

**PT BISI INTERNATIONAL Tbk
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 6-MONTH PERIODS ENDED JUNE 30, 2009 AND 2008**

PT BISI INTERNATIONAL Tbk AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 6-MONTH PERIODS ENDED JUNE 30, 2009 AND 2008

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PT BISI INTERNATIONAL Tbk AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2009 AND 2008
(Expressed in Millions of Rupiah, Except for Par Value Per Share)

	<u>Notes</u>	<u>2 0 0 9</u> (Unaudited)	<u>2 0 0 8</u> (Unaudited)
ASSETS			
CURRENT ASSETS			
Cash on hand and in banks	4	14,728	14,912
Accounts receivable			
Trade	5, 22		
Third parties - net of allowance for doubtful accounts of Rp 12,736 in 2009 and Rp 217 in 2008		861,307	506,300
Related Parties		16,558	29,896
Others - third parties		4,997	14,816
Inventories - net of allowance for decline in value of inventories of Rp 3,070 in 2009 and Rp 755 in 2008	6	416,046	294,508
Advances		16,407	52,373
Prepaid Tax and Expenses		9,125	20,048
Total Current Assets		<u>1,339,168</u>	<u>932,853</u>
NON-CURRENT ASSETS			
Deferred tax assets - net		14,605	4,902
Property, plant and equipment - net of accumulated depreciation of Rp 70,856 in 2009 and Rp 54,226 in 2008	7	278,665	208,331
Claim for income tax		550	3,260
Other assets - net		10,429	8,393
Total Non-Current Assets		<u>304,249</u>	<u>224,886</u>
TOTAL ASSETS	25	<u><u>1,643,417</u></u>	<u><u>1,157,739</u></u>

The accompanying Notes form an integral part of these Consolidated Financial Statements

PT BISI INTERNATIONAL Tbk AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Continued)
JUNE 30, 2009 AND 2008
(Expressed in Millions of Rupiah, Except for Par Value Per Share)

Accrued expenses		9,222	7,738
Current portion of long-term debt			
Bank loans	12	1,000	3,000
Finance lease liabilities	13	1,149	1,125
Total Current Liabilities	25	<u>506,480</u>	<u>297,051</u>
NON-CURRENT LIABILITIES			
Due to related parties	22	15	28,151
Long-term debts - net of current portion :			
Bank loans	12	-	1,500
Finance lease liabilities	13	4,994	7,067
Estimated liability for employees' benefits	14	23,308	22,342
Total Non-Current Liabilities	25	<u>28,317</u>	<u>59,060</u>
Total Liabilities		<u>534,797</u>	<u>356,111</u>
MINORITY INTEREST IN NET ASSETS OF CONSOLIDATED SUBSIDIARIES		<u>43,877</u>	<u>51,760</u>
EQUITY			
Share capital - Rp 100 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		-	1
Difference in value of restructuring transactions of entities under common control		5,863	5,863
Other equity		(1,410)	-
Retained earnings :			
Appropriated	17	2,000	1,000
Unappropriated		671,895	356,609
Total Equity		<u>1,064,743</u>	<u>749,868</u>
TOTAL LIABILITIES AND EQUITY		<u>1,643,417</u>	<u>1,157,739</u>
		-	-

The accompanying Notes form an integral part of these Consolidated Financial Statements

PT BISI INTERNATIONAL Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE 6-MONTH PERIODS ENDED JUNE 30, 2009 AND 2008
(Expressed in Millions of Rupiah, Except for Earnings Per Share)

COST OF GOODS SOLD	19	<u>246,296</u>	<u>365,811</u>
GROSS PROFIT		<u>264,160</u>	<u>383,725</u>
OPERATING EXPENSES	20		
Selling		47,407	42,198
General and administrative		<u>25,738</u>	<u>42,411</u>
Total Operating Expenses		<u>73,145</u>	<u>84,609</u>
INCOME FROM OPERATIONS	25	<u>191,015</u>	<u>299,116</u>
OTHER INCOME (CHARGES)			
Interest expense	21	(24,425)	(7,735)
Gain (loss) on foreign exchange - net		2,001	(163)
Interest income	21	76	775
Others - net		<u>4,195</u>	<u>988</u>
Other charges - net		<u>(18,153)</u>	<u>(6,135)</u>
INCOME BEFORE INCOME TAX		<u>172,862</u>	<u>292,981</u>
INCOME TAX EXPENSE (BENEFIT)			
Current		(38,780)	(87,392)
Deferred		<u>(1,390)</u>	<u>514</u>
Income Tax Expense - net		<u>(40,170)</u>	<u>(86,878)</u>
INCOME BEFORE MINORITY INTEREST IN NET INCOME OF CONSOLIDATED SUBSIDIARIES		<u>132,692</u>	<u>206,103</u>
MINORITY INTEREST IN NET INCOME OF CONSOLIDATED SUBSIDIARIES		<u>(8,962)</u>	<u>(257)</u>
NET INCOME		<u>123,730</u>	<u>205,846</u>
BASIC EARNINGS PER SHARE		<u>41</u>	<u>69</u>

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PT BISI INTERNATIONAL Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE 6-MONTH PERIODS ENDED JUNE 30, 2009 AND 2008
 (Expressed in Millions of Rupiah)

