

**PT BISI INTERNATIONAL Tbk
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9-MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND 2008**

PT BISI INTERNATIONAL Tbk AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9-MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND 2008

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

	<u>Notes</u>	<u>2 0 0 9</u> <u>(Unaudited)</u>	<u>2 0 0 8</u> <u>(Unaudited)</u>
ASSETS			
CURRENT ASSETS			
Cash on hand and in banks	4	11,638	22,923
Accounts receivable			
Trade	5, 22		
Third Parties - net of allowance for doubtful accounts of Rp 12,736 in 2009 and Rp 217 in 2008		815,048	767,417
Related parties		14,971	36,844
Others - third parties		5,552	14,244
Inventories - net of allowance for decline in value of inventories Rp 3,070 in 2009 and Rp 755 in 2008	6	483,356	434,596
Advances		10,396	55,426
Prepaid tax and expenses		17,923	24,244
Total Current Assets		<u>1,358,884</u>	<u>1,355,694</u>
NON-CURRENT ASSETS			
Deferred tax assets - net		13,655	7,426
Property, plant and equipment - net of accumulated depreciation of Rp 76,111 in 2009 and Rp 54,281 in 2008	7	276,105	249,351
Claim for income tax		40,013	2,429
Other assets - net		10,662	6,223
Total Non-Current Assets		<u>340,435</u>	<u>265,429</u>
TOTAL ASSETS	25	<u><u>1,699,319</u></u>	<u><u>1,621,123</u></u>

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

PT BISI INTERNATIONAL Tbk AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Continued)
SEPTEMBER 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)
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Short-term bank loans	8	348,037	329,822
Accounts payable			
Trade	9, 22		
Third parties		97,545	82,122
Related parties		27,804	8,803
Others - third parties	10	36,091	60,032
Taxes payable	11	21,423	127,877
Accrued expenses		25,097	12,711
Current portion of long-term debts			
Bank loans	12	1,000	3,000
Finance lease liabilities	13	632	715
Total Current Liabilities	25	557,629	625,082
NON-CURRENT LIABILITIES			
Due to related parties	22	30	28,711
Long-term debts - net of current portion :			
Bank loans	12	-	1,500
Finance lease liabilities	13	4,966	7,019
Estimated liability for employees' benefits	14	23,392	23,488
Total Non-Current Liabilities	25	28,388	60,718
Total Liabilities		586,017	685,800
MINORITY INTERESTS IN NET ASSETS OF CONSOLIDATED SUBSIDIARIES			
		44,069	56,277
EQUITY			
Share capital - Rp 100 par value			
Authorized - 4,000,000,000 shares			
Subscribed 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		676,385	485,787
Total Equity		1,069,233	879,046
TOTAL LIABILITIES AND EQUITY		1,699,319	1,621,123

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

PT BISI INTERNATIONAL Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE 9-MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND 2008
(Expressed in Millions of Rupiah, Except for Earnings Per Share)

	<u>Notes</u>	<u>2 0 0 9</u> <u>(Unaudited)</u>	<u>2 0 0 8</u> <u>(Unaudited)</u>
NET SALES	18, 25	668,370	1,232,907
COST OF GOODS SOLD	19	342,958	574,173
GROSS PROFIT		325,412	658,734
OPERATING EXPENSES	20		
Selling		73,182	81,869
General and administrative		36,733	77,564
Total Operating Expenses		109,915	159,433
INCOME FROM OPERATIONS	25	215,497	499,301
OTHER INCOME (CHARGES)			
Finance expense	21	(37,572)	(12,858)
Gain (loss) on foreign exchange - net		2,675	(597)
Interest income	21	112	813
Others - net		1,488	6,403
Other Charges - net		(33,297)	(6,239)
INCOME BEFORE INCOME TAX		182,200	493,062
INCOME TAX EXPENSE (BENEFIT)			
Current		(42,486)	(156,301)
Deferred		(2,340)	3,037
Income Tax Expense - net		(44,826)	(153,264)
INCOME BEFORE MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES		137,374	339,798
MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES		(9,154)	(4,774)
NET INCOME		128,220	335,024
BASIC EARNINGS PER SHARE		43	112

