



**PT BAKRIE SUMATERA PLANTATIONS TBK.
AND SUBSIDIARIES**

Consolidated Financial Statements
For The Six Months Period Ended
June 30, 2005 (unaudited) and 2004 (audited)

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PT Bakrie Sumatera Plantations Tbk. and Subsidiaries
Consolidated Balance Sheets
As of June 30, 2005 and 2004
(In thousand Indonesian Rupiah, Except Par Value)

	Notes	2005 (unaudited)	2004 (audited)
Assets			
Current Assets			
Cash and cash equivalents	2c,4	45,357,753	8,984,432
Trade receivables	2d,5		
Third parties - net of allowance for doubtful accounts of Rp 4,180,540 in 2005 and 2004	27	31,707,547	14,187,614
Related parties - net of allowance for doubtful accounts of Rp 22,000,000 in 2004 and 2005	2e, 27,41	25,775,301	22,925,845
Other receivables	2d,6		
Third parties - net of allowance for doubtful accounts of Rp 64,710 in 2005 and 2004		17,746,441	543,445
Related parties	2e,41	4,710,148	3,299,176
Inventories	2f,7,27	39,859,956	35,336,551
Prepaid taxes	8,38	7,651,391	372,353
Prepaid expenses	2g,9, 27a	5,174,324	2,464,078
Advances	10	14,537,460	26,207,032
Total Current Assets		192,520,321	114,320,526
Non-Current Assets			
Due from a related party - net of allowance for doubtful accounts of Rp 2,991,629 in 2005 and 2004	2d,2e,12,41	6,768,716	5,511,735
Due from plasma	2l,13,43	50,327,673	25,954,679
Deferred tax assets	2u,2w,38	44,646,570	54,744,505
Investments in shares of stock - net of allowance for unrecoverable investments in shares of stock of Rp 511,353 in 2005 and 2004	2b,2w,11,41	1,186,549	2,306,355
Plantations	2h,14,27		
Mature plantations - net of accumulated depreciation of Rp 167,605,395 in 2005 and Rp 128,844,77 in 2004		355,374,631	346,037,633
Immature plantations		85,723,865	72,739,705
Property, plant and equipment - net of accumulated depreciation of Rp 184,137,953 in 2005 and Rp 147,147,085 in 2004	2i,2j, 2k,15,27	336,426,264	228,886,275
Goodwill - net of accumulated amortization of Rp 3,379,103 in 2004 and Rp 1,651,129 in 2004	2n,16	90,328,343	2,548,871
Other assets			
Restricted funds	17	13,012,792	12,544,380
Business project development	2q,18	4,848,877	-
Deffered charges - net	20, 19	238,915	-
Deffered expenses land right - net of accumulated amortization of Rp 398,074 in 2005	2i, 20	10,018,737	-
Others	2m	895,950	836,764
Total other assets		29,015,271	13,381,144
Total other assets		999,797,882	752,110,902
Total Assets		1,192,318,203	866,431,428

PT Bakrie Sumatera Plantations Tbk. and Subsidiaries
Consolidated Balance Sheets (Continued)
As of June 30, 2005 and 2004
(In thousand Indonesian Rupiah, Except Par Value)

	Notes	2005 (unaudited)	2004 (audited)
Liabilities and Stockholders' Equity			
Current Liabilities			
Trade payables	21		
Third parties		32,852,945	15,943,907
Related parties	2e,41	-	180,000
Other payables	22		
Third parties		12,986,060	9,250,720
Related parties	2e,41	7,774,683	12,814,973
Accrued expenses	23	15,609,622	9,567,455
Taxes payable	2u,24,38	19,532,520	18,816,205
Dividends payable	32	750,120	421,328
Advances on sales	25	35,856,988	20,343,118
Short-term loan	26	33,000,000	43,010,000
Current maturities of:			
Long-term loan	27	55,136,744	51,273,878
Obligation under capital lease	2k,15,28	948,925	633,017
Total current liabilities		214,448,607	182,254,601
NON-CURRENT LIABILITIES			
Due to a related party	2d,29,41	41,666,196	39,650,613
Deferred tax liabilities	2u,38	29,574,844	10,517,633
Long-term debts - net of current maturities			
Long-term loan	27	486,630,888	522,256,703
Obligation under capital lease	2k,15,28	1,261,158	159,975
Total non-current liabilities		559,133,086	572,584,924
Stockholders' Equity			
Capital stock - Rp 100 par value in 2005 and Rp 500 par value in 2004			
Authorized - 4,144,000,000 shares in 2005 and 828,800,000 shares in 2004			
Issued and fully paid - 2,331,000,000 shares in 2005 and 248,640,000 shares in 2004	30	233,100,000	124,320,000
Additional paid-in capital - net	2p,31	147,256,406	44,548,000
Retained earnings (deficits)		38,380,104	(57,276,097)
Total Stockholders' Equity		418,736,510	111,591,903
Total Liabilities and Stockholders' Equity		1,192,318,203	866,431,428

PT Bakrie Sumatera Plantations Tbk. and Subsidiaries
Consolidated Statements of Income
For The Six Months Period Ended June 30, 2005 and 2004
(In thousand Indonesian Rupiah, Except Income Per Share)

	<u>Notes</u>	<u>2005 (unaudited)</u>	<u>2004 (audited)</u>
NET SALES	2t,2w,5,33,41	336,811,648	280,367,746
COST OF GOODS SOLD	2t,2w,15,34,41	227,953,166	185,765,180
GROSS PROFIT		108,858,482	94,602,566
OPERATING EXPENSES:	2t,2w,15,35,39,42		
Selling		2,284,361	915,024
General and administrative		25,605,023	23,283,419
Total Operating Expenses		27,889,384	24,198,443
INCOME FROM OPERATIONS		80,969,098	70,404,123
OTHER INCOME (EXPENSES)			
Interest income	2c,4	376,760	323,970
Interest and financial expenses	27,36 (	20,149,905)	(14,249,204)
Gain on foreign exchange - net	25,26,27 (	20,886,993)	(55,076,382)
Gain on sale/disposal of property, plant and equipment	15	149,970	412,401
Miscellaneous – net	37 (	4,803,733)	16,375,605
Other Income - Net		(45,313,901)	(52,213,610)
INCOME BEFORE PROVISION FOR INCOME TAX		35,655,197	18,190,513
PROVISION FOR INCOME TAX	2u,38		
Current	(	12,838,120)	(2,822,514)
Deferred		1,329,437	(2,798,906)
Total Provision for Income Tax		(11,508,683)	(5,621,420)
NET INCOME		24,146,514	12,569,093
INCOME PER SHARE - BASIC	2r,37	10	51

The accompanying Notes to Consolidated Financial Statements are an integral part of the consolidated financial statements,

PT Bakrie Sumatera Plantations Tbk. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity
For The Six Months Period Ended June 30, 2005 and 2004
(In thousand Indonesian Rupiah)

	Notes	Capital Stock Issued and Fully Paid	Additional Paid-in Capital	Retained earnings (Deficits)	Total Stockholders Equity
Balance, January 1, 2004		124,320,000	44,548,000	(69,845,190)	99,022,810
Net income for the year	21	-	-	12,569,093	12,569,093
Balance, June 30, 2004 (audited)		124,320,000	44,548,000	(57,276,097)	111,591,903
Previous year adjustment as effect of implementation of PSAK No. 47		-	-	2,497,628	2,497,628
Increase in capital stock through right issue	30,31	108,780,000	102,708,406	-	211,488,406
Net income for period July - December, 2004		-	-	82,998,059	82,998,059
Balance, December 31, 2004 - restated		233,100,000	147,256,406	28,219,590	408,575,996
Net Income for the year		-	-	24,146,514	24,146,514
Cash Dividend		-	-	(13,986,000)	(13,986,000)
Balance, June 30, 2005 (unaudited)		233,100,000	147,256,406	38,380,104	418,736,510

PT Bakrie Sumatera Plantations Tbk. and Subsidiaries
Consolidated Statements of Cash Flows
For The Six Months Period Ended June 30, 2005 and 2004
(In thousand Indonesian Rupiah)

	June 30, 2005 (unaudited)	June 30, 2004 (audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	361,074,081	269,206,449
Cash paid to suppliers and employees	(191,216,434)	(228,074,050)
Cash received from operations	<u>169,857,647</u>	<u>41,132,399</u>
Interest received	376,760	323,970
Income tax payment	(19,191,832)	(3,934,504)
Interest payment	(20,149,905)	(14,326,985)
Net Cash Provided from Operating Activities	<u>130,892,670</u>	<u>23,194,879</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(53,966,254)	(14,064,445)
Increase in development projects	(1,812,968)	-
Increase in investments in shares of stock	(1,699)	-
Proceeds from sale of property, plant and equipment	-	130,250
Net Cash Used for Investing Activities	<u>(55,780,921)</u>	<u>(13,934,195)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due to related parties	4,635,817	-
Increase in due from related parties	(5,165,897)	(4,321,922)
Increase in due from plasma	(21,594,016)	(3,543,610)
Repayment of long-term debts:		
Bank	(29,139,860)	(15,553,741)
Obligation under capital lease	724,278	(437,961)
Others	-	(38,217)
Cash Dividends	(11,539,664)	-
Proceeds from long-term debt	-	73,701
Decrease (increase) in other assets	(82,044)	4,345,333
Net Cash Used for Financing Activities	<u>(62,161,386)</u>	<u>(19,476,417)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>12,950,363</u>	<u>(10,215,733)</u>
EFFECT OF FOREIGN EXCHANGE TO CASH FLOW	-	(3,438,192)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>32,407,390</u>	<u>22,638,357</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>45,357,753</u></u>	<u><u>8,984,432</u></u>

1. GENERAL

a. Establishment and General Information

PT Bakrie Sumatera Plantations Tbk. (“the Company”) was established in the Republic of Indonesia in 1911 under the name of “NV Hollandsch Amerikanse Plantage Maatschappij”. The name of the Company was changed several times, the latest of which was a PT Bakrie Sumatera Plantations Tbk. The Articles of Association of the Company were first published in the State Gazette of the Republic of Indonesia No. 14 dated February 18, 1941 Supplement No. 101. The Articles of Association of the Company were amended several times, the most recent significant amendment by Notarial Deed No. 45 of Sutjipto, S.H. dated November 10, 2004 to increase the capital stock through right issue for 1,087,800,000 shares or Rp 124.32 billion. According to the changes above, the issued and fully paid capital stock become Rp 233.1 billion. The changes were approved by the Ministry of Law and Human Rights in its Decision Letter No. C-30533 HT.01.04.TH.2004 dated December 17, 2004. Previously, in 2004, the Company has declared stock split of 5-for-1, which changed the Company’s authorized common stock to 4.144 billion shares (see Note 1 point b). The changes were approved by the Ministry of Justice and Human Rights in its Decision letter No. C-26035 HT.01.04.TH.2004 dated October 19, 2004.

In accordance with Article 3 of the Company’s Articles of Association, the scope of its activities consists of agriculture, processing and trading of agricultural and industrial products.

The Company is domiciled and main operations are in Kisaran, North Sumatra.

The plantations have been in operation since 1911.

b. Public Offering of Shares and Bonds of the Company

On January 6, 1990, the Company obtained a license from the Ministry of Finance of the Republic of Indonesia by its Letter No. SI/075/SHM/MK.10/1990 to undertake a public offering of its 11.1 million shares with par value of Rp 1,000 (full amount) per share through the stock exchanges in Indonesia at the offering price of Rp 10,700 (full amount) per share. In 1997, the Company declared stock split of 2-for-1, which changed the common stock par value from Rp 1,000 (full amount) to Rp 500 (full amount) per share and nine-for-five stock bonus from additional paid in capital. In June 1999, the Company declared one-for-five stock dividend from retained earnings (see Notes 31, 32 and 33). As of December 31, 1999, the Company has listed all of its shares issued and fully paid in the Jakarta and Surabaya Stock Exchanges.

On October 18, 2004, the Company declared stock split of 5-for-1 which changed the common stock par value from Rp 500 (Full amount) to Rp 100 (Full amount), and as of November 10, 2004, the Company undertake a limited public offering I through right issue which all of its shares issued and fully paid has been listed in the Jakarta and Surabaya Stock Exchanges (see Notes 30 and 31).

PT Bakrie Sumatera Plantations Tbk. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
For the Six Months Period Ended June 30, 2005 and 2004
(In thousand Indonesian Rupiah)

1. GENERAL (Continued)

c. The Structures of the Company and Subsidiaries

As of June 30, 2005 and 2004, the Company has subsidiaries, directly or indirectly as follows:

2005				
Subsidiaries	Domicile	Percentage of Ownership	Start of Commercial Operations	Total Assets
PT Bakrie Pasaman Plantations	West Sumatra	99.00%	1998	Rp 383,154,680
PT Kilang Vecolina	West Java	96.25	2000	141,052,864
PT Agrowiyana	Jambi	99.93	1998	112,959,339
PT Agro Mitra Madani	Jambi	99.99	2004	84,056,602
PT Huma Indah Mekar	Lampung	100.00	1992	81,249,842

2004				
Subsidiaries	Domicile	Percentage of Ownership	Start of Commercial Operations	Total Assets
PT Bakrie Pasaman Plantations	West Sumatra	99.00%	1998	Rp 315,079,906
PT Kilang Vecolina	West Java	96.25	2000	146,003,977
PT Agrowiyana	Jambi	99.93	1998	93,103,439
PT Patriot Andalas ^{a)}	West Kalimantan	99.01	Development stage	30,898,676

a) As of December 31, 2004 has been deconsolidated.

On December 9, 2004, the Company and PT Agrowiyana (Agro) have sold all of their ownership in PT Patriot Andalas (PA) to Marihad Simbolon and Charles Antonius Simbolon in accordance to the Deed of Shares Sale and Purchase No.12 of Agus Madjid, S.H. dated December 6, 2004. Regarding the transfer, the Company's ownership, either directly or indirectly becomes nil, therefore PA has no longer been consolidated in consolidated financial statement of the Company in 2004 (see Notes 3 point c).

