

PT BISI International Tbk. and subsidiaries

Consolidated financial statements
with independent auditors' report
years ended December 31, 2008 and 2007

**PT BISI INTERNATIONAL Tbk. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2008 AND 2007**

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This report is originally issued in Indonesian language.

Independent Auditors' Report

Report No. RPC-9881

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, 2008 and 2007, 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 Certified Public 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, 2008 and 2007, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles in Indonesia.

Purwanto, Sarwoko & Sandjaja

A handwritten signature in black ink, appearing to read 'Peter Surja'.

Peter Surja
Public Accountant License No. 05.1.0976

March 30, 2009

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, 2008 and 2007
(Expressed in Million Rupiah, Except Par Value per Share)

	Notes	2008	2007
ASSETS			
CURRENT ASSETS			
Cash on hand and in banks	2n,4,25	16,192	9,311
Accounts receivable	2c,5,8,12,25		
Trade	2n		
Third parties - net of allowance for doubtful accounts of Rp12,736 in 2008 and Rp217 in 2007		849,127	261,716
Related parties	2d,24a	28,514	18,773
Others - third parties - net of allowance for doubtful accounts of Rp864 in 2007		858	3,424
Inventories - net of allowance for decline in value of inventories of Rp3,070 in 2008 and Rp872 in 2007	2f,6,8,12	444,052	359,770
Advances		14,401	31,359
Prepaid tax and expenses	2g	14,851	5,793
Total Current Assets		1,367,995	690,146
NON-CURRENT ASSETS			
Due from related parties	2d,24c	-	24,836
Deferred tax assets - net	2o,22	7,446	2,624
Property, plant and equipment - net of accumulated depreciation of Rp61,639 in 2008 and Rp47,917 in 2007	2h,2i,2j,7,8,12,13	271,025	159,279
Claim for income tax	2o,11,22	9,458	9,141
Other assets - net		7,053	6,201
Total Non-Current Assets		294,982	202,081
TOTAL ASSETS		1,662,977	892,227

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, 2008 and 2007
(Expressed in Million Rupiah, Except Par Value per Share)

	Notes	2008	2007
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Short-term bank loans	8,12	320,137	88,026
Accounts payable	2n,25		
Trade	9		
Third parties		94,692	58,548
A related party	2d,24b	13,442	1,089
Others - third parties	10,26b	87,940	40,972
Taxes payable	2o,11,22	113,227	60,380
Accrued expenses		25,303	13,626
Current portion of long-term debt			
Bank loans	8,12	2,500	4,000
Finance lease liabilities	2d,2i,13,24c	2,224	1,967
Total Current Liabilities		659,465	268,608
NON-CURRENT LIABILITIES			
Due to related parties	2d,24c,26c	388	400
Long-term debts - net of current portion			
Bank loans	8,12	-	2,500
Finance lease liabilities	2d,2i,13,24c	4,902	7,191
Estimated liability for employees' benefits	2l,14	22,294	19,791
Total Non-Current Liabilities		27,584	29,882
Total Liabilities		687,049	298,490
MINORITY INTEREST IN NET ASSETS OF CONSOLIDATED SUBSIDIARIES			
	2b,2e	34,915	49,715

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PT BISI INTERNATIONAL Tbk. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (continued)
December 31, 2008 and 2007
(Expressed in Million Rupiah, Except Par Value per Share)

	Notes	2008	2007
EQUITY			
Share capital - Rp100 par value			
Authorized - 4,000,000,000 shares			
Issued and fully paid - 3,000,000,000 shares	15	300,000	300,000
Additional paid-in capital	16	86,395	86,395
Revaluation increment in property, plant and equipment	2h,7f	-	1
Difference in value of restructuring transaction of entities under common control	2e	5,863	5,863
Other equity	2b,3	(1,410)	-
Retained earnings	17		
Appropriated		1,000	-
Unappropriated		549,165	151,763
Total Equity		941,013	544,022
TOTAL LIABILITIES AND EQUITY		1,662,977	892,227

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PT BISI INTERNATIONAL Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2008 and 2007
(Expressed in Million Rupiah, Except Basic Earnings per Share)

	Notes	2008	2007
NET SALES	2d,2k,18, 24a,26a,27	1,627,821	889,588
COST OF GOODS SOLD	2d,2k,2m,7, 19,24b,26a	798,676	490,307
GROSS PROFIT	27	829,145	399,281
OPERATING EXPENSES	2k,7,20,27		
Selling		123,709	80,887
General and administrative	2c,2d,2l,14, 24c,26b,26c	131,158	80,179
Total Operating Expenses		254,867	161,066
INCOME FROM OPERATIONS		574,278	238,215
OTHER INCOME (CHARGES)	27,2k		
Interest expense	2d,21,24c	(25,947)	(19,096)
Loss on sales of salvage seeds - net		(16,403)	(5,748)
Gain (loss) on foreign exchange - net	2n,25	(2,439)	2,733
Tax penalties	11	(1,989)	(154)
Interest income		885	2,868
Others - net	7b	4,942	2,035
Other Charges - net		(40,951)	(17,362)
INCOME BEFORE INCOME TAX		533,327	220,853
INCOME TAX EXPENSE (BENEFIT)	2o,22		
Current		151,921	68,017
Deferred		(3,367)	805
Income Tax Expense - net		148,554	68,822
INCOME BEFORE MINORITY INTERESTS IN NET LOSS (INCOME) OF CONSOLIDATED SUBSIDIARIES		384,773	152,031
MINORITY INTERETS IN NET LOSS (INCOME) OF CONSOLIDATED SUBSIDIARIES	2b	13,628	(1,839)
NET INCOME		398,401	150,192
BASIC EARNINGS PER SHARE	2p,23	133	57

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PT BISI INTERNATIONAL Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Years Ended December 31, 2008 and 2007
(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	Other Equity	Retained Earning		Total Equity
							Appropriated	Unappropriated	
Balance, January 1, 2007		195,000	78	1	5,863	-	-	16,571	217,513
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 during the year		-	-	-	-	-	-	150,192	150,192
Balance, December 31, 2007		300,000	86,395	1	5,863	-	-	151,763	544,022
Adjustment on implementation of PSAK No.16 (Revised 2007)	2h,7f	-	-	(1)	-	-	-	1	-
Effect of change in the equity of subsidiaries arising from restructuring transaction of entities under common control	2b,3	-	-	-	-	(1,410)	-	-	(1,410)
Appropriation for general reserve	17	-	-	-	-	-	1,000	(1,000)	-
Net income during the year		-	-	-	-	-	-	398,401	398,401
Balance, December 31, 2008		300,000	86,395	-	5,863	(1,410)	1,000	549,165	941,013

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, 2008 and 2007
(Expressed in Million Rupiah)

	Notes	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		1,030,669	734,861
Cash payments to suppliers and employees		(997,575)	(711,428)
Cash provided by operating activities		33,094	23,433
Receipts from (payments for):			
Interest income		885	271
Income taxes	11,22	(109,003)	(41,718)
Interest expense	7d,21	(27,274)	(19,346)
Other operating activities		(17,556)	(3,448)
Net Cash Used in Operating Activities		(119,854)	(40,808)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	7	(124,482)	(40,219)
Proceeds from sale of property, plant and equipment	7	270	96
Proceeds from sale of investment in shares	1d	10	-
Net Cash Used in Investing Activities		(124,202)	(40,123)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of share capital:			
Subsidiary	3	10	-
Company - net of share issuance costs	15,16	-	176,317
Receipts from (payments for):			
Due from related parties	24c	24,836	(23,621)
Bank loans - net	8,12	228,111	(55,091)
Due to related parties - net	24c	12	(10,000)
Finance lease liabilities	13,24c	(2,032)	(3,552)
Net Cash Provided by Financing Activities		250,937	84,053