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

PT BISI INTERNATIONAL Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY
FOR THE 9-MONTH PERIODS ENDED SEPTEMBER 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	-	-	-	-	-	-	128.220	128.220
Balance, September 30, 2009	300.000	86.395	-	5.863	(1.410)	2.000	676.385	1.069.233
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	-	-	-	-	-	-	335.024	335.024
Balance, September 30, 2008	300.000	86.395	1	5.863	-	1.000	485.787	879.046

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 9-MONTH PERIODS ENDED SEPTEMBER 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		715,991	709,136
Cash payments to suppliers and employees		<u>(625,389)</u>	<u>(775,731)</u>
Cash provided by (used in) operating activities		90,602	(66,595)
Receipts from (payments for) :			
Interest Income		116	81
Income Taxes		(80,153)	(74,597)
Interest Expense		<u>(23,238)</u>	<u>(8,038)</u>
Net Cash Used in Operating Activities		<u>(12,673)</u>	<u>(149,149)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of Property, Plant and Equipment	7	(16,968)	(76,631)
Proceeds from Sale of Property and Equipment		<u>29</u>	<u>71</u>
Net Cash Used in Investing Activities		<u>(16,939)</u>	<u>(76,560)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from (payments for) :			
Finance lease liabilities		(1,357)	(590)
Bank loans - net		<u>26,400</u>	<u>239,795</u>
Net Cash Provided by Financing Activities		<u>25,043</u>	<u>239,205</u>
NET INCREASE (DECREASE) IN CASH ON HAND AND IN BANKS		<u>(4,569)</u>	<u>13,496</u>
CASH ON HAND AND IN BANKS AT BEGINNING OF YEAR		<u>16,207</u>	<u>9,427</u>
CASH ON HAND AND IN BANKS AT END OF PERIOD		<u>11,638</u>	<u>22,923</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 9-Month Periods ended September 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 Rp 100 (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 9-Month Periods ended September 30, 2009 and 2008
(Expressed in Million of Rupiah, Except Otherwise Stated)

c. Employees, Directors and Commissioners

As of September 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 September 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 to acting as President Director of the Company.

As of September 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 September 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, 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 Rp3.4 billion and Rp3.3 billion for the period ended by September 30, 2009 and 2008, respectively.

PT BISI INTERNATIONAL Tbk AND SUBSIDIARIES

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For the 9-Month Periods ended September 30, 2009 and 2008

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The Company and Subsidiaries had 557 and 555 permanent employees on September 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)	
					2009	2008
PT Tanindo Subur Prima (TSP)	Fertilizer, pesticide and seeds trading	Sidoarjo	1987	54.20%	235,354	767,117
PT Multi Sarana Indotani (MSI)	Pesticide Manufacturing	Mojokerto	2005	99.91%	111,497	106,374
PT Tanindo Intertraco (TI)	Fertilizer, pesticide and seeds trading	Sidoarjo	2008	99.96%	1,040,988	549,356

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 9-Month Periods ended September 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 Interests 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 9-Month Periods ended September 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

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(Expressed in Million of Rupiah, Except Otherwise Stated)

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the 9-Month Periods ended September 30, 2009 and 2008

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

	Full Amount	
	2009	2008
US\$ 1	9,681	9,378

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	235	2,595
Cash in banks - third parties		
R u p i a h		
- PT Bank Rakyat Indonesia (Persero) Tbk.	5,069	2,598
- PT Bank Central Asia Tbk.	4,727	13,353
- PT Bank Danamon Indonesia Tbk.	479	1,732
- Citibank N.A., Jakarta	270	856
- PT Bank Negara Indonesia (Persero) Tbk.	39	319
- PT Bank CIMB Niaga Tbk. (formerly PT Bank Lippo Tbk.)	36	204
- PT Bank Permata Tbk.	-	40
US Dollar		
- Citibank N.A., Jakarta (US\$ 80,921 in 2009 and US\$ 128,128 in 2008)	783	1,202
- PT Bank Central Asia Tbk. (US\$ 2,582 in 2008)	-	24
Total	<u>11,638</u>	<u>22,923</u>