The Subsidiaries are engaged in the following industries:

Subsidiaries	Activities
PT Bakrie Pasaman Plantations	Oil palm plantations in Air Balam and Sungai Aur, Pasaman, West Sumatra are 5,350 hectare and 4,370 hectares respectively with each useful life of landrights until 2038 and 2039, and oil palm processing.
PT Kilang Vecolina	Oil palm refinery and trading.
PT Agrowiyana	Oil palm plantations in Tungkal Ulu, Jambi is 4,686 hectares with useful life of landrights until 2039.
PT Patriot Andalas	Oil palm plantations in Sanggau, West Kalimantan is 5,673 hectares with useful life of landrights until 2037 (see Notes 3 point c).

PT Bakrie Sumatera Plantations Tbk. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
For the Six Months Period Ended June 30, 2005 and 2004
(In thousand Indonesian Rupiah)

1. GENERAL (Continued)

c. The Structures of the Company and Subsidiaries (Continued)

Subsidiaries	Activities
PT Agro Mitra Madani PT Huma Indah Mekar	Oil palm processing Rubber plantations and processing in Panumangan Baru, Tulang Bawang Tengah, Lampung is 4,407 hectares with useful life of landrights until 2010 and 2019.

d. Employees, Board of Directors and Commissioners

Based on Notarial Deed No. 68 dated May 30, 2005 of Agus Madjid S.H and Notarial Deed No. 40 dated September 22, 2004 by the same notarial, the members of the Company's boards of commissioners and directors as of June 30, 2005 and 2004 are as follows:

2005			
Commissioners		Directors	
1. Soedjai Kartasasmita	- President Commissioner	1. Ambono Janurianto	- President Director
2. A. Nukman Halim Nasution	- Commissioner	2. Harry M. Nadir	- Director
3. Gafur Sulistyio Umar	- Commissioner	3. Bambang Aria Wisena	- Director
4. Yuanita Rohali	- Commissioner	4. Howard James Sargeant	- Director
		5. M. Iqbal Zainuddin	- Director
2004			
Commissioners		Directors	
1. Soedjai Kartasasmita	- President Commissioner	1. Ambono Janurianto	- President Director
2. A. Nukman Halim Nasution	- Commissioner	2. Harry M. Nadir	- Director
3. Gafur Sulistyio Umar	- Commissioner	3. Bambang Aria Wisena	- Director

As of June 30 2005 and 2004, the Company and its Subsidiaries had approximately 8,419 and 7,079 permanent employees, respectively.

Salaries and other compensation benefits incurred for the Company's commissioners and directors amounting to Rp 316.21 million and Rp 304.86 million for the years ended June 30, 2005 and 2004, respectively.

2. ACCOUNTING POLICIES

a. Basis of Consolidated Financial Statements

The consolidated financial statements have been prepared in conformity with Generally Accepted Accounting Principle in Indonesia, namely Statement of Financial Accounting Standard (PSAK), regulation of the Chairman of the Capital Market Supervisory Board (BAPEPAM) and Manual Presentation of Financial Statements issued by the Jakarta Stock Exchange for plantation companies which offer their shares to the public.

2. ACCOUNTING POLICIES (Continued)

a. Basis of Consolidated Financial Statements (Continued)

The consolidated financial statements have been prepared on the historical cost basis, except for certain property, plant and equipment, which are revalued in 1987, and inventories which are valued at the lower of cost or net realizable value.

The consolidated financial statements are prepared based on classification for balance sheets and multiple steps for statements of income taking in to effect the nature of the Company and Subsidiaries' consolidated business. The statements of cash flows are prepared using direct method, where cash transactions are classified into operating, investing, and financing activities.

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

b. Principles of Consolidation

The consolidated financial statements for 2005 include the accounts of PT Agro Mitra Madani and PT Huma Indah Mekar which was acquired in December 22, 2004, excluding the accounts of PT Patriot Andalas which was deconsolidated in December 9, 2004. The consolidated financial statements for 2004 doesn't include the accounts of both PT Agro Mitra Madani and PT Huma Indah Mekar (see Note 3).

The consolidated financial statements include the accounts of the Company and its Subsidiaries, which are owned more than 50% either directly or indirectly. Investments in which the Company or its Subsidiaries have an ownership interest of at least 20% are accounted for by the cost method.

Balances and transactions, including unrealized gain/loss, on consolidated inter-company transactions are eliminated to reflect the financial position and result of operation of the Company and Subsidiaries as a single business entity.

The financial statements of the Subsidiaries, if necessary, are adjusted to conform with the Company's accounting policies.

Minority interest in net income (loss) and equity of Subsidiaries are stated at the proportion of ownership of the minority shareholders in net income (loss) and equity of the related Subsidiaries.

c. Cash and Cash Equivalents

Cash consist of unrestricted cash on hand and cash in banks. Cash equivalents are all time deposits with maturities of three months or less at the time of placement and not pledged as collateral for loans.

d. Allowance for Doubtful Accounts

The Company provides allowance for doubtful accounts based on a review of the status of the individual receivable accounts at the end of the year.

2. ACCOUNTING POLICIES (Continued)

e. Transactions with Related Parties

The Company and its Subsidiaries conduct transactions with certain parties, which have related party relationships. In accordance with PSAK No.7, "Related Party Disclosures", related parties are defined as follows:

- (1) enterprises that, through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (including holding companies, subsidiaries and fellow subsidiaries);
- (2) associated companies;
- (3) individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them significant influence over the enterprise, and close members of the family of any such individual (close members of a family are defined as those members who are able to exercise influence or can be influenced by such individuals, in conjunction with their transactions with the reporting enterprise);
- (4) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the reporting enterprise, including commissioners, directors and managers of the enterprise and close members of the families of such individuals; and
- (5) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (3) or (4) or over which such a person is able to exercise significant influence. This definition includes enterprises owned by the commissioners, directors or major stockholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

All transactions with related parties, whether or not under the normal price and condition as those conducted with third parties, are disclosed in the notes to consolidated financial statements.

f. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the weighted-average method, except for inventories of PT Kilang Vecolina where in cost is determined by the first-in, first-out (FIFO) method.

Allowance for obsolescence of inventories is determined based on the review of the inventories condition at the end of the year.

g. Prepaid Expenses

Prepaid expenses are charged over the periods benefited.

h. Plantations

Plantations consist of mature and immature plantations. Immature plantations are stated at cost consisting of seedlings, land preparation, planting, fertilizing and maintenance, allocation of indirect cost.

2. ACCOUNTING POLICIES (Continued)

h. Plantations (Continued)

Immature plantations will be reclassified to mature plantations and depreciated when they fulfill the criteria as follows:

- 1) Rubber plantation is considered to mature when 70% of the trees per block are tapable, that is, the circumference of the tree trunk is 45 cm or more at the height of 160 cm from the ground.
- 2) Oil Palm plantations are considered to mature when 60% of the trees per block bear fruit bunches, where two rows of these bunches are ripe or if the average weight per bunch is 3 kg or more.

Mature plantation is depreciated using the straight-line method with an estimated useful life of 22 to 25 years.

i. Property, Plant and Equipment

- 1) Except for certain assets revalued in accordance with government regulations, property, plant and equipment are stated at cost less accumulated depreciation and amortization.
- 2) Acquisition costs include repairs, replacements, betterments and improvements and certain foreign exchange differences and interest incurred to finance the property, plant and equipment.
- 3) Certain property, plant and equipment, which are used in operations by the Company and Subsidiaries were revalued based on revaluation conducted in 1987 in accordance with government regulations.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Land rights	30 - 34
Roads, bridges and ditches	10
Buildings and improvements	8 - 20
Machinery and equipment	10
Transportation equipment:	
Railroad equipment	20
Motor cars and trucks	5
Furniture and office equipment	5

Construction-in-progress is 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 asset is ready for its intended use.

The cost of maintenance and repairs is charged to expense as incurred while significant renewals and betterments are capitalized. When assets are retired, or otherwise disposed of, their carrying values and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the consolidated statements of income for the year.

2. ACCOUNTING POLICIES (Continued)

i. Property, Plant and Equipment (Continued)

In accordance with PSAK No. 47, "Accounting for Land", land acquisitions are stated at acquisition cost and not depreciated. Certain expenses incurred after January 1, 1999 in relation to the acquisition or renewal of land rights are deferred and amortized over the useful life of the land, and represent as "Deferred Expenses of Land Rights" account which are represented separately from other deferred charges account. Before December 31, 2004, acquisition or renewal of land rights are presented as "Property, Plant and Equipment - Landrights" account in balance sheets and mutually amortized with acquisition cost before and after 1999. Therefore, the Company's consolidated financial statement for the year 2003 has been restated to comply with PSAK No. 47.

Costs incurred in relation to the upgrading of the Company's computer systems and application software are amortized over 4 years from its implementation date.

j. Impairment of Asset Value

In accordance with PSAK No. 48, "Impairment of Asset Values", effective January 1, 2000, property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount, an impairment loss recognized in the current period statements of income. The recoverable amount is the highest of the asset net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arms' length transaction net of the related expense. Value in use is the present value of estimated future cash flow expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if not possible, for the cash-generating unit.

k. Leases

Lease transactions are accounted for under the capital lease method when the required capitalization criteria under PSAK No. 30 "Accounting for Lease Transactions" are met. Leases that do not meet any of the required capitalization criteria are accounted for under the operating lease method. Assets under capital lease are presented in the consolidated balance sheets as part of property, plant and equipment based on the present value of the lease payments at the beginning of the lease term plus residual value (option price) to be paid at the end of the lease period.

Depreciation is computed using the straight-line method based on the estimated useful life of the leased assets, which is similar to that property, plant and equipment acquired under direct ownership.

Obligations under capital lease are presented at the present value of the lease payments.

l. Nucleus Plasma Plantations

Certain Subsidiaries participate in Plasma projects. Plasma is a government policy in connection with the development of plantations. Certain Subsidiaries, being a major part of the project, are required to train project personnel and control the Plasma project as well as purchase Plasma plantation crops.

2. ACCOUNTING POLICIES (Continued)

m. Assets Not Used in Operations

Assets not used in normal operations of the Company are stated at cost and not depreciated.

n. Goodwill

The excess of the purchase price over the underlying fair value of the net assets of the acquired subsidiaries is booked as "Goodwill" and is amortized using the straight-line method over 15 to 20 years.

o. Deferred Charges

Expenses incurred which provide benefits in the future are deferred and amortized over their beneficial periods by using the straight-line method.

p. Stock Issuance Costs

All expenses related to the Company's stock issuance to the public are recorded as deduction of "Additional Paid in Capital - Net" account which is part of the stockholders' equity.

q. Business Development Projects

Expenses incurred in connection with the Company and Subsidiaries's on going projects are classified as business development projects. These will be capitalized to the corresponding projects upon their realization or write off if the project is abandoned.

r. Retirement Benefits

The Company and Subsidiaries have defined benefit retirement plans covering substantially all of their eligible permanent employees. Costs are funded and consist of actuarially computed contributions, including past service costs which are amortized over the average expected remaining working life of existing employees of 5 to 27 years. Contributions to the retirement fund are 5% of the basic salary of the employees for current service cost and between 3.9% and 4.6% of the basic salary of the employees for amortization of past service cost.

s. Foreign Currency Transactions and Balances

Transactions involving foreign currencies are recorded in Rupiah amount at the rates of exchange prevailing at the time the transactions are made. At balance sheet date, assets and liabilities denominated in foreign currencies are adjusted to Rupiah to reflect the prevailing rate of exchange as published by Bank Indonesia at the last banking transaction date for the year. The resulting gains or losses are credited or charged to operations of the current year.

As of June 30, 2005 and 2004, the exchange rates used were:

	<u>2005</u>	<u>2004</u>
1 US\$	9,713	9,415
1 SGD	-	5,485

2. ACCOUNTING POLICIES (Continued)

t. Revenue and Expense Recognition

Revenue from export sales is recognized based on the sales contract and availability of the products which are ready for shipment. Revenue from local sales is recognized based on evidence of delivery in accordance with the sales contract. Expenses are recognized when incurred (accrual basis).

u. Income Tax

The Company and Subsidiaries have implemented deferred tax method to determine provision for income tax in accordance with PSAK No. 46, "Accounting for Income Taxes". The deferred income tax is provided to reflect the tax effect on the timing differences between the commercial and fiscal reporting and accumulated fiscal losses.

v. Earnings Per Share

In accordance with PSAK No. 56, basic earnings per share is calculated by dividing net income (loss) for the year by the weighted-average number of ordinary shares outstanding during the year, after giving effect to the events that changed the number of shares outstanding.

w. Use of Estimates

The preparation of the consolidated financial statements requires the use of management's estimates and assumptions in determining the carrying values of certain assets and liabilities and disclosures of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts for certain revenues and expenses during the reporting period. Actual results could differ from those estimated.

x. Segment Information

Segment information of the Company and Subsidiaries are presented based on grouping of operations.

Operation segment consists of identified components which produce a differ product based on industrial and geographical segments.

3. ACQUISITION AND DIVESTMENT OF SUBSIDIARIES

- a. On December 22, 2004, the Company aquired 85% ownership (6,375 shares) in PT Agro Mitra Madani (AMM) from PT Agro Mitra Sawit in accordance to the Deed of Shares Sale and Purchase of AMM No. 131 of Sutjipto, S.H., at the same date. Cost of acquisition is amounted to Rp 50 billion included receivable of PT Agro Mitra Sawit (AMS) to AMM amounted to Rp 20.36 billion. Based on PT AAJ Batavia's report, an independent appraisal, in its report dated October 5, 2004, the share value of AMM is ranging from Rp 50.8 billion to Rp 53.3 billion for 6,375 shares which is accounted by discounted cash flow method. Since that date, the Company's ownership either directly or indirectly becomes 99.99%.

Before the acquisition, the indirect investment is through PT Agrowiyana, a Subsidiary amounting to Rp 1,125,000 through transferring of 22 hectares of land to AMM.