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, 2008 and 2007
(Expressed in Million Rupiah)

	Notes	2008	2007
NET INCREASE IN CASH ON HAND AND IN BANKS		6,881	3,122
CASH ON HAND AND IN BANKS AT BEGINNING OF YEAR	4	9,311	6,189
CASH ON HAND AND IN BANKS AT END OF YEAR	4	16,192	9,311
ACTIVITIES NOT AFFECTING CASH FLOWS:			
Capitalization of interest expense into property, plant and equipment	2h,7d	1,327	-
Write-off vegetable seed inventories	19	120	215
Reclassification of revaluation increment in property, plant and equipment to retained earning	2h,7f	1	-
Distribution of share dividend	17	-	15,000
Acquisition of lease assets through the incurrence of finance lease liabilities	2i,7,13	-	5,579

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, 2008 and 2007
(Expressed in Million Rupiah Unless Otherwise Stated)

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 Ministry 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 the 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 related amendment of the Articles of Association was approved by the Ministry 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. 97 dated June 30, 2008 of SP Henry Singgih, S.H., notary in Jakarta, concerning compliance with stipulation Law No. 40 year 2007 on "Corporate Law" and with rule No. IX.J.1, Supplement from the Capital Market and Financial Institution Supervisory Agency ("BAPEPAM-LK") Decree No. Kep-179/BL/2008 dated May 14, 2008 on "Articles of Association of Companies Conducting Public Offerings and Public Companies". The latest amendments of the Articles of Association were approved by the Ministry of Justice and Human Rights in its Decision Letter No. AHU-66444.AH.01.02.TH.2008 dated September 19, 2008.

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.

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*, *BISI-12* and *BISI-16*, vegetable seeds of *Timun Hercules* and *Melon Action* and paddy seed of *Intani-2*. 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 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, 2008 and 2007
(Expressed in Million Rupiah Unless Otherwise Stated)

1. GENERAL (continued)

c. Employees, Directors and Commissioners

As of December 31, 2008 and 2007, the member of the Company's boards of commissioners and directors as appointed in the Annual Shareholders' General Meeting held on June 30, 2008, the minutes of which were notarized under Deed No. 95 on the same date of SP. Henny Singgih, S.H., and in the Extraordinary Shareholders' General Meeting held on December 28, 2006, the minutes of which were notarized under Deed No. 5 dated December 29, 2006 of Rachmad Umar, S.H., are as follows:

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

Based on board of directors' meeting held on December 26, 2008, the directors approved the resignation of Mr. Junaidi Sungkono as President Director and the appointment of Mr. Jemmy Eka Putra to acting as President Director of the Company until next shareholder's meeting.

As of December 31, 2008 and 2007, the members of the audit committee as appointed in the board of commissioners' meeting held on February 15, 2007 are as follows:

Chairman	- Burhan Hidayat
Member	- Robert Soemenap
Member	- Haryjanto Sutrisno

In the Extraordinary Shareholders' General Meeting held on March 1, 2007, the minutes of which were notarized under Deed No. 3 dated March 1, 2007 of SP 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 Rp10.9 billion in 2008 and Rp8.6 billion in 2007.

The Company and Subsidiaries had 550 and 524 permanent employees on December 31, 2008 and 2007, respectively.

d. Structure of the Company and Subsidiaries

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)	
					2008	2007
PT Tanindo Subur Prima (TSP)	Fertilizer, pesticide and seeds trading	Sidoarjo	1987	54.20%	448,775	451,811
PT Multi Sarana Indotani (MSI)	Manufacturing pesticide	Mojokerto	2005	99.91%	97,747	75,797
PT Tanindo Intertraco (TINCO)	Fertilizer, pesticide and seeds trading	Sidoarjo	2008	99.96%	868,214	-

The Company established TINCO (Note 3) in April 2008 with 99.96% equity ownership and fully paid of capital amounting to Rp25 billion.

PT BISI INTERNATIONAL Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2008 and 2007
(Expressed in Million Rupiah Unless Otherwise Stated)

1. GENERAL (continued)

d. Structure of the Company and Subsidiaries (continued)

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. This transaction was conducted to comply with the requirement of the Capital Investment Coordinating Board that a local shareholder should own shares of stock in the company at least Rp10.

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 ("SFAS") 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 and certain property, plant and equipment which are stated at revalued amounts (Note 2h).

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 change in the equity of subsidiaries arising from transactions under common control is debited in "Other Equity" account as part of equity in the 2008 consolidated balance sheet.

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 collectability 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 SFAS No. 7, "Related Party Disclosures".

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

PT BISI INTERNATIONAL Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2008 and 2007
(Expressed in Million Rupiah Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Restructuring Transactions of Entities under Common Control

Restructuring transactions of entities under common control are accounted for in accordance with SFAS No. 38 (Revised 2004), "Accounting for Restructuring of Entities under Common Control". Under this standard, the 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 and do not result in gain or loss to the group or to the individual entity within the same group. Further, such transactions must be recorded at book values similar to a business combination using the pooling-of-interests method. Under the pooling-of-interest-method, the financial statements of the restructured company are presented as if the company has occurred since the beginning of the year the financial statements are presented.

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 Transaction 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

Prior to January 1, 2008, property, plant and equipment were stated at cost (except certain assets revalued in 1997 in accordance with government regulation) less its accumulated depreciation (except for land that is not depreciated). The related revaluation increment in property, plant and equipment was presented as part of equity in consolidated balance sheet.

Effective January 1, 2008, the Company and Subsidiaries have applied SFAS No. 16 (Revised 2007), "Fixed Assets", which supersedes SFAS No. 16 (1994), "Fixed Assets and Other Assets", and SFAS No. 17 (1994), "Accounting for Depreciation". The Company and Subsidiaries have chosen the cost model. Accordingly, the Company's previous revalued amount of property, plant and equipment before the application of SFAS No. 16 (Revised 2007), is considered as deemed cost and the related revaluation increment in property, plant and equipment as presented in equity section of the 2007 consolidated balance sheets, was prospectively reclassified to retained earnings in 2008. The adoption of this revised SFAS has no significant effect in the Company and Subsidiaries consolidated financial statements.

PT BISI INTERNATIONAL Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2008 and 2007
(Expressed in Million Rupiah Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Property, Plant and Equipment (continued)

Direct Ownership (continued)

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Such cost includes the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs that do not meet the recognition criteria are recognized in profit or loss as incurred.

Borrowing costs that are directly attributable to the acquisition of the qualifying asset are capitalized as part of the acquisition cost of qualifying asset until the qualifying asset is ready to use as long as the related net book value of such asset is does not exceed the recoverable amount or net realizable value.

Depreciation 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

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at each financial year end.

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" in consolidated balance sheet.

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.

PT BISI INTERNATIONAL Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2008 and 2007
(Expressed in Million Rupiah Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Lease

Prior to January 1, 2008, lease transaction is recognized as finance lease, if all of the following criteria are met:

- The lessee has the option to purchase the leased asset at the end of the lease period at a price mutually agreed upon at the commencement of the lease agreement.
- Total periodic payments paid by a lessee plus residual value shall fully cover the acquisition cost of leased capital goods plus interest thereon which is the lessor's profit (full payout lease).
- The lease period shall be a minimum of 2 (two) years.