5. ACCOUNTS RECEIVABLE - TRADE

This account consists of :

	<u>2009</u>	<u>2008</u>
Third Parties :		
PT Sang Hyang Seri (Persero)	88,295	86,957
PT Petani (Persero)	75,541	61,963
Tani Takalar, Makassar	47,429	36,393
Santoso, Purwodadi	31,977	41,599
Lestari Tani, Lampung	23,213	13,793
Toko Dua Dua, Purwodadi	17,407	12,245
Taruna Jaya, Lampung	17,189	7,456
Karisma Indoargo Universal, Surabaya	17,033	8,901
Sumber Tani, Medan	14,514	13,371
Catur Agrotama, Pare	13,692	17,090
Tunggal Sarasa, Jember	12,704	28,701
CV Bella Tani, Makassar	12,673	-
PT Harapan Agro, Nganjuk	11,625	10,090
Tani Makmur, Wonogiri	11,450	15,232

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	<u>2009</u>	<u>2008</u>
UD Subur Makmur, Surabaya	10,990	16,884
Dharma Tani, Surabaya	10,657	9,142
Others (below Rp 10 billion)	411,395	387,817
Total	827,784	767,634
Allowance for doubtful accounts	(12,736)	(217)
Third parties - Net	815,048	767,417
Related parties (Note 22)	14,971	36,844

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	146,887	348,749
31 - 60 days	93,871	172,618
61 - 90 days	95,244	181,412
91 - 180 days	212,454	58,937
More than 180 days	279,328	5,918
Total	827,784	767,634
Allowance for doubtful accounts	(12,736)	(217)
Net	815,048	767,417
Related parties :		
Less than 31 days	1,497	5,120
31 - 60 days	1,857	6,928
61 - 90 days	4,337	5,856
91 - 180 days	442	4,636
More than 180 days	6,838	14,304
Total	14,971	36,844

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\$ 565,324 (equivalent to Rp 5.5 billion) as of September 30, 2009 and US\$ 18,699 (equivalent to Rp 175.4 million) as of September 30, 2008.

As of September 30, 2009, certain receivables totaling Rp 124 billion are used as collateral for bank loans obtained from PT Bank Rakyat Indonesia (Persero) Tbk.

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6. INVENTORIES

This account consists of :

	<u>2009</u>	<u>2008</u>
<u>Finished goods</u>		
Corn seeds	59,679	306
Vegetables seeds	38,833	42,974
Paddy seeds	8,660	2,702
Pesticides	66,811	164,563
Fertilizer	11,346	15,482
Others	165	40
Total finished goods	<u>185,494</u>	<u>226,067</u>
<u>Work-in process</u>		
Corn seeds	182,609	61,041
Vegetables seeds	44,608	58,010
Paddy seeds	33,075	8,920
Pesticides	586	2,156
Fertilizer	41	33
Total work-in process	<u>260,919</u>	<u>130,160</u>
Raw materials	6,601	28,854
Inventories in-transit	4,980	9,983
Packaging	12,250	13,427
Others	16,182	26,860
Total	486,426	435,351
Allowance for decline in value of inventory	<u>(3,070)</u>	<u>(755)</u>
Net	<u>483,356</u>	<u>434,596</u>

As of September 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 Rp 202.5 billion. The management believes that the insurance coverage is adequate to cover possible losses arising from such risks.

As of September 30, 2009, inventories of Rp 178 billion, are used as collateral for bank loans obtained from PT Bank Rakyat Indonesia (Persero) Tbk.