PT Bakrie Sumatera Plantations Tbk. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

For the Six Months Period Ended June 30, 2005 and 2004
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3. ACQUISITION AND DIVESTMENT OF SUBSIDIARIES (Continued)

- b. On December 22, 2004, the Company acquired 100% ownership (11,189 shares) in PT Huma Indah Mekar (HIM) from PT Asia Makmur Lestari for 11,188 shares and from Mrs. Raden Roro Susbaningwati for 1 share in accordance to the Deed of Shares Sale and Purchase of HIM No. 132 and 133 of Sutjipto, S.H., at the same date. The acquisition price of all shares is amounted to Rp 90 billion. Based PT AAJ Batavia's report, an independent appraisal, on its report dated October 5, 2004, the shares value of HIM is ranging from Rp 89.6 billion to Rp 92.56 billion for 11,189 shares which is accounted by discounted cash flow method.

Based on the PT Huma Indah Mekar (HIM) Shareholders' Meeting dated May 3, 2005, the shareholder agree to issue new stock amounting Rp 400,000,000 and trade it with same amount for PT Agrowiyana's investment in PT Bakrie Pasaman Plantations. Based on those meeting, PT Bakrie Sumatera Plantations Tbk.'s ownership at HIM has been diluted to **96.55%**.

The acquisitions of AMM and HIM have been accounted for using the purchase method. Accordingly, the accounts of the Subsidiaries have been included in the 2005 consolidated financial statements since the date of acquisition.

The excess of acquisition cost over the net book values (goodwill) for AMM and HIM amounting to Rp 23.86 billion and Rp 67.60 billion, respectively, is being amortized on the straight-line method over 20 years. The Company used net book value in the computation of goodwill because of practical reason that the Company can not allocate and determine the excess based on the fair values of the identifiable assets and liabilities.

- c. The Company and PT Agrowiyana (Agro) has transferred its whole of share in PT Patriot Andalas (PA) to Mr. Marihad Simbolon and Mr. Charles Antonius Simbolon for Rp 10.55 billion. The transaction has been approved by the Commissioner of the Company on December 1, 2004.
- d. Based on PT Bakrie Pasaman Plantations Shareholders' Meeting dated May 3, 2005, the shareholders agree to transfer its share in PT Agrowiyana amounted Rp 400 million to PT Huma Indah Mekar.

The acquisition and divestment of Subsidiaries as described above resulted the changes of the composition of the consolidation of the Subsidiaries in June 30, 2005.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	2005 (unaudited)	2004 (audited)
Cash:		
Rupiah	339,739	280,855
Bank - third parties:		
Rupiah Accounts:		
PT Bank Mandiri (Persero) Tbk.	7,439,827	3,742,458
PT Bank Pembangunan Daerah Sumbar	2,727,003	1,851,625
PT Bank Rakyat Indonesia (Persero) Tbk.	1,836,101	119,353
PT Bank Niaga Tbk.	687,784	307,294
PT Bank Negara Indonesia (Persero) Tbk.	411,326	94,398
PT Bank Central Asia Tbk.	206,155	65,714

PT Bakrie Sumatera Plantations Tbk. and Subsidiaries
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4. CASH AND CASH EQUIVALENTS

	2005 (unaudited)	2004 (audited)
The Hongkong and Shanghai Banking Corporation	162,011	934,123
PT Bank Muamalat Indonesia	157,044	234,966
PT Bank Mega Tbk.	46,356	-
PT Bank Internasional Indonesia Tbk.	2,748	2,780
PT Bank Danamon Tbk.	428	-
US Dollar Accounts:		
The Hongkong and Shanghai Banking Corporation (US\$ 379,974 in 2005 And US\$ 103,470 in 2004)	3,690,685	974,167
PT Bank Niaga Tbk. (US\$ 264,553 in 2005 And US\$ 37,481 in 2004)	2,569,610	352,888
PT Bank Mandiri (Persero) Tbk. (US\$ 13 in 2005 and US\$ 2 in 2004)	135,248	21,611
PT Bank Sumitomo	2,188	2,200
Time Deposit – third party:		
Rupiah accounts		
PT Bank Niaga Tbk.	24,943,500	-
Total	45,357,753	8,984,432

5. TRADE RECEIVABLES

The details of trade receivables are as follows:

a. Third parties:

	2005 (unaudited)	2004 (audited)
<u>US Dollar:</u>		
Kuok Oils and Grains Pte. Ltd (US\$ 351,191 in 2005)	3,411,118	-
PT Mandiri Inti Buana (US\$ 152,268 in 2005 and US\$ 157,669 in 2004)	1,478,977	1,484,452
PT WRP Buana Multicopora (US\$ 120,776 in 2005 and US\$ 108,111 in 2004)	1,173,100	1,017,861
PT Healthcare Glovindo (US\$ 81,341 in 2005)	790,063	-
Sri Trang International, Singapura (US\$ 75,298 in 2005 and US\$ 643,854 in 2004)	731,366	6,061,883

PT Bakrie Sumatera Plantations Tbk. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
For the Six Months Period Ended June 30, 2005 and 2004
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5. TRADE RECEIVABLES (Continued)

a. Third parties (Continued):

	2005 (unaudited)	2004 (audited)
PT Medicafe Technologies (US\$ 58,998 pada tahun 2005)	573,047	-
PT Intan Havea Industry (US\$ 32,722 pada tahun 2005)	317,833	-
PT Raberindo Pratama (US\$ 131,790 pada tahun 2004)	-	1,240,800
Tong Teik Pte. Ltd., Singapura (US\$ 94,348 pada tahun 2004)	-	888,294
Others (each below of Rp 100 million)	192,438	84,048
Total US Dollar	8,667,942	10,777,338
<u>Rupiah:</u>		
PT Intan Surya Pratama	19,871,206	-
PT Sanggala Nuansadharna	2,975,275	2,975,275
PT Goodyear Sumatra Plantations	2,027,575	738,076
PT Nuansa Karya Cipta	934,668	934,668
CV Pribumi Jaya - Perdagangan	759,367	1,100,877
PT Bintang Ibeta Perkasa	139,700	693,508
PT Dharma Medipro	-	348,550
PT Karya Bina Bersama	-	223,972
PT Muliaraya Internusa	-	169,400
PT Bitung Gunasejahtera	-	146,428
UKS Syahrial Sirait	-	134,035
Others (each below of Rp 100 juta)	512,354	126,027
Total	27,220,145	7,590,816
Less allowance for doubtful accounts	(4,180,540)	(4,180,540)
	23,039,605	3,410,276
Total trade receivables from third parties - net	31,707,547	14,187,614

PT Bakrie Sumatera Plantations Tbk. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
For the Six Months Period Ended June 30, 2005 and 2004
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5. TRADE RECEIVABLES (Continued)

a. Third parties (Continued):

The details of aging schedule of trade receivables from third parties are as follows:

	2005 (unaudited)	2004 (audited)
Current up to 30 days	18,680,153	2,186,036
31 days to 60 days	3,394,451	10,542,271
61 days to 90 days	6,453,496	1,048,018
More than 90 days	7,359,987	4,591,829
	<u>35,888,087</u>	<u>18,368,154</u>
Less allowance for doubtful accounts	(4,180,540)	(4,180,540)
Total	<u>31,707,547</u>	<u>14,187,614</u>

During the period ended June 30, 2005 and 2004, there is no mutation of allowance for doubtful accounts and the Company and Subsidiaries believe that the allowance for doubtful accounts is adequate to cover possible losses from non-collectible of the accounts.

The details of trade receivables from third parties based on currencies are as follows:

	2005 (unaudited)	2004 (audited)
Rupiah	27,220,145	7,590,816
US Dollar	8,667,942	10,777,338
	<u>35,888,087</u>	<u>18,368,154</u>
Less allowance for doubtful accounts	(4,180,540)	(4,180,540)
Total	<u>31,707,547</u>	<u>14,187,614</u>

b. Related Parties (see Note 41):

	2005 (unaudited)	2004 (audited)
PT Bakrie Rubber Industry (US\$ 2,477,850 in 2005 and US\$ 990,825 in 2004)	47,775,301	44,925,845
Less allowance for doubtful accounts	(22,000,000)	(22,000,000)
Total trade receivable from related parties	<u>25,775,301</u>	<u>22,925,845</u>

PT Bakrie Sumatera Plantations Tbk. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
For the Six Months Period Ended June 30, 2005 and 2004
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5. TRADE RECEIVABLES (Continued)

b. Related Parties (see Note 41) (Continued):

The details of aging schedule of trade receivables from related parties are as follows:

	2005 (unaudited)	2004 (audited)
Current up to 30 days	131,330	-
31 days to 60 days	-	1,042,887
61 days to 90 days	267,051	-
More than 90 days	47,376,920	43,882,958
	<u>47,775,301</u>	<u>44,925,845</u>
Less allowance for doubtful accounts	(22,000,000)	(22,000,000)
Total	<u>25,775,301</u>	<u>22,925,845</u>

During 2005 and 2004, there is no mutation of the allowance for doubtful account and the Company believe that the allowance for doubtful accounts is adequate to cover possible losses from non-collectible of the accounts.

The Company provided an allowance for doubtful accounts amounted to Rp 22 billion of trade receivables from PT Bakrie Rubber Industry, which experience financial difficulties as a result of the decline in economic activities and the Company believe that the allowance for doubtful accounts is adequate to cover possible losses from non-collectible of the accounts.

The details of trade receivables from related parties based on currencies are as follows:

	2005 (unaudited)	2004 (audited)
Rupiah	23,559,957	24,819,890
US Dollar	24,215,344	20,105,955
	<u>47,775,301</u>	<u>44,925,845</u>
Less allowance for doubtful accounts	(22,000,000)	(22,000,000)
Total	<u>25,775,301</u>	<u>22,925,845</u>

The sales transactions with related parties has been conducted under the normal price, terms and conditions similar with those of third parties principally.

In 2005 and 2004, all trade receivables are pledged as collateral for long-term credit facilities obtained by the Company and Subsidiaries (see Note 27).

PT Bakrie Sumatera Plantations Tbk. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
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6. OTHER RECEIVABLES

This account consists of:

a. Third parties:

	2005 (unaudited)	2004 (audited)
PT Asia Makmur Lestari	14,387,553	-
Rumah Sakit Ibu Kartini	540,700	465,807
PT Intan Surya Pratama	250,000	-
Others (each below of Rp 100 million)	2,632,898	142,348
	17,811,151	608,155
Less allowance for doubtful accounts	(64,710)	(64,710)
Total	17,746,441	543,445

Receivable from PT Asia Makmur Lestari amounted to Rp 14.38 billion is receivable from PT Huma Indah Mekar, a Subsidiary, arising before acquisition by the Company.

Receivable from patient of Ibu Kartini Hospital is receivable of the Company arising in connection to services by hospital owned by the Company. Ibu Kartini Hospital is the Company's hospital that serves medical service to communities and companies in the Company surrounding. The receivable is a bill of the Company to customers of Ibu Kartini Hospital.

The Company believes that the allowance for doubtful accounts is adequate to cover possible losses from non-collectible of the accounts.

b. Related parties (see Note 41):

	2005 (unaudited)	2004 (audited)
Staff and employees	2,591,251	3,028,797
Employee cooperative	2,118,897	220,379
BPP Foundation	-	50,000
Total	4,710,148	3,299,176

Receivables from staff and employees are not interest bearing and are collected through monthly salary deduction.

PT Bakrie Sumatera Plantations Tbk. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
For the Six Months Period Ended June 30, 2005 and 2004
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7. INVENTORIES

Inventories consist of:

	2005 (unaudited)	2004 (audited)
Raw materials		
Fresh fruit bunches	461,581	607,265
Rubber	907,105	65,859
	<u>1,368,686</u>	<u>673,124</u>
Work-in-process		
Rubber	10,804	744,313
Finished goods		
Rubber	12,227,796	10,912,937
Crude palm oil	1,744,653	3,784,422
Palm kernel	1,685,089	300,003
	<u>15,657,538</u>	<u>14,997,362</u>
Seedlings		
Palm oil	263,756	4,657,054
Rubber	625,257	1,077,410
	<u>889,013</u>	<u>5,734,464</u>
Materials and supplies		
Fertilizers and chemicals	10,325,623	9,183,879
Spare parts and supplies	11,608,292	4,003,409
	<u>21,933,915</u>	<u>13,187,288</u>
Total	<u>39,859,956</u>	<u>35,336,551</u>

In 2005 and 2004, all inventories of the Company and certain Subsidiaries were pledged as collateral for long-term credit facilities obtained from Credit Suisse and PT Bank Mandiri (Persero) Tbk. (see *Note 27*).

In 2005, all inventories were pledged as collateral for long-term credit facilities of PT Agro Mitra Madani, a Subsidiary, obtained from PT Bank Mandiri (Persero) Tbk. (see *Note 27*).

Certain inventories are covered by insurance against losses from fire and other risks under blanket policies amounting to Rp 8.39 billion and US\$ 4.65 million in 2005 and in 2004, which in the opinion of the Company's and Subsidiaries' management is adequate to cover possible losses arising from such risks.

8. PREPAID TAXES

Prepaid taxes consist of prepayments of income taxes Articles 22, 25 and fiscal overseas (travel tax) which can be compensated against the corporate income taxes of the Company and Subsidiaries. In 2005 and 2004, the Company and certain Subsidiaries were still experiencing fiscal losses (see *Note 38*).