Lease transactions that do not meet any of the above criteria are reported using the operating lease method, and lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Effective January 1, 2008, SFAS No. 30 (Revised 2007), "Leases" supersedes SFAS No. 30 (1990) "Accounting for Leases". Based on SFAS No. 30 (Revised 2007), the determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and whether the fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset. Under this revised SFAS, leases that transfer substantially to the lessee all the risks and rewards incidental to ownership of the leased item are classified as finance leases. Moreover, leases which do not transfer substantially all the risks and rewards incidental to ownership of the leased item are classified as operating leases.

Based on SFAS No. 30 (Revised 2007), under a finance leases, the Company and Subsidiaries shall recognize assets and liabilities in their balance sheets at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Minimum lease payments shall be apportioned between the finance charge and the reduction of the outstanding liability. The finance charge shall be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents shall be charged as expenses in the periods in which they are incurred. Finance charges are reflected in profit and loss. Leased assets (presented under the account of property, plant and equipment) are depreciated over the shorter of the estimated useful life of the assets and the lease term, if there is no reasonable certainty that the Company and Subsidiaries will obtain ownership by the end of the lease term.

Under an operating lease, the Company and Subsidiaries recognized lease payments as an expense on a straight-line basis over the lease term.

At the application of this revised SFAS, the Company and Subsidiaries have chosen to apply this revised SFAS prospectively. The Company and Subsidiaries determined the outstanding balances related to the financing leases that had existed prior to January 1, 2008 were appropriate. All arrangements containing a lease that existed at the beginning of the earliest period presented, were evaluated by the Company and Subsidiaries to determine their classification in accordance with this revised SFAS. When they meet the criteria as financing lease, and the Company and Subsidiaries is acting as lessee, the Company and Subsidiaries recognized the assets and liabilities as if the revised accounting policy had been applied since January 1, 2007 (the beginning of the earliest period presented) for all arrangements containing a lease that existed at the beginning of the earliest period presented.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Lease (continued)

The adoption of this revised SFAS did not result in a significant effect in the Company and Subsidiaries' consolidated financial statements for the year ended December 31, 2007.

j. Impairment of Assets Value

The Company and Subsidiaries conduct a review to determine whenever there is any indication of assets impairment. 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 SFAS 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 SFAS 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. 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2008 and 2007, the exchange rates used are as follows:

	Full Amount	
	2008	2007
EUR1	15,433	13,822
US\$1	10,950	9,393

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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the assets are realized or the liabilities are settled, based on the applicable tax rates (and tax laws) that have been enacted or substantively enacted at consolidated balance sheet date.

Current and deferred taxes are charged or credited to equity if the tax is related to the equity transaction.

Changes in the carrying amount of deferred tax assets and liabilities due to a change in tax rates is charged to current year operations, except to the extent that it relates to items previously charged or credited to equity.

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 the consolidated net income for the year with the weighted-average number of shares outstanding during the year after considering 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 seeds, vegetables seeds, paddy seeds, pesticides, and other products (fertilizer and production tools)
- (ii) Geographical segments (secondary) are based on location of the assets or operation consists of Jawa, Sumatera, Sulawesi, Kalimantan and outside country.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management of the Company and Subsidiaries 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. BUSINESS REORGANIZATION

In May 2008, the Company announced to the public the plan of PT Tanindo Intertraco (TINCO), a subsidiary, to purchase certain assets owned by PT Tanindo Subur Prima (TSP), another subsidiary; in relation with the plan of the Company to restructure the distribution business of the Company and PT Multi Sarana Indotani, another subsidiary; from TSP to TINCO. Subsequently, TSP shall only focus on the distribution of imported products from Chia Tai Seed Co. Ltd., Thailand, a related party.

In the Second Extraordinary Shareholders' General Meeting of the Company held on July 21, 2008, the minutes of which were notarized under Deed No. 57 on the same date of SP Henny Singgih, S.H., the shareholders approved TINCO's plan to purchase certain assets from TSP.

On September 1, 2008, TSP and TINCO entered into the Transfer Agreement (TA), whereby TSP agreed to transfer certain property and equipment and employees to TINCO based on the following terms and conditions as follows:

- a. The effective date of the transfer of certain property and equipment and employees was on September 1, 2008.
- b. The transfer price of property and equipment to be based on the market value as of December 31, 2007 as appraised by PT Actual Kencana Appraisal, an independent appraisers, in its report dated May 22, 2008.
- c. The related estimated liability for employees' benefits of the transferred employees to be based on an independent actuarial calculation.

The values of transferred assets and liability from TSP to TINCO as of September 1, 2008 are as follows:

	Transfer Price	Net Book Value
Assets		
Property and equipment	18,534	9,862
Deferred tax assets	1,959	1,959
Liability		
Estimated liability for employee services entitlements	6,531	6,531
Net value of transferred assets	13,962	5,290

The estimated liability for employees' benefits of the transferred employees was based on an actuarial calculation performed by PT Eldrige Gunaprima Solution, an independent actuary, in its report dated February 25, 2009.

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3. BUSINESS REORGANIZATION (continued)

The above transactions are accounted for in accordance with SFAS No. 38 (Revised 2004), "Accounting for Restructuring of Entities Under Common Control" by TSP and TINCO since the above entities are considered common control entities. The related current and deferred taxes on these restructuring transactions of entities under common control are directly charged to equity of Subsidiary amounted to Rp2,293 and Rp308, respectively. The effect of the change in equity of Subsidiaries arising from restructuring transaction of entities under common control in the Company amounting to Rp1,410 is directly debited to "Other Equity" account as part of equity.

4. CASH ON HAND AND IN BANKS

This account consists of:

	2008	2007
Cash on hand	375	2,428
Cash in banks - third parties		
Rupiah		
PT Bank Central Asia Tbk.	11,236	2,995
Citibank N.A., Jakarta	534	1,677
PT Bank CIMB Niaga Tbk. (formerly PT Bank Lippo Tbk.)	393	211
PT Bank Danamon Indonesia Tbk.	1,390	339
Others	118	170
US Dollar		
Citibank N.A., Jakarta (US\$179,899 in 2008 and US\$156,055 in 2007)	1,970	1,466
PT Bank Central Asia Tbk. (US\$16,130 in 2008 and US\$2,612 in 2007)	176	25
Total	16,192	9,311

5. ACCOUNTS RECEIVABLE - TRADE

This account consists of:

	2008	2007
Third Parties:		
Contract grower receivables	2,251	1,800
Non-contract grower receivables		
PT Pertani (Persero)	183,298	17,387
PT Sang Hyang Seri (Persero)	78,246	88,016
Toko Tani Takalar	36,547	1,984
Toko Santoso	34,190	6,580
Toko Tololo Mulia Pinrang	29,407	1,755
Toko Tunggal Sarasa	21,084	2,426
Toko Tani Jaya Unggul	19,742	783
Toko Lestari Tani	18,780	1,545
PT Catur Agrotama	14,628	501
Toko Taruna Jaya	14,569	-
UD Manna Utara	13,632	987

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5. ACCOUNTS RECEIVABLE – TRADE (continued)

	2008	2007
Third Parties (continued):		
Non-contract grower receivables (continued)		
Toko Tani Makmur	11,389	877
Toko Duta Tani	10,473	130
PT Harapan Agro	10,402	255
UD Subur Makmur	10,103	1,704
Others (below Rp10 billion)	353,122	135,203
Total	861,863	261,933
Allowance for doubtful accounts	(12,736)	(217)
Third parties - net	849,127	261,716
Related Parties (Note 24a)	28,514	18,773

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

	2008	2007
Receivables - third parties:		
Less than 31 days	245,802	127,357
31 - 60 days	121,036	51,553
61 - 90 days	57,797	37,096
91 - 180 days	402,614	32,398
More than 180 days	34,614	13,529
Total	861,863	261,933
Allowance for doubtful accounts	(12,736)	(217)
Net	849,127	261,716
Related parties:		
Less than 31 days	10,941	1,977
31 - 60 days	1,104	6,608
61 - 90 days	583	4,290
91 - 180 days	7,628	5,898
More than 180 days	8,258	-
Total	28,514	18,773

The movement of allowance for doubtful accounts is as follows:

	2008	2007
Beginning balance	217	217
Provision during the year	12,730	-
Write-off of accounts	(211)	-
Ending balance	12,736	217

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5. ACCOUNTS RECEIVABLE - TRADE (continued)

Based on the review of the status of the individual receivable at the end of the year, the Company and Subsidiaries' management believe 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\$820,085 (equivalent to Rp8.9 billion) as of December 31, 2008 and US\$411,471 (equivalent to Rp3.9 billion) as of December 31, 2007.