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7. PROPERTY, PLANT AND EQUIPMENT

This account consists of :

	2 0 0 9			
	Beginning Balance	Additions/ Reclassifications	Deductions/ Reclassifications	Ending Balance
<u>Cost</u>				
Direct Ownership				
Land	57,673	753	42	58,384
Land and Building Improvements	11,949	5,469	-	17,418
Buildings	64,709	28,363	-	93,072
Machinery and Equipment	83,937	24,600	6	108,531
Transportation Equipment	18,838	655	192	19,301
Furniture, Fixtures and Office Equipment	16,067	891	12	16,946
Electrical Installations	7,669	6,656	3	14,322
Total	<u>260,842</u>	<u>67,387</u>	<u>255</u>	<u>327,974</u>
Leased Assets				
Transportation Equipment	11,258	-	390	10,868
Construction in Progress				
Land	-	-	-	-
Building Improvements	37,947	8,981	34,530	12,398
Machinery and Equipment	22,594	7,132	28,773	953
Office Equipment	23	-	-	23
Total	<u>60,564</u>	<u>16,113</u>	<u>63,303</u>	<u>13,374</u>
Total Cost	<u>332,664</u>	<u>83,500</u>	<u>63,948</u>	<u>352,216</u>
<u>Accumulated Depreciation</u>				
Direct Ownership				
Land and Building Improvements	7,752	1,442	-	9,194
Buildings	10,392	2,592	-	12,984
Machinery and Equipment	16,507	6,503	-	23,010
Transportation Equipment	11,814	958	173	12,599
Furniture, Fixtures and Office Equipment	9,485	1,173	3	10,655
Electrical Installations	807	448	-	1,255
Total	<u>56,757</u>	<u>13,116</u>	<u>176</u>	<u>69,697</u>
Leased Assets				
Transportation Equipment	4,882	1,532	-	6,414
Total Accumulated Depreciation	<u>61,639</u>	<u>14,648</u>	<u>176</u>	<u>76,111</u>
Net Book Value	<u><u>271,025</u></u>			<u><u>276,105</u></u>

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	2 0 0 8			
	Beginning Balance	Additions/ Reclassifications	Deductions/ Reclassifications	Ending Balance
<u>Cost</u>				
Direct Ownership				
Land	35,011	23,426	1,442	56,995
Land and Building Improvements	10,317	809	1,327	9,799
Buildings	43,421	17,038	10,498	49,961
Machinery and Equipment	40,197	19,991	631	59,557
Transportation Equipment	11,258	4,546	342	15,462
Furniture, Fixtures and Office Equipment	13,622	2,104	26	15,700
Electrical Installations	3,473	279	25	3,727
Total	157,299	68,193	14,291	211,201
Leased Assets				
Transportation Equipment	14,070	-	110	13,960
Construction in Progress				
Land	11,194	-	11,194	-
Building Improvements	14,455	46,907	11,808	49,554
Machinery and Equipment	9,960	37,299	18,364	28,895
Office Equipment	218	84	280	22
Total	35,827	84,290	41,646	78,471
Total Cost	207,196	152,483	56,047	303,632
<u>Accumulated Depreciation</u>				
Direct Ownership				
Land and Building Improvements	5,946	994	131	6,809
Buildings	8,613	1,640	2,909	7,344
Machinery and Equipment	11,469	3,510	277	14,702
Transportation Equipment	8,844	613	307	9,150
Furniture, Fixtures and Office Equipment	7,853	1,211	23	9,041
Electrical Installations	470	189	21	638
Total	43,195	8,157	3,668	47,684
Leased Assets				
Transportation Equipment	4,722	1,875	-	6,597
Total Accumulated Depreciation	47,917	10,032	3,668	54,281
Net Book Value	159,279			249,351

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- (a) Depreciation was charged as follows :