PT Bakrie Sumatera Plantations Tbk. and Subsidiaries
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9. PREPAID EXPENSES

This account represents prepayments of:

	2005 (unaudited)	2004 (audited)
Insurance	1,350,723	895,278
Salary, allowance and bonus	698,079	-
Rent	538,437	603,106
Agency fee (see Note 27 point a)	258,250	268,667
Others	2,328,835	697,027
Total	5,174,324	2,464,078

10. ADVANCES

This account represents advances on purchases of fertilizers, chemicals, materials and supplies and travelling and to contractors, as follows:

	2005 (unaudited)	2004 (audited)
Contractor	10,551,149	2,469,989
Suppliers	3,986,311	23,523,138
Others	-	213,905
Total	14,537,460	26,207,032

11. INVESTMENTS IN SHARES OF STOCK

This account consists of investments in shares of stock in associated companies which are stated at cost, as follows:

	Percentage of Ownership		Cost	
	2005	2004	2005	2004
PT United Sumatra Rubber Products	10.00 %	10.00 %	511,353	511,353
PT Sarana Jambi Ventura	2.29	2.29	149,377	149,377
PT Sarana Sumatera Barat Ventura	0.46	0.46	37,172	31,978
PT Agro Mitra Madani	-	15.00	-	1,125,000
			697,902	1,817,708
Advances on Investment: PT Prasetia Utama			1,000,000	1,000,000
			1,697,902	2,817,708
Less: Allowance for unrecoverable investment			(511,353)	(511,353)
Net			1,186,549	2,306,355

11. INVESTMENTS IN SHARES OF STOCK (Continued)

PT Agrowiyana, a Subsidiary made an investment in PT Agro Mitra Madani, a Company domiciled in Tungkal Ulu, Jambi, with activities in processing palm oil amounted Rp 1,125,000,000 in form of 22 ha land.

In 2002, PT Bakrie Pasaman Plantations (BPP) a Subsidiary made an investment amounted to Rp 1 billion in 1,000 shares of stock of PT Prasetia Utama. The investment represents the conversion of project development cost to investment in shares of stock. As of June 30 2005 and 2004, the above investment in shares of stock is still recorded as an advance for investment in shares of stock waiting for the completeness of administration requirements and approval from the Department of Justice and Human Rights of Republic of Indonesia.

12. DUE FROM A RELATED PARTY

This account represents advances provided by the Company to PT Bakrie Rubber Industry (BRI) which bear no interest and no fixed schedule repayment.

The Company has provided an allowance for doubtful accounts on due from a related party with BRI amounted to Rp 2.99 billion since 1999 because of financial difficulties experienced by BRI as a result of the decline in market demand for BRI's products. During the year of 2005 and 2004, there is no mutation of allowance for doubtful accounts and the Company's management believe that the allowance for doubtful accounts is adequate to cover possible losses from non-collectible of the accounts.

13. DUE FROM PLASMA

This account consists of:

	2005 (tidak diaudit)	2004 (diaudit)
a. Primary Cooperative Credit for the Members (KKPA)	50,185,052	23,949,650
b. Nucleus Estate Smallholders (PIR) - Plasma	18,386	2,005,029
c. Plasma ex Gurita	124,235	-
Net	50,327,673	25,954,679

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13. DUE FROM PLASMA (Continued)

a. This account represents advances given by Subsidiaries and awaiting reimbursement from banks as the lenders of the following projects:

i. The development of Plasma Estate Project funded by PT Bank Danamon Indonesia Tbk. (Danamon) (formerly funded by PT Bank Nusa Nasional (BNN)), in connection with cooperation agreements between PT Agrowiyana (a Subsidiary), Koperasi Unit Desa Swakarsa, Koperasi Unit Desa Suka Makmur and Danamon in developing plasma estate projects.

Since September 13, 2000, the financing of the Plasma Estate Project had been funded by PT Bank Muamalat Indonesia, as a new lender (see Note 43 point b). Interest expense was charged to the Plasma Estate Project.

ii. The development of Plasma Estate Project funded by Danamon, in connection with the cooperation agreements between PT Bakrie Pasaman Plantations (a Subsidiary), Danamon and certain cooperatives (see Note 34 point a). Starting on March 6, 1998, the projects have been financed by the Company instead of by the Danamon.

In 2005, this project have been refinancing by PT Bank Niaga Tbk.

b. This account represents advances given by PT Agrowiyana, a Subsidiary, awaiting reimbursement from banks as lenders, to develop the Nucleus Estate Smallholders (PIR) Project funded by PT Bank Mandiri (Persero) Tbk. Jambi regarding to agreements between Subsidiaries and PIR Plasma Projects (see Note 43 point c).

14. PLANTATIONS

Plantations consist of:

a. Mature Plantations

	2005 (unaudited)			
	<u>Beginning Balance</u>	<u>Addition</u>	<u>Deduction</u>	<u>Ending Balance</u>
<u>Carrying Value</u>				
Rubber	154,523,542	14,402,826	2,062,269	166,864,099
Oil palm	355,536,374	579,553	-	356,115,927
	<u>510,059,916</u>	<u>14,982,379</u>	<u>2,062,269</u>	<u>522,980,026</u>
<u>Accumulated Depreciation</u>				
Rubber	52,541,891	3,269,506	1,252,077	54,559,320
Oil palm	104,045,549	9,003,965	3,439	113,046,075
	<u>156,587,440</u>	<u>12,273,471</u>	<u>1,255,516</u>	<u>167,605,395</u>
Net Book Value	<u>353,472,476</u>	<u>2,708,908</u>	<u>806,753</u>	<u>355,374,631</u>

PT Bakrie Sumatera Plantations Tbk. and Subsidiaries
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14. PLANTATIONS (Continued)

a. Mature Plantations (Continued)

	2004 (audited)			Ending Balance
	Beginning Balance	Addition	Deduction	
<u>Carrying Value</u>				
Rubber	118,907,135	2,302,358	1,262,941	119,946,552
Oil palm	353,100,482	2,095,071	259,694	354,935,859
	<u>472,007,617</u>	<u>4,397,429</u>	<u>1,522,635</u>	<u>474,882,411</u>
<u>Accumulated Depreciation</u>				
Rubber	31,307,245	2,016,732	289,636	33,034,340
Oil palm	86,972,214	8,914,951	76,728	95,810,438
	<u>118,279,459</u>	<u>10,931,683</u>	<u>366,364</u>	<u>128,844,778</u>
Book Value	<u>353,728,158</u>	(<u>6,534,254</u>)	<u>1,156,271</u>	<u>346,037,633</u>

Mature plantations are spread over some operational locations of the Company and Subsidiaries, as follows:

	2005 (In Ha)	2004 (In Ha)
Kisaran - North Sumatra	15,964	16,337
Pasaman - West Sumatra	8,663	8,663
Tungkal Ulu - Jambi	3,993	3,856
Tulang Bawang Tengah - Lampung	3,694	-
Total	<u>32,314</u>	<u>28,856</u>

b. Immature Plantations

	2005 (unaudited)			Ending Balance
	Beginning Balance	Additional Cost	Reclass to Mature	
<u>Carrying Value</u>				
Rubber	55,576,425	13,110,847	14,402,826	54,284,446
Oil palm	22,264,085	9,754,887	579,553	31,439,419
Total	<u>77,840,510</u>	<u>22,865,734</u>	<u>14,982,379</u>	<u>85,723,865</u>

PT Bakrie Sumatera Plantations Tbk. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
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14. PLANTATIONS (Continued)

b. Immature Plantations (Continued)

	2004 (audited)			
	Beginning Balance	Additional Cost	Reclass to Mature	Ending Balance
<u>Carrying Value</u>				
Rubber	32,750,532	10,682,236	2,647,683	40,785,085
Oil palm	28,359,561	5,690,130	2,095,071	31,954,620
Total	61,110,093	16,372,366	4,742,754	72,739,705

Immature plantations are spread over some operational locations of the Company and Subsidiaries, as follows:

	2005 (In Ha)	2004 (In Ha)
Kisaran - North Sumatera	3,467	3,063
Tungkal Ulu - Jambi	419	263
Sanggau - West Kalimantan	-	2,055
Total	3,886	5,381

Immature plantations represent expenditures for the development of rubber and oil palm plantations, which include cost for field preparation, planting, fertilizing, maintenance and borrowing costs. In 2005 and 2004, no interest expense was capitalized.

As of June 30, 2005 and 2004, the whole plantations of the Company and PT Agrowiyana, a Subsidiary, were pledged as collateral for long-term loan obtained from Credit Suisse and PT Bank Mandiri (Persero) Tbk. (see Note 27 point a).

In the year 2005 the whole plantations of HIM were pledged as collateral for long-term loan obtained from PT Bank Niaga Tbk. (see Note 27 point d).

Mature and immature plantations are not covered by insurance against losses from fire, since there is no insurance company which is able to provide sufficient coverage.

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Notes to Consolidated Financial Statements (Continued)
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15. PROPERTY, PLANT AND EQUIPMENT

The details of property, plant and equipment are as follows:

	2005			Ending Balance
	Beginning Balance	Addition	Deduction	
(unaudited)				
<u>Carrying Value</u>				
<u>Direct Ownership</u>				
Land	30,082,598	-	-	30,082,598
Roads, bridges and ditches	22,910,481	4,218,062	-	27,128,543
Buildings and improvement	93,609,845	8,777,065	335,194	102,051,716
Machinery and equipment	251,663,759	24,617,975	116,077	276,165,657
Transportation equipment	17,720,781	879,024	547,372	18,052,433
Furniture and office equipment	10,091,337	616,794	3,283	10,704,848
Total	426,078,801	39,108,920	1,001,926	464,185,795
<u>Asset Under Capital Lease</u>	<u>3,681,722</u>	<u>3,852,408</u>	<u>-</u>	<u>7,534,130</u>
Transportation equipment				
<u>Construction-in-Progress</u>				
Roads, bridges and ditches	3,572,287	4,366,495	4,923,039	3,015,743
Buildings and improvements	5,870,877	2,683,402	496,778	8,057,501
Machinery and equipment	45,695,939	5,162,273	15,977,394	34,880,818
Transportation equipment	301,803	98,855	24,587	376,071
ORACLE application software	2,200,000	314,159	-	2,514,159
Total	57,640,906	12,625,183	21,421,798	48,844,292
Total Carrying Value	487,401,429	55,586,511	22,423,724	520,564,217
<u>Accumulated Depreciation and Amortization Direct Ownership</u>				
Roads, bridges and ditches	9,255,094	780,564	-	10,035,658
Buildings and improvement	33,267,477	2,293,233	4,000	35,556,710
Machinery and equipment	112,510,370	6,300,563	45,609	118,765,324
Transportation equipment	11,170,131	766,306	466,772	11,469,665
Furniture and office equipment	6,130,622	659,583	2,683	6,787,522
Total	172,333,694	10,800,249	519,064	182,614,879
<u>Asset Under Capital Lease</u>				
Transportation equipment	1,119,043	404,031	-	1,523,074
Total Accumulated Depreciation and Amortization	173,452,737	11,204,280	519,064	184,137,953
Net Book Value	313,948,692			336,426,264

	2004			Ending Balance
	Beginning Balance	Addition	Deduction	
(audited)				
<u>Carrying Value</u>				
<u>Direct Ownership</u>				
Land	34,687,485	4,895,037	25,943	39,556,579
Roads, bridges and ditches	18,108,049	3,047,151	837,451	20,317,749
Buildings and improvement	72,122,465	1,237,631	3,230	73,356,866
Machinery and equipment	182,736,425	4,860,089	459,412	187,137,102
Transportation equipment	13,401,563	1,333,572	279,346	14,455,789
Furniture and office equipment	8,487,911	517,424	621,870	8,383,465
Total	329,543,898	15,890,904	2,227,252	343,207,550

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15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	2004			Ending Balance
	Beginning Balance	Addition	Deduction	
(audited)				
<u>Asset Under Capital Lease</u>				
Transportation equipment	3,248,297	-	-	3,248,297
<u>Construction-in-Progress</u>				
Roads, bridges and ditches	2,488,748	1,674,832	896,669	3,266,911
Buildings and improvement	391,969	579,899	529,293	442,575
Machinery and equipment	28,177,930	1,354,559	3,664,460	25,868,029
Total	31,058,647	3,609,290	5,090,422	29,577,515
Total Carrying Value	363,850,842	19,500,194	7,317,674	376,033,362
<u>Accumulated Depreciation and Amortization Direct Ownership</u>				
Land	3,426,591	312,156	1,281	3,737,466
Roads, bridges and ditches	5,487,465	1,815,788	111,669	7,191,584
Buildings and improvement	26,630,359	1,852,972	3,230	28,480,101
Machinery and equipment	84,606,262	7,750,556	429,263	91,927,555
Transportation equipment	8,879,732	1,149,332	226,778	9,802,286
Furniture and office equipment	5,007,826	680,812	612,182	5,076,456
Total	134,038,235	13,561,616	1,384,403	146,215,448
<u>Asset Under Capital Lease</u>				
Transportation equipment	670,474	261,165	-	931,639
Total Accumulated Depreciation and Amortization	134,708,709	13,822,781	1,384,403	147,147,087
Net Book Value	229,142,133			228,886,275

The details of depreciation charged are as follows:

	2005	2004
	(unaudited)	(audited)
Cost of goods manufactured	8,816,890	12,493,832
General and administrative expense	1,275,730	1,328,949
Total	10,092,620	13,822,781

The Company and Subsidiaries' management believe that there is no impairment of assets in 2005 and 2004.

Property, plant and equipment under direct ownership are covered by insurance against losses from fire, earth quake and other risks under blanket policies of Rp 730.81 billion and Rp 465.9 billion in 2005 and 2004, which in the opinion of the Company's and Subsidiaries' management is adequate to cover possible losses from fire and other risks.

In 2005 and 2004, all property, plant and equipment of the Company, PT Agrowiyana and PT Kilang Vecolina, Subsidiaries, consisting of machineries, land and building are pledged as collateral to the long-term debts obtained from Credit Suisse, PT Bank Mandiri (Persero) Tbk. and Japan Asia Investment Co. Ltd. (see Note 26 and 27).

Construction in progress of building and improvements in 2004, includes the development of oil palm factory project of the Company and certain Subsidiaries (see Notes 43 point k and l).