As of December 31, 2008 and 2007, certain receivables totaling Rp124 billion and 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:

	2008	2007
<u>Finished goods:</u>		
Corn seeds	17,619	22,605
Vegetable seeds	29,835	27,087
Paddy seeds	6,753	491
Pesticides	76,134	71,529
Fertilizers	18,776	4,515
Others	46	165
Total finished goods	149,163	126,392
<u>Work-in process:</u>		
Corn seeds	190,537	101,890
Vegetable seeds	40,857	52,470
Paddy seeds	1,708	1,014
Pesticides	1,562	1,167
Fertilizers	31	-
Total work-in-process	234,695	156,541
Raw materials	28,064	35,382
Inventories in-transit	249	26,963
Packaging	13,828	9,724
Others	21,123	5,640
Total	447,122	360,642
Allowance for decline in value	(3,070)	(872)
Net	444,052	359,770

As of December 31, 2008 and 2007, inventories (except for inventories in-transit) are covered by insurance against losses from damage, natural disaster, fire and other risks under blanket policies amounting to Rp309 billion and Rp334.1 billion, respectively. The management believes that the insurance coverage is adequate to cover possible losses arising from such risks.

As of December 31, 2008 and 2007, inventories of Rp134 billion and Rp89.5 billion, respectively, are used as collateral for bank loans obtained from PT Bank Rakyat Indonesia (Persero) Tbk. (Notes 8 and 12).

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7. PROPERTY, PLANT AND EQUIPMENT

The details of property, plant and equipment consist of:

2008	Beginning Balance	Additions/ Reclassifications	Deductions/ Reclassifications	Ending Balance
<u>Cost</u>				
Direct Ownership				
Land	35,011	22,662	-	57,673
Buildings	43,421	21,329	41	64,709
Building and land improvements	10,317	1,632	-	11,949
Machinery and equipment	40,197	43,778	38	83,937
Transportation equipment	11,258	7,833	253	18,838
Furniture, fixtures and office equipment	13,622	2,454	9	16,067
Electrical installation	3,473	4,196	-	7,669
Total	157,299	103,884	341	260,842
Leased Assets				
Transportation equipment	14,070	-	2,812	11,258
Construction in Progress				
Land	11,194	10,618	21,812	-
Building and land improvements	14,455	42,488	18,996	37,947
Machinery and equipment	9,960	53,828	41,194	22,594
Office equipment	218	85	280	23
Total	35,827	107,019	82,282	60,564
Total Cost	207,196	210,903	85,435	332,664
<u>Accumulated Depreciation</u>				
Direct Ownership				
Buildings	8,613	1,795	16	10,392
Building and land improvements	5,946	1,806	-	7,752
Machinery and equipment	11,469	5,072	34	16,507
Transportation equipment	8,844	3,196	226	11,814
Furniture, fixtures and office equipment	7,853	1,640	8	9,485
Electrical installation	470	337	-	807
Total	43,195	13,846	284	56,757
Leased Assets				
Transportation equipment	4,722	2,842	2,682	4,882
Total Accumulated Depreciation	47,917	16,688	2,966	61,639
Net Book Value	159,279			271,025
<hr/>				
2007	Beginning Balance	Additions/ Reclassifications	Deductions/ Reclassifications	Ending Balance
<u>Cost</u>				
Direct Ownership				
Land	35,011	-	-	35,011
Buildings	31,526	11,895	-	43,421
Building and land improvements	9,385	932	-	10,317
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
Total	118,463	38,969	133	157,299
Leased Assets				
Transportation equipment	12,520	5,579	4,029	14,070
Office equipment	11	-	11	-
Total	12,531	5,579	4,040	14,070

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7. PROPERTY, PLANT AND EQUIPMENT (continued)

2007 (continued)	Beginning Balance	Additions/ Reclassifications	Deductions/ Reclassifications	Ending Balance
Construction in Progress				
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	-
Total	30,537	34,157	28,867	35,827
Total Cost	161,531	78,705	33,040	207,196
<u>Accumulated Depreciation</u>				
Direct Ownership				
Buildings	6,767	1,846	-	8,613
Building and land improvements	4,488	1,458	-	5,946
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
Total	31,669	11,588	62	43,195
Leased Assets				
Transportation equipment	4,968	2,573	2,819	4,722
Office equipment	8	1	9	-
Total	4,976	2,574	2,828	4,722
Total Accumulated Depreciation	36,645	14,162	2,890	47,917
Net Book Value	124,886			159,279

(a) Depreciation was charged as follows:

	2008	2007
Cost of goods sold (Note 19)	9,256	6,892
Selling expenses (Note 20)	4,083	3,789
General and administrative expenses (Note 20)	667	653
Total	14,006	11,334

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

	2008	2007
Proceeds from sale	270	96
Net book value	57	71
Gain on sale	213	25

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

(c) In 2008, additions in property, plant and equipment 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, 2008 is from 16% up to 98%.

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7. PROPERTY, PLANT AND EQUIPMENT (continued)

- (d) Total borrowing costs capitalized to the land, buildings and machinery and equipment are amounted to Rp252, Rp588 and Rp487, respectively, in 2008.
- (e) The management believes that there is no impairment of assets value of the Company and Subsidiaries' property, plant and equipment.
- (f) 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 (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. As disclosed in Note 2h to financial statements, the Company and Subsidiaries have chosen the cost model as the accounting policy for the measurement of its property, plant and equipment in accordance with SFAS No. 16 (Revised 2007), "Fixed Assets", and prospectively reclassified the balance of revaluation increment in property, plant and equipment amounting to Rp1 as presented in equity section of the 2007 balance sheet to retained earnings in 2008.
- (g) As of December 31, 2008 and 2007, 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\$11,619,255 (equivalent to Rp127 billion) and US\$11,807,836 (equivalent to Rp111 billion), respectively, 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.
- (h) Land owned by the Company and Subsidiaries 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.
- (i) As of December 31, 2008 and 2007, property, plant and equipment with net book value of Rp114.1 billion and Rp101.6 billion, respectively, are used as collateral for bank loans obtained from PT Bank Rakyat Indonesia (Persero) Tbk. (Notes 8 and 12).
- (j) Leased assets are pledged as collateral to finance lease liabilities (Note 13).

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 MSI amounted to Rp250 billion and Rp40 billion, respectively, in 2008 and Rp75 billion and Rp15 billion, respectively, in 2007. The maximum credit limit obtained by TSP is amounted to Rp60 billion each in 2008 and 2007. These facilities have maturity periods of 1 year. The credit facilities of the Company and TSP were matured on December 17, 2008 while the credit facility of MSI was matured on December 20, 2008. In March 2009, the Company and MSI obtained loan facility extensions until December 17, 2009 and December 20, 2009, respectively. The loans bear annual interest ranging from 11.0% to 14.0% in 2008 and from 13.0% to 14.5 % in 2007. As of December 31, 2008, these loans and investment loan obtained from the same bank (Note 12) are secured by trade receivables of Rp124 billion (Note 5), inventories of Rp178 billion (Note 6) and certain property, plant and equipment of Rp158.4 billion (Note 7) owned by the Company and Subsidiaries.