	<u>2009</u>	<u>2008</u>
Cost of goods sold	11,313	6,524
Selling expenses	2,883	3,013
General and administrative expenses	452	495
Total	<u>14,648</u>	<u>10,032</u>

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

	<u>2009</u>	<u>2008</u>
Proceeds from sale	29	18,692
Net book value	2	10,624
Gain on sale	<u>27</u>	<u>8,068</u>

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

- (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 September 30, 2009 is 85.42%.
- (d) Total borrowing costs capitalized to the land, building and machinery and equipment are amounted to Rp 252, Rp 588 and Rp 487, 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 Rp 1 (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 September 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\$ 15,847,362 (equivalent to Rp 173.5 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.

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- (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 September 30, 2009, property, plant and equipment with net book value of Rp 46 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 were matured on December 17, 2008 while the credit facility of MSI was matured on December 20, 2008.

Based on Letter from BRI No. R.II-44-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 at 15.0% in 2009 and ranging from 11.0% to 14.0% in 2008. As of September 30, 2009, these loans 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 September 30, 2009 and 2008, the outstanding balances of working capital loans are as follows:

	<u>2009</u>	<u>2008</u>
Company	248,448	241,205
Subsidiaries		
PT Tanindo Subur Prima	59,734	50,117
PT Multi Sarana Indotani	39,855	38,500
Total	<u>348,037</u>	<u>329,822</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;

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- 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 Rp 5 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.

Based on Letter from BRI No. R.II-292-ADK/DKR/09/2009 dated September 17, 2009, BRI agreed to provide loan facility extensions to TSP and TINCO amounting to Rp 10 billion and Rp 50 billion until December 17, 2009. The loans bear annual interest at 14% in 2009 and ranging from 11% to 14% in 2008.

9. ACCOUNTS PAYABLE – TRADE

The details of accounts payable – trade are as follows :

	<u>2009</u>	<u>2008</u>
Third parties :		
Farmers	77,358	60,603
Agronature Co. Ltd., China	14,931	11,092
Hubei Sanonda Co. Ltd., China	3,112	9,900
Biesterfeld International, Germany	1,377	211
Others	767	316
Total	<u>97,545</u>	<u>82,122</u>
Related Parties (Note 22)	<u>27,804</u>	<u>8,803</u>

The above payables include payables in foreign currencies amounting to US\$ 5,025,263 (equivalent to Rp 48.6 billion) as of September 30, 2009 and US\$ 2,260,915 (equivalent to Rp 21.2 billion) as of September 30, 2008.

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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	25,678	50,752
Founding Cash	1,450	729
Others	8,963	8,551
Total	<u>36,091</u>	<u>60,032</u>

This account represents accrued royalty to Monsanto Company, with outstanding balance of Rp 25.7 billion (equivalent to US\$ 2,652,387) and Rp 50.8 billion (equivalent to US\$ 5,411,806) as of September 30, 2009 and 2008, respectively.

11. TAXES PAYABLE

Taxes payable consist of :

	<u>2009</u>	<u>2008</u>
Corporate Income Tax	12,174	104,254
Withholding Income Taxes :		
Income Tax Article 4 (2)	50	37
Income Tax Article 21	392	1,016
Income Tax Article 23	4	100
Income Tax Article 26	851	-
Value Added Tax	7,952	22,470
Total	<u>21,423</u>	<u>127,877</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. As of December 31, 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 consolidated balance sheet. On February 6, 2009, MSI paid the SKPKB on Value Added Tax for 2005 amounting to Rp1.8 billion. On February 9, 2009, MSI sent objection letters to the Tax Court on these SKPKB. As of September 30, 2009, the objections are still in process in the Tax Court.

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12. LONG-TERM BANK LOAN

This account consists of :

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

Based on a letter from BRI No. 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 have been paid amounting to Rp 1 billion, Rp 1.5 billion and Rp 1 billion.

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.