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16. GOODWILL

Goodwill represents the difference between the acquisition cost of assets of Subsidiaries and the net values of the Subsidiaries. The details are:

	2005 (unaudited)	2004 (audited)
Balance at beginning of the year	92,687,643	2,675,881
Less amortization, presented under "Other Income (Expenses) - Miscellaneous Net" in the consolidated statements of income (see Note 37) (	2,359,300) (	127,010)
Balance at end of the year	90,328,343	2,548,871

17. RESTRICTED FUNDS

Restricted funds consist of:

	2005 (unaudited)	2004 (audited)
a. PT Bank Danamon Indonesia Tbk.	8,787,337	8,787,337
b. PT Bank Muamalat Indonesia	3,620,000	3,620,000
c. PT Bank Pembangunan Daerah Sumatera Barat	605,453	137,043
Total	13,012,792	12,544,380

- a. Cash in banks, time deposits, and non-interest bearing time deposits represent cash balances of certain Subsidiaries, PT Agrowiyana (Agrowiyana) and PT Bakrie Pasaman Plantations (BPP), placed in PT Bank Nusa Nasional (BNN), related party. Since 2000, this account was transferred to PT Bank Danamon Indonesia Tbk. (Danamon), since BNN was merged with Danamon. On April 19, 2004, BPP's restricted funds have been withdrawn based on an approval from PT Bank Danamon Tbk. (see Note 43 point a).
- b. Time deposits of PT Agrowiyana, a Subsidiary, at PT Bank Muamalat Indonesia (BMI) are pledged as collateral for the loan obtained by KUD Suka Makmur and KUD Swakarsa under supervision of PT Agrowiyana for the development of 4,915.31 hectares of oil palm plantations owned by the members of the Cooperatives in Jambi. PT Agrowiyana acts as the developer of the plantations and as guarantor of such loan (see Note 43 point b).
- c. The account of cash and cash equivalent (the cash account) placed in PT Bank Pembangunan Daerah Sumatera Barat represents the cash owned by the plasma farmers who are members of some Koperasi Unit Desa which are under supervision of BPP. The usage of cash account is managed by BPP but limited to the purpose and need of the plasma farmers. This account incurred in connection with the purchases of fresh fruit bunches made by the Company from the plasma farmers. This cash is used for the operating expenses of the plasma farmer estates and the installment of loan to the Bank (see Note 43 point a1 and a2).

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18. BUSINESS DEVELOPMENT PROJECT

In 2004, this account consists of the expenses incurred by PT Agrowiyana regarding to the new development project of oil palm plantations in Muara Tebo, Jambi of 10,000 Ha and Sarolangun, Jambi of 10,000 Ha.

19. DEFERRED CHARGES

This account represents the expenses incurred by PT Agro Mitra Madani (AMM), a Subsidiary, before its commercial operation. This consists of permit and legal expenses.

20. DEFERRED CHARGES OF LANDRIGHTS

This account consists of:

	2005 (unaudited)
Deferred charges of landright	10,416,812
Accumulated amortization	(398,074)
Total	10,018,737

21. TRADE PAYABLES

Trade payables - third parties represents purchases of raw materials, chemicals, fertilizers, spare parts and other equipment from:

	2005 (unaudited)	2004 (audited)
<u>Third parties:</u>		
<u>US Dollar:</u>		
PT Riau Alamindo Sejahtera (US\$ 475,809 in 2005 US\$ 275,597 in 2004)	4,621,531	2,594,746
PT Multimas Chemindo (US\$ 169,008 in 2005)	1,641,578	-
Sphere Corp. Sdn. Bhd. (US\$ 75,742 in 2005)	735,682	-
Others (each below Rp 500 juta) (US\$ 75,091 pada tahun 2005)	729,359	-
	<u>7,728,150</u>	<u>2,594,746</u>
<u>Rupiah:</u>		
PT Riau Alamindo	5,151,902	1,947,757
PT Sumber Agrindo Sejahtera	4,412,857	-
PT Intan Surya Pratama	2,951,715	-
PT Kwalaintan Sawit Selatan	2,413,238	784,444
PT Multimas Chemindo	939,120	-
PT Torpika Abadi	693,750	-
PD Kencana Agung	668,319	790,504
PT Sentana Adidaya Pratama	564,750	-

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21. TRADE PAYABLES (Continued)

	2005 (unaudited)	2004 (audited)
PT Perdana Agro Mandiri	513,104	-
PT Alam Tirtasari	-	2,182,185
KUD Sungai Aur I	-	1,255,387
PT Bintika Kusuma	-	710,631
KUD Parit	-	707,137
PT Tri Agung Jaya	-	484,813
PT Gresik Cipta Sejahtera	-	440,464
Others (each below of Rp 500 million)	6,816,040	4,045,839
	<u>25,124,795</u>	<u>13,349,161</u>
	<u>32,852,945</u>	<u>15,943,907</u>
<u>Related parties (see notes 41):</u>		
PT Agro Mitra Madani	-	180,000
Jumlah	<u>32,852,945</u>	<u>16,123,907</u>

The details of aging schedule for trade payables, which are determined by the date of invoices, are as follows:

	2005 (unaudited)	2004 (audited)
Current up to 30 days	20,400,769	6,190,190
31 days to 60 days	6,233,087	4,494,995
61 days to 90 days	3,210,400	758,389
Over than 90 days	3,008,689	4,680,333
Total	<u>32,852,945</u>	<u>16,123,907</u>

The details of trade payables based on currencies are as follows:

	2005 (unaudited)	2004 (audited)
Rupiah	25,124,795	13,529,161
US Dollar	7,728,150	2,594,746
Total	<u>32,852,945</u>	<u>16,123,907</u>

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22. OTHER PAYABLES

Other payables represent payables to contractor of estate and plantations maintenance and purchase of employees' rice. This account consists of:

	2005 (unaudited)	2004 (audited)
<u>Third parties:</u>		
PT Triroyal Timur Raya	3,616,379	-
Rye Investment Ltd.	2,627,387	2,627,387
PT Bintika Kusuma	805,304	-
De Smith Engineering	-	1,221,914
CV Niaga Siantar	-	459,128
UD Jaya	-	382,902
CV Apotik Matahari	-	316,202
Others (each below of Rp 500 million)	5,936,990	4,243,187
	<u>12,986,060</u>	<u>9,250,720</u>
<u>Related parties (see Note 41):</u>		
Employee cooperative	3,252,248	6,566,869
PT Dana Pensiun Bakrie	4,213,551	6,047,329
PT Asuransi Ikrar Lloyd	200,775	200,775
Other	108,109	-
	<u>7,774,683</u>	<u>12,814,973</u>
Total	<u>20,760,743</u>	<u>22,065,693</u>

In 2004, payable to Employee cooperative is related to advance payment for the Company's operation.

The payable to PT Dana Pensiun Bakrie is related to the severance pay for the Company's and Subsidiaries' employees.

23. ACCRUED EXPENSES

This account consists of:

	2005 (unaudited)	2004 (audited)
Salaries and fringe benefits	13,037,851	7,001,147
Professional fees	218,642	417,483
Electricity, telephone and water	463,664	365,297
Interest	295,678	-
Jamsostek	265,207	235,159
Tax penalties	-	69,337
Others	1,328,580	1,479,032
Total	<u>15,609,622</u>	<u>9,567,455</u>

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24. TAXES PAYABLE

Taxes payable consist of:

	2005 (unaudited)	2004 (audited)
<u>Income taxes:</u>		
Article 21	247,026	54,946
Article 23	3,092,014	574,930
Article 26	2,075,188	5,275,010
Article 29	11,091,250	952,538
Value Added Tax	699,130	6,818,029
Land and Building Tax	2,327,105	5,137,359
Local Tax	807	3,393
Total	19,532,520	18,816,205

25. ADVANCES ON SALES

This account represents advances on sales of rubber products, crude palm oil, palm kernel, fresh fruit bunches and rubber wood, consisting of the following:

	2005 (unaudited)	2004 (audited)
<u>Pihak ketiga:</u>		
Leonard Djajali	14,625,100	-
PT Multimas Nabati	6,350,000	18,371,974
PT Bukit Kapur Reksa	5,225,982	-
PT Musim Mas	4,640,182	808,233
PT Intan Surya Pratama	830,448	-
PT Asia Karet	-	335,461
PT Pribumi Jaya Perdagangan	-	192,041
PT Kepok Raja Medan	-	-
PT Usaha Inti Padang	-	-
Others (each below of Rp 500 million)	4,185,276	635,409
Total	35,856,988	20,343,118

26. SHORT TERM LOAN

On December 8, 1997, PT Kilang Vecolina (KV), a Subsidiary, entered into a Convertible Notes Purchase Agreement with Japan Asia Investment Co. Ltd. (JAIC).

On January 1, 2001, JAIC agreed to the debt-restructuring proposal submitted by KV. The repayment schedule of the convertible notes is extended up to December 31, 2004 with interest rate of 7.5% per year, whereby the 5% portion will be paid quarterly and the remaining 2.5% will be accumulated and paid before December 31, 2004 or when the convertible notes are converted to equity.

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26. SHORT TERM LOAN (Continued)

Convertible notes were guaranteed by land, building and machinery located in Karawang Industrial Park, West Java (see Note 15).

On November 18, 2003, JAIC has sold the receivable (cessie) amounted to US\$ 5,000,000 to Ficus Corporate Ltd, a company incorporated with limited liability under the laws of the British Virgin Islands. Based on the result of negotiation between KV and Ficus Corporate Ltd, it has approved to write off the interest overdue amounted to US\$ 316.5 thousand (equivalent to Rp 2.83 billion), which presented as part of "Extraordinary Item" in the consolidated statements of income in 2003. As of December 30, 2003, Ficus Corporate Ltd. has sold/transferred these receivable to PT Mega Marga Raya (MMR).

On April 20, 2004, KV held an agreement with MMR to convert this loan from US Dollar to Rupiah. Based on the agreement, the principal of loan after conversion amounted to Rp 43.01 billion with conversion rate Rp 8,602, which is BI middle rate on the date the of agreement.

The balance of short - term loan as of June 30, 2005 and 2004 are amounting to Rp 33 billion and Rp 43.01 billion, respectively.

28. LONG-TERM DEBTS

Long-term debts consist of the following:

	2005 (unaudited)	2004 (audited)
<u>Third parties:</u>		
a. Credit Suisse, Singapore (US\$ 50,229,996 in 2005 and US\$ 59,959,996 in 2004)	487,883,951	564,523,362
b. PT Bank Mandiri (Persero) Tbk., Jambi - Loan for Nucleus Estate Projects	2,689,238	8,166,376
c. PT Bank Niaga Tbk.	12,925,114	-
d. PT Bank Mandiri (KI Effective in US\$) (US\$ 1,444,875 in 2005)	14,034,073	-
PT Bank Mandiri (KI IDC in US\$) - (US\$ 96,787 in 2005)	940,092	-
PT Bank Mandiri (KMK in Rp)	7,800,000	-
PT Bank Mandiri (KI Effective in Rp)	12,511,549	-
PT Bank Mandiri (KI IDC in Rp)	1,553,125	-
e. Procurement of vehicle operation	1,430,490	840,843
Total	541,767,632	573,530,581

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28. LONG-TERM DEBTS

	2005 (unaudited)	2004 (audited)
Current portion of long-term debts:		
a. Credit Suisse, Singapore (US\$ 3,430,000 in 2005 and US\$ 4,830,000 in 2004)	33,315,590	45,474,450
b. PT Bank Mandiri Tbk. (Persero), Jambi - Loan for Nucleus Estate Smallholders Projects	2,689,238	5,477,138
c. PT Bank Niaga Tbk.	5,000,000	-
d. PT Bank Mandiri (KI Effective in US\$) (US \$ 298,795 in 2005)	2,902,200	-
PT Bank Mandiri (KI IDC in US\$) (US \$ 14,871 in 2005)	144,446	-
PT Bank Mandiri (KMK in Rp)	7,800,000	-
PT Bank Mandiri (KI Effective in Rp)	2,000,000	-
PT Bank Mandiri (KI IDC in Rp)	240,000	-
e. Procurement of vehicle operation	1,045,270	322,290
Total current portion of long-term debts	55,136,744	51,273,878
Long-term portion - net - third parties	486,630,888	522,256,703

- a. On October 11, 1996, the Company obtained a syndicated loan facility with maximum amount of US\$ 75 million from 15 domestic and overseas banks, with Credit Suisse First Boston, Singapore Branch acts as a facility agent.

On November 28, 2001, the Company signed an amended and restated facilities agreement with 15 domestic and overseas banks, Credit Suisse First Boston, Singapore Branch (as facility agent), the Hongkong and Shanghai Banking Corporation Limited, Medan Branch (as security agent) and the Hongkong and Shanghai Banking Corporation, Singapore Branch (as account bank) subject to certain terms and conditions. As of the effective date the amount of limits on the existing facilities is US\$ 73.60 million.

The amendments and restatements agreement became effective on November 28, 2001.

Based on the agreement, the Company should pay yearly fee to the facility agent, security agent and account bank. As of December 31, 2004 and 2003, the remaining balance of unamortized fee is presented as part of "Prepaid Expenses" (see Note 9) in the consolidated balance sheets.

The Company shall repay to its creditors by fixed amortizations and variable amortizations as determined by a monitoring accountant. The total amount of the debt restructuring was US\$ 72.60 million after the Company had paid US\$ 1 million as its initial payment.

28. LONG-TERM DEBTS (Continued)

1. Repayment by fixed amortization

The Company shall repay the loan principal every end of the quarter for 21 quarters starting from December 28, 2001 until December 31, 2006 as follows:

<u>Year</u>	<u>Full Amount</u>	
2001	US\$	1,000,000
2002		5,600,000
2003		5,600,000
2004		4,800,000
2005		4,900,000
2006		51,700,000
Total	US\$	73,600,000

2. Repayment by variable amortization

The Company shall repay on each principal repayment date during the term of the loan any additional amortization amount as determined by Deloitte Touche Tohmatsu, acting as a monitoring accountant appointed by the Company and approved by the facility agent, using certain formulas specified in the agreement. The payment takes the form of variable as it is tied up with the movement or fluctuation of the prices of commodities as well as the Rupiah vis-à-vis the US Dollar.

In addition to the above, the Company is required to pay interest and default interest of 3.5% per annum above SIBOR and penalty of interest default of 2% of interest overdue. The interest and default interest should be paid quarterly to the creditor through a facility agent.