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8. SHORT-TERM BANK LOANS (continued)

As of December 31, 2008 and 2007, the outstanding balances of working capital loans are as follows:

	2008	2007
Company	244,623	25,618
Subsidiaries		
PT Tanindo Subur Prima	35,739	47,624
PT Multi Sarana Indotani	39,775	14,784
Total	320,137	88,026

The related loan agreements impose several restrictions to the Company and Subsidiaries not to enter into following transactions, among others, without the prior written consent from BRI:

- 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
- declare dividends exceeding current net income or pay dividends that may result the Debt to Equity Ratio to exceed at 2.33 : 1.

In addition, MSI should obtain written consent from BRI for sales of assets with total amount exceeding Rp5 billion and should maintain current assets to current liabilities ratio of at least 125%.

In relation with the transfer of distribution business of BISI and MSI's products from TSP to TINCO (Note 3), TSP has sent a letter of request dated March 10, 2009 to BRI requesting that the credit facility granted to TSP can also be utilized by TINCO without encumbrance of TINCO on TSP's collaterals ("*roya-pasang*"). As of March 30, 2009, TSP has not yet obtained the approval on this request and the loan facility of TSP is still in process of renewal.

As of December 31, 2008, the carrying values of inventories of TSP and MSI totaling to Rp16 billion and Rp18 billion, respectively, were not adequate to fulfill the collateral value requirements of Rp35 billion and Rp43 billion, respectively, in accordance with respective loan agreements. Based on the related loan agreements, if a borrowers shall not able to replace a shortage in the collateral value within 10 working days from the acceptance of notification letter from BRI, BRI has the right to declare all loans and related interest to be due and demandable. On March 18, 2009, TSP and MSI sent formal letters to BRI requesting for waivers on these requirements of adequacy of collateral for inventories and proposed to change collateral value requirements for inventories and receivables to become Rp10 billion and Rp45 billion, respectively, for TSP and Rp10 billion and Rp35 billion, respectively, for MSI. As of March 30, 2009, TSP and MSI have not yet obtained approval letters from BRI on the above requests. The managements of TSP and MSI believe that BRI will grant the waivers for inadequacy of collateral of inventories and approval of changes in value of collateral requirement for inventories and receivable.

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9. ACCOUNTS PAYABLE - TRADE

The details of accounts payables - trade are as follow:

	2008	2007
Third Parties:		
Farmers	89,842	16,483
Agronature Co. Ltd., China (formerly Shanghai Joysun Co. Ltd., China)	2,146	19,707
Hubei Sanonda Co. Ltd., China	345	15,795
Others (each below Rp2 billion)	2,359	6,563
Total	94,692	58,548
A related Party (Note 24b)	13,442	1,089

The above payables include payables in foreign currencies amounting to US\$1,617,493 (equivalent to Rp17.7 billion) as of December 31, 2008 and US\$4,451,085 and EUR74,150 (equivalent to Rp42.8 billion) as of December 31, 2007.

10. OTHER PAYABLES - THIRD PARTIES

This account mainly represents accrued royalty (net-off with income tax article 26) to Monsanto Company, with outstanding balance of Rp62 billion (equivalent to US\$5,686,639) and Rp34 billion (consisting of US\$3,285,433 and Rp3.4 billion) as of December 31, 2008 and 2007, respectively (Note 26b).

11. TAXES PAYABLE

Taxes payable consists of:

	2008	2007
Income taxes		
Article 4(2)	40	9
Article 21	5,105	2,706
Article 23	115	88
Article 25	26,157	2,437
Article 26	6,919	6,363
Article 29 (Note 22)	65,686	44,195
Value added tax - net	9,205	4,582
Total	113,227	60,380

In 2008, the Company and Subsidiaries received various Tax Collection Letters (*Surat Tagihan Pajak/STP*) and Under Payment Tax Assessment Letters (*Surat Ketetapan Pajak Kurang Bayar/SKPKB*) on income tax under Article 25 for 2008 and Value Added Tax for 2008 and 2006 totaling to Rp1,989. The Company and Subsidiaries recognized the payments of these SKPKB and STP in "Other Income (Charges) - Tax Penalties" account in the 2008 consolidated statement of income.

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11. TAXES PAYABLE (continued)

In 2008, MSI also received SKPKB on Value Added Tax for 2006 and 2005 amounting to Rp242 and Rp3.9 billion, respectively. In 2008, MSI paid part of these 2006 and 2005 SKPKB amounting to Rp148 and Rp169, respectively, and recorded the payments as "Claim for Income Tax" account in the 2008 consolidated balance sheet. On February 6, 2009, MSI paid the SKPKB on Value Added Tax for 2005 amounted to Rp1.8 billion. On February 9, 2009, MSI sent objection letters to the Tax Court on these SKPKB. As of March 30, 2009, the objections are still in process in the Tax Court.

In 2007, the Company received various SKPKB and STP for corporate income taxes, income tax payable under Article 4(2) and Value Added Tax for 2005 with total amount of Rp154. The Company recognized the payments of these SKPKB and STP in "Other Income (Charges) - Tax Penalties" account in the 2007 consolidated statement of income.

12. LONG-TERM BANK LOANS

This account consists of:

	2008	2007
Investment loan	2,500	6,500
Less current portion	2,500	4,000
Long-term portion	-	2,500

On December 20, 2005, MSI obtained an investment loan from BRI with maximum credit limit 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 loan can be made by MSI after fulfilling certain requirements. MSI has availed the phase I loan. This loan facility will mature in 5 years or on December 20, 2010 with a grace period of 1 year. This loan is 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 loan bear annual interest ranging from 11.0% to 14.0% per year in 2008 and from 13.0% to 14.5% per year in 2007. The loan has the same limitation and collateral with working capital loans obtained from the same bank (Note 8).

Based on a letter from BRI No. B.412-AGR/AGR-II/03/08 dated March 10, 2008, BRI gave an extension on the installment payments of phase I loan due in 2007 until February 2008 since MSI has not yet drawn from the phase II credit facility. MSI paid the first and second installments at Rp1 billion each on February 15, 2008.

Based on an Addendum Investment Loan Agreement dated August 29, 2008, BRI agreed to amend the maximum credit limit of the facility to become Rp6.5 billion and available from December 20, 2005 until December 20, 2009 including a grace period of 1 year. This loan is payable in 6 semi-annual installments amounting Rp1 billion each for the 1st to 5th installments and Rp1.5 billion for the 6th installment.

13. FINANCE LEASE LIABILITIES

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. Finance lease liabilities are secured by fiduciary security of the related transportation and office equipment (Note 7). Based on the lease agreements, the Company and Subsidiaries are prohibited to sell, rent and guarantee these transportation and office equipment.