(UNAUDITED)

	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, 2009	300.000	86.395	-	5.863	(1.410)	1.000	549.165	941.013
Appropriation for general reserve	-	-	-	-	-	1.000	(1.000)	-
Net income for the period	-	-	-	-	-	-	123.730	123.730
Balance, June 30, 2009	300.000	86.395	-	5.863	(1.410)	2.000	671.895	1.064.743
Balance, January 1, 2008	300.000	86.395	1	5.863	-	-	151.763	544.022
Appropriation for general reserve	-	-	-	-	-	1.000	(1.000)	-
Net income for the period	-	-	-	-	-	-	205.846	205.846
Balance, June 30, 2008	300.000	86.395	1	5.863	-	1.000	356.609	749.868

The accompanying Notes form an integral part of these Consolidated Financial Statements

PT BISI INTERNATIONAL Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE 6-MONTH PERIODS ENDED JUNE 30, 2009 AND 2008
(Expressed in Millions of Rupiah)

	<u>Notes</u>	<u>2 0 0 9</u> <u>(Unaudited)</u>	<u>2 0 0 8</u> <u>(Unaudited)</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		510,231	493,829
Cash payments to suppliers and employees		<u>(433,738)</u>	<u>(410,083)</u>
Cash provided by operating activities		76,493	83,746
Receipts from (payments for) :			
Interest income		67	48
Income taxes		(67,385)	(68,991)
Interest expense		<u>(12,282)</u>	<u>(4,810)</u>
Net Cash Provided by (Used In) Operating Activities		<u>(3,107)</u>	<u>9,993</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property, plant and equipment	7	(14,427)	(47,368)
Proceeds from sale of property, plant and equipment		<u>29</u>	<u>157</u>
Net Cash Used in Investing Activities		<u>(14,398)</u>	<u>(47,211)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from (payments for) :			
Finance lease liabilities		(901)	(356)
Bank loans - net		<u>16,927</u>	<u>43,934</u>
Net Cash Provided by Financing Activities		<u>16,026</u>	<u>43,578</u>
NET INCREASE (DECREASE) IN CASH ON HAND AND IN BANKS		<u>(1,479)</u>	<u>6,360</u>
CASH ON HAND AND IN BANKS AT BEGINNING OF YEAR		<u>16,207</u>	<u>8,552</u>
CASH ON HAND AND IN BANKS AT END OF PERIOD		<u>14,728</u>	<u>14,912</u>
ACTIVITIES NOT AFFECTING CASH FLOWS :			
Acquisition of lease assets through the incurrence of finance lease liabilities	7	-	-

The accompanying Notes form an integral part of these Consolidated Financial Statements

PT BISI INTERNATIONAL Tbk AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the 6-Month Periods ended June 30, 2009 and 2008
(Expressed in Million of Rupiah, Except 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 Henny 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 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 amendment of the Articles of Association was 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.

The Company belongs to the Charoen Pokphand group of companies.

b. The Company's Public Offering

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 CONSOLIDATED FINANCIAL STATEMENTS

For the 6-Month Periods ended June 30, 2009 and 2008
 (Expressed in Million of Rupiah, Except Otherwise Stated)

c. Employees, Directors and Commissioners

As of June 30, 2009, the member of the Company's boards of commissioners and directors as appointed in the Annual Shareholders' General Meeting held on June 2, 2009, the minutes of which were notarized under Deed No. 4 on the same date of SP. Henny Singgih, S.H., are as follows :

Commissioners		Directors	
Jialipto Jiaravanon	- President Commissioner	Jemmy Eka Putra	- President Director
Tjiu Thomas Effendy	- Commissioner	Sunardi Mukadas Sastrodimojo	- Director
Burhan Hidayat	- Commissioner	Setiadi Setiokusumo	- Director
		Menas Tjionger's	- Director
		Putu Darsana	- Director

As of June 30, 2008, 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., 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 Sastrodimojo	- Director
		Setiadi Setiokusumo	- Director
		Putu Darsana	- Director

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 as the new President Director of the Company.

As of June 30, 2009, the members of the audit committee as appointed in the board of commissioners' meeting held on June 2, 2009 are as follows:

Chairman	- Burhan Hidayat
Member	- Haryjanto Sutrisno
Member	- Budi Loemaksono

As of June 30, 2008, 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, appoint Mr. Burhan Hidayat as the independent commissioner and Mr. Putu Darsana as the independent director of the Company.

Salaries and other compensation benefits incurred for the Company and Subsidiaries' commissioners and directors amounted to Rp 2.3 billion and Rp 2.2 billion for the periods ended June 30, 2009 and 2008, respectively.