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As of September 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	1,463	1,459
After one year but not more than five years	<u>4,892</u>	<u>7,535</u>
Total minimum lease payments	6,355	8,994
Less interest portion	<u>(757)</u>	<u>(1,260)</u>
Present value of minimum lease payments	5,598	7,734
Current portion	<u>(632)</u>	<u>(715)</u>
Long-term liabilities	<u>4,966</u>	<u>7,019</u>

14. ESTIMATED LIABILITY FOR EMPLOYEE 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 September 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.

The Company and Subsidiaries recorded the estimated liability for severance pay, gratuity and compensation to employees amounting to Rp 23.4 billion and Rp 23.5 billion as of September 30, 2009 and 2008, respectively. The expenses amounted to Rp 1.8 billion and Rp 3.7 billion for the 9-month periods ended September 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 September 30, 2009 and 2008 with par value of Rp 100 (full amount) per share are as follows :

<u>Shareholders</u>	<u>2009</u>		
	<u>Number of Shares Issued and Fully Paid</u>	<u>Percentage of Ownership</u>	<u>Amount</u>
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)	<u>1,377,656,000</u>	<u>45.92</u>	<u>137,766</u>
Total	<u>3,000,000,000</u>	<u>100.00</u>	<u>300,000</u>

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Shareholders	2 0 0 8		
	Number of Shares Issued and Fully Paid	Percentage of Ownership	Amount
PT Agrindo Pratama	1,020,000,000	34.00	102,000
Midsummer Limited , Seychelles	704,519,500	23.48	70,452
Public (less than 5% ownership each)	1,275,480,500	42.52	127,548
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

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.

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18. NET SALES

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

	<u>2009</u>	<u>2008</u>
Commercial seeds	473,094	951,039
Foundation seeds	5,485	10,237
Pesticides	177,455	252,282
Fertilizers	10,172	15,907
Others	2,164	3,442
Total	<u>668,370</u>	<u>1,232,907</u>

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

Sales to related parties totaling to Rp 30.0 billion and Rp 54.3 billion or represent 4.49% and 4.40% from the period September 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	246,771	439,973
Direct labor	3,776	3,067
Factory overhead	113,320	132,104
Total manufacturing cost	<u>363,867</u>	<u>575,144</u>
Work in process		
Beginning balance	234,695	156,566
Ending balance	<u>(260,909)</u>	<u>(130,160)</u>
Cost of goods manufactured	337,653	601,550
Finished goods		
Beginning balance	187,005	130,682
Purchases	52,798	99,782
Ending balance	<u>(229,990)</u>	<u>(247,546)</u>
Cost of salvage seeds sold	<u>(4,508)</u>	<u>(10,295)</u>
Cost of goods sold	<u>342,958</u>	<u>574,173</u>

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

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20. OPERATING EXPENSES

The details of operating expenses are as follows :

	<u>2009</u>	<u>2008</u>
Selling Expenses		
Sales promotion	23,072	27,514
Salaries, wages and employees' benefit	18,653	18,980
Freight-out	11,672	15,014
Transportation and travelling on duty	6,041	6,939
Depreciation	2,883	3,013
Taxes and licences	1,476	938
Telecommunication	1,442	1,536
Packaging	1,217	1,391
Rent	1,026	893
Others (below Rp 1 billion each)	5,700	5,651
Total selling expenses	<u>73,182</u>	<u>81,869</u>
General and Administrative Expenses		
Royalty	18,022	50,722
Salaries, wages and employees' benefit	10,345	13,480
Bank charges	1,670	3,995
Transportation and travelling on duty	1,644	3,488
Honorarium	1,432	1,113
Others (below Rp 1 billion each)	3,620	4,766
Total general and administrative expenses	<u>36,733</u>	<u>77,564</u>
Total Operating Expenses	<u>109,915</u>	<u>159,433</u>

21. INTEREST EXPENSES - NET

The details of this account are as follows :