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13. FINANCE LEASE LIABILITIES (continued)

As of December 31, 2008 and 2007, the future minimum lease payments under these finance lease agreements are as follow:

	2008	2007
Within one year	3,066	3,148
After one year but not more than five years	5,598	8,611
Total minimum lease payments	8,664	11,759
Less interest portion	(1,538)	(2,601)
Present value of minimum lease payments	7,126	9,158
Current portion	(2,224)	(1,967)
Long-term liabilities	4,902	7,191

14. ESTIMATED LIABILITY FOR EMPLOYEES' BENEFITS

The Company and Subsidiaries provide liabilities on employees' benefits that reach the pension at the age of 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, 2008 and 2007, 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 25, 2009 and February 12, 2008, respectively, using "Projected Unit Credit" method. Below are the basic assumptions used by the independent actuary:

	2008	2007
Discount rate	12% p.a.	10% p.a.
Salary (wages) increase rate	10% p.a.	10% p.a.
Pension age	55 years old	55 years old
Mortality rate	CSO table-1980	CSO table-1980

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

	2008	2007
Current service cost	1,200	2,185
Interest expense	2,758	2,137
Amortization of non - vested past service cost	121	126
Amortization of actuarial losses - net	231	101
Employees' benefits expenses	4,310	4,549

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14. ESTIMATED LIABILITY FOR EMPLOYEES' BENEFITS (continued)

The estimated liability for employees' benefits as of December 31, 2008 and 2007 are as follows:

	2008	2007
Present value of obligation	20,981	26,759
Unrecognized actuarial losses (gains)	2,414	(5,746)
Unrecognized non - vested past service cost	(1,101)	(1,222)
Estimated liability for employees' benefits	22,294	19,791

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

	2008	2007
Beginning balance	19,791	15,588
Provision during the year	4,310	4,549
Sub total	24,101	20,137
Payments during the year	(1,807)	(346)
Ending balance	22,294	19,791

15. SHARE CAPITAL

The details of share ownership as of December 31, 2008 and 2007 with par value of Rp100 (full amount) per share are as follows:

Shareholders	December 31, 2008		
	Number of Shares Issued and Fully Paid	Percentage of Ownership	Amount
PT Agrindo Pratama	930,000,000	31.00	93,000
Midsummer Limited (formerly Midsummer Corporation), Seychelles	704,519,500	23.48	70,452
Public (less than 5% ownership each)	1,365,480,500	45.52	136,548
Total	3,000,000,000	100.00	300,000

Shareholders	December 31, 2007		
	Number of Shares Issued and Fully Paid	Percentage of Ownership	Amount
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
Total	3,000,000,000	100.00	300,000

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15. SHARE CAPITAL (continued)

In the Extraordinary Shareholders' General Meeting held on March 1, 2007, the minutes of which were notarized under Deed No. 3 and 4 on the same date of SP. Henny Singgih, S.H., notary in Jakarta, the shareholders approved 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 rule No. IX.J.1, supplement from BAPEPAM-LK 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 and reported to the Ministry 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 and letter No. W7-HT.01.04-2665 dated March 6, 2007, respectively.

In the Extraordinary Shareholders' General Meeting held on March 2, 2007, the minutes of which were notarized under Deed No. 5 on the same date of SP 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 the database of the Ministry of Justice and Human Rights of the Republic of Indonesia in its letter No. W7-HT.01.10-3023 dated March 12, 2007.

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:

	2008	2007
Difference between the proceeds with the par value of share:		
Initial public offering	90,000	90,000
Issuance of new shares	78	78
Share issuance costs	(3,683)	(3,683)
Net	86,395	86,395

17. RETAINED EARNINGS

In the Extraordinary Shareholders' General Meeting held on March 1, 2007, the minutes of which were notarized under Deeds No. 2 on the same date of SP Henny Singgih, S.H., notary in Jakarta, the shareholders approved, among others, the declaration of the share dividend of Rp15 billion.

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17. RETAINED EARNINGS (continued)

In the Shareholders' General Meeting held on June 30, 2008, the minutes of which were notarized under Deed No. 95 on the same date of SP Henny Singgih, S.H., notary in Jakarta, the shareholders approved, among others, the appropriation for general reserve of Rp1 billion from the 2007 net income.

18. NET SALES

The details of net sales are as follows:

	2008	2007
<u>Commercial seeds</u>		
Corn seeds	999,930	469,654
Vegetable seeds	150,113	131,813
Paddy seeds	94,489	13,662
Total commercial seeds	1,244,532	615,129
<u>Foundation seeds</u>		
Corn seeds	7,832	2,752
Vegetable seeds	1,158	750
Paddy seeds	3,238	991
Total foundation seeds	12,228	4,493
Pesticides	349,011	235,227
Fertilizers	18,251	19,546
Others	3,799	15,193
Total	1,627,821	889,588

In 2008, sales to PT Pertani (Persero) and PT Sang Hyang Seri (Persero) totaling to Rp257.3 billion and Rp171.6 billion or represent 16% and 11%, respectively, from the 2008 consolidated net sales. In 2007, sales to PT Sang Hyang Seri (Persero) totaling to Rp88 billion or represent 10% of the 2007 consolidated net sales.

Sales to related parties totaling to Rp56.9 billion and Rp48.2 billion or represent 3.5% and 5.4% from the 2008 and 2007 consolidated net sales, respectively (Note 24a).

19. COST OF GOODS SOLD

The details of cost of goods sold are as follows:

	2008	2007
Raw materials used	625,516	305,864
Direct labor	7,711	3,561
Factory overhead	195,298	108,171
Total manufacturing cost	828,525	417,596
Work-in-process		
Beginning balance	156,541	150,848
Ending balance	(234,695)	(156,541)

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19. COST OF GOODS SOLD (continued)

	2008	2007
Cost of goods manufactured	750,371	411,903
Finished goods		
Beginning balance	126,392	84,557
Purchases	97,298	131,269
Ending balance	(149,163)	(126,392)
	824,898	501,337
Cost of salvage seeds sold and write-off vegetable seed inventories	(26,222)	(11,030)
Cost of goods sold	798,676	490,307

In 2008 and 2007, there were no purchase transactions from any single supplier with annual cumulative amounts exceeding 10% of the consolidated net sales.

20. OPERATING EXPENSES

Details of operating expenses are as follows:

	2008	2007
<u>Selling Expenses</u>		
Selling promotion	46,045	22,249
Salaries, wages and employees' benefit	25,287	20,252
Freight - out	22,633	14,129
Transportation and travelling on duty	10,507	7,571
Depreciation (Note 7)	4,083	3,789
Telecommunication	2,143	1,877
Packaging	1,772	1,541
Rent	1,234	1,311
Office supplies	1,211	1,047
Repairs and maintenance	1,158	912
Others (below Rp1 billion each)	7,636	6,209
Total selling expenses	123,709	80,887
<u>General and Administrative Expenses</u>		
Royalty (Notes 24c and 26b)	76,106	48,694
Salaries, wages and fringe benefits (Note 14)	22,075	16,208
Provision for doubtful accounts	12,730	-
Transportation and travelling on duty	5,022	4,957
Bank charges	3,577	202
Provision for decline in value inventories	3,070	872
Honorarium	2,661	2,105
Others (below Rp1 billion each)	5,917	7,141
Total general and administrative expenses	131,158	80,179
Total operating expenses	254,867	161,066

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21. INTEREST EXPENSE

Details of this account are as follows:

	<u>2008</u>	<u>2007</u>
Bank loans	24,211	17,531
Finance lease liabilities (Note 24c)	1,067	1,463
A related party (Note 24c)	669	102
Total	<u>25,947</u>	<u>19,096</u>

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

	<u>2008</u>	<u>2007</u>
Current	151,921	68,017
Deferred	(3,367)	805
Net	<u>148,554</u>	<u>68,822</u>