PT BISI INTERNATIONAL Tbk AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the 6-Month Periods ended June 30, 2009 and 2008
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The Company and Subsidiaries had 531 and 560 permanent employees as of June 30, 2009 and 2008, respectively.

d. Structure of the Company and Subsidiaries

The Consolidated Financial Statements include the accounts of the Company and Subsidiaries, in which the Company has more than 50 % ownership, as follows :

Subsidiaries	Principal Activity	Domicile	Start of Operations	Percentage of Ownership	Total Assets (in Million Rupiah)	
					2 0 0 9	2 0 0 8
PT Tanindo Subur Prima (TSP)	Fertilizer, pesticide and seeds trading	Sidoarjo	1987	54.20%	229,122	747,662
PT Multi Sarana Indotani (MSI)	Pesticide Manufacturing	Mojokerto	2005	99.91%	120,179	86,884
PT Tanindo Intertraco (TINCO)	Fertilizer, pesticide and seeds trading	Sidoarjo	2008	99.96%	1,014,541	1,000

The Company established TINCO (Note 3) in April 2008 with 99.96% equity ownership and fully paid of capital amounting to Rp 25 billion.

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 Rp 1,000 (full amount) per share or totaling Rp 9.9. 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 Rp 10.

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 the Capital Market Supervisory Agency (BAPEPAM-LK) regulations.

The Consolidated Financial Statements are prepared on the historical cost basis; 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.

These Consolidated Financial Statements are prepared using the 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 the Indonesian Rupiah.

PT BISI INTERNATIONAL Tbk AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the 6-Month Periods ended June 30, 2009 and 2008
(Expressed in Million of Rupiah, Except Otherwise Stated)

b. Principles 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.

Difference in equity transactions of subsidiary which resulted from restructuring of entities under common control is recorded as other equity account under the equity section in the balance sheet.

The proportionate share of the minority shareholders in the equity of the Subsidiaries is presented in the "Minority Interest in Net Assets of Consolidated Subsidiaries" in the Consolidated Balance Sheets.

c. Allowance for Doubtful Accounts

The Company and Subsidiaries provide allowance for doubtful accounts based on a review of the status of the individual receivable account at the end of the period.

d. Transactions with Related Parties

The Company and Subsidiaries have transactions with certain parties, classified as related parties as defined in 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 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, 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 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 Transactions of Entities under Common Control" in equity section.

PT BISI INTERNATIONAL Tbk AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the 6-Month Periods ended June 30, 2009 and 2008
(Expressed in Million of Rupiah, Except Otherwise Stated)

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 complete 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 each period.

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 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 the 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 sheet, 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.

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.

PT BISI INTERNATIONAL Tbk AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the 6-Month Periods ended June 30, 2009 and 2008
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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".

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. 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 statement of income on a straight-line basis over the lease term.

PT BISI INTERNATIONAL Tbk AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(Expressed in Million of Rupiah, Except Otherwise Stated)

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.

j. Impairment of Asset 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 Employee 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.

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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

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 June 30, 2009 and 2008, the exchange rates used are as follows :

	Full Amount	
	2009	2008
US\$ 1	10,225	9,225

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.

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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. 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.

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 (MSI), 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.

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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 :

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

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.

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 Rp 2,293 and Rp308, respectively. The effect of the change in equity of Subsidiaries arising from restructuring transactions under common control in the Company amounting to Rp 1,410 is directly debited to "Other Equity" account as part of equity.

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4. CASH ON HAND AND IN BANKS

This account consists of :

	<u>2009</u>	<u>2008</u>
Cash on hand	401	1,173
Cash in banks - third parties		
R u p i a h		
- PT Bank Central Asia Tbk.	9,563	9,946
- PT Bank Danamon Indonesia Tbk.	882	506
- Citibank N.A., Jakarta	531	1,774
- PT Bank Rakyat Indonesia (Persero) Tbk.	80	13
- PT Bank Negara Indonesia (Persero) Tbk.	59	442
- PT Bank CIMB Niaga Tbk. (formerly PT Bank Lippo Tbk.)	54	637
- PT Bank Permata Tbk.	2	22
US Dollar		
- Citibank N.A., Jakarta (US\$ 306,076 in 2009 and US\$ 40,625 in 2008)	3,130	375
- PT Bank Central Asia Tbk. (US\$ 2,549 in 2009 and US\$ 2,593 in 2008)	26	24
Total	<u>14,728</u>	<u>14,912</u>

5. ACCOUNTS RECEIVABLE - TRADE

This account consists of :

	<u>2009</u>	<u>2008</u>
Third parties :		
PT Petani (Persero)	79,174	3,294
PT Sang Hyang Seri (Persero)	52,636	39,265
Toko Tani, Makassar	48,930	-
Lestari Tani, Lampung	23,833	4,617
PT Tololo Mulia, Makassar	20,438	-
Santoso, Purwodadi	18,935	30,224
Taruna Jaya, Semarang	17,289	-
CV Bella Tani, Makassar	13,487	-
Duta Tani I, Lampung	13,095	-
Manna Utara, Makassar	12,579	8,679
Toko Dua Dua, Purwodadi	11,609	13,985
Tani Makmur, Wonogiri	11,389	6,375
Sumber Tani, Semarang	10,265	-
Others (below Rp 10 billion)	540,384	400,078
Total	874,043	506,517
Allowance for doubtful accounts	(12,736)	(217)
Third parties - net	<u>861,307</u>	<u>506,300</u>
Related parties (Note 22)	<u>16,558</u>	<u>29,896</u>

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The aging analysis of accounts receivable - trade based on invoice dates are as follows :

	<u>2009</u>	<u>2008</u>
Receivable - third parties :		
Less than 31 days	183,538	182,564
31 - 60 days	68,091	138,951
61 - 90 days	88,960	129,924
91 - 180 days	111,834	49,568
More than 180 days	421,620	5,510
Total	874,043	506,517
Allowance for doubtful accounts	(12,736)	(217)
Net	861,307	506,300
Related parties :		
Less than 31 days	2,766	6,557
31 - 60 days	2,777	5,234
61 - 90 days	1,579	1,638
91 - 180 days	995	1,705
More than 180 days	8,441	14,762
Total	16,558	29,896

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\$ 609,688 (equivalent to Rp 6.2 billion) as of June 30, 2009 and US\$ 525.314 (equivalent to Rp 4.8 billion) as of June 30, 2008.