	<u>2009</u>	<u>2008</u>
Interest expense		
Bank loans	36,857	12,061
Finance lease liabilities	715	797
Related parties	-	-
T o t a l	<u>37,572</u>	<u>12,858</u>
Interest income	<u>(112)</u>	<u>(813)</u>
Interest expenses - net	<u>37,460</u>	<u>12,045</u>

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22. 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 are as follows:

	Total		Percentage to Total Consolidated Net Sales	
	2009	2008	2009	2008
PT Central Proteinaprima Tbk	16,962	11,615	2.54	0.94
PT Centralpertiwi Bahari	16,510	23,672	2.47	1.92
PT Java Mitra Sejahtera	(3,532)	16,985	(0.53)	1.38
Chia Tai Seeds Co. Ltd., Thailand	-	651	-	0.05
Others	39	1,322	0.01	0.11
Total	29,979	54,245	4.49	4.40

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

	Total		Percentage to Total Consolidated Assets	
	2009	2008	2009	2008
PT Java Mitra Sejahtera	7,621	19,637	0.45	1.21
PT Central Proteinaprima Tbk	5,482	5,912	0.32	0.36
PT Centralpertiwi Bahari	1,829	11,183	0.11	0.69
Others	39	112	0.00	0.01
Total	14,971	36,844	0.88	2.27

(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	18,870	22,155	2.82	1.80
Total	18,870	22,155	2.82	1.80

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The balances of these transactions are presented as “Trade Payables – Related Parties” account (Note 9) as follows :

	Total		Percentage to Total Consolidated Liabilities	
	2009	2008	2009	2008
Chia Tai Seeds Co. Ltd., Thailand	27,804	8,803	4.74	1.28
Total	27,804	8,803	4.74	1.28

(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 Sales	
	2009	2008	2009	2008
<u>Sales of salvage seeds</u>				
PT Central Proteinaprima Tbk	246	-	0.04	-
PT Charoen Pokphand Indonesia Tbk	93	192	0.01	0.02
Total	339	192	0.05	0.02
<u>Interest expense</u>				
PT Reksa Finance	715	797	0.11	0.06
Total	715	797	0.11	0.06

The balances of accounts with related parties arising from transactions other than the Company and Subsidiaries’ main lines of business are as follows :

<u>Due to related parties</u>				
PT Cipta Pertiwi	-	28,321	-	4.13
Charoen Pokphand International Group of Companies Ltd.	-	374	-	0.05
Others	30	16	0.01	0.00
Total	30	28,711	0.01	4.18
<u>Finance lease liabilities</u>				
PT Reksa Finance	5,598	7,734	1.00	1.13

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Nature of Relationships with Related Parties

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

Related Parties	Nature of Related Parties	Transaction
a. 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 Windu Murni 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's commissioners and/ or under the same management	Sales of corn seeds, pesticides, fertilizers, others finished good and salvage seeds, rent and loans.
c. Charoen Pokphand International Group of Companies Ltd., British Virgin Island	Managed by the Company's affiliates	Finance lease liabilities. Royalty fee.
Chia Tai Seeds Co. Ltd., Thailand		Purchase of vegetable seeds and pesticide.

23. MONETARY ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

As of September 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\$ 80,921)	783
Accounts receivable (US\$ 565,324)	<u>5,473</u>
Total	<u>6,256</u>
Liabilities	
Accounts payable (US\$ 5,025,263)	48,649
Other payables (US\$ 2,652,387)	<u>25,678</u>
Total	<u>74,327</u>
Monetary Liabilities - Net	<u>68,071</u>

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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 18.0 billion and Rp 50.8 billion for the period ended September 30, 2009 and 2008, respectively.