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, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Income before income tax per consolidated statements of income	533,327	220,853
Addition (deduction):		
Income of Subsidiaries before income tax	(92,951)	(11,332)
Unrealized gain on sales to MSI and TSP	39,672	2,756
Income before income tax of the Company	480,048	212,277
<u>Temporary differences:</u>		
Provision for employees' benefits - net	1,592	1,624
Provision for decline in value of inventories	411	423
Finance leases	97	(62)
Gain on sales of property, plant and equipment - net	12	1
Amortization of prepaid expenses	(193)	(69)
Depreciation	(4,010)	(1,424)
<u>Permanent differences:</u>		
Tax penalties	1,220	154
Donation	1	-
Interest income already subjected to final tax	(36)	(118)
Taxable income of the Company	<u>479,142</u>	<u>212,806</u>

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22. INCOME TAX (continued)

Income Tax - Current (continued)

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

	2008	2007
Income tax - current		
Company	119,773	63,824
Subsidiaries	32,148	4,193
Total	151,921	68,017
Prepayment of income taxes		
Company	78,394	19,629
Subsidiaries	10,134	13,334
Total	88,528	32,963
Income tax payable (claim)		
Company	41,379	44,195
Subsidiaries (including current tax directly charged to equity amounted to Rp2,293 in 2008)	24,307	(9,141)
Income tax payable - net	65,686	35,054

Based on the Minister of Finance signed Ministry of Finance Rule No. 238/PMK.03/2008 (PMK No. 238/2008) dated December 30, 2008 regarding the "Guidelines on the Implementation and Supervision on the Tariff Reduction for Domestic Tax Payers in the Form of Public Companies", domestic taxpayers in the form of public companies can avail of tax reduction at 5% lower than the highest income tax rate in the same manner as stated of subsection 1b of Article 17 of Law No. 7 Year 1983 regarding "Income Tax". The tariff reduction will be given if the following criteria are met:

1. The total publicly-owned shares is 40% or more than the total paid up shares and such shares are owned by at least 300 (three hundred) parties,
2. Each of the above-mentioned at least 300 parties can only own less than 5% shares from the total paid up shares,
3. The above-mentioned criteria should be fulfilled by the taxpayer within 6 months in 1 (one) fiscal year.

The taxpayer should attach the Declaration Letter from the Securities Administration Agency on the Annual Income Tax Return of the Taxpayer using Form X.H.1-6 as provided in Bapepam-LK Regulation No. X.H.1 for each concerned fiscal year. PMK No. 238/2008 shall be applicable retroactively on January 1, 2008.

On February 25, 2009, the Company obtained the Declaration Letter from the Securities Administration Agency to comply with the above criteria; accordingly, the Company has applied the tax reduction in the 2008 income tax calculation.

The taxable income and income tax payable amount for the year ended December 31, 2007 agreed with the Annual Income Tax Return (SPT) submitted to the Tax Office. The taxable income and tax payable for the year ended December 31, 2008 will be reported in the 2008 SPT.

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22. INCOME TAX (continued)

Income Tax - Deferred

The computation of income tax deferred are as follow:

	2008	2007
Income tax before tax - deferred (effect of temporary differences at maximum tax rate at 30%)		
Company		
Depreciation	1,199	427
Amortization of prepaid expenses	58	21
Leases	(29)	19
Declining in inventory value	(123)	(127)
Provision for employees' benefits	(478)	(487)
Effect on changes in tax rates under Law No. 36/2008	(263)	-
	364	(147)
Subsidiaries	(3,731)	952
Income Tax Expense (Benefit) - Deferred	(3,367)	805

The reconciliation between income tax expense (benefit) calculated by applying the applicable progressive 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, 2008 and 2007 are as follows:

	2008	2007
Income before income tax - Company	480,048	212,277
Income tax (applicable progressive tax rate)	143,996	63,666
Income tax effect on permanent differences:		
Tax penalties	366	46
Interest income already subjected to final tax	(11)	(35)
Donation	1	-
Effect on changes in tax rates under Law No. 36/2008	(263)	-
Effect on reduction in tax rates under PMK No. 238/2008	(23,952)	-
	120,137	63,677
Income tax expense per consolidated statements of income		
Company	120,137	63,677
Subsidiaries	28,417	5,145
Total	148,554	68,822

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22. INCOME TAX (continued)

Income Tax - Deferred (continued)

In September 2008, Law No. 7 Year 1983 regarding "Income Tax" has been revised for the fourth time with Law No. 36 Year 2008 (Law No. 36/2008). The revised Law stipulates, among others, a change in corporate income tax rate from marginal tax rate to single rate of 28% for fiscal year 2009 and 25% for fiscal year 2010 onwards. The revised Law will be effective on January 1, 2009. The Company and Subsidiaries recorded the impact of the changes in tax rate which amounted to Rp199 as part of tax expense in the 2008 current year's operations.

The deferred tax assets and liabilities as of December 31, 2008 and 2007 are as follows:

	2008	2007
Deferred tax assets (liabilities) - net		
Company		
Inventories	326	227
Prepaid expenses	(98)	(61)
Property, plant and equipment	(1,752)	(1,150)
Finance lease liabilities	(10)	(47)
Estimated liability for employees' benefits	2,021	1,882
Deferred tax assets Company - net	487	851
Subsidiaries - net		
Deferred tax assets	6,959	1,773
Deferred tax assets - net	7,446	2,624

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 with the weighted-average number of shares outstanding during the year after considering the retroactive effect on distribution of share dividend in 2007.

	2008	2007
Consolidated net income	398,401	150,192
Weighted average outstanding shares	3,000,000,000	2,644,931,507
Basic earnings per share (full amount)	133	57

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24. RELATED PARTY 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 2008 and 2007 are as follows:

	Total		Percentage to Consolidated Net Sales	
	2008	2007	2008	2007
PT Centralpertiwi Bahari	24,790	19,387	1.52	2.18
PT Java Mitra Sejahtera	17,611	15,755	1.08	1.77
PT Central Proteinaprima Tbk.	12,335	3,248	0.76	0.37
PT Charoen Pokphand Indonesia Tbk.	-	6,775	-	0.76
Others	2,232	3,042	0.14	0.34
Total	56,968	48,207	3.50	5.42

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	
	2008	2007	2008	2007
PT Java Mitra Sejahtera	18,919	13,826	1.14	1.55
PT Centralpertiwi Bahari	4,965	4,687	0.30	0.53
PT Central Proteinaprima Tbk.	4,483	-	0.27	-
Others	147	260	0.01	0.03
Total	28,514	18,773	1.72	2.11

(b) Purchases of goods from a related party in 2008 and 2007 is as follow:

	Total		Percentage to Consolidated Net Sales	
	2008	2007	2008	2007
Chia Tai Seeds Co. Ltd., Thailand	25,847	27,680	1.59	3.11

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

	Total		Percentage to Consolidated Liabilities	
	2008	2007	2008	2007
Chia Tai Seeds Co. Ltd., Thailand	13,442	1,089	1.96	0.36

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24. RELATED PARTY 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	
	2008	2007	2008	2007
<u>Royalty fee (Note 26b)</u>				
Charoen Pokphand International Group of Companies Ltd., British Virgin Island	-	7,140	-	0.80
<u>Interest expense</u>				
PT Reksa Finance	1,067	1,463	0.06	0.16
Others	669	102	0.04	0.01
Total	1,736	1,565	0.10	0.17

	Total		Percentage to Consolidated Assets/Liabilities	
	2008	2007	2008	2007
<u>Temporary Loan to</u>				
PT Central Pertiwi	-	23,621	-	2.65
<u>Temporary Loan from</u>				
PT Cipta Pertiwi	32,762	-	4.77	-

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	
	2008	2007	2008	2007
<u>Due from related parties</u>				
PT Central Pertiwi	-	23,621	-	2.65
Others	-	1,215	-	0.14
Total	-	24,836	-	2.79

Due from PT Central Pertiwi represents interest-bearing loan of Rp23.6 billion granted by the Company. This due from will be matured on March 31, 2008 and earns interest at 13% per year. Interest income receipt by the Company amounted to Rp707 in 2008.