As of June 30, 2009, certain receivables totaling Rp124 billion are used as collateral for bank loans obtained from PT Bank Rakyat Indonesia (Persero) Tbk.

6. INVENTORIES

This account consists of :

	<u>2009</u>	<u>2008</u>
<u>Finished goods</u>		
Corn seeds	19,683	2,680
Vegetables seeds	32,449	39,926
Paddy seeds	7,765	1,258
Pesticides	62,008	111,892
Fertilizer	12,846	9,495
Others	77	359
Total finished goods	134,828	165,610

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	<u>2 0 0 9</u>	<u>2 0 0 8</u>
<u>Work-in process</u>		
Corn seeds	160,604	6,621
Vegetables seeds	51,433	50,721
Paddy seeds	22,760	4,240
Pesticides	516	1,955
Fertilizer	43	44
Total work-in process	<u>235,356</u>	<u>63,581</u>
Raw materials	9,687	25,428
Inventories in-transit	10,369	6,446
Packaging	14,733	12,909
Others	14,143	21,289
Total	419,116	295,263
Allowance for decline in value of inventory	<u>(3,070)</u>	<u>(755)</u>
Net	<u>416,046</u>	<u>294,508</u>

As of June 30 2009, 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 Rp309 billion. The management believes that the insurance coverage is adequate to cover possible losses arising from such risks.

As of June 30, 2009, inventories of Rp178 billion, are used as collateral for bank loans obtained from PT Bank Rakyat Indonesia (Persero) Tbk.

7. PROPERTY, PLANT AND EQUIPMENT

This account consists of :

	<u>2 0 0 9</u>			
	<u>Beginning</u>	<u>Additions/</u>	<u>Deductions/</u>	<u>Ending</u>
	<u>Balance</u>	<u>Reclassifications</u>	<u>Reclassifications</u>	<u>Balance</u>
<u>Cost</u>				
Direct Ownership				
Land	57,673	753	42	58,384
Land and Building Improvements	11,949	4,725	-	16,674
Buildings	64,709	24,121	-	88,830
Machinery and Equipment	83,937	12,203	6	96,134
Transportation Equipment	18,838	655	192	19,301
Furniture, Fixtures and Office Equipment	16,067	601	12	16,656
Electrical Installations	7,669	6,193	3	13,859
Total	<u>260,842</u>	<u>49,251</u>	<u>255</u>	<u>309,838</u>
Leased Assets				
Transportation Equipment	11,258	-	390	10,868

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	2 0 0 9			
	Beginning Balance	Additions/ Reclassifications	Deductions/ Reclassifications	Ending Balance
Construction in Progress				
Land	-	-	-	-
Building Improvements	37,947	7,017	30,203	14,761
Machinery and Equipment	22,594	6,960	15,523	14,031
Office Equipment	23	-		23
Total	60,564	13,977	45,726	28,815
Total Cost	332,664	63,228	46,371	349,521
<u>Accumulated Depreciation</u>				
Direct Ownership				
Land and Building Improvements	7,752	889	-	8,641
Buildings	10,392	1,592	-	11,984
Machinery and Equipment	16,507	4,137	-	20,644
Transportation Equipment	11,814	627	173	12,268
Furniture, Fixtures and Office Equipment	9,485	777	3	10,259
Electrical Installations	807	290	-	1,097
Total	56,757	8,312	176	64,893
Leased Assets				
Transportation Equipment	4,882	1,081	-	5,963
Total Accumulated Depreciation	61,639	9,393	176	70,856
Net Book Value	271,025			278,665

	2 0 0 8			
	Beginning Balance	Additions/ Reclassifications	Deductions/ Reclassifications	Ending Balance
<u>Cost</u>				
Direct Ownership				
Land	35,011	5,687	-	40,698
Land and Building Improvements	10,317	103	-	10,420
Buildings	43,421	3,462	-	46,883
Machinery and Equipment	40,197	2,066	38	42,225
Transportation Equipment	11,258	1,850	188	12,920
Furniture, Fixtures and Office Equipment	13,622	1,507	9	15,120
Electrical Installations	3,473	246	-	3,719
Total	157,299	14,921	235	171,985
Leased Assets				
Transportation Equipment	14,070	-	110	13,960

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	<u>Beginning Balance</u>	<u>Additions/ Reclassifications</u>	<u>Deductions/ Reclassifications</u>	<u>Ending Balance</u>
Construction in Progress				
Land	11,194	-	6,000	5,194
Building Improvements	14,455	33,164	3,025	44,594
Machinery and Equipment	9,960	18,664	1,813	26,811
Office Equipment	218	75	280	13
Total	<u>35,827</u>	<u>51,903</u>	<u>11,118</u>	<u>76,612</u>
Total Cost	<u>207,196</u>	<u>66,824</u>	<u>11,463</u>	<u>262,557</u>
<u>Accumulated Depreciation</u>				
Direct Ownership				
Land and Building Improvements	5,946	667	-	6,613
Buildings	8,613	1,118	-	9,731
Machinery and Equipment	11,469	2,173	34	13,608
Transportation Equipment	8,844	377	169	9,052
Furniture, Fixtures and Office Equipment	7,853	792	9	8,636
Electrical Installations	470	125	-	595
Total	<u>43,195</u>	<u>5,252</u>	<u>212</u>	<u>48,235</u>
Leased Assets				
Transportation Equipment	4,722	1,269	-	5,991
Total Accumulated Depreciation	<u>47,917</u>	<u>6,521</u>	<u>212</u>	<u>54,226</u>
Net Book Value	<u>159,279</u>			<u>208,331</u>

(a) Depreciation was charged as follows :

	<u>2009</u>	<u>2008</u>
Cost of goods sold	7,099	4,181
Selling expenses	1,986	2,020
General and administrative expenses	308	320
Total	<u>9,393</u>	<u>6,521</u>

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

	<u>2009</u>	<u>2008</u>
Proceeds from sale	29	157
Net book value	2	25
Gain on sale	<u>27</u>	<u>132</u>

Gain on sale of property and equipment is presented in "Other Income (Charges) – Others – Net" account.

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- (c) In 2009, 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 June 30, 2009 is 84%.
- (d) Total borrowing costs capitalized to the land, building and machinery and equipment 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 Rp 2.1 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 Rp 1 as presented in equity section of the 2007 balance sheet to retained earnings in 2008.
- (g) As of June 30, 2009, 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) 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 June 30, 2009, property, plant and equipment with net book value of Rp 36.6 billion is used as collateral for bank loans obtained from PT Bank Rakyat Indonesia (Persero) Tbk.
- (i) Leased assets are pledged as collateral to finance lease liabilities.

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 amounted to Rp 250 billion in 2008 and Rp 75 billion in 2007. The maximum credit limit obtained by TSP is amounted to Rp 60 billion each in 2008 and 2007. The maximum credit limit obtained by MSI is amounted to Rp 40 billion in 2008 and Rp 15 billion in 2007. These facilities have maturity periods of 1 year. The credit facilities of the Company and TSP matured on December 17, 2008 while the credit facility of MSI matured on December 20, 2008.

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Based on Letter from BRI No. R.II-ADK/DKR/02/2009 dated February 17, 2009 and No. R.II-53-ADK/DKR/02/2009 dated February 26, 2009, the Company and MSI obtained loan facility extensions until December 17, 2009 and December 20, 2009, respectively. The loans bear annual interest ranging 15.0% in 2009 and from 11.0% to 14.0% in 2008. As of June 30, 2009, these loans and investment loan obtained from the same bank are secured by trade receivables of Rp 124 billion, inventories of Rp 178 billion and certain property, plant and equipment of Rp 158.4 billion owned by the Company and Subsidiaries.

As of June 30, 2009 and 2008, the outstanding balances of working capital loans are as follows:

	<u>2 0 0 9</u>	<u>2 0 0 8</u>
Company	243,464	70,289
Subsidiaries		
PT Tanindo Subur Prima	55,874	48,895
PT Multi Sarana Indotani	39,225	13,776
Total	<u>338,563</u>	<u>132,960</u>

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's 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 changing the term of the existing collaterals. As of June 30, 2009, TSP has not yet obtained the approval on this request and the loan facility of TSP is still in process of renewal.

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9. ACCOUNTS PAYABLE – TRADE

The details of accounts payable – trade are as follows :

	<u>2009</u>	<u>2008</u>
Third parties :		
Farmers	48,815	10,519
Agronature Co. Ltd., China	22,961	9,593
Hubei Sanonda Co. Ltd., China	10,463	4,649
Biesterfeld International, Germany	-	4,433
Others	2,012	1,141
Total	<u>84,251</u>	<u>30,335</u>
Related Parties (Note 22)	<u>21,526</u>	<u>19,025</u>

The above payables include payables in foreign currencies amounting to US\$ 5,548,100 (equivalent to Rp 56.7 billion) as of June 30, 2009 and US\$ 2,024,404 (equivalent to Rp 18.7 billion) as of June 30, 2008.

10. ACCOUNTS PAYABLE – OTHERS – THIRD PARTIES

The details of accounts payable – others – third parties are as follows :

	<u>2009</u>	<u>2008</u>
Monsanto Company, United States	20,258	28,632
Founding Cash	1,302	796
Others	6,963	3,494
Total	<u>28,523</u>	<u>32,922</u>

This account represents accrued royalty to Monsanto Company, with outstanding balance of Rp 20.3 billion (equivalent to US\$ 1,981,186) and Rp 28.6 billion (equivalent to US\$ 3,103,746) as of June 30, 2009 and 2008, respectively.