The agreement provides negative covenants such as prohibition against any disposal of assets, any amalgamation, de-merger, merger or reconstruction (for Parent Company), acquisition of new subsidiaries or shares or securities of any corporate body, granting of loans or financial accommodations and issuing of shares or other securities to any person, declaring and paying of dividends and management fee, transacting with related parties (except arm's length basis transactions), entering into leasing agreements out of the ordinary course of business of the Company and limitations on capital expenditures. Dividends and management are paid to a maximum of Rp 14 billion per year if all obligations to creditors have been fulfilled. Some of these restrictions can be waived if there is a prior written approval from the facility agent acting on the instructions of the majority of the participating creditors.

Subject to the above-mentioned written approval from the facility agent, the Company may incur capital expenditures in each calendar year which is reasonably required in the normal course of business provided that the aggregate amount in any year does not exceed the amounts below:

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28. LONG-TERM DEBTS (Continued)

<u>Year</u>	<u>Amount of Capital Expenditure</u>
2001	Rp 36,400,000
2002	29,500,000
2003	30,900,000
2004	30,900,000
2005	30,900,000
2006	30,900,000

The financial conditions mentioned below shall take effect on December 31, 2002, except for the collateral ratio covenant which shall come into force on the Effective Date.

Equity : Shall equal or exceed Rp 165 billion
Collateral Ratio : For each year ending December 31 and on each date during such year, the ratio shall equal or exceed the ratio 1.25:1
Debt Service Ratio : Shall not be less than 2.7:1

Debt Earning Ratio :

<u>Financial Year</u>	<u>Shall Not Exceed</u>
2002	4.3:1
2003	3.8:1
2004	3.6:1
2005	3.3:1
2006	3.1:1

During the year of 2005, the Company has installed the loan principal of US\$ 2.37 million (Rp 22.69 billion) and interest of US\$ 1.67 thousand (Rp 15.91 billion).

During the year of 2004, the Company has installed the loan principal of US\$ 1.44 million (Rp 13.13 billion) and interest of US\$ 1.45 million (Rp 12.99 billion).

- b. This credit facility represents Rupiah-denominated loans obtained by PT Agrowiyana (Agro), a Subsidiary, on May 10, 1996 from PT Bank Mandiri (Persero) Tbk., Jambi (Bank Mandiri) with a maximum credit limit, including interest during development of Rp 23.35 billion. This loan bears interest of 16% per year and will mature in 10 years, inclusive of a 5-year grace period. This loan is used to develop 2,400 hectares of oil palm plantations and their supporting facilities.

This loan is collateralized by the Subsidiary's receivables, inventories, property, plant and equipment and shares of stock (*see Notes 5, 7, 14 and 15*).

Interest during development will be settled as follows:

1. 65% will be deferred to the credit facility.
2. 35% will be paid quarterly.

Repayments for principal and interest during development period will be installed in 20 quarterly installments starting from the first quarter of 2000 up to the fourth quarter of 2005.

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28. LONG-TERM DEBTS (Continued)

As long as the loan is still outstanding, Agro should obtain prior approval from Bank Mandiri, before investing in a new project, transferring loan to a third party, obtaining new loan, changing its management and stockholders, acting as a guarantor for another party and selling any property, plant and equipment.

- c. Credit facility for special purpose from PT Bank Niaga Tbk. to PT Huma Indah Mekar, a Subsidiary, with maximum limit of Rp 15 billion. The facility can be changed at any time based on the agreement. The deadline to withdrawing the facility is on October 22, 2007. The facility was secured by two lots of land of 2,125.36 ha and 2,282 ha located in Lampung, Gunung Ujung Ilir and Gunung Ujung Udik, respectively (see Notes 15). The loan bears interest rate 12.75% per year and used for working capital and construction the rubber factory facilities in Lampung.
- d. Investment credit facilities (KI Effective) in Rupiah and US Dollar for 6 years since the first withdrawal include grace period for one and a half month and Interest During Construction credit facilities for 6 years since withdrawal investment credit facilities. The loan installment is 24 times quarterly started in third quarter of 2003, investment credit facilities bears interest rate of 15.25% a year for KI Rupiah and 11.00% a year for KI US\$.

Working capital credit facility with loan period of 1 year since August 9, 2004 until August 8, 2005, bears interest rate of 15% a year, the loan was secured by inventories and receivables amounting to Rp 11.6 billion and factory building and machinery amounting to Rp 61 billion (see Note 5 and 7).

- e. This represents loans obtained by the Company to purchase the Company's and the employee's vehicles on credit. For the employees' vehicle, the Company repays first and then deducts through employee's monthly salary in 36 monthly installments starting from date of credit approval. The schedule of installment payments ranges from 2005 to 2008. These loans are secured by documents of ownership of the assets financed by these loans.

28. OBLIGATION UNDER CAPITAL LEASE

Details of the obligation under capital lease are as follows:

Lessor Company	Description	2005 (unaudited)	2004 (audited)
PT Astra International Auto 2000	Vehicle	734,753	38,866
PT Orix Indonesia Finance	Vehicle	1,073,120	654,263
PT Otomulti Arta	Vehicle	302,400	-
PT Dipo Star Finance	Heavy equipments	78,672	54,305
Kopkar Tungkal Ulu	Vehicle	11,178	-
PT Federal International Finance	Vehicle	9,960	-
PT Primus Automotif Finance	Vehicle	-	45,558
Total		2,210,083	792,992
Less current maturities		(948,925)	(633,017)
Long-term portion		1,261,158	159,975

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30. DUE TO A RELATED PARTY

	2004 (unaudited)	2003 (audited)
PT Bakrie & Brothers Tbk.	41,666,196	39,650,613

The amount due to PT Bakrie & Brothers Tbk. (BB) represents reimbursement of expenses incurred by BB on behalf of the Company (see Note 42).

30. CAPITAL STOCK

The details of the Company's shares of ownership as of June 30, 2005 and 2004 are as follows:

2005			
Stockholders	Number of Shares	Percentage of Ownership	Amount
PT Bakrie & Brothers Tbk.	662,179,689	28.41%	66,217,969
Bakrie (BSP) Limited	652,680,000	28.00	65,268,000
HSBC Fund Services Public	172,607,812 843,532,499	7.40 36.19	17,260,781 84,353,250
Total	2,331,000,000	100.00%	233,100,000

2004			
Stockholders	Number of Shares	Percentage of Ownership	Amount
Bakrie (BSP) Limited	130,536,000	52.50%	65,268,000
The Bank of Bermuda, Ltd Hongkong Branch	18,411,500	7.40	9,206,750
Public	99,692,500	40.10	49,846,250
Total	248,640,000	100.00%	124,320,000

Based on the Company's Extraordinary Shareholders' General Meeting held on October 18, 2004, which was notarized by Notarial Deed No. 97, at the same date, of Notary Aulia Taufani, S.H., representative of notary of Sutjipto, S.H., the shareholders agreed on:

1. Change the par value of the Company's common stock regarding to the stock split from Rp 500 (full amount) to Rp 100 (full amount) per share and the Articles of Association of the Company Article 4 point 1 and 2 regarding to the stock split and the change of the common stock par value of the Company.
2. Change the Articles of Association of the Company Article 21 particularly regarding the announcement of the Extraordinary Shareholders General Meeting to accommodate the Bapepam Regulation No. IV.J.I on the principals of the Company' Articles of Association which conduct public offering and Public Company, Attachment of Bapepam Regulation Decree No. Kep.13/PM/1997 dated April 30, 1997.

30. CAPITAL STOCK (Continued)

According to the changes above, the total of Company's capital stock issued and fully paid to be 1,243,200,000 shares.

The changes of authorized capital stock have been approved by the Ministry of Justice and Human Rights in its Decision Letter No. C-26035 HT.01.04.TH.2004 dated October 19, 2004.

Based on the Company's Extraordinary Shareholders' General Meeting held on November 10, 2004, which was notarized by Notarial Deed No. 45, at the same date, of Notary Sutjipto, S.H., the shareholders agreed to increase its capital stock through right issue amounted to 1,087,800,000 shares from the Company's authorized share with the offering price of Rp 200 per share.

Accordingly, the Company's capital stock issued and fully paid increase from Rp 124.32 billion for 1,243,200,000 shares to Rp 233.1 billion for 2,331,000,000 shares. The shareholders also approved to allocate the fund from the limited public offering I, after deducted by stock issuance cost, are as follows:

- Approximately 41.5% or equivalent to Rp 90 billion for acquisition of 100% shares ownership in PT Huma Indah Mekar
- Approximately 23% or equivalent to Rp 50 billion for acquisition of 85% shares ownership in PT Agro Mitra Madani
- Approximately 23% or equivalent to Rp 50 billion will be used to develop the Company's palm factory with production capacity of 40 - 50 ton TBS/hours at Kisaran on the Company's area of 3 hectares.
- Approximately 12.5% or equivalent to Rp 27 billion will be used to partially repay of the principal of the Company's loan to Credit Suisse First Boston, Singapore.

The increase of the capital stock issued and fully paid has been reported and has been approved by the Ministry of Law and Human Rights in its Decision Letter No. C-30533 HT.01.04.TH.2004 dated December 17, 2004.

Based on the Statement Letter of Bakrie (BSP) Limited, a Company's shareholders, dated November 3, 2004, Bakrie (BSP) Limited stated not to exercise its rights as shareholder in limited public offering I. Accordingly, on December 31, 2004, Bakrie (BSP) Limited shares ownership has been diluted from 52.5% to 28% shares ownership.

32. ADDITIONAL PAID-IN CAPITAL - NET

This account represents the difference between the par value, as stated in the Company's Articles of Association, and actual selling price offered to the public after deducted by all stock issuance cost of the Company's limited public offering. It also includes the issuance of bonus shares and declaration of dividend shares (*see Notes 1 point b and 30*).

33. DIVIDENDS

Based on the Company's Shareholders' General Meeting held on May 18, 2005 and June 24, 1999 the shareholders approved the declaration of cash dividends amounting to Rp 6 per share and one-for-five stock dividend based on the market price of Rp 1,450 (full amount) per share totaling Rp 60.088 billion and cash dividend totaling Rp 15.540 billion or Rp 75 (full amount) per share to the registered shareholders as of July 21, 1999 and July 28, 1998 and were paid starting June 30, 2005 and August 19. As of June 30, 2005 and 2004, dividends payable amounted to Rp 750.12 million and Rp 421.33 million, respectively.

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33. NET SALES

Details of net sales of the Company and Subsidiaries based on grouping of main products are as follows:

	2005 (unaudited)	2004 (audited)
Oil palm and derivatives	161,041,078	120,114,579
Rubber	187,907,549	115,595,395
Fresh fruit bunches	43,279,749	44,657,772
Total before elimination	392,228,376	280,367,746
Elimination	55,416,728	-
Total after elimination	336,811,648	280,367,746

In the period ended June 30, 2005 and 2004, total sales to related parties amounted to Rp 55.42 billion or (14.13% of total sales) and Rp 45.55 billion or (16.25% of total sales), respectively.

The details of customers with total sales more than 10% of total sales of the Company and Subsidiaries are as follows:

Customers	Amount		Percentage to Total Net Sales	
	2005	2004	2005	2004
PT Musim Mas	107,911,935	58,566,062	32.04 %	20.89 %
PT Agro Mitra Madani, a Subsidiary *)	-	44,535,526	-	15.88
PT WRP Buana Multicorpora	-	42,538,104	-	15.17
Others (each below of 10%)	228,899,713	134,728,054	67.96	48.06
Total	336,811,648	280,367,746	100.00	100.00

*) pada tahun 2005 dieliminasi

34. COST OF GOODS SOLD

The details of the cost of goods sold are as follows:

	2005 (unaudited)	2004 (audited)
Company:		
Cost of goods sold - Rubber	94,007,336	80,524,661
Cost of goods sold - Palm Oil	22,618,378	12,485,697
Cost of goods sold - FFB	221,149	101,678
Cost of goods sold - Company	116,846,863	93,112,037

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34. COST OF GOODS SOLD (Continued)

	2005 (unaudited)	2004 (audited)
Subsidiaries:		
Cost of goods sold - Rubber	11,895,965	-
Cost of goods sold - Palm Oil	112,517,189	54,132,510
Cost of goods sold - FFB	42,109,877	38,520,634
Cost of goods sold - Subsidiaries	166,523,031	92,653,144
Total before elimination	283,369,894	185,765,180
Elimination	55,416,728	-
Total after elimination	227,953,166	185,765,180

35. OPERATING EXPENSES

The details of operating expenses are as follows:

	2005 (unaudited)	2004 (audited)
<u>Selling Expenses:</u>		
Docking and loading	1,644,184	683,296
Sales and bank commissions	333,002	1,069
Others	307,175	230,659
Selling Expenses	2,284,361	915,024
<u>General and Administrative Expenses:</u>		
Salaries and fringe benefits	10,205,503	9,402,357
Retirement benefits	3,953,978	3,343,976
Traveling	2,433,044	1,665,377
Professional fees	2,017,715	1,479,719
Severance pays	1,840,090	1,277,516
Depreciation (see Note 15)	1,275,730	1,328,949
Other administrative expenses (each below of Rp 1 billion)	8,084,873	7,585,045
	29,810,933	26,082,939
General charges capitalized to immature plantations	(4,205,910)	(2,799,520)
General and Administrative Expenses - net	25,605,023	23,283,419
Total Operating Expenses	27,889,384	24,198,443

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36. INTEREST AND FINANCIAL EXPENSES

The details of interest and financial expenses are as follows:

	2005 (unaudited)	2004 (audited)
Syndicated loan Credit Suisse	15,913,932	12,985,650
PT Bank Mandiri (Persero) Tbk.	3,008,633	878,943
PT Bank Niaga Tbk.	881,408	-
Bank administration	172,787	169,706
Leased expense	149,849	22,672
Transportation equipment loan	23,296	192,233
Total - Net	20,149,905	14,249,204

37. MISCELLANEOUS - NET

The details of miscellaneous - net are as follows:

	2005 (unaudited)	2004 (audited)
Written off of debt	-	19,385,474
Contribution	-	(811,980)
Amortization of goodwill	(2,359,300)	(127,010)
Others - net	(2,744,373)	(914,609)
Miscellaneous - Net	4,803,733	(17,531,876)

38. INCOME TAX

Tax expense of the Company and Subsidiaries consist of:

	2005 (unaudited)	2004 (audited)
Current tax		
Subsidiaries	12,838,120	2,822,514
Deferred tax		
Company	(1,088,272)	(768,529)
Subsidiaries	(241,165)	3,567,435
Total	11,508,683	5,621,420

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38. INCOME TAX (Continued)

a. Current Tax

Reconciliation against income before provision for income tax, as recorded in the consolidated statements of income and estimated taxable fiscal loss of the Company is as follows:

	2005 (unaudited)	2004 (audited)
Income before provision for income tax per consolidated statements of income	35,655,197	18,190,513
Additions (Deductions):		
Loss (income) of Subsidiaries before provision for income tax	(42,233,565)	(21,354,664)
Company's portion on income of Subsidiaries	29,636,610	14,837,705
Amortization of goodwill	2,359,299	127,010
Income before provision for income tax	<u>25,417,540</u>	<u>11,800,564</u>
Fiscal correction:		
Timing differences:		
Depreciation and amortization of property, plant and equipment	(2,038,869)	(236,431)
Capitalization of general charges	(4,205,910)	(2,799,521)
Amortization of deferred charges	-	(110,128)
Depreciation of asset under capital lease	-	13,401
Total timing differences	<u>(6,244,778)</u>	<u>(3,132,679)</u>
Permanent differences:		
Non deductible expenses	689,350	-
Interest income subjected to income tax article 23 final	(97,845)	(51,863)
Company's portion on income of Subsidiaries	(29,636,610)	14,837,705
Employee benefits in kind	-	527,240
Total permanent differences	<u>(29,045,105)</u>	<u>(14,362,328)</u>
Estimated taxable income of the Company	<u>50,716,009</u>	<u>86,711,139</u>
Fiscal loss compensation of the Company	(9,872,342)	(5,694,442)
Fiscal loss correction	-	(70,385,698)
Total	<u><u>(9,872,342)</u></u>	<u><u>(76,080,140)</u></u>

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38. INCOME TAX (Continued)

The calculation of current income tax expenses and income tax payable (claim) is as follows:

	2005 (unaudited)	2004 (audited)
Provision for income tax - current		
Subsidiary	12,838,120	2,822,514
Prepayment of income tax:		
Company		
Article 22	215,431	171,654
Article 25	117,197	117,197
Fiscal overseas	-	70,000
	<u>332,628</u>	<u>358,851</u>
Subsidiaries:		
Article 22	185,734	13,502
Article 23	3,193	-
Article 25	7,056,016	1,869,976
	<u>7,244,943</u>	<u>1,883,478</u>
Total prepayment of income tax	<u>7,577,571</u>	<u>2,242,329</u>
Estimated claims of income tax refunds:		
Company	(332,628)	(358,851)
Subsidiaries	5,593,177	939,036
Total	<u>5,260,549</u>	<u>580,185</u>

b. Deferred tax

The computation of provision for deferred income tax is as follows:

	2005 (unaudited)	2004 (audited)
Estimated deferred income tax on timing differences using the maximum tax rate (30%)		
Company:		
Fiscal losses	2,961,706	1,708,333
Depreciation and amortization of property, plant and equipment	(611,661)	(70,929)
Capitalization of general charges	(1,261,773)	(839,857)
Depreciation of asset under capital leased	-	4,020
Amortization of deferred charges	-	(33,038)
Deferred income tax - Company	<u>1,088,272</u>	<u>768,529</u>

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38. INCOME TAX (Continued)

	2005 (unaudited)	2004 (audited)
Deferred income tax - Subsidiaries:		
PT Kilang Vecolina	222,823	547,080
PT Huma Indah Mekar	18,342	-
PT Patriot Andalas	-	184,219
PT Agrowiyana	-	163,767
PT Bakrie Pasaman Plantations	-	(4,462,501)
Total deferred income tax - Subsidiaries	241,165	(3,567,435)
Estimated deferred income tax	(1,329,437)	(2,798,906)

The details of deferred income tax assets and liabilities are as follows:

	2005 (unaudited)	2004 (audited)
<u>Deferred Tax Asset</u>		
Company:		
Fiscal losses	2,961,706	22,824,041
Allowances for unrecoverable investment in shares of stock and doubtful accounts - net	-	14,012,217
Allowance for bad debt expense	-	1,800,000
Capital lease transactions	-	20,308
Net book value of property, plant and equipment	-	(19,000,082)
Deferred foreign exchange difference	-	(4,516,578)
	2,916,706	15,139,906
Subsidiaries:		
PT Kilang Vecolina	39,734,103	38,465,188
PT Agro Mitra Mandiri	1,170,308	-
PT Huma Indah Mekar	780,453	-
PT Patriot Andalas	-	1,139,411
	41,684,864	39,604,599
Total deferred income tax assets in the consolidated financial statements	44,646,570	54,744,505

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38. INCOME TAX (Continued)

	2005 (unaudited)	2004 (audited)
<u>Deferred Tax Liabilities</u>		
Company:		
Allowances for unrecoverable investment in shares of stock and doubtful accounts - net	14,012,217	-
Allowance for bad debt expense	1,800,000	-
Capital lease transactions	24,328	-
Net book value of property, plant and equipment	(23,095,541)	-
Sales correction	(1,050,072)	-
Deferred foreign exchange difference	(4,516,578)	-
	<u>(12,825,646)</u>	<u>-</u>
Subsidiaries:		
PT Bakrie Pasaman Plantations	(12,584,915)	(6,394,390)
PT Agrowiyana	(4,164,282)	(4,123,243)
	<u>(16,749,197)</u>	<u>(10,517,633)</u>
Total deferred income tax liabilities in the consolidated financial statements	(29,574,844)	(10,517,633)
Deferred tax assets - net	<u>15,071,725</u>	<u>44,226,872</u>

39. RETIREMENT BENEFITS

The Company and Subsidiaries have the following retirement benefit plans:

a. Defined retirement benefit plan

The Company and Subsidiaries have defined retirement benefit plans covering substantially all of their eligible permanent employees. The retirement benefit costs charged to operations (current service cost and amortization of past service cost) are based on actuarial valuation. This plan has been effective since January 1, 1996 for the Company and June 9, 1999 for the Subsidiaries.

b. Non-contributory retirement plan

The plan covers employee of the Company who retired before 1996 and had opted to receive pension on a monthly basis or lumpsum amounts based on their last salaries received before retirement.

The details of the Company's and Subsidiaries' retirement benefits charged to operations were based on the method of PT Sienco Aktuarindo Utama and PT Dian Artha Tama, an independent firm of actuary, as follows:

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39. RETIREMENT BENEFITS (Continued)

	2005 (unaudited)	2004 (audited)
Defined retirement benefit plan:		
Current service cost	1,337,851	974,524
Amortization of past service cost	2,999,419	2,340,482
Non-contributory retirement plan	51,732	28,970
Total	4,389,002	3,343,976

The pension plan's assets of the Company and Subsidiaries are being managed by Dana Pensiun Bakrie, which was established based on the decision letter of the Ministry of Finance of the Republic of Indonesia. The Company's and Subsidiaries' retirement benefit costs as of December 31, 2004 and 2003 were calculated by PT Sienco Aktuarindo Utama, an independent actuary firm, whose report dated March 21, 2005 and PT Dian Artha Tama, an independent actuary firm, whose report dated February 20, 2004, respectively, using the "Projected Unit Credit" method with assumption are as follows:

	The Company and Subsidiaries
Discount rate	11%
Rate of salary increase per year	8%
Mortality rate	Mortality Table CSO 1980
Normal pension age	55 years
Participants' resignation rate	10% (age 25 years) and declined Proportionally until 0% (age 45 years)
Handicap rate	10% of CSO 1980
Accelerate resignation rate	2% (age 45 - 54 years)

The pension plan's assets consist mainly of time deposits, marketable securities and long-term investment in shares.

40. BASIC INCOME PER SHARE

The following is the computation of basic income per share as of June 30, 2005 and 2004:

	2005 (unaudited)	2004 (audited)
Earning		
Net income	24,146,514	12,569,093
Weighted average of shares to computed income per share	2,331,000	248,640
Basic income per share (full amount)	10	51

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42. BALANCES AND TRANSACTION WITH RELATED PARTIES

The details of related parties, relationship with the Company and nature of transactions are as follows:

No.	Related Parties	Relationship	Nature of Transaction
1.	PT Bakrie Rubber Industry	Affiliated	Trade receivable and interest income
2.	PT Bakrie & Brothers Tbk.	Affiliated	Trade payable and reimbursement cost
3.	Dana Pensiun Bakrie	Affiliated	Contribution payable
4.	PT Asuransi Ikrar Lloyd	Affiliated	Insurance premium payable
5.	PT United Sumatera Rubber Products	Associate Company	Investment in shares of stock
6.	PT Prasetia Utama	Associate Company	Advance on investment in shares of stock
7.	PT Sarana Jambi Ventura	Associate Company	Investment in shares of stock
8.	PT Sarana Sumatera Barat Ventura	Associate Company	Investment in shares of stock
9.	Employee cooperative	Affiliated	Other receivable and other payable
10.	BPP Foundation	Affiliated	Other receivable
11.	Employees	Affiliated	Employee receivable

The account balances of related parties and the percentages to total assets/liabilities, revenues and expenditures are as follows:

	Amount		Percentage to Total Assets/Liabilities Revenues/Expenses	
	2005 (unaudited)	2004 (audited)	2005 (unaudited)	2004 (audited)
	Rp	Rp	%	%
<u>Account receivables (see Note 5):</u>				
PT Bakrie Rubber Industry	47,775,301	44,925,845	4.007	5.185
Allowance for doubtful accounts	(22,000,000)	(22,000,000)	(1.956)	(2.005)
Total Related Parties - Net	25,775,301	22,925,845	2.162	2.646
<u>Other receivables (see Note 6):</u>				
Staff and employee	2,591,251	3,028,797	0.217	0.350
Employee cooperative	2,118,897	220,379	0.178	0.250
BPP foundation	-	50,000	-	0.006
Total Related Parties - Net	4,710,148	3,299,176	0.395	0.381
<u>Investment in Shares of Stocks (see Note 11):</u>				
PT Agro Mitra Madani	-	1,125,000	-	0.130
PT United Sumatera Rubber Product	511,353	511,353	0.043	0.059
PT Sarana Jambi Ventura	149,377	149,377	0.012	0.017
PT Sarana Sumatera Barat Ventura	37,172	31,978	0.003	0.004
	697,902	1,817,708	0.058	0.210
<u>Advance on Investment in Shares of Stocks (see Note 12):</u>				
PT Prasetia Utama	1,000,000	1,000,000	0.084	0.115
	1,697,902	2,817,708	0.142	0.325
Provision for unrecoverable investment in shares of stocks	(511,353)	(511,353)	(0.043)	(0.059)
Total Related Parties - Net	1,186,549	2,306,355	0.099	0.265

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42. BALANCES AND TRANSACTION WITH RELATED PARTIES (Continued)

	Amount		Percentage to Total Assets/Liabilities Revenues/Expenses	
	2005 (unaudited)	2004 (audited)	2005 (unaudited)	2004 (audited)
	Rp	Rp	%	%
<u>Due from a Related Party (see Note 12):</u>				
PT Bakrie Rubber Industry	5,124,528	4,482,599	0.430	0.517
PT Bakrie & Brothers Tbk.	4,635,817	-	0.389	-
PT Agro Mitra Madani	-	4,020,765	-	0.464
Less allowance for doubtful account	(2,991,629)	(2,991,629)	(0.251)	(0.345)
Total Related Party - Net	6,768,716	5,511,735	0.568	0.636
<u>Due to a Related Party (see Note 29):</u>				
PT Bakrie & Brothers Tbk.	41,666,196	39,650,613	3.494	4.576
<u>Trade Payable (see Note 21).</u>				
PT Agro Mitra Madani	-	180,000	-	0,021
<u>Other payables (see Note 23):</u>				
Employee cooperative	3,252,248	6,566,869	0.273	0.758
Dana Pensiun Bakrie	4,213,551	6,047,329	0.353	0.698
PT Asuransi Ikrar Lloyd	200,775	200,775	0.017	0.023
Other	108,108	-	0.009	-
	7,764,683	12,814,973	0.651	1.479
<u>Net sales (see Note 34):</u>				
PT Bakrie Rubber Industry	749,860	1,010,582	3.105	0.360
PT Agro Mitra Madani	-	44,535,526	-	15.885
Total	749,860	45,546,108	3.105	16.245

The sales transactions with related parties has been conducted under terms and conditions similar with those of third parties, principally.

Receivable from PT Bakrie Rubber Industry represents interest/penalty from past due trade receivables, advances to finance its operations and reimbursement of expenses. There were no interests charged since 1999. Based on management review, this account has been provided with an allowance for doubtful accounts since 1999.

42. REIMBURSEMENT EXPENSE

Based on the Addendum Agreement signed on December 1, 1999 between the Company and PT Bakrie & Brothers Tbk. (BB), it is agreed that a reimbursement of expenses incurred by BB on behalf of the Company will be made with a maximum amount of 10% from the Company's operating income.

43. AGREEMENTS AND COMMITMENTS

- a. PT Bakrie Pasaman Plantations (BPP), a Subsidiary, has entered into cooperation agreements with the following:
- 1) Koperasi Unit Desa (KUD) Parit and KUD Sungai Aur I (Cooperatives) and PT Bank Nusa Nasional (BNN), Medan, dated August 2, 1994, for developing 1,800 hectares and 2,320 hectares, respectively, of oil palm plantations (Plasma Estate Projects) at the areas owned by the members of the cooperatives located in Pasaman. As of December 31, 2004 about 1,371.07 (76.17%) hectares of the KUD Parit area and 1,342.66 (58%) hectares of the KUD Sungai Aur I areas have been planted.
 - 2) KUD Sungai Aur I and PT Bank Nusa Nasional (BNN), Padang, dated February 22, 1995, for developing 2,250 hectares of oil palm plantations (Plasma Estate Projects), at the areas owned by the members of the cooperative located in Pasaman. As of December 31, 2004 about 1,197 (53.25%) hectares of the KUD Sungai Aur I area have been planted.

The cooperatives have obtained long-term loans from BNN, the proceeds of which were forwarded to BPP as the developer of the project and also as a guarantor to the loan. The total credit facility, including interest during the development stage, amounted to Rp 6.46 million and Rp 6.78 million per hectare.

In 2000 BNN was merged with PT Bank Danamon Indonesia Tbk. (Danamon). Since then all business dealings between BPP and BNN have been done through Danamon. On April 19, 2004, BPP has succeeded to negotiate with Danamon to release funds committed during the previous loan agreement with BNN (see Note 18).

In connection with these agreements, BPP agreed to:

- i) Develop the oil palm plantations including their maintenance up to the time of transfer to the cooperatives on the third and the fourth years, which is financed by BNN;
- ii) Develop estate facilities;
- iii) Develop an oil palm factory in the project area;
- iv) Purchase all fresh fruit bunches produced by the cooperatives;
- v) Pay the loan installments to BNN through deductions from payments to the cooperatives' members; and
- vi) Sell a portion of BPP's shares to the cooperatives in order to support both parties' long-term cooperation.

Administration and financial statement reporting of these projects are maintained separately by BPP.

- b. On September 13, 2000, Agro entered into an agreement with PT Bank Muamalat Indonesia (BMI), KUD Swakarsa and KUD Suka Makmur (Cooperatives), to develop 1,710.17 and 3,205.14 hectares, respectively, of oil palm plantations (Plasma Estate Projects) at the areas owned by the members of the cooperatives. The cooperatives obtained long-term loans from BMI amounting to Rp 28.92 billion and Rp 43.07 billion for KUD Swakarsa and KUD Suka Makmur, respectively, the proceeds of which were forwarded to Agro as the developer of the projects and also as the guarantor.

Up to June 30, 2004, the loans facility which had been withdrawn from BMI amounted to Rp 71.99 billion, in which Rp 28.89 billion have been transferred to IBRA as an over credit facility from BNN, Jakarta.

43. AGREEMENTS AND COMMITMENTS (Continued)

In the loan agreement between cooperatives, Agro and BMI, Agro acts as the guarantor of cooperatives' loans and should buy back the plasma estate, when condition according to BMI suggests that Agro has to take over the plasma estate as a settlement of the loan.

Administration and financial statement reporting of these projects are maintained separately by Agro.

- c. PT Agrowiyana (Agro) has been appointed as the developer of the projects with regard to the agreement between PT Bank Mandiri (Persero) Tbk., Jambi (Bank Mandiri) and Nucleus Estate Smallholder Project (Pasma PIR), on May 10, 1996, to develop of 3,600 hectares of oil palm plantations at an area close to Agro.

Agro, on behalf of the project, obtained a long-term loan from Bank Mandiri with a maximum credit limit of Rp 24.39 billion. The funds will be transferred to the Plasma PIR projects in accordance with the requirements of the projects and the interest expense is charged to the projects. As of June 30, 2005 and 2004 the PIR Plasma Project's funds used amounted to Rp 18.38 thousand and Rp 2.00 billion, respectively (see Note 13) more than funds that obtained from Bank Mandiri.

In relation to this agreement, Agro has an obligation to develop the oil palm plantations - Plasma PIR completely on schedule and convert it on schedule of 2005 at the latest. Any difference between the value at the time of conversion and the cost to develop the plasma estate will be for the account of Agro.

- d. On June 29, 2004, based on Letter No. 018/KV-HRD/VI/04, PT Kilang Vecolina (KV) negotiated to obtain the haircut of its payable to Rye Investment Ltd. (RI) from Rp 7.5 billion to Rp 2.25 billion. According to this letter, RI approved to restructure its loan to be Rp 2.63 billion.
- e. PT Kilang Vecolina (KV), a Subsidiary entered into a deal with PT Hasil Raya Industries (HRI) regarding to the write-off of KV's payable to HRI, in which HRI will not collect the payable to KV.
- f. PT Kilang Vecolina (KV), a Subsidiary, entered into agreement of settlement of KV's payable with PT Mayasari Binangun (MB). Based on the agreement, it is agreed that the balance of payable amounts to Rp 270 million.
- g. On December 30, 2003, PT Bakrie Pasaman Plantations, a Subsidiary, entered into the cooperation agreement with PT Triroyal Timurraya to increase the oil palm refinery production capacity from 30 ton TBS/hour to 60 ton TBS/hour based on Cooperation Contract No.010/BPP TRI/SPK/PKS/XII/2003 on the same date. On October 15, 2004, the agreement was amended based on Letter No. Add 07/BPP-TRI/P&S/X/2004 that approved the additional jobs, the change in the sum of contract from Rp 16.81 billion to Rp 17.98 billion and the change of the completion schedule from 11 (eleven) to 14 (fourteen) months since the date of agreement.
- h. Based on the confirmation letter No.137/HD-DIR/VIII/04 dated August 10, 2004, from PT Hortus Danavest Tbk. (HD) as an arranger, PT Tiga Pilar Group as an investor intended to acquire shares of PT Kilang Vecolina, a Subsidiary, owned by the Company and PT Bakrie Pasaman Plantations (BPP).

43. AGREEMENTS AND COMMITMENTS (Continued)

Based on negotiation between the Company and PT Tiga Pilar Group, the following conditions should be met:

- All outstanding liabilities including but not limited to loan, convertible notes, account payables, advances and other liabilities have to be settled by the Company.
- The seller shall grant the investor 14 (fourteen) days running test for factory operation.

As of to date of audit report, the transaction had not been exercised yet between the Company, BPP and PT Tiga Pilar Group.

- i. On November 1, 2004, KV, a Subsidiary, obtained an approval on the haircut of its principal loan to PT Mega Marga Raya from Rp 43.01 billion to Rp 33 billion based on Amendment of Loan Agreement dated April 20, 2004.
- j. On December 9, 2004, the Company and certain Subsidiaries entered into agreement with PT Multi Kontrol Nusantara, a related party, to develop the E-Plantations software, to rent a software and to get an Annual Technical Support. The sum of contract amounts to US\$ 362,500 for implementation of E-Plantations software. Software rental cost amounts to US\$ 2 per actual hectares and Annual Technical Support cost amounts to US\$ 0.5 per actual hectares (see *Note 15*).
- k. On October 14, 2004, the Company entered into Consultancy Agreement with PT Cahayamas Agroservindo according to the construction of the oil palm refinery at Kisaran which includes the desain planning, supervisory during the construction period and commissioning. The sum of contract amounts to US\$ 216,000 (see *Note 15*).
- l. On December 22, 2004, the Company entered into agreement with PT Bakrie Corrugated Metal Industry, a related party, to construct of the Company's oil palm refinery project at Kisaran. The project includes the building construction of oil palm refinery and other supporting building with total contract amounts to Rp 12.65 billion excluding VAT. Term of completion of project is 12 months since the date of the signed agreement (see *Note 15*).
- m. On December 15, 2004, the Company entered into agreement with PT Triroyal Timurrayaya to construct and install the Company's oil palm machinery at Kisaran with production capacity of 45 ton TBS/tour. The sum of contract amounts to Rp 25.51 billion excluding VAT. Term of completion of project is 18 months since the date of the signed agreement (see *Note 15*).

44. SEGMENT INFORMATION

Operational Segment

The Company and Subsidiaries managed their operations by dividing them into rubber and oil palm plantations and derivatives products. The division is used as reporting basis of the operational segment information.

The information on operational segment of the Company and Subsidiaries are as follows:

PT Bakrie Sumatera Plantations Tbk. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
For the Six Months Period Ended June 30, 2005 and 2004
(In thousand Indonesian Rupiah)

44. SEGMENT INFORMATION (Continued)

	2005 (unaudited)			
	Rubber	Oil palm and Derivatives	Elimination	Consolidated
REVENUES				
External parties	161,041,078	231,187,298	(55,416,728)	336,811,648
Intersegment	-	-	-	-
COST OF GOODS SOLD				
External parties	105,903,301	177,466,592	(55,416,728)	227,953,166
Intersegment	-	-	-	-
Total Cost of Goods Sold	105,903,301	177,466,592	(55,416,728)	227,953,166
RESULT				
Segment result	55,137,777	53,720,706	-	108,858,482
OPERATING EXPENSES UNALLOCATED				27,889,384
OPERATING PROFIT				80,969,098
Interest and financial expenses				(20,149,905)
Gain (loss) on foreign exchange - net				(20,886,993)
Others - net				(4,277,003)
INCOME BEFORE TAX				35,655,197
TAX EXPENSE				(11,508,683)
NET INCOME				24,146,514
Segment Assets				
Plantations	169,379,897	271,718,598	-	441,098,495
Machineries and equipment	45,952,888	290,473,376	-	336,426,264
Investment in associate companies	90,000,000	301,280,100	(390,093,551)	1,186,549
Unallocated assets	-	-	-	413,606,894
Total Assets	305,332,785	863,472,074	(390,093,551)	1,192,318,203
Segment liabilities	636,893,184	110,480,505	-	751,120,557
Unallocated liabilities	-	-	-	22,461,137
Equity	-	-	-	418,736,509
Total Liabilities and Equity	636,893,184	110,480,505	-	1,192,318,203

PT Bakrie Sumatera Plantations Tbk. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
For the Six Months Period Ended June 30, 2005 and 2004
(In thousand Indonesian Rupiah)

44. SEGMENT INFORMATION (Continued)

	2004 (audited)			
	Rubber	Oil palm and Derivatives	Elimination	Consolidated
REVENUES				
External parties	120,114,579	160,253,167	-	280,367,746
Intersegment	-	-	-	-
COST OF GOODS SOLD				
External parties	80,524,662	105,240,518	-	185,765,180
Intersegment	-	-	-	-
RESULT				
Segment result	39,589,917	55,012,649	-	94,602,566
OPERATING EXPENSES UNALLOCATED				24,198,443
OPERATING PROFIT				70,404,123
Interest and financial expenses				(14,249,204)
Gain (loss) on foreign exchange - net				(55,076,382)
Others - net				17,111,976
INCOME BEFORE TAX				18,190,513
TAX EXPENSE				(5,621,420)
INCOME AFTER TAX				12,569,093
Segment Assets				
Plantations	127,697,296	291,080,038	-	418,777,334
Machineries and equipment	2,999,243	92,020,709	-	95,019,952
Investment in associate companies	-	235,453,781	(233,147,426)	2,306,355
Unallocated assets	-	-	-	350,327,787
Total Assets	130,696,539	618,554,528	(233,147,426)	866,431,428
Segment liabilities	-	354,478,217	(10,271,638)	344,206,579
Unallocated liabilities	-	-	-	410,632,946
Equity	-	-	-	111,591,903
Total Liabilities and Equity	-	354,478,217	(10,271,638)	866,431,428

PT Bakrie Sumatera Plantations Tbk. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
For the Six Months Period Ended June 30, 2005 and 2004
(In thousand Indonesian Rupiah)

45. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

	2005	
	(unaudited)	
	<u>Foreign Currency</u>	<u>Equivalent Rupiah</u>
Assets:		
Current:		
Cash and cash equivalents	US\$ 658,677	6,397,730
Trade receivables	US\$ 3,385,492	32,883,286
Liabilities:		
Short-term:		
Trade payables	(US\$ 795,650)	(7,728,150)
Others payable	(US\$ 77,474)	(752,506)
Long-term loans matured within one year	(US\$ 3,743,667)	(36,362,236)
Long-term:		
Long-term loan - net of current portion matured within one year	(US\$ 48,027,991)	(466,495,881)
Monetary liabilities in foreign currency- net		(472,057,757)

	2004	
	(audited)	
	<u>Foreign Currency</u>	<u>Equivalent Rupiah</u>
Assets:		
Current:		
Cash and cash equivalents	US\$ 143,480	1,350,868
Trade receivables	US\$ 3,280,222	30,883,293
Advances	US\$ 155,302	1,462,173
Liabilities:		
Short-term:		
Trade payables	(US\$ 275,597)	(2,594,747)
Long-term loans matured within one year	(US\$ 4,830,000)	(45,474,450)
Long-term:		
Long-term loan - net of current portion matured within one year	(US\$ 55,129,996)	(519,048,912)
Monetary liabilities in foreign currency- net		(533,421,775)

46. CONTINGENCIES

- a. The Company acts as the guarantor on the loan of PT Bakrie Rubber Industry, an associated company, to the Hongkong & Shanghai Banking Corporation Limited, Medan branch, with a credit limit amounting to US\$ 4.3 million. The nature of collateral is subordinate guarantee.
- b. Based on Local Government of Asahan Letter No. 620/6671 dated August 29, 1996 and No. 593/1146 dated February 5, 1997 about "Relinquish the Land Right Concerning to the City Design of Kisaran" and based on Agrarian Affairs Ministry Decision/Nasional Agrarian Agency Head No. 66/HGU/DA/85/B/51 about revision of the right holder and extension of landright to PT Bakrie Sumatera Plantations Tbk., on Asahan regency's land, in section e it is decided that the landright holder has the obligation to relinquish 1,408 hectares of its plantations land.

Furthermore, the Company should relinquish the land right of 1,408 hectares gradually to be developed as a places of worship, non-urban residences, traditional markets, trade centers, schools, etc. based on Local Government of Asahan Letter No. 620/4157 dated September 21, 1999. Until 2003, the land allocated is 44 hectares. Projection of potential loss on relinquishing land rights of 1,364 hectares consists of:

- Rubber plantation: 873 hectares located in Tanah Raja and Serbangan with potential loss of production and severance pay were about 4,768 ton and Rp 2.98 billion for 182 employees, respectively;
- Oil palm plantation: 491 hectares located in Tanah Raja with potential loss of production and severance pay were about 228,777 ton and Rp 868 million for 58 employees, respectively.