits (Note 14)	16,208	14,038
Transportation and travelling on duty	4,486	3,595
Honorarium	2,105	1,584
Repairs and maintenance	1,131	67
Insurance	978	955
Office supplies	895	437
Others (below Rp800 million each)	5,682	11,395
<b>Total General and Administrative expenses</b>	<b>80,179</b>	<b>51,805</b>
<b>Total operating expenses</b>	<b>161,066</b>	<b>121,229</b>

**21. INTEREST EXPENSE**

The details of this account are as follows:

	<b>2007</b>	<b>2006</b>
Bank loans	17,531	10,968
Obligations under capital lease (Note 24c)	1,463	1,409
Related parties (Note 24c)	102	1,543
<b>Total</b>	<b>19,096</b>	<b>13,920</b>

**22. INCOME TAX**

The Company and Subsidiaries income tax expense (benefit) are as follows:

	<b>2007</b>	<b>2006</b>
Current	68,017	33,059
Deferred	805	(1,172)
<b>Net</b>	<b>68,822</b>	<b>31,887</b>

**Income Tax - Current**

The reconciliation between income before income tax, as shown in the consolidated statements of income and the taxable income for the years ended December 31, 2007 and 2006 are as follows:

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**22. INCOME TAX (continued)**

	<b>2007</b>	<b>2006</b>
Income before income tax per consolidated statements of income	220,853	102,197
Addition (deduction):		
Income of Subsidiaries before income tax	(11,332)	(36,565)
Unrealized gross profit on sales to MSI and TSP	2,756	239
Income before income tax of the Company based on cost method	212,277	65,871
<u>Temporary differences:</u>		
Provision for employees' benefits - net	1,624	947
Provision for decline in value of inventories	423	332
Depreciation	(1,424)	143
Gain on sales of property, plant and equipment - net	1	10
Amortization of prepaid expenses	(69)	(112)
Leases	(62)	(32)
<u>Permanent differences:</u>		
Tax penalty	154	832
Interest income already subjected to final tax	(118)	(38)
<b>Taxable income of the Company</b>	<b>212,806</b>	<b>67,953</b>

The computation income tax payable and claim for tax refund are as follows:

	<b>2007</b>	<b>2006</b>
Income tax - current		
Company	63,824	20,368
Subsidiaries	4,193	12,691
<b>Total</b>	<b>68,017</b>	<b>33,059</b>
Prepayment of income taxes		
Company	19,629	14,220
Subsidiaries	13,334	9,451
<b>Total</b>	<b>32,963</b>	<b>23,671</b>
Income tax payable (claim)		
Company (Note 11)	44,195	6,148
Subsidiaries	(9,141)	3,240
<b>Income tax payable - net</b>	<b>35,054</b>	<b>9,388</b>

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**22. INCOME TAX (continued)**

Taxable income and income tax payable amount for the year ended December 31, 2006 agreed with the annual Income Tax Return (SPT). Taxable income and tax payable (claim for income tax) for the year ended December 31, 2007 will be reported in SPT in 2007.

**Income Tax - Deferred**

The computation of income tax deferred are as follow:

	<b>2007</b>	<b>2006</b>
Income tax before tax - deferred (effect of temporary differences at maximum tax rate at 30%)		
Company		
Provision for employees' benefits	(487)	(284)
Declining in inventory value	(127)	(100)
Depreciation	427	(43)
Gain on sales of property, plant and equipment - net	-	(3)
Amortization of prepaid expenses	21	34
Leases	19	10
Adjustment due to tax assessment	-	(39)
Total	(147)	(425)
Subsidiaries	952	(747)
<b>Income Tax Expense (Benefit) - Deferred</b>	<b>805</b>	<b>(1,172)</b>

The reconciliation between income tax expense (benefit) calculated by applying the applicable tax rate to the Company and Subsidiaries' income before income tax and the income tax expenses (benefit) tax income (expense), as shown in the consolidated statements of income for the years ended December 31, 2007 and 2006 are as follows:

	<b>2007</b>	<b>2006</b>
Income before income tax - Company	212,277	65,871
Income tax (applicable progressive tax rate)	63,666	19,744
Income tax effect on permanent differences:		
Tax penalty	46	250
Interest income already subjected to final tax	(35)	(11)
Adjustment due to tax regulation	-	(39)
Income tax expense per consolidated statements of income		
Company	63,677	19,944
Subsidiaries	5,066	11,943
<b>Total</b>	<b>68,743</b>	<b>31,887</b>

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**22. INCOME TAX (continued)**

**Income Tax - Deferred (continued)**

The deferred tax assets and liabilities as of December 31, 2007 and 2006 are as follows:

	<b>2007</b>	<b>2006</b>
Deferred tax assets (liabilities) - net		
Company		
Inventory	227	100
Prepaid expense	(61)	(40)
Property, plan and equipment	(1,150)	(723)
Leases	(47)	(28)
Estimated liability for employees' benefits	1,882	1,395
Deferred tax assets - net	<u>851</u>	<u>704</u>
Subsidiaries - net		
Deferred tax assets	1,773	2,725
<b>Deferred tax assets - net</b>	<b><u>2,624</u></b>	<b><u>3,429</u></b>

The management believes that the deferred tax assets can be fully recoverable through future taxable income.

**23. BASIC EARNINGS PER SHARE**

Basic earnings per share is computed by dividing the consolidated net income after and before adjustments regarding with pooling-of-interest by the weighted-average number of shares outstanding during the year after considering the retroactive effect of the bonus shares and restructuring transaction under common control and change in par value of share from Rp1,000 (full amount) per share to Rp100 (full amount) per share in 2006 and the retroactive effect on distribution of share dividend in 2007 (Notes 3, 15 and 17).

**Basic earning per share before effect of pro forma adjustments**

	<b>2007</b>	<b>2006</b>
Consolidated net income after effect of pro forma adjustment	<u>150,192</u>	<u>60,737</u>
Weighted average outstanding share	<u>2,644,931,507</u>	<u>1,161,986,301</u>
Basic earnings per Share (full amount)	<u>57</u>	<u>52</u>

**Basic earning per share before effect of pro forma adjustments**

Consolidated net income before effect of pro forma adjustment	<u>150,192</u>	<u>45,928</u>
Weighted average outstanding share	<u>2,644,931,507</u>	<u>564,780,821</u>
Basic earnings per share (full amount)	<u>57</u>	<u>81</u>

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**24. RELATED PARTIES TRANSACTIONS**

In the regular conduct of business, the Company and Subsidiaries have engaged in transactions with related parties principally comprises of sales of seeds, pesticides, fertilizers; purchases of raw materials and finished goods, which are made with normal price same as third parties; and financial transactions. The details of the transactions are as follows:

(a) Sales of finished goods to related parties in 2007 and 2006 are as follows:

	Total		Percentage to Consolidated Net Sales	
	2007	2006	2007	2006
PT Centralpertiwi Bahari	19,387	13,640	2.18	2.38
PT Java Mitra Sejahtera	15,755	7,341	1.77	1.28
PT Charoen Pokphand Indonesia Tbk.	6,775	16,643	0.76	2.90
PT Central Proteinaprima Tbk.	3,248	1,635	0.37	0.28
Chia Tai Co. Ltd., Thailand	-	167	-	0.03
Others	3,042	438	0.34	0.08
<b>Total</b>	<b>48,207</b>	<b>39,864</b>	<b>5.42</b>	<b>6.95</b>

The balance of trade receivable account with related parties transactions are presented as "Account Receivable - Trade - Related Parties" account (Note 5) are as follow:

	Total		Percentage to Consolidated Assets	
	2007	2006	2007	2006
PT Java Mitra Sejahtera	13,826	7,341	1.55	1.37
PT Centralpertiwi Bahari	4,687	529	0.53	0.10
PT Charoen Pokphand Indonesia Tbk.	-	1,620	-	0.30
Others	260	165	0.03	0.03
<b>Total</b>	<b>18,773</b>	<b>9,655</b>	<b>2.11</b>	<b>1.80</b>

(b) Purchases of goods from a related party in 2007 and 2006 is as follow:

	Total		Percentage to Consolidated Net Sales	
	2007	2006	2007	2006
Chia Tai Seeds Co. Ltd., Thailand	27,680	20,323	3.11	3.54

The balance of trade payable accounts with related party transactions is presented as "Account Payable - Trade - Related Party" (Note 9) is as follows:

	Total		Percentage to Consolidated Liabilities	
	2007	2006	2007	2006
Chia Tai Seeds Co. Ltd., Thailand	1,089	5,547	0.36	2.06

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**24. RELATED PARTIES TRANSACTIONS (continued)**

- (c) Transactions with related parties other than Company and Subsidiaries main line of business that exceed Rp1 billion are summarized as follows:

	Total		Percentage to Consolidated Net Sales	
	2007	2006	2007	2006
<u>Sales of salvage seeds</u>				
PT Charoen Pokphand Indonesia Tbk.	744	1,060	0.08	0.19
PT Central Proteinaprima Tbk.	-	415	-	0.07
<b>Total</b>	<b>744</b>	<b>1,475</b>	<b>0.08</b>	<b>0.26</b>
<u>Royalty fee</u>				
Charoen Pokphand International Group of Companies Ltd., British Virgin Island	7,140	1,414	0.80	0.25
<u>Research and development fee</u>				
Bangkok Seed Industry Co. Ltd., Thailand	-	2,706	-	0.47
<u>Interest expense</u>				
PT Reksa Finance	1,463	1,409	0.16	0.25
PT Surya Hidup Satwa	102	970	0.01	0.17
PT Central Pertiwi	-	573	-	0.10
<b>Total</b>	<b>1,565</b>	<b>2,952</b>	<b>0.17</b>	<b>0.52</b>

	Total		Percentage to Consolidated Assets/Liabilities	
	2007	2006	2007	2006
<u>Temporary Loan from</u>				
PT Central Pertiwi	-	50,000	-	18.60
PT Surya Hidup Satwa	-	35,000	-	13.01
<b>Total</b>	<b>-</b>	<b>85,000</b>	<b>-</b>	<b>31.61</b>
<u>Temporary Loan to</u>				
PT Central Pertiwi	23,621	-	2.65	-

The balance of accounts with related parties arising from transactions not from the Company's or Subsidiaries main line of business is as follows:

	Total		Percentage to Consolidated Assets	
	2007	2006	2007	2006
<u>Due from related parties</u>				
PT Central Pertiwi	23,621	-	2.65	-
CP Agriculture Limited, Seychelles	630	-	0.07	-
Midsummer Corporation, Seychelles	585	-	0.07	-
Others	-	1	-	-
<b>Total</b>	<b>24,836</b>	<b>1</b>	<b>2.79</b>	<b>-</b>

Due from PT Central Pertiwi represents interest bearing loan of Rp23.6 billion granted by the Company. This loan is payable on March 31, 2008 and earns interest at 13% per year.

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**24. RELATED PARTIES TRANSACTIONS (continued)**

	Total		Percentage to Consolidated Liabilities	
	2007	2006	2007	2006
<u>Due to related parties</u>				
PT Surya Hidup Satwa	-	5,193	-	1.93
PT Central Pertiwi	-	5,099	-	1.90
Bangkok Seed Industry Co. Ltd., Thailand	-	2,160	-	0.80
Others	400	375	0.13	0.14
<b>Total</b>	<b>400</b>	<b>12,827</b>	<b>0.13</b>	<b>4.77</b>
<u>Obligation under capital lease</u>				
PT Reksa Finance	<b>9,158</b>	<b>6,969</b>	<b>3.04</b>	<b>2.59</b>

Due to PT Surya Hidup Satwa represents temporary loan obtained by TSP amounted to Rp5 billion. This loan bears interest from 15% to 16.5% per year in 2006 and 15% per year in 2007. This loan was fully paid on February 19, 2007.

Due to PT Central Pertiwi represents non-interest bearing loan obtained by MSI amounted to Rp5 billion. This loan was fully paid on October 23, 2007.

**Nature of relationship with related parties**

The nature of relationships and transactions of the Company and Subsidiaries with related parties are as follow:

Related Parties	Nature of Related Parties	Transaction
a. PT Central Pertiwi	Company's and subsidiaries shareholder	Loan transaction
Chia Tai Co. Ltd., Thailand	Subsidiaries shareholder	Sales of vegetable seeds
b. PT Charoen Pokphand Indonesia Tbk. PT Centralpertiwi Bahari PT Java Mitra Sejahtera PT Central Proteinaprima Tbk. PT Central Agromina PT Central Avian Pertiwi PT Charoen Pokphand Jaya Farm PT Andalas Windumurni PT Citrawindu Pertala PT Suryawindu Pertiwi PT Windusejati Pertiwi PT Marindolab Pratama PT SHS International PT Vista Agung Kencana	Company's that the shares are owned by majority shareholder or director or company commissioners and/ or under the same management	Sales of corn seeds, pesticides, fertilizers, others finished good and salvage seeds also rent
PT Reksa Finance		Obligation under capital lease
PT Surya Hidup Satwa		Receipt of loan and sales of pesticides

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**24. RELATED PARTIES TRANSACTIONS (continued)**

Related Parties	Nature of Related Parties	Transaction
c. Charoen Pokphand International Group of Companies Ltd., British Virgin Island	Managed by the Company's affiliates	Royalty fee
Chia Tai Seeds Co. Ltd., Thailand		Purchase of corn and vegetable seeds
Bangkok Seeds Industry Co. Ltd., Thailand		Research and development expense

**25. MONETARY ASSETS AND LIABILITIES IN FOREIGN CURRENCIES**

As of December 31, 2007 and 2006, the Company and Subsidiaries have monetary assets and liabilities denominated in foreign currency, as follows:

<b>2007</b>	<b>Rupiah Equivalent</b>
<b>Assets</b>	
Cash on hand and in bank (US\$158,667)	1,491
Accounts receivable (US\$411,471)	3,865
Other receivables (US\$280,944)	2,639
Total	7,995
<b>Liabilities</b>	
Accounts payable (US\$4,451,085 and EUR74,150)	42,834
Other payables - third parties (US\$3,285,433)	30,860
Total	73,694
<b>Monetary Liabilities - Net</b>	<b>65,699</b>
<hr/>	
<b>2006</b>	<b>Rupiah Equivalent</b>
<b>Assets</b>	
Cash on hand and in bank (US\$76,976)	694
Accounts receivable (US\$171,664)	1,548
Total	2,242
<b>Liabilities</b>	
Accounts payable (US\$1,493,334 and EUR86,488)	14,495
Other payables - third parties (US\$1,827,872)	16,487
Due to related parties (US\$276,724)	2,496
Total	33,478
<b>Monetary Liabilities - Net</b>	<b>31,236</b>

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**25. MONETARY ASSETS AND LIABILITIES IN FOREIGN CURRENCIES (continued)**

If the Company's and Subsidiaries' net monetary liabilities in foreign currencies as of December 31, 2007 are reflected into Rupiah using the Bank Indonesia's middle rates as of March 14, 2008, the net monetary liabilities will decrease Rp918 million.

**26. SIGNIFICANT AGREEMENTS**

a. Cooperation Agreements of Production Seeds

The Company entered into cooperation agreements with various farmers on production of corn or vegetables seeds whereby the Company will sell foundation seeds and will give technical advises and supervision during the cultivation process of the seeds. The farmers will shoulder all the productions costs. The Company will buy the harvested seeds from the farmers based on the terms of the agreements. The cooperation agreements are for one period of cultivation only and subject for renewal on regular basis.

b. Licenses Agreements

1. On January 2, 1995, TSP entered into a license agreement with Charoen Pokphand International Group of Companies Ltd., British Virgin Islands (CPIGCL). Based on the agreement, TSP was granted the license to sell seeds, fertilizers and pesticides, and to obtain information related to, among others, strategy and marketing techniques, results of recent research and development and other information. This agreement is valid for a period of five years, and automatically renewable for another five years, except if cancelled by either party. As compensation, TSP agreed to pay CPIGCL a royalty of 0.25% of net sales. The amount of royalty will be evaluated from time to time, with a maximum increase of 1% above the existing rate. Royalty expense charged to operations amounting to Rp1.4 billion in 2006.

On December 29, 2006, TSP and CPIGCL agreed to terminate this license agreement.

2. The Company has a license agreement with Monsanto Company, United States of America. Based on the agreement, the Company was granted the license to produce and sell certain corn seeds in Indonesia. As compensation, the Company agreed to pay royalty to Monsanto Company, which was calculated based on the quantity (per metric ton) of corn seeds sold amounting to US\$206.52 (equivalent to Rp1.9 million) and US\$200 (equivalent to Rp1.85 million) for 2007 and 2006. The amount of royalty per metric ton will be adjusted proportionally if there will be Rupiah fluctuation against US Dollar will occurs. Royalty payment on new hybrid release in 2007 shall be 13% from the net sales of its new hybrid release. Royalty expense charged to operations amounting to Rp41.6 billion and Rp18.3 billion in 2007 and 2006, respectively.

3. On December 29, 2006, the Company and MSI entered into separate license agreement with CPIGCL, a related party. Under these agreements, the Company and MSI were granted licenses to use the Intellectual Proprietary Rights (IPR) and to produce, market, distribute and sell the products which are developed by using of the IPR. These agreements are valid for a period of five years and automatically renewable for another five years. Based on these agreements, the Company and MSI agreed to pay royalty to CPIGCL at 3% of the net sales of vegetables, paddy and pesticides. Royalty expense charged to operations amounting to Rp7.1 billion in 2007.

c. Sales and Purchases Agreements

On January 2, 1996, the Company entered into a sales and purchases agreement with TSP, whereby the Company appointed TSP as a sole distributor in Indonesia for all the Company's products, such as corn, vegetable and paddy seeds. This agreement is valid for an indefinite period of time and can be terminated at any time after six months' prior written notification.

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**26. SIGNIFICANT AGREEMENTS (continued)**

c. Sales and Purchases Agreements (continued)

Based on the amendment of this agreement dated August 1, 2006, TSP is no longer a sole distributor for the Company.

d. Research and Development Agreement

In 2001, the Company entered into a research and development agreement with Bangkok Seed Industry Co. Ltd. (BSI), Thailand. Based on the agreement, the Company was entitled for the information on research and development as well as production techniques of new hybrid seeds. The agreement is valid for two years and is automatically renewable for another two years, unless there is cancellation agreed by both parties. In return, the Company agreed to pay research and development expense of US\$300,000 for 2006.

On December 29, 2006, the Company and BSI agreed to terminate this agreement.

e. Consultation Agreement

In April 2005, the Company entered into a consultancy agreement with Prosperous Investments Limited (Prosperous), Hong Kong. Based on the agreement, the Company was entitled for advisory services to increase the quality of seeds for development of new potential market, conducting market research and identifying business alliances with potential strategic partners in Asia. The agreement is valid until December 31, 2006 and automatically renewable for one year. In return, the Company agreed to pay Prosperous a consultancy fee (before tax) of US\$320,000 in 2007 and US\$384,000 in 2006. Consultancy expense of Rp2.9 billion and Rp4.4 billion in 2007 and 2006, respectively, is presented as part of Cost of Goods Sold account.

On August 31, 2007, the Company and Prosperous agreed to terminate this agreement.

f. Rent Agreements

The Company and TSP rent their office building and warehouse from PT Charoen Pokphand Indonesia Tbk. (CPI), a related party, renewable on yearly basis. Rent expense in 2007 and 2006 amounted to Rp320 million and Rp220 million, respectively. On January 2, 2008, CPI agreed to extend the maturity date until December 31, 2008 with a rental of Rp185 million.

**27. SEGMENT INFORMATION**

Primary Segment

The Company and Subsidiaries classify their business segment reporting into business segment based on type of products sold consisting of sales of corn, vegetable and pesticide as follow:

	2007					
	Corns	Vegetables	Pesticides	Others	Elimination	Consolidated
<b>Segment Sales</b>						
External sales	472,406	132,563	235,227	49,392	-	889,588
Inter-segment sales	-	-	16,429	3,286	(19,715)	-
<b>Total segment sales</b>	<b>472,406</b>	<b>132,563</b>	<b>251,656</b>	<b>52,678</b>	<b>(19,715)</b>	<b>889,588</b>
<b>Segment Result</b>						
Operating expenses	262,085 (91,804)	55,648 (27,910)	91,526 (36,038)	9,737 (5,314)	(19,715) -	399,281 (161,066)
<b>Operating income</b>	<b>170,281</b>	<b>27,738</b>	<b>55,488</b>	<b>4,423</b>	<b>(19,715)</b>	<b>238,215</b>

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**27. SEGMENT INFORMATION (continued)**

Primary Segment (continued)

	2007					Consolidated
	Corns	Vegetables	Pesticides	Others	Elimination	
<b>Other Income (charges)</b>						
Financing cost						(19,096)
Loss on sales - seeds						(5,748)
Interest income						2,868
Gain from foreign exchange						2,733
Others						1,881
<b>Income before income tax</b>						220,853
Income tax expense						(68,822)
<b>Net Income</b>						<b>152,031</b>
Segment assets	217,956	126,572	139,585	38,552	(4,137)	518,528
Unallocated assets						373,699
<b>Total Assets</b>						<b>892,227</b>
Segment liabilities	-	-	60,740	-	-	60,740
Unallocated liabilities						237,750
<b>Total liabilities</b>						<b>298,490</b>
Allocated capital expenditures	11,909	16,859	1,666	46	-	30,480
Unallocated capital expenditures						9,739
<b>Total</b>						<b>40,219</b>
Depreciation and amortization	1,877	7,945	2,636	439	-	12,897
Non-cash expenses other than depreciation and amortization	966	3,121	851	147	-	5,085

	2006					Consolidated
	Corns	Vegetables	Pesticides	Others	Elimination	
<b>Segment Sales</b>						
External sales	237,118	118,737	167,563	50,258	-	573,676
Inter-segment sales	-	-	11,505	1,115	(12,620)	-
<b>Total segment sales</b>	237,118	118,737	179,068	51,373	(12,620)	573,676
Segment Result	137,574	46,476	49,902	25,376	(12,620)	246,708
Operating expenses	(64,343)	(17,979)	(32,828)	(6,079)	-	(121,229)
<b>Operating income</b>	<b>73,231</b>	<b>28,497</b>	<b>17,074</b>	<b>19,297</b>	<b>(12,620)</b>	<b>125,479</b>
<b>Other Income (charges)</b>						
Financing cost						(13,920)
Loss on sales - seeds						(11,252)
Interest income						112
Gain from foreign exchange						2,320
Others						(542)
<b>Income before income tax</b>						102,197
Income tax expense						(31,887)
<b>Net Income</b>						<b>70,310</b>

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**27. SEGMENT INFORMATION (continued)**

Primary Segment (continued)

	2006					Consolidated
	Corns	Vegetables	Pesticides	Others	Elimination	
Segment assets	236,586	82,053	84,385	11,592	(1,381)	413,235
Unallocated assets						121,027
<b>Total Assets</b>						<b>534,262</b>
Segment liabilities	-	-	33,402	-	-	33,402
Unallocated liabilities						235,471
<b>Total liabilities</b>						<b>268,873</b>
Allocated capital expenditures	8,084	13,508	2,172	-	-	23,764
Unallocated capital expenditures						2,274
<b>Total</b>						<b>26,038</b>
Depreciation and amortization	4,795	2,266	2,586	326	-	9,973
Non-cash expenses other than depreciation and amortization	2,129	1,107	1,335	429	-	5,000

Secondary Segment

The Company and Subsidiaries classified geography (secondary) segment based on assets location or operation, which are in Jawa, Sumatera, Sulawesi and Kalimantan and outside country.

	2007					Consolidated
	Corns	Vegetables	Pesticides	Others	Elimination	
External Sales						
Jawa	274,748	72,902	74,199	40,333	(19,715)	442,467
Sumatera	113,958	28,663	107,452	9,205	-	259,278
Sulawesi	77,239	9,960	56,374	2,637	-	146,210
Kalimantan	6,461	9,119	13,631	503	-	29,714
Luar negeri	-	11,919	-	-	-	11,919
<b>Total</b>	<b>472,406</b>	<b>132,563</b>	<b>251,656</b>	<b>52,678</b>	<b>(19,715)</b>	<b>889,588</b>

	2006					Consolidated
	Corns	Vegetables	Pesticides	Others	Elimination	
External Sales						
Jawa	121,059	63,199	55,062	43,389	(12,620)	270,089
Sumatera	50,716	26,190	69,971	6,281	-	153,158
Sulawesi	62,082	11,961	45,398	1,327	-	120,768
Kalimantan	3,261	8,888	8,637	376	-	21,162
Outside country	-	8,499	-	-	-	8,499
<b>Total</b>	<b>237,118</b>	<b>118,737</b>	<b>179,068</b>	<b>51,373</b>	<b>(12,620)</b>	<b>573,676</b>

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**27. SEGMENT INFORMATION (continued)**

Secondary Segment (continued)

In accordance with PSAK No.5 "Segment Reporting" and BAPEPAM rules on Financial Statement Presentation and Disclosures, the Company and Subsidiaries' segment is not able to disclose segment cash flows information, geographical segment and capital expenditure as the information are not completely available.

**28. ECONOMIC CONDITIONS**

The operations of the Company and Subsidiaries may be affected by future economic conditions in Indonesia that may contribute to volatility in currency values and negatively impact economic growth. Economic improvements and sustained recovery depends on the several factors, such as fiscal and monetary action which are being undertaken by the Government and others, actions that are beyond the Company's and Subsidiaries control.

**29. NEW GOVERNMENT REGULATION**

On December 28, 2007, the President of the Republic of Indonesia and the Minister of Law and Human Rights signed the Government Regulation No. 81/2007 ("Gov. Reg. 81/2007") (PP No.81/2007) on "Reduction of the Rate of Income Tax on Resident Corporate Taxpayers in the Form of Publicly-listed Companies". This Gov. Reg. 81/2007 provides that resident publicly-listed companies in Indonesia can obtain the reduced income tax rate, i.e., 5% lower than the highest income tax rate under Article 17 paragraph 1 (b) of the Income Tax Law, provided they meet the prescribed criteria, i.e., companies whose shares or other equity instruments are listed in the Indonesian stock exchanges, whose shares owned by the public is 40% or more of the total paid shares and such shares are owned by at least 300 parties, each party owning less than 5% of the total paid up shares. These requirements should be fulfilled by the publicly-listed companies for a period of 6 months in one tax year.

This Gov. Reg. 81/2007 becomes effective on January 1, 2008. As of March 14, 2008, further implementation guidelines on this government regulation have not been issued. Therefore, the effect of the reduced tax rate has not been included in the calculation of the Company's income tax amounts as of balance sheet date.

**30. REVISED STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS**

The following summarizes the revised Statements of Financial Accounting Standards (PSAK) which were recently issued by the Indonesian Institute of Accountants:

- PSAK No. 50 (Revised 2006), "Financial Instruments: Presentation and Disclosures" contains the requirements for the presentation of financial instruments and identifies the information that should be disclosed. The presentation requirements apply to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interests, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset. This standard requires the disclosure, among others, of information about factors that affect the amount, timing and certainty of an entity's future cash flows relating to financial instruments and the accounting policies applied to those instruments. PSAK No. 50 (Revised 2006) supersedes PSAK No. 50, "Accounting for Certain Investments in Securities", and is applied prospectively for the periods beginning on or after January 1, 2009. Earlier application is permitted and should be disclosed.

**PT BISI INTERNATIONAL Tbk. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Years Ended December 31, 2007 and 2006**  
**(Expressed in Million Rupiah Unless Otherwise Stated)**

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**30. REVISED STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS (continued)**

- PSAK No. 55 (Revised 2006), "Financial Instruments: Recognition and Measurement" establishes the principles for recognizing and measuring financial assets, financial liabilities, and some contracts to buy or sell non-financial items. This standard provides for the definitions and characteristics of a derivative, the categories of financial instruments, recognition and measurement, hedge accounting and determination of hedging relationships, among others. PSAK No. 55 (Revised 2006) supersedes PSAK No. 55, "Accounting for Derivative Instruments and Hedging Activities", and is applied prospectively for financial statements covering the periods beginning on or after January 1, 2009. Earlier application is permitted and should be disclosed.
- PSAK No. 16 (Revised 2007), "Fixed Assets" prescribes the accounting treatment for property, plant and equipment to enable the financial statements users to discern information about an entity's investment in its property, plant and equipment and the changes in such investment. This standard provides, among others, for the recognition of the assets, determination of their carrying amounts and related depreciation and impairment losses. Under this standard, an entity shall choose between the cost model or revaluation model as the accounting policy for its property, plant and equipment. This revised standard supersedes PSAK No. 16 (1994), "Fixed Assets and Other Assets", and PSAK No. 17 (1994), "Accounting for Depreciation", and is effective for the preparation and presentation of financial statements beginning on or after January 1, 2008.
- PSAK No. 30 (Revised 2007), "Leases" prescribes for lessees and lessors, the appropriate accounting policies and disclosure to apply in relation to leases. This standard provides for the classification of leases based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee, and the substance of the transaction rather than the form of the contract. This revised standard supersedes PSAK No. 30 (1990), "Accounting for Leases", and is effective for financial statements beginning on or after January 1, 2008.

The Company and Subsidiaries are presently evaluating and have not determined the effects of these revised PSAK on their consolidated financial statements.

**31. SUBSEQUENT EVENTS**

- a. On January 14, 2008, the Company sold its 9,999 shares or representing 0.09% ownership in MSI to PT Agrindo Pratama, a shareholder, at Rp1,000 (full amount) per share or totaling Rp9.9 million. This transaction was conducted in relation to the requirement of the Capital Investment Coordinating Board stating that the local shareholder should own at minimum of Rp10 million.
- b. In the Extraordinary Shareholders' General Meeting of MSI, the minutes of which was notarized under Deed No. 6 dated February 6, 2008 of Rachmad Umar, S.H., notary in Jakarta, the shareholders of MSI agreed on the sale of 9,999 shares owned by the Company and 1 share owned by PT Central Pertiwi to PT Agrindo Pratama.

**32. COMPLETION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The management of the Company and Subsidiaries is responsible for the preparation of these consolidated financial statements that were completed on March 14, 2008.