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11. TAXES PAYABLE

Taxes payable consist of :

	<u>2009</u>	<u>2008</u>
Corporate Income Tax	12,820	64,211
Withholding Income Taxes :		
Income Tax Article 4 (2)	36	9
Income Tax Article 21	285	356
Income Tax Article 23	6	19
Income Tax Article 26	850	4
Value Added Tax	8,249	5,347
Total	<u>22,246</u>	<u>69,946</u>

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 Article 25 for 2008 and Value Added Tax for 2008 and 2006 totaling to Rp 1,989. 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.

In 2008, MSI also received SKPKB on Value Added Tax for 2006 and 2005 amounting to Rp 242 and Rp 3.9 billion, respectively. In 2008, MSI paid part of these 2006 and 2005 SKPKB amounting to Rp 148 and Rp 169, 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 June 30, 2009, the objections are still in process in the Tax Court.

12. LONG-TERM BANK LOAN

This account consists of :

	<u>2009</u>	<u>2008</u>
Investment loan	1,000	4,500
Less current portion	1,000	3,000
Long-term portion	<u>-</u>	<u>1,500</u>

On December 20, 2005, MSI obtained an investment loan from BRI with maximum credit limit of Rp 10 billion that can be drawdown at Rp 6.5 billion under phase I and at Rp 3.5 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 Rp 1 billion for the 1st to 4th installments and Rp 1.5 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.

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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 Rp 6.5 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 Rp 1 billion each for the 1st to 5th installments and Rp 1.5 billion for the 6th installment. On December 19, 2008, June 16, 2009 and June 30, 2009, MSI paid amounting to Rp 1 billion, Rp 1.5 billion and Rp 1 billion, respectively.

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. Based on the lease agreements, the Company and Subsidiaries are prohibited to sell, rent and guarantee these transportation and office equipment.

As of June 30, 2009 and 2008, the future minimum lease payments under these finance lease agreements are as follow:

	<u>2009</u>	<u>2008</u>
Within one year	2,127	1,853
After one year but not more than five years	5,134	7,797
Total minimum lease payments	7,261	9,650
Less interest portion	(1,118)	(1,458)
Present value of minimum lease payments	6,143	8,192
Current portion	(1,149)	(1,125)
Long-term liabilities	<u>4,994</u>	<u>7,067</u>

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 June 30, 2009 and 2008, 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.

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The Company and Subsidiaries recorded the estimated liability for severance pay, gratuity and compensation to employees amounting to Rp 23.3 billion and Rp 22.3 billion as of June 30, 2009 and 2008, respectively. The expenses amounted to Rp 1.1 billion and Rp 1.9 billion for the 6-month periods ended June 30, 2009 and 2008, respectively and are presented as part of "Operating Expenses – Salary, Wages and Employee Benefits" in the Consolidated Statement of Income.

15. SHARE CAPITAL

The details of share ownership as of June 30, 2009 and 2008 with par value of Rp 100 (full amount) per share are as follows :

Shareholders	2 0 0 9		
	Number of Shares Issued and Fully Paid	Percentage of Ownership	Amount
PT Agrindo Pratama	930,000,000	31.00	93,000
Midsummer Limited , Seychelles	692,344,000	23.08	69,234
Public (less than 5% ownership each)	1,377,656,000	45.92	137,766
Total	3,000,000,000	100.00	300,000

Shareholders	2 0 0 8		
	Number of Shares Issued and Fully Paid	Percentage of Ownership	Amount
PT Cipta Pertiwi	1,020,000,000	34.00	102,000
Midsummer Limited , Seychelles	698,219,500	23.27	69,822
Public (less than 5% ownership each)	1,281,780,500	42.73	128,178
Total	3,000,000,000	100.00	300,000

16. ADDITIONAL PAID - IN CAPITAL

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

	2 0 0 9	2 0 0 8
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

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17. RETAINED EARNINGS

In the Shareholders' General Meeting held on June 2, 2009, the minutes of which were notarized under Deed No. 4 on the same date of SP Henny Singgih, S.H., notary in Jakarta, the shareholders approved, among others, the appropriation for general reserve of Rp 1 billion from the 2008 net income.

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 Rp 1 billion from the 2007 net income.

18. NET SALES

The details of net sales based on business segment are as follows :

	<u>2009</u>	<u>2008</u>
Commercial seeds	358,477	530,930
Foundation seeds	4,815	5,528
Pesticides	137,128	198,521
Fertilizers	8,134	11,848
Others	1,902	2,709
Total	<u>510,456</u>	<u>749,536</u>

There were no sales to customers that exceeded 10% of consolidated net sales.

Sales to related parties totaling to Rp 21.0 billion and Rp 37.5 billion or represent 4.12% and 5.00% from the period June 30, 2009 and 2008 consolidated net sales, respectively.

19. COST OF GOODS SOLD

The details of cost of goods sold are as follows :

	<u>2009</u>	<u>2008</u>
Raw materials used	129,079	166,148
Direct labor	2,485	2,173
Factory overhead	73,782	73,090
Total manufacturing cost	<u>205,346</u>	<u>241,411</u>

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	<u>2009</u>	<u>2008</u>
Work-in-process		
Beginning balance	234,695	156,566
Ending balance	<u>(235,355)</u>	<u>(63,581)</u>
Cost of goods manufactured	204,686	334,396
Finished goods		
Beginning balance	187,005	130,682
Purchases	23,701	71,052
Ending balance	<u>(167,930)</u>	<u>(166,430)</u>
Cost of salvage seeds sold	<u>(1,166)</u>	<u>(3,889)</u>
Cost of goods sold	<u>246,296</u>	<u>365,811</u>

There were no purchase transactions from any single supplier with cumulative amounts exceeding 10% of the consolidated net sales.

20. OPERATING EXPENSES

The details of operating expenses are as follows :

	<u>2009</u>	<u>2008</u>
Selling Expenses		
Selling promotion	13,349	12,040
Salaries, wages and employees' benefit	12,342	10,665
Freigh-out	8,833	6,084
Transportation and travelling on duty	3,738	4,319
Depreciation	1,986	2,020
Telecommunication	1,138	1,028
Others (below Rp 1 billion each)	<u>6,021</u>	<u>6,042</u>
Total selling expenses	<u>47,407</u>	<u>42,198</u>
General and Administrative Expenses		
Royalty	12,601	28,128
Salaries, wages and employees' benefit	6,690	8,704
Bank charges	1,605	104
Transportation and travelling on duty	1,087	2,164
Honorarium	1,016	560
Others (below Rp 1 billion each)	<u>2,739</u>	<u>2,751</u>
Total general and administrative expenses	<u>25,738</u>	<u>42,411</u>
Total Operating Expenses	<u>73,145</u>	<u>84,609</u>

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21. INTEREST EXPENSES - NET

The details of this account are as follows :

	<u>2009</u>	<u>2008</u>
Interest expense		
Bank loans	23,937	7,168
Finance lease liabilities	488	567
Related parties	-	-
T o t a l	24,425	7,735
Interest income	(76)	(775)
Interest expenses - net	24,349	6,960

22. RELATED PARTY TRANSACTIONS

In the regular conduct of business, the Company and Subsidiaries 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 are as follows:

	Total		Percentage to Total Consolidated Net Sales	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
PT Centralpertiwi Bahari	14,201	13,983	2.78	1.87
PT Central Proteinaprima Tbk	9,853	8,565	1.93	1.14
PT Java Mitra Sejahtera	(2,962)	13,078	(0.58)	1.74
Chia Tai Seeds Co. Ltd., Thailand	-	638	-	0.09
Others	(60)	1,219	(0.01)	0.16
Total	21,032	37,483	4.12	5.00

The balances from these transactions are presented as "Receivable–Trade – Related Parties" account (Note 5) as follows :

	Total		Percentage to Total Consolidated Assets	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
PT Java Mitra Sejahtera	10,018	19,311	0.61	1.67
PT Central Proteinaprima Tbk	3,593	5,337	0.22	0.46
PT Centralpertiwi Bahari	2,909	4,880	0.18	0.42
Others	38	368	0.00	0.03
Total	16,558	29,896	1.01	2.58

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(b) The purchases from related party are as follows :

	Total		Percentage to Total Consolidated Net Sales	
	2009	2008	2009	2008
Chia Tai Seeds Co. Ltd., Thailand	10,103	20,401	1.98	2.72
Total	10,103	20,401	1.98	2.72

The balances from these transactions are presented as "Payable - Trade – Related Parties" account (Note 9) as follows :

	Total		Percentage to Total Consolidated Liabilities	
	2009	2008	2009	2008
Chia Tai Seeds Co. Ltd., Thailand	21,526	19,025	4.03	5.34
Total	21,526	19,025	4.03	5.34

(c) The details of accounts with related parties arising from transactions other than the Company and Subsidiaries' main lines of business are as follows :

	Total		Percentage to Total Consolidated Net Sales	
	2009	2008	2009	2008
<u>Sales of salvage seeds</u>				
PT Central Proteinaprima Tbk	246	-	0.05	-
PT Charoen Pokphand Indonesia Tbk	93	192	0.02	0.03
Total	339	192	0.07	0.03
<u>Interest expense</u>				
PT Reksa Finance	488	567	0.10	0.08
Total	488	567	0.10	0.08

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23. MONETARY ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

As of June 30, 2009, the Company and Subsidiaries have monetary assets and liabilities denominated in foreign currency, as follows:

	<u>Rupiah Equivalents</u>
Assets	
Cash on hand and in banks (US\$ 308,625)	3,156
Accounts receivable (US\$ 609,688)	<u>6,234</u>
Total	<u>9,390</u>
Liabilities	
Accounts payable (US\$ 5,548,100)	56,729
Accounts payable (US\$ 1,981,186)	<u>20,258</u>
Total	<u>76,987</u>
Monetary Liabilities - Net	<u>67,597</u>

24. 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.

b. License Agreements

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. As compensation, the Company agreed to pay royalty to Monsanto, which was calculated based on the quantity of hybrid corn seeds sold. Based on the agreement dated March 27, 2009, the royalty expense charged to operations amounted to Rp 12.6 billion and Rp 28.1 billion for the period ended June 30, 2009 and 2008, respectively.

c. Rental Agreements

The Company and TSP rent their office building and warehouse at Sidoarjo from PT Charoen Pokphand Indonesia Tbk. (CPI), a related party. Based on rental agreement which yearly renewable, the rental expense in 2008 and 2007 amounted to Rp 185 and Rp 320, respectively. On January 2, 2009 and February 18, 2009, CPI agreed to extend the maturity date until December 31, 2009 with a rental cost of Rp 200. Rental expense charged to operations amounted to Rp 100 million and Rp 92.5 million for the period ended June 30, 2009 and 2008, respectively.