c. Rent 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 the yearly renewable rent contract, the rent 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 rental period until December 31, 2009 with a rental of Rp 200 per year. Rent expense charged to operations amounted to Rp 150 million and Rp 138.8 million for the period ended September 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	255,759	157,092	65,724	177,454	12,341	-	668,370
Inter-segment Sales	-	1,934	-	11,211	1,436	(14,581)	-
Total Sales	255,759	159,026	65,724	188,665	13,777	(14,581)	668,370
Segment Result	150,758	81,427	31,592	72,810	3,406	(14,581)	325,412
Operating Expenses	(50,582)	(20,384)	(12,999)	(24,184)	(1,766)	-	(109,915)
Operating Income	100,176	61,043	18,593	48,626	1,640	(14,581)	215,497
Other Income (Charges)							
Interest Expense							(37,572)
Gain on Foreign Exchange							2,675
Interest Income							112
O t h e r s							1,488
Income before Tax							182,200
Income Tax Expense							(44,826)
Net Income Before Minority Interests							137,374
Segment assets	368,419	116,285	98,172	169,233	10,929	-	763,038
Unallocated Assets							936,281
Total Assets							1,699,319
Segment Liabilities	-	-	-	54,690	-	-	54,690
Unallocated Liabilities							531,327
Total Liabilities							586,017
Allocated Capital Expenditures	6,945	4,085	4,925	603	-	-	16,558
Unallocated Capital Expenditures							410
Total							16,968
Depreciation and Amortization	5,605	3,443	1,440	3,889	271		14,648
Non-cash Expenses Other than Depreciation and Amortization	1,045	1,301	181	2,321	104		4,952

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	2 0 0 8						Consolidation
	Corn	Vegetables	Paddy	Pesticide	Others	Elimination	
Segment Sales							
External Sales	780,803	119,245	59,628	254,411	18,820	-	1,232,907
Inter-segment Sales	-	-	-	38,366	3,326	(41,692)	-
Total Segment Sales	780,803	119,245	59,628	292,777	22,146	(41,692)	1,232,907
Segment Result	442,710	63,734	34,618	150,449	8,915	(41,692)	658,734
Operating Expenses	(91,259)	(16,821)	(7,157)	(41,299)	(2,897)	-	(159,433)
Operating Income	351,451	46,913	27,461	109,150	6,018	(41,692)	499,301
Other Income (Charges)							
Interest Expense							(12,858)
Loss on Foreign Exchange							(597)
Interest Income							813
Others							6,403
Income before Tax							493,062
Income Tax Expense							(153,264)
Net Income Before Minority Interests							339,798
Segment assets	203,359	134,192	11,622	239,178	15,522	-	603,873
Unallocated Assets							1,017,250
Total Assets							1,621,123
Segment Liabilities	-	-	-	67,260	-	-	67,260
Unallocated Liabilities							618,540
Total Liabilities							685,800
Allocated Capital Expenditures	66,357	3,175	-	3,650	-	-	73,182
Unallocated Capital Expenditures							3,449
Total							76,631
Depreciation and Amortization	6,252	1,093	328	2,242	117	-	10,032
Non-cash Expenses Other than Depreciation and Amortization	2,672	644	82	987	67	-	4,452

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	122,044	89,380	46,911	62,975	10,144	(14,581)	316,873
Sumatera	79,866	31,276	12,912	80,944	2,477	-	207,475
Sulawesi	50,793	12,894	4,053	39,409	587	-	107,736
Kalimantan	3,056	8,548	1,848	5,337	569	-	19,358
Overseas	-	16,928	-	-	-	-	16,928
Total	255,759	159,026	65,724	188,665	13,777	(14,581)	668,370
	2 0 0 8						Consolidation
	Corn	Vegetables	Paddy	Pesticide	Others	Elimination	
External Sales							
Java	479,913	67,087	45,648	90,689	15,935	(41,692)	657,580
Sumatera	111,360	26,815	3,429	135,405	5,272	-	282,281
Sulawesi	180,206	10,761	10,477	53,088	526	-	255,058
Kalimantan	3,374	8,007	74	13,595	413	-	25,463
Overseas	5,950	6,575	-	-	-	-	12,525
Total	780,803	119,245	59,628	292,777	22,146	(41,692)	1,232,907

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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.

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.