	Total		Percentage to Consolidated Liabilities	
	2008	2007	2008	2007
<u>Due to related parties</u>				
Others	388	400	0.06	0.13
<u>Finance lease liabilities</u>				
PT Reksa Finance	7,126	9,158	1.04	3.07

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24. RELATED PARTY TRANSACTIONS (continued)

Nature of relationship with related parties

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

<u>Related Parties</u>	<u>Nature of Related Parties</u>	<u>Transaction</u>
a. Chia Tai Co. Ltd., Thailand	Subsidiary 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 Surya Hidup Satwa PT SHS International PT Vista Agung Kencana PT Central Pertiwi PT Cipta Pertiwi PT Reksa Finance	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, rent and loans.
		Finance lease liabilities.
c. Charoen Pokphand International Group of Companies Ltd., British Virgin Island Chia Tai Seeds Co. Ltd., Thailand	Managed by the Company's affiliates	Royalty fee. Purchase of vegetable seeds and pesticide.

25. MONETARY ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

As of December 31, 2008 and 2007, the Company and Subsidiaries have monetary assets and liabilities denominated in foreign currency, as follows:

<u>2008</u>	<u>Rupiah Equivalent</u>
Assets	
Cash on hand and in bank (US\$196,029)	2,146
Accounts receivable (US\$820,085)	8,980
Total	11,126
Liabilities	
Accounts payable (US\$1,617,493)	17,711
Other payables (US\$5,686,639)	62,269
Total	79,980
Monetary Liabilities - Net	68,854

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

2007	Rupiah Equivalent
Assets	
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
Liabilities	
Accounts payable (US\$4,451,085 and EUR74,150)	42,834
Other payables - third parties (US\$3,285,433)	30,860
Total	73,694
Monetary Liabilities - net	65,699

If the Company's and Subsidiaries' net monetary liabilities in foreign currencies as of December 31, 2008 are reflected into Rupiah using the Bank Indonesia's middle rates as of March 30, 2009, the net monetary liabilities will increase Rp3,647.

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. License Agreements

1. The Company has a license agreement with Monsanto Company, United States of America. Based on this agreement, the Company was granted the license to produce and sell certain hybrid corn seeds in Indonesia. As compensation, the Company agreed to pay royalty to Monsanto, which was calculated based on the quantity of hybrid corn seeds sold. Based on an agreement dated January 7, 2007, the royalty fee on existing hybrid corn seeds per metric ton for 2007 shall be amounting US\$206.52 while the royalty fee on new hybrid corn seeds delivered in 2007 shall be 13% from the net sales. The amount of royalty per metric ton will be proportionally adjusted if there will be Rupiah fluctuation against US Dollar as stated in the agreement. Based on the agreement dated March 27, 2009, the royalty fee on certain hybrid corn seeds shall be Rp1,950 (full amount) per kilo and Rp2,535 (full amount) per kilo or totaling to US\$6,400,000. The Company should pay the royalty payable amounting to US\$5,613,097 on or before April 25, 2009 while the remaining amount is payable on or before August 25, 2009. Royalty expense (including VAT) charged to operations amounted to Rp76.1 billion and Rp41.6 billion in 2008 and 2007, respectively.

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26. SIGNIFICANT AGREEMENTS (continued)

b. License Agreements (continued)

2. 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.

On April 1, 2008, the Company and MSI with CPIGCL agreed to terminate these agreements effective on January 1, 2008.

c. 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 2008 and 2007 amounted to Rp185 and Rp320, respectively. On January 2, 2009 and February 18, 2009, CPI agreed to extend the maturity date until December 31, 2009 with a rental of Rp200.

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, paddy, pesticide and others (fertilizer and farming production facility) as follow:

	2008						Consolidated
	Corns	Vegetables	Paddy	Pesticides	Others	Elimination	
Segment Sales							
External sales	1,007,762	151,271	97,727	349,011	22,050	-	1,627,821
Inter-segment sales	-	-	-	39,231	1,925	(41,156)	-
Total segment sales	1,007,762	151,271	97,727	388,242	23,975	(41,156)	1,627,821
Segment Result	582,456	54,195	61,988	160,107	11,555	(41,156)	829,145
Operating expenses	(158,644)	(23,170)	(8,520)	(58,010)	(6,523)	-	(254,867)
Operating income	423,812	31,025	53,468	102,097	5,032	(41,156)	574,278
Other Income (charges)							
Interest expense							(25,947)
Loss on sales of salvage seeds							(16,403)
Loss from foreign exchange							(2,439)
Tax penalties							(1,989)
Interest income							885
Others							4,942
Income before income tax							533,327
Income tax expense							(148,554)
Net Income before minority interests							384,773
Segment assets	371,717	126,037	22,932	214,085	41,845	(144,908)	631,708
Unallocated assets							1,031,269
Total Assets							1,662,977
Segment liabilities	62,269	13,442	-	58,029	-	(404)	133,336
Unallocated liabilities							553,713
Total Liabilities							687,049

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27. SEGMENT INFORMATION (continued)

Secondary Segment (continued)

	2007						Consolidated
	Corns	Vegetables	Paddy	Pesticides	Others	Elimination	
Sales							
Jawa	274,748	72,902	11,879	74,199	28,454	(19,715)	442,467
Sumatera	113,958	28,663	1,059	107,452	8,146	-	259,278
Sulawesi	77,239	9,960	1,600	56,374	1,037	-	146,210
Kalimantan	6,461	9,119	115	13,631	388	-	29,714
Overseas	-	11,919	-	-	-	-	11,919
Total	472,406	132,563	14,653	251,656	38,025	(19,715)	889,588

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

28. ECONOMIC CONDITIONS

The economic conditions in Indonesia are affected by global economic conditions as characterized by volatility in currency values and interest rates, as well as decline in share prices. Economic improvements and recovery of the economy depends on the fiscal, monetary and other measures that are being undertaken or will be taken by the Indonesian government, actions which are beyond the control of the Company and Subsidiaries.

29. REVISED STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS

The following summarizes the revised SFAS which have been issued by the Indonesian Institute of Accountants but not yet effective in year 2008:

1. SFAS 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. SFAS No. 50 (Revised 2006) supersedes SFAS No. 50, "Accounting for Certain Investments in Securities" and is applied prospectively for the periods beginning on or after January 1, 2009 (which was subsequently revised to become on or after January 1, 2010). Earlier application is permitted and should be disclosed.
2. SFAS 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. SFAS No. 55 (Revised 2006) supersedes SFAS 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 (which was subsequently revised to become on or after January 1, 2010). Earlier application is permitted and should be disclosed.

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29. REVISED STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS (continued)

The Company and Subsidiaries are presently evaluating and have not determined the effects of these revised SFAS No. 50 and No. 55 on their consolidated financial statements.

3. SFAS No. 14 (Revised 2008), "Inventories" prescribes the accounting treatment for inventories, and supersedes SFAS No. 14 (1994). This revised SFAS provides guidance on the determination of inventory cost and its subsequent recognition as an expense, including any write-down to net reliable value, as well as guidance on the cost formulas used to assign costs to inventories. This revised SFAS is effective for financial statements beginning on or after January 1, 2009. The Company and Subsidiaries have not estimated the effect of the application of this revised SFAS on their financial statements.

30. COMPLETION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The management of the Company and Subsidiaries are responsible for the preparation of these consolidated financial statements that were completed on March 30, 2009.