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25. 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 :

	2 0 0 9						
	Corn	Vegetables	Paddy	Pesticide	Others	Elimination	Consolidation
Segment Sales							
External Sales	194,172	112,050	57,070	137,128	10,036	-	510,456
Inter-segment Sales	-	1,380	-	9,096	938	(11,414)	-
Total Sales	194,172	113,430	57,070	146,224	10,974	(11,414)	510,456
Segment Result	115,094	64,918	28,305	64,876	2,381	(11,414)	264,160
Operating Expenses	(33,463)	(12,510)	(9,835)	(16,127)	(1,210)	-	(73,145)
Operating Income	81,631	52,408	18,470	48,749	1,171	(11,414)	191,015
Other Income (Charges)							
Interest Expense							(24,425)
Gain on Foreign Exchange							2,001
Interest Income							76
O t h e r s							4,195
Income before Tax							172,862
Income Tax Expense							(40,170)
Net Income Before Minority Interests							132,692
Segment assets	307,038	118,473	86,945	179,560	12,335	-	704,351
Unallocated Assets							939,066
Total Assets							1,643,417
Segment Liabilities	-	-	-	67,985	-	-	67,985
Unallocated Liabilities							466,812
Total Liabilities							534,797
Allocated Capital Expenditures	5,335	3,862	4,227	600	-	-	14,024
Unallocated Capital Expenditures							403
Total							14,427
Depreciation and Amortization	3,573	2,062	1,050	2,523	185		9,393
Non-cash Expenses Other than Depreciation and Amortization	688	1,152	126	2,135	93		4,194

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	2 0 0 8						Consolidation
	Corn	Vegetables	Paddy	Pesticide	Others	Elimination	
Segment Sales							
External Sales	426,353	86,356	23,749	198,521	14,557	-	749,536
Inter-segment Sales	-	-	-	23,097	2,116	(25,213)	-
Total Segment Sales	426,353	86,356	23,749	221,618	16,673	(25,213)	749,536
Segment Result	236,031	45,176	10,671	110,246	6,814	(25,213)	383,725
Operating Expenses	(56,662)	(8,871)	(1,178)	(16,707)	(1,191)	-	(84,609)
Operating Income	179,369	36,305	9,493	93,539	5,623	(25,213)	299,116
Other Income (Charges)							
Interest Expense							(7,735)
Loss on Foreign Exchange							(163)
Interest Income							775
Others							988
Income before Tax							292,981
Income Tax Expense							(86,878)
Net Income Before Minority Interests							206,103
Segment assets	65,739	93,436	5,498	180,213	9,854	-	354,740
Unallocated Assets							802,999
Total Assets							1,157,739
Segment Liabilities	-	-	-	49,411	-	-	49,411
Unallocated Liabilities							306,700
Total Liabilities							356,111
Allocated Capital Expenditures	41,473	2,050	-	1,591	-	-	45,114
Unallocated Capital Expenditures							2,254
Total							47,368
Depreciation and Amortization	4,245	770	155	1,307	44	-	6,521
Non-cash Expenses Other than Depreciation and Amortization	1,645	435	17	541	28	-	2,666

Secondary Segment

The Company and Subsidiaries classified the geographical (secondary) segment based on assets location or operation, which are in Java, Sumatera, Sulawesi and Kalimantan and overseas.

	2 0 0 9						Consolidation
	Corn	Vegetables	Paddy	Pesticide	Others	Elimination	
External Sales							
Java	68,649	65,425	37,801	49,282	8,051	(11,414)	217,794
Sumatera	73,090	21,383	13,272	61,238	1,926	-	170,909
Sulawesi	50,299	8,878	4,242	31,213	488	-	95,120
Kalimantan	2,134	7,141	1,755	4,491	509	-	16,030
Overseas	-	10,603	-	-	-	-	10,603
Total	194,172	113,430	57,070	146,224	10,974	(11,414)	510,456
	2 0 0 8						
	Corn	Vegetables	Paddy	Pesticide	Others	Elimination	Consolidation
External Sales							
Java	269,030	49,521	14,252	73,858	12,754	(25,213)	394,202
Sumatera	68,308	19,762	1,552	96,347	3,249	-	189,218
Sulawesi	82,276	6,862	7,886	40,949	426	-	138,399
Kalimantan	789	4,881	59	10,464	244	-	16,437
Overseas	5,950	5,330	-	-	-	-	11,280
Total	426,353	86,356	23,749	221,618	16,673	(25,213)	749,536

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

26. REVISED STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS

The following summarizes the revised SFAS which have been newly issued by the Indonesian Institute of Accountants:

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.

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.

- 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 realizable